PUBLIC FINANCE MANAGEMENT SECTORAL STRATEGY 2023-2030 AND ACTION PLAN 2023-2026

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# Abbreviations

|  |  |
| --- | --- |
| AA | Audit Authority  |
| AEO | Authorised Economic Operator |
| AFCOS | Anti-fraud Coordination Service |
| AFMIS | Albania Financial Management Information System |
| AGFIS | Albania Government Financial Information System |
| ALL | Albanian Lek |
| ALSAI | Albanian Supreme Audit Institution (independent institution, also referred to as High State Control) |
| ASYCUDA | Albania Automated System for Customs Data |
| ATRAKO | Albanian Concessions Agency |
| BCP | Business Continuity Plan |
| BI | Budget Institutions |
| BoA | Bank of Albania |
| CBA | Cost Benefit Analysis |
| CDMC | Cash and Debt Management Committee |
| CEF | Committee for Finance and Economy (under the Parliament) |
| CEF-SEE | Centre of Excellence in Finance – South East Europe |
| CFCU | Central Finance and Contracts Unit (under MoF) |
| CPD | Continuous Professional Development |
| CRA | Credit Risk Assessment |
| DABP | Directorate of Analysis and Budget programming (under MoF GDB) |
| DB | Directorate of Borrowing (under MoF GDPDCFA) |
| DBM | Directorate of Budget Management (under MoF GDB) |
| DBP | Directorate of Business Processing (under MoF GDT) |
| DC | Directorate for Concessions and PPP (under MoF) |
| DeMPA | Debt Management Performance Assessment |
| DFH | Directorate of Fiscal Harmonization (under MoF GDFP) |
| DGMP | Directorate General of Macroeconomic Programming |
| DHFMCA | Directorate of Harmonization of Financial Management, Control and Accounting (under MoF GDHPIFC) |
| DHIA | Directorate of Harmonization of Internal Audit (under MoF GDHPIFC) |
| DLF | Directorate of Local Finance (under MoF GDB) |
| DoPA | Department of Public Administration (under PMO) |
| DPFI | Directorate of Public Financial Inspection (under MoF) |
| DPIM | Directorate of Public Investment Management (under MoF GDB) |
| DRF | Directorate of Fiscal Risk |
| DSA | Debt Sustainability Analysis |
| DSDM | Directorate of Strategy and Debt Monitoring (under MoF GDPDCFA) |
| DTO | Directorate of Treasury Operations (under MoF GDT) |
| EAMIS | External Assistance Management Information System |
| ECA | European Court of Audit |
| EDP | Excessive Deficit Procedure |
| ERP | Economic Reform Programme |
| ESA | European System of Accounts (2010) |
| EU | European Union |
| EU4GG | EU for Good Governance |
| EUROSAI | European Organisation of Supreme Audit Institutions |
| FCS | Fiscal Cadastre System |
| FMC | Financial Management and Control |
| FRS | Fiscal Risk Statement |
| GDB | General Directorate of Budget (under MoF) |
| GDC | General Directorate of Customs (under MoF) |
| GDFP | General Directorate of Fiscal Policies (under MoF) |
| GDHPIFC | General Directorate of Harmonization of Public Internal Financial Control (CHU, under MoF) |
| GDMP | General Directorate of Macroeconomic Programming (under MoF) |
| GDPDCFA | General Directorate of Public Debt and Coordination of Foreign Aid (under MoF) |
| GDPT | General Directorate for Property Tax (under MoF) |
| GDT | General Directorate of Treasury (under MoF) |
| GDTax | General Directorate of Taxation (under MoF) |
| GFS | Government Finance Statistics |
| GGA | Gender Gap Analysis |
| GIZ | Gesellschaft für Internationale Zusammenarbeit (Germany) |
| GoA | Government of Albania |
| GRB | Gender-responsive Budgeting |
| HRMIS | Human Resource Management Information System |
| IBP | International Budget Partnership |
| IC | Internal Control |
| IDI | International Development Initiative (of INTOSAI) |
| IFI | Independent Fiscal Institution |
| IIA | Institute for Internal Audit |
| IMF | International Monetary Fund |
| INSTAT | Institute of Statistics (independent institution) |
| INTOSAI | International Organisation of Supreme Audit Institutions |
| IPA | Instrument for Pre-Accession |
| IPS | Integrated Planning System |
| IPSAS | International Public Sector Accounting Standards |
| IPSIS | Integrated Planning System Information System |
| ISSAI | International Standards for Supreme Audit Institutions |
| ITMS | Integrated Tariff Management System |
| KPI | Key Performance Indicator |
| LGU | Local Self-Government Unit (Municipality) |
| MEAT | Most Economically Advantageous Tender |
| MoF | Ministry of Finance and Economy |
| MTBP | Medium Term Budget Programme |
| MTDMS | Medium Term Debt Management Strategy |
| MTRS | Medium Term Revenue Strategy |
| NAIS | National Agency for Information Systems (under PMO, also referred to as AKSHI) |
| NAO | National Authorising Officer (under MoF) |
| NCTS | New Computerised Transit System |
| NPEI | National Plan for European Integration |
| NSDEI | National Strategy for Development and European Integration |
| NSPP | National Strategy for Public Procurement |
| NSW | National Single Window |
| OBL | Organic Budget Law |
| OSP | Official Statistics Program |
| PAR | Public Administration Reform |
| PEFA | Public Expenditure and Financial Accountability (Assessment) |
| PFM | Public Finance Management |
| PIM | Public Investment Management |
| PIMA | Public Investment Management Assessment |
| PMO | Prime Minister’s Office |
| PPA | Public Procurement Agency (independent institution) |
| PPC | Public Procurement Commission (independent institution) |
| PPP | Public Private Partnership |
| SAI | Supreme Audit Institution |
| SASPAC | State Agency for Strategic Programming and Aid Coordination (under PMO) |
| SDG | Sustainable Development Goals |
| SECO | State Secretariat for Economic Affairs (Switzerland) |
| SIGMA | Support for Improvement in Governance and Management (OECD - EU) |
| SOE | State Owned Enterprise |
| SPC | Strategic Planning Committee  |
| SPP | Single Project Pipeline |
| TNA | Training Needs Assessment |
| UN | United Nations |
| WB | World Bank |

# Executive Summary

This Public Financial Management sectoral strategy 2023-2030 and action plan for the period 2023-2026 presents the planned reforms for improving the PFM systems. In alignment with the National Strategy for Development and European Integration (NSDEI) 2022-2030, the overall goal of the strategy is to establish a public finance management system that ensures transparency, accountability, fiscal discipline and efficiency in the use of public resources for the provision of improved public services and economic development and which ensures a smooth integration of Albania in the European Union.

The PFM reform measures are formulated across six pillars as follows:

Pillar 1: Macroeconomic programming and Risk Monitoring

The systems for developing and monitoring a sound fiscal policy based on fiscal rules, advanced macroeconomic forecasts and solid fiscal risk management practices are maintained and further improved. A Fiscal Council is established.

1. Prudent forecasting of macroeconomic indicators in line with independent and international forecasters;
2. Prudent and realistic medium-term revenue forecasting in line with independent and international forecasters;
3. Safeguard sound public finances through the permanent compliance with the Fiscal Rules).
4. Provide technical assistance for the DSA process
5. Introduce the DSA framework as a macroeconomic programming tool;
6. Introduce Annual Fiscal Risk Statement and gradually expand the scope of fiscal risk monitoring and reporting;
7. Strengthen the management of Fiscal Risk related to PPPs and concession contracts;
8. Strengthen the fiscal oversight of State Owned Enterprises;
9. Further enhance management of arrears.
10. Establish the fiscal council

Pillar 2: Integrated strategic and budget planning, monitoring, and transparent reporting

An advanced system for integrated strategic planning and medium term budget planning at all levels of government are in place. The practices for public investment planning are professionalised. Transparent monitoring and reporting and public participation in budget processes in compliance with the relevant standards is ensured.

1. Enhance the IT-supported Integrated Planning System for formulating and monitoring strategies.
2. Expand the mid-term review and ex-post evaluation of strategies and action plans.
3. Further improve methods, procedures and managerial accountability for MTBP formulation.
4. Enhance budget documentation and in particular the element of performance information.
5. Introduce spending reviews.
6. Further develop and introduce gender-responsive budgeting and climate-responsive budgeting.
7. Approval of the Priority Policy Document together with the NSPP.
8. Operationalize procedures for improved public investment management.
9. Strengthen the Single Project Pipeline and enhance the gatekeeper role of MoF.
10. Improve the grant formula and calculation system for local government.
11. Strengthen MTBP formulation and monitoring implementation in Municipalities.
12. Develop and deploy the new Local Budget Management System (LBMS) for subnational budget preparation and monitoring.
13. Improve the level of financial resources from shared taxes.
14. Improve budget execution monitoring and reporting and introduce Citizens Budget Execution report.
15. Improve monitoring and reporting on Public Investment Projects.
16. Improve monitoring and reporting on Public Private Partnerships and Concession Contracts.

Pillar 3: Revenue mobilisation and management

Domestic revenue mobilisation is increased through developing and implementing advanced tax policies and the systems for tax and customs management are further improved and where applicable aligned to the EU legal requirements. The Medium Term Revenue Strategy is implemented, regularly updated and tax reforms are adequately managed.

1. Enhance the institutional capacity to analyse and develop tax policies and to manage tax reforms.
2. Develop and implement initiatives to reduce the VAT compliance gap.
3. Develop and implement an integrated approach to reduce under and undeclared work.
4. Ensure taxation of any unjustified wealth inside and outside the country.
5. Improve service delivery to taxpayers.
6. Improve the fiscal cadastre and the property tax collection system.
7. Modernise business and risk management processes of the Customs Administration.
8. Develop integrity framework and fight against informality and corruption.
9. Increase the number of Authorized Economic Operators.
10. Implement the National Single Window.
11. Improve the utilization of the New Computerised Transit System.

Pillar 4: Accounting and budget execution management

Budget execution management practices are strengthened, including improvement and increased utilisation of the AGFIS, implementation of the International Public Accounting Standards reforms facilitating a transition to accrual accounting. The procurement systems are improved and in particular compliance with procurement legislation is secured. Debt and cash management practices are further enhanced, and asset management systems improved.

1. Further improve the GFS and EDP statistics with EU standards.
2. Increase access to and utilization of AGFIS.
3. Develop the legal and regulatory framework for accounting reforms.
4. Improve functionalities of AGFIS to absorb accounting reforms.
5. Prepare, deliver and institutionalize capacity development of accountants to absorb accounting reforms.
6. Improve quality and efficiency in procurement procedures.
7. Design and implement green public procurement.
8. Enhance the efficiency of the complaint review system by increasing the speed of decision-making.
9. Improve the legal and institutional framework for concessions and public-private partnership.
10. Strengthening of debt management reporting and Investor Relations.
11. Developing a comprehensive framework for provision of guarantees and on-lending.
12. Gradually start to develop the necessary assessment for the new alternative financing instruments (Green, Social or Sustainability or other Instruments).
13. Improve cash forecasting process.
14. Introduce a comprehensive performance monitoring system for cash forecasting.
15. Enhance cash management instruments.
16. Finalize reform on asset register module in AGFIS for accounting purposes.

Pillar 5: Public Internal Financial Control

The systems for Public Internal Financial Control are further enhanced in compliance with EU accepted practices for sound financial management. The concept of managerial accountability and delegation of authorities is strengthened and all Financial Management and Control gaps in public institutions are addressed. Added-value internal audits are implemented in all public institutions in accordance with applicable standards. Fraud and irregularity cases are effectively addressed by the public financial inspection and the AFCOS network implements the anti-fraud strategy. Adequate financial management systems are in place to absorb IPA-III and future EU financial support.

1. Enhance legal and regulatory framework for FMC.
2. Enhance Managerial Accountability in public institutions.
3. Strengthen Risk Management practices.
4. Enhance FMC quality assessment and improvement in public institutions.
5. Continue oversight and expand support services to public institutions and internal audit teams.
6. Professionalize core internal audit practices through developing guidelines and delivering capacity building activities.
7. Enhance collaboration with Internal Audit and ALSAI.
8. Coordinate the drafting and monitoring of the National Anti-fraud Strategy for the protection of the EU financial interests.
9. Establishment of IPA III legal framework.
10. Develop and implement regulations and procedures for IPA III management. Enhance the capacities of IPA III structures.
11. Enhance financial adjustment and/or Recovery procedures for EU Funds in line with national and IPA III legal requirements.
12. Take stock of requirements for managing future EU funds and develop an action plan, within the framework of Chapter 22, which will determine the needs for improving the legal framework of funds management.
13. Development of Simplified Cost Options (SCO)

Pillar 6: External Oversight

The independent Supreme Audit function is further professionalised in line with INTOSAI principles and international audit standards and the support function to the parliament is strengthened to enable the Parliamentary Committee for Economy and Finance to adequately implement its oversight role.

1. Further improve legal, regulatory and agile methodological framework and expand utilization of audit tools.
2. Professionalize reporting and communication in compliance with the communication strategy and relevant principles and standards.
3. Further professionalize the support function of the Committee for Economy and Finance of the Parliament.

# Introduction

## Scope and Goal

Albania has successfully implemented several PFM reforms during the past decades. This strategy presents a vision of the PFM function by 2030 and an action plan identifying a series of measures and associated activities and performance indicators to continue reforms in PFM systems until 2026. This strategy focuses on improving the PFM systems. The strategy is fully aligned to the National Strategy for Development and European Integration and several other strategies in the domain of good governance.

In alignment with the NSDEI 2022-2030, the overall goal is to establish a public finance management system that ensures transparency, accountability, fiscal discipline and efficiency in the use of public resources for the provision of improved public services and economic development, and which ensures a smooth integration of Albania in the European Union.

The Strategy will serve as a framework to guide the implementation of all GoA PFM reforms for the period up to the end of 2030. To ensure appropriate control and focus on priorities, as well as to reflect the dynamic environment and priorities of the European Union, modification to the Strategy shall be restricted until the end of the implementation period. The Action Plan and Passport of Indicators will be dynamic and reviewed as seen necessary: actions, outputs and outcomes may change as reform implementation progresses.

## Overview of the PFM sectoral strategy

This strategy is structured in six pillars, with in each pillar several components.

*Figure 1.1 overview of the PFM sectoral strategy*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Pillar 1****Macroeconomic programming and Risk Monitoring** | **Pillar 2****Integrated strategic and budget planning, monitoring, and transparent reporting** | **Pillar 3****Revenue mobilization and management** | **Pillar 4****Accounting and Budget Execution Management** | **Pillar 5****Public Internal Financial Control** | **Pillar 6****External Oversight** |
| Prudent and realistic macro-economic programming | Integrated strategic planning | Tax Management | National Government Accounts | Financial Management and control | External Audit |
| Establishing a comprehensive Debt Sustainability Analysis  | Medium term budget planning | Property Tax Management | Accounting | Internal Audit | Parliamentary oversight |
| Fiscal Risk Management | Public Investment Management | Customs Management | Public Procurement | Public Financial Inspection and Anti-Fraud Coordination Services |  |
| Fiscal Council  | Local Finance |  | Debt Management | Management of EU funds |  |
|  | Budget Execution Monitoring and Reporting |  | Cash Management |  |  |
|  |  |  | Asset Management |  |  |

## Alignment with the Strategic Framework for National Development, European Integration, Economic Reforms and Good Governance

This PFM sectoral strategy has been developed in alignment with the Strategic Framework for National Development, European Integration and Economic Reforms and Good Governance, which in turn comprises the following:

* National Strategy for Development and European Integration (NSDEI) 2022-2030
* Public Administration Reform Roadmap 2023-2030
* National Plan for European Integration (NPEI)
* Inter-Sectoral Strategy for Decentralization and Local Governance 2023-2030
* Anti-corruption strategy 2024-2030 (under development)
* Official Statistics Program (OSP) 2022–2026
* Economic Reform Programme (ERP)
* United Nations 2030 agenda for Sustainable Development

**National Strategy for Development and European Integration 2022-2030**

The NSDEIsets the development direction of Albania until 2030 with its primary goal being the full integration in the European Union. The three main pillars of the strategy are (i) Democracy and strengthening of institutions and good governance; (ii) Agenda for sustainable economic development, connectivity and green growth and (iii) Social cohesion. The NSDEI includes in section “*Good, open governance and public administration”* under pillar 1 the following policy objectives: (i) effective, transparent, inclusive and evidence-based strategic planning and policy making at central and local level of government and (ii) guaranteeing a public finance system that promotes transparency accountability, fiscal discipline and efficiency in the management and use of public resources for the provision of improved services and economic development. This section also presents objectives related to the national statistical system. Also in pillar 1 increasing local financial autonomy through the consolidation of the own income system has been identified as an objective under section “*Decentralization and empowerment of local government”.* In section *“Strengthening public finances and fiscal stability”* under pillar 2 the following objectives in connection to PFM are listed: (i) Prudent, effective and efficient financial management of local government; (ii) Planning and supervision of public investments and (iii) Strengthening and implementation of the system for Internal Public Financial Control in central and local government. The same section also articulates goals related to revenue and customs policy and administration.

**National Plan for European Integration**

The National Plan for European Integration (NPEI) aims to coordinate the EU approximation process while aiming simultaneously at the fulfilment of the obligations under the Stabilisation and Association Agreement and the obligations that arise as part of the process of membership in the European Union. It is prepared for a three year period (2023-2025) and includes the legal acts to be approved by Albanian institutions. PFM as part of the Public Administration Reform within the Political Criteria is an integral part of NPEI. Also, there are many chapters dealing with a specific area of EU policy which in the same time are part of the PFM strategy. Below is provided the link between these chapters and the PFM Specific objectives and components.

NPEI (2024-2026) includes political, legal, institutional and implementation measures that will be adopted by Albanian institutions for this period. The document is related to the programming cycle of the Medium-Term Budget Program and, in line with the MTBP, covers a 3-year budgeting period and is updated annually.

|  |  |
| --- | --- |
| **NPEI reference** | **PFM Strategy reference** |
| Chapter 5 Public Procurement | Specific Objective 4 | Component 4.2 |
| Chapter 16 Taxation | Specific Objective 3 | Component 3.1 |
| Chapter 17 Economic and Monetary Policy | Specific Objective 1 | Component 1.1 |
| Chapter 18 Statistic | Specific Objective 4 | Component 4.1 |
| Chapter 22 Regional policies and coordination of structural instruments | Specific Objectives 2; 5 | Component 2.1; 5.4 |
| Chapter 29 Customs Union | Specific Objective 3 | Component 3.2 |
| Chapter 32 Financial Control | Specific Objective 5 | Component 5.1; 5.2; 5.3 |
| Chapter 33 Financial and Budgetary Provision | Specific Objectives 1; 3 | Component 1.3; 3.1; 3.2 |

**Public Administration Reform Roadmap 2023-2030**

“The Roadmap for Public Administration Reform 2023-2030” is a document that supports the reform in the public administration, with a plan of concrete priority measures, for the time period 2023-2030. The purpose of its drafting is to address the challenges identified within the reform of public administration, as well as the prioritization of measures in this direction, to ensure the fulfilment of standards and progress in the European integration process. The priority measures are organized in 5 pillars, based on the principles of the European Union on public administration:

1. Policy development and coordination;
2. Civil service and human resources management;
3. Organization, accountability and transparency;
4. Provision of services
5. Public Finance Management

In each of the above pillars, measures are planned in terms of: (i) areas and subareas / principles; (ii) strategic / legislative / institutional framework; (iii) implementation of institutional reforms and capacities; (iv) the operation and performance of the public administration.

**Inter-Sectoral Strategy for Decentralization and Local Governance 2023-2030**

In 2023, the Government of Albania approved the Inter - Sectoral Strategy for Decentralization and Local Governance for the period 2023-2030. The four key strategic pillars formulated focuses on:

1. consolidating the strategic and operational capacities of local self-government units through specific objectives which include the consolidation of administrative structures, the application of integrated administrative services through information technology for municipalities and the strengthening of dialogue between central and local government with mutual accountability;
2. strengthening local finances and fiscal autonomy, with objectives such as consolidating the local revenue system, increasing revenue sharing from national taxes with municipalities, improving the predictability and stability of government transfer systems, enhancing the capacity of Local Self-Government Units (LSGUs) to use borrowing for capital projects within national public debt policies, and strengthening the public finance management system at the local level;
3. promoting sustainable local development through efficient implementation of functions within a clear and harmonized legal framework, ensuring sustainable economic development, and establishing and updating minimum national standards for local services; and
4. tansporttrengthening good governance at the local level, emphasizing open governance, transparency, accountability, and expanded e-governance.

The pillar 2 and 4 of the Strategy are relevant to the PFM.

**Anti-corruption strategy 2024-2030**

**Economic Reform Program**

“The ERP 2023-2025[[1]](#footnote-2) outlines the main macroeconomic and fiscal policies aiming to establish the clear balance between the internal strengths and external threats, with a view to enable sustainable growth, increased employment and reduced public debt. In addition, the ERP summaries the priority structural reforms that Albania is implementing for the short-term future with a view to increasing domestic production, stimulating new investments and ensuring sustainable and inclusive growth and competitiveness. Fiscal consolidation continues to be the primary objective of fiscal policy to ensure the macroeconomic stability...”

The ERP 2023-2025 presents the following Policy Guidance in relation to PFM:

* PG 1.2 Restrict budget revisions to the regular revision process set out in the Budget Law and use the regular legislative process should an amendment of the Budget Law become necessary.
* PG 1.3 Assess the fiscal risks from state-owned enterprises and develop proposals for their mitigation.
* PG 2.1 Implement the activities outlined in reform measure 10 of the ERP on Public Strategic Investments and in the PFM strategy to improve the management of public investments including PPPs.
* PG 2.2 Adopt the medium-term revenue strategy following an intensive public consultation, and complement it with a budgeted, operational implementation plan to guide tax policies in the coming years.
* PG 4.3 Design a strategic and coordinated action plan for implementing anti-informality policies, based on, but not limited to, the medium-term revenue strategy.

Moreover, the ERP identifies the following Reform Measures relevant for PFM:

* RM 09: Public Strategic Investments: (a) Develop a new PIM procedure, including PPP; (b) Strengthen the capacity across government to appraise public investment projects; and (c) Improve monitoring of public investments including PPP projects and concessions.
* RM 10: Reform measure 10: Strengthening managerial accountability in general government units through improving the regulator framework, continuous evaluation of the IC system, providing TA, capacity building and awareness raising with regards to improving managerial accountability mechanisms.

The ERP 2024-2026[[2]](#footnote-3) presents the following Policy Guidance in relation to PFM:

* PG 1.1 Achieve as envisaged a non-negative primary balance in 2023 while providing targeted support to
vulnerable households and firms if needed to cushion the impact of high energy prices and, thereafter,
implement the medium-term budgetary plan aiming to reduce the public debt ratio and increase the
primary surplus while using the regular revision process for budget amendments.
* PG 1.2 Keep general government arrears in each quarter of 2023 at maximum 2.5% of total expenditure and below 2.4% of total expenditure at end-2023.
* PG 1.3 Inform decisions about new state guarantees and on-lending to public entities by a systematic risk assessment
* PG 2.1 Continue measures to increase tax revenue as share in GDP in a growth-friendly way while taking into account the results of a broad public consultation on tax policies.
* PG 2.2 Complete procedures to fully establish the National Single Project Pipeline (NSPP) and advance the necessary legal amendments to fully integrate PPPs into the NSPP

**Official Statistics Program 2022-2026**[[3]](#footnote-4)

The "Official Statistics Program 2022-2026" of Albania, approved by the Assembly of the Republic of Albania with Law No. 30/2022, outlines the strategy for the development of official statistics over a five-year period. It focuses on enhancing the National Statistical System (NSS), integrating statistical activities into the European Statistical System, and ensuring quality and comprehensive data collection. The program aims to align with EU statistical standards, address specific user needs, and improve the efficiency, transparency, and quality of statistical processes and services. It also emphasizes modernizing data collection methods and integrating new statistical methodologies. In relation to PFM the OSP plans to improve macroeconomic statistics including Government Financial Statistics and and Excessive Deficit Procedure Tables, their further harmonisation with the European system of accounts ESA 2010 through the expansion of the database for extra-budgetary units and their integration in the data system of the general government; integration of all units of the general government in the AGFIS system and the compilation of the balance sheets of government accounts in accordance with the international standards of public sector accounts (IPSAS).

**United Nations 2030 agenda for Sustainable Development**

The Government of Albania has adopted the sustainable development goals as agreed in the United Nations 2030 agenda for Sustainable Development. Effective management of public finances, or the ability of governments to efficiently collect revenues and spend them in an accountable and transparent manner, is essential for economic growth and increasing the resources needed to pursue national objectives which in turn are linked to the SDGs and thus the PFM reform agenda is in support of all adopted SDGs. The PFM strategy in particular contributes to SDG 17 Strengthen the means of implementation of the SDGs, Target 17.1 Strengthen domestic resource mobilization (improve domestic capacity for tax and other revenue collection).

## Complementary Strategies for PFM reform

In the domain of PFM, several complementary strategies are in place covering a specific sub area of PFM:

* Medium Term Revenue Strategy (MTRS) 2022-2026
* Business Strategy of the Albanian Customs Administration 2023-2027
* Medium Term Debt Management Strategy (MTDMS) 2022-2026
* National Strategy for Public Procurement (NSPP) 2020-2023
* Public Sector Accounting Country Strategy and Action Plan
* Development Strategy Albania Supreme Audit Institution 2023-2027

These complementary strategies form an integral part of the overall PFM sectoral strategy 2023-2030 and its monitoring framework. Whenever relevant, objectives, measures, activities, milestones and performance indicators from these strategies are integrated into the sectoral strategy 2023-2030.

**Medium Term Revenue Strategy 2022-2026**

Albania has drawn up the Medium-Term Revenue Strategy (MTRS) 2022-2026 and as of January 2022, the implementation of the outlined measures is underway. The Strategy is a high-level road map for tax system reform, over the medium-term, needed to help finance the government’s strategic objectives. The strategy reflects the reforms in the field of tax policies and tax and customs administration that are expected to be undertaken during this five-year period, with the aim of improving fiscal policies, increasing tax revenues and the effectiveness of the tax and customs administration in their collection. In the same spirit are prepared Components 3.1 and 3.3 (part of Pillar 3 revenue Mobilization and Management) where measures aiming to enhance revenue mobilization are developed.

**Business Strategy of the Albanian Customs Administration 2023-2027**

The PFM strategy is aligned also with the draft Business Strategy of the Albanian Customs Administration 2023-2027. The Strategy is designed to guide the activities of the ACA in the period from 2023 till 2027 in achieving its mission and vision. The ACA strategy focuses on several key areas, including legislative modernization, trade facilitation, contribution to safety and security of the society, better safeguard health of the citizens and protect environment, capacity building and modernization of administration and IT development. It aims to create a modern and efficient customs administration fully in line with EU standards and best practices that is capable of meeting the needs of the business community while effectively enforcing customs laws and regulations.

**National Strategy for Public Procurement 2020-2023**

There is currently a National Strategy for Public Procurement 2020-2023 and the government is planning to adopt a new Public Procurement strategy to further align with PFM strategy. The Procurement Strategy lays out a comprehensive set of activities in the field of public contracts, concessions and public-private partnerships (PPPs) for both the legal and institutional framework to be undertaken in 2020-2023. Taking into account the main areas of intervention, which are part of the procurement, the Strategy is organized in five main pillars: (1) efficient and sustainable public procurement; (2) improvement of the legal and institutional framework for concessions and public-private partnership; (3) reorganizing of procurements in the field of defense and security; (4) centralised purchasing; (5) improvement of the complaint review system. Pillar 2 and 5 of this Strategy are linked with the Pillar 4 (Component 4.3) the PFM Strategy

**Medium Term Debt Management Strategy 2022-2026**

During 2022, the Ministry of Finance and Economy adopted the Medium Term Debt Management Strategy (MTDS) 2022-2026 aiming to outline the financing plans and the activities that will be undertaken in the medium term to ensure effective management of the public debt. The MTDMS has as main objectives: (i) to meet the government’s needs in a timely manner, including the need to service the current debt at the lowest possible cost while maintaining acceptable risk exposure levels; (ii) to improve and sustain primary market efficiency, supported by further development of the secondary market; (iii) Development of the government securities market; (iv) Drafting and publication of an annual borrowing plan; (v) Assessment of potential use of new alternative financing sources (Green, Social, etc.). The MTDMS is aligned with the Pillar4 (Component 4.4).

**Public Sector Accounting Country Strategy and Action Plan**

The Country Strategy and Action Plan (CSAP) for Public Sector Accounting and Financial Reporting has been finalized and approved by the Steering Committee in October 2019, providing strategic guidance on the implementation of IPSAS over medium to long term. The Public Sector Accounting (PSA) reforms represent ambitious initiatives, particularly within the context of Albania. Successful implementation demands the allocation of significant resources—both financial and human—as well as meticulous planning and coordination. Some main tasks of the CSAP are: (i) review and establish legal framework to facilitate adoption and preparation of public sector financial statements on an accrual basis; (ii) capacity building programme; (iii) prepare for IPSAS adoption, (iv) establish effective Governance frameworks necessary to underpin successful IPSAS implementation and public sector financial reporting on an accrual basis; (v) IPSAS rollout combined with the rollout of the new AGFIS system; (vi) Develop Preparation and presentation of financial statements and some other tasks. Some of the activities planned until 2026 are included in the PFM Strategy, under Pillar 4, Component 4.2.

**Development Strategy Albania Supreme Audit Institution 2023-2027**

The development strategy of ALSAI aims to further develop ALSAI in conformity with the values, principles and standards set by the INTOSAI community. The strategy formulates three strategic objectives: (i) Increasing and improving the role of the ALSAI as a supporter of the Parliament for effective accountability, careful and in-depth examination of entities that use public funds; (ii) Increasing the impact of audit work on good governance, through improving the level of implementation of recommendations and (iii) Optimizing professional capacities to acquire innovative knowledge in audit work. The ALSAI Strategy is linked with the Specific Objective 6 of the PFM Strategy.

# Pillar 1: Macroeconomic programming and Risk Monitoring

## Introduction

Specific Objective of pillar 1 is “Macroeconomic programming and risk monitoring” and cover the components of prudent and realistic macro-economic programming, establishing a comprehensive Debt Sustainability Analysis, fiscal risk management and fiscal oversight.

|  |
| --- |
| **Component 1.1 Prudent and realistic** **macro-economic programming**Goal 2030: The goal for 2030 is to have in place a system of generally accepted fiscal rules in combination with solid practices for macroeconomic programming and forecasting and developing a credible medium-term fiscal framework that form a sound basis for formulating the medium-term fiscal policy and MTBP. Measures for 2023-2026:* Measure 1.1.1 Prudent forecasting of macroeconomic indicators in line with independent and international forecasters;
* Measure 1.1.2 Prudent and realistic medium-term revenue forecasting in line with independent and international forecasters;
* Measure 1.1.3 Safeguard sound public finances through the permanent compliance with the Fiscal Rules.

**Component 1.2 Establishing a comprehensive Debt Sustainability Analysis**Goal 2030: The objective is to have established a comprehensive Debt Sustainability Analysis (DSA) framework.Measures for 2023-2026:* Measure 1.2.1 Provide technical assistance for the DSA process
* Measure 1.2.2 Introduce the DSA framework as a macroeconomic programming tool.

**Component 1.3 Fiscal Risk Management**Goal 2030: A comprehensive Fiscal Risk Management system and reporting addressing the main relevant contingent liabilities and other fiscal risks is in place.Measures for 2023-2026:* Measure 1.3.1 Introduce Annual Fiscal Risk Statement and gradually expand the scope of fiscal risk monitoring and reporting;
* Measure 1.3.2 Strengthen the management of Fiscal Risk related to PPPs and concession contracts;
* Measure 1.3.3 Strengthen the fiscal oversight of State Owned Enterprises;
* Measure 1.3.4 Further enhance management of arrears.

**Component 1.4 Fiscal Council**Goal 2030: Fiscal Council in place for evaluating the fiscal policy of the Government.Measure for 2023-2026:* Measure 1.5.1 Establish the fiscal council.
 |

## Component 1.1 Prudent and realistic macroeconomic programming

Objective

The goal for 2030 is to have in place a system of generally accepted fiscal rules in combination with solid practices for macroeconomic programming and forecasting and developing a credible medium-term fiscal framework that form a sound basis for formulating the medium-term fiscal policy and MTBP.

Context

The capacity for macroeconomic programming, encompassing macro-fiscal forecasting, has evolved over the years, bolstered also by support and collaborative efforts with the IMF and EU. The overarching objective of macroeconomic programming is twofold: first, to sustain and strengthen the nation's macroeconomic stability; second, to foster an environment conducive to high and sustainable economic growth, ultimately striving for expeditious convergence toward the average well-being level of the European Union. A comprehensive set of robust fiscal rules has been institutionalized in the legislative framework since 2016. The macro-fiscal projections serve as integral inputs for the MTBP and ERP, as well as for annual budgets (both the pre-budget statement and the annual budget monitoring report). In adherence to legislative requirements, the MoF aligns its projections of key macroeconomic variables with those of the IMF, a practice upheld since 2016.

Ensuring prudent, judicious and careful forecasting of macroeconomic indicators stands as a paramount priority. This entails employing a cautious and well-informed approach in predicting key economic variables, providing a foundation for informed policy decisions. Moreover emphasizing prudence and realism in medium-term revenue forecasting is crucial. This involves adopting a careful and grounded approach to anticipate revenue streams over the medium term, enabling the formulation of sound fiscal policies and resource allocation. Also safeguarding sound public finances through the permanent compliance with the Fiscal Rules remains a commitment. A pivotal focus is on upholding the integrity of public finances by consistently adhering to fiscal rules. This commitment to compliance ensures a stable fiscal framework, fostering fiscal responsibility and sustainability over the specified period. Such adherence contributes to the overall economic stability and resilience of the country.

Priorities

For the period 2023-2026 the priorities are:

* Prudent forecasting of macroeconomic indicators in line with independent and international forecasters.
* Prudent and realistic medium-term revenue forecasting in line with independent and international forecasters.
* Safeguard sound public finances through the permanent compliance with the Fiscal Rules.

Measures and activities

| **Measure** | **Activity** | **Start** | **End** | **Stakeholders** |
| --- | --- | --- | --- | --- |
| **Measure 1.1.1** **Prudent forecasting of macroeconomic indicators in line with independent and international forecasters** | 1. Continuously benchmark MoF's macroeconomic indicator projections with independent and international forecasters and disclose such comparison annually. This comparative analysis will be disseminated through the: "Macroeconomic and Fiscal Framework"; and the "Economic Reform Programme".
 | Q1 2023 | Q4 2026 | **Responsible entity:**DGMP (lead)[[4]](#footnote-5)**Partners:** IMF |
| 1. Address vacancies for specialized staff and develop and implement specialized training of DGMP staff.
 | Q4 2023 | Q4 2026 |
| **Measure 1.1.2** **Prudent and realistic medium-term revenue forecasting in line with independent and international forecasters** | 1. Continuously benchmark and disclose the MoF's medium-term revenue forecast projections with independent and international forecasters. This comparative analysis will be disseminated through the: "Macroeconomic and Fiscal Framework"; and "Economic Reform Programme".
 | Q1 2025 | Q4 2026 | **Responsible entity:** DGMP (lead)**Partners:**IMF |
| **Measure 1.1.3 Safeguard sound public finances through the permanent compliance with the Fiscal Rules** | 1. Guaranteeing strict compliance with legislatively mandated fiscal rules. This commitment underscores the dedication to abiding by established fiscal regulations, fostering a resilient fiscal framework and reinforcing the stability and accountability of public finances.
 | Q1 2023 | Q4 2026 | **Responsible entity:** DGMP (lead)**Partners:**IMF |
| 1. Enhancing transparency and providing comprehensive explanations pertaining to the adherence to fiscal rules. This commitment will be fulfilled through the regular dissemination in the: “Macroeconomic and Fiscal Framework"; "Economic Reform Programme"; and the "Report on the Implementation of the Annual Budget, Macroeconomic and Fiscal Situation".
 | Q1 2023 | Q4 2026 |

Performance indicators and milestones

|  |  |  |
| --- | --- | --- |
| **Indicator** | **Baseline value (year)** | **Target Value** |
| **2023** | **2024** | **2025** | **2026** |
| 1. Nominal GDP: the difference of the forecasted values between MoF and IMF should not be higher than zero.
 | 0.0(2022) | < 0 | < 0 | < 0 | < 0 |
| 1. Primary Balance: commencing from the year 2024, the Primary Balance will be legally mandated as a new Fiscal Rule, and it is stipulated to be no less than zero.
 | -1.8(2022) | > 0 | > 0 | > 0 | > 0 |

## Component 1.2 Establishing a comprehensive Debt Sustainability Analysis

Objectives

The goal is to establish a comprehensive Debt Sustainability Analysis (DSA) framework (by the year 2027). This initiative aims to fortify debt sustainability, proactively identify potential risks associated with indebtedness in the future, assess the impact of current policies on the debt trajectory, and underscore the necessity for timely policy interventions. The DSA framework will serve as an additional strategic tool to the macroeconomic programming to better inform decision-makers about the long-term implications of debt dynamics, contributing to prudent debt management practices and the overall public finances sustainability and macroeconomic stability of the country.

Context

The ongoing imperative to continually advance macroeconomic programming underscores the need for a significant leap forward. Specifically, the development of a dedicated Debt Sustainability Analysis (DSA) framework is deemed essential to augment the existing macroeconomic toolkit. This strategic addition analytical tool will be ensured by allocating the necessary resources, personnel, and technology, as well as supported and guided by a dedicated professional technical assistance. The ultimate objective is to systematically formalize a robust and tailored DSA framework which will foster a more comprehensive understanding of the country's public debt dynamics, thereby reinforcing the overall efficacy of macroeconomic programming.

Priorities

For the period 2023-2026 the priorities are:

* Provide adequate technical assistance for the DSA process.
* Introduce the DSA framework as an additional macroeconomic programming analytical tool.

**Measures and activities**

| **Measure** | **Activity** | **Start** | **End** | **Stakeholders** |
| --- | --- | --- | --- | --- |
| **1.2.1 Provide technical assistance for the DSA process.** | 1. Allocate resources (staff and technology) for the DSA process.
 | Q4 2024 | Q4 2026 | **Responsible entity:**MoF DGMP (lead)**Partners:** IMF, EU[[5]](#footnote-6) |
| 1. Develop and implement capacity development activities.
 | Q4 2024 | Q4 2026 |
| **1.2.2 Introduce the DSA framework as a macroeconomic programming tool.** | 1. Prepare the customised DSA framework.
 | Q1 2025 | Q4 2026 | **Responsible entity:** DGMP (lead) |
| 1. Involve the DSA framework and findings in the macroeconomic programming.
 | Q4 2026 | Q4 2026 |
| 1. Ensure transparency in reporting and publishing the DSA process.
 | Q4 2026 | ongoing |

**Performance indicators and milestones**

| **Indicator** | **Baseline value (2022)** | **Target Value** |
| --- | --- | --- |
| **2023** | **2024** | **2025** | **2026** |
| 1. Completing the technical assistance for DSA.
 | - | - | Request of technical assistance. | Continuation of the technical assistance.  | Technical assistance completed.  |
| 1. DSA framework established
 | - | - | - | Introduction of a basic DSA framework.  | DSA established.  |

## Component 1.3 Fiscal Risk Management

Objectives

The goal for 2030 is to have in place a comprehensive Fiscal Risk Management system and reporting addressing the main relevant contingent liabilities and other fiscal risks.

Context

The fiscal risk management process in Albania has been continuously improved since 2016, with the establishment of the Fiscal Risk Unit (FRU) as part of the Budget Management Directorate / General Budget Directorate. FRU is focused on monitoring arrears, monitoring and reporting actual and planned payments for concessions/PPP contracts with budget support, monitoring contingent liabilities for court decisions (Arbitration and European Court of Human Rights Decisions), evaluation of risks coming from state enterprises. During the last years, some improvements have been made in the direction of strengthening the monitoring of state enterprises (SOEs), through the expansion of the monitoring of SOEs including the enterprises of the Water and Sewerage Companies, and other state enterprises that may have budget impact. Therefore the PFM target has been completed yearly. Furthermore, with the Co-signing of the joint order of MIE and MoF 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 MoF 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 (Water Utility, GDT, etc.), the modalities of which are included in the supplementary budget instruction of the Minister of Finance. The scope of fiscal risks that are being monitored and reported on has been gradually increased and include currently risks related to Debt, Macro-economic developments, SOEs, PPPs and concession contracts, Arrears, Revenue, Local Government, Legal procedures and Court Cases. Improving the quality and expanding the scope of fiscal risk management is foreseen, for instance by gradually including in the monitoring framework the risks related to natural disasters and climate change.

In addition to the dedicated chapters in the Budget Reports such as: the Draft Budget Report for the following year, the consolidated Annual Budget Report and the Mid-Year Report, at the end of May 2024, the Fiscal Risk Statement for 2023 will be published for the first time, as a authentic and comprehensive document on the assessment and monitoring of fiscal risks that characterize the management of public finances (including risks from natural disasters), in line with the criteria and recommendations of international partners. In order to further improve the fiscal risk management process, in the new organic structure of the Ministry of Finance, approved in February 2024, the "Fiscal Risk Directorate (DRF)" was created, which will now be a leader in coordination, the development and advancement of the work in the MoF, in terms of fiscal risk management as a whole, and the Budget Risk Sector (SRB) as part of the Budget Management Directorate / General Budget Directorate, with a focus on monitoring the performance of the implementation of state budget, in order to monitor and report the risks that accompany its implementation.

Priorities

For the period 2023-2026 the priorities are:

* Introduction of the Annual Fiscal Risk Statement introduced as a separate report presenting the main assessed fiscal risks.
* Fiscal risk monitoring including natural disasters and climate change risks.

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| **Measure 1.3.1 Introduce Annual Fiscal Risk Statement and gradually expand the scope of fiscal risk monitoring and reporting** | 1. Develop and implement capacity building of staff for fiscal risk management.
 | Q1 2024 | Q4 2026 | **Responsible entity:**DFR (lead)**Partners:** IMF[[6]](#footnote-7) |
| 1. Develop, pilot and publish each year the Annual Fiscal Risk Statement.
 | Q1 2023 | Q4 2025 |
| 1. Expand the scope of fiscal risks reported in the FRS by also including risks related to natural disasters and climate change.
 | Q2 2024 | >2026 |
| **Measure 1.3.2 Strengthen the management of Fiscal Risk related to PPP and concession contracts** | 1. Improve the methodology and regulations for assessing and monitoring of fiscal risks of all PPPs and concession contracts at national and subnational level.
 | Q2 2025 | Q2 2026 | **Responsible entity:** DC (lead)**Partners:**IMF |
| **Measure 1.3.3 Strengthen the fiscal oversight of State Owned Enterprises** | 1. Enhance the methodology and regulations for assessing, monitoring and oversight of (fiscal) risks related to State Owned Enterprises[[7]](#footnote-8) at national and subnational level.
 | Q1 2025 | Q4 2026 | **Responsible entity:** DFR (lead), MoF, MoECI**Partners:**IMF |
| 1. Strengthen capacity for regular monitoring and reporting fiscal risks related to State Owned Enterprises.
 | Q1 2026 | Q4 2026 |
| **Measure 1.3.4 Further enhance management of arrears** | 1. Consolidate and further improve methodology of monitoring and reporting on arrears.
 | Q1 2024 | Q4 2026 | **Responsible entity:** WG of arrears (lead)**Partners:**EU[[8]](#footnote-9) |

Performance indicators and milestones

| Indicator | Baseline value (year) | Target Value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. Annual Fiscal Risk Statement introduced.
 | - | - | Piloted | Completed | Consolidated |
| 1. Score PEFA Indicator PI 10.3 Contingent liabilities and other fiscal risks.
 | C (2017) | - | - | - | B  |
| 1. Score PEFA Indicator PI 10.1 Monitoring of Public corporations.
 | C (2017) | - | - | - | B |
| 1. Methodology for assessing, monitoring and oversight of (fiscal) risks related to SOE improved
 | - | - | - | - | Improved |

## Component 1.4 Fiscal Council

Objective

The goal for 2030 is to have in place a fully-fledged fiscal council to evaluate the fiscal policy of the Government.

Context

In accordance with the PAR roadmap[[9]](#footnote-10) and EU recommendations and regulations[[10]](#footnote-11), an independent fiscal institution (fiscal council) shall be established in the framework of the EU integration process. The mandate of the fiscal council would be to – among other – evaluate the fiscal policy of the Government.[[11]](#footnote-12)

Priorities

For the period 2023-2026 the priorities are:

* Establish the Fiscal Council (Independent Fiscal Institution).

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| **Measure 1.4.1** **Establish the Fiscal Council** | 1. Prepare an options paper presenting possible modalities for a Fiscal Council tailored to the Albanian context. Identify the preferred option and develop a costed plan for establishing and operating the Fiscal Council.
 | Q1 2024 | Q4 2024 | **Responsible entity:** Fiscal Council Working Group (lead)**Partners:**WB/Regional EU Trust Fund |
| 1. Prepare and implement the necessary changes to the relevant legislation including a sub-legal act for the operations of the Fiscal Council.
 | Q1 2025 | Q4 2026 |
| 1. Establish the Fiscal Council.
 | Q1 2026 | Q4 2026 |

Performance indicators and milestones

|  |  |  |
| --- | --- | --- |
| Indicator | Baseline value (year) | Target Value |
| 2023 | 2024 | 2025 | 2026 |
| 1. Fiscal Council established
 | - | - | Fiscal Council options paper prepared | Fiscal Council legal framework drafted | Fiscal Council legal framework approved |

# Pillar 2 Integrated strategic and budget planning, monitoring, and transparent reporting

## Introduction

Specific Objective of pillar 2 is “Budget planning and budget execution monitoring practices enhanced” and cover the components integrated strategic planning, medium term budget planning, public investment management, local finance and budget execution monitoring. The long term objectives and medium term measures are summarised below.

|  |
| --- |
| **Component 2.1 Integrated Strategic Planning**Goal for 2030: To operate an integrated planning system (IPS) to effectively develop, monitor and evaluate nterlinked national, (sub)sectoral, cross-cutting and regional strategies and prioritized public investments in connection with budgetary resources.Measures for 2023-2026:* Measure 2.1.1 Enhance the IT-supported Integrated Planning System for formulating and monitoring strategies;
* Measure 2.1.2 Expand the mid-term review and ex-post evaluation of strategies and action plans.

**Component 2.2 Medium Term Budget Planning**Goal for 2030: to have the systems in place to ensure high-quality and credible MTBP (both pre-budget statement and annual budget law) serving the implementation of the government priorities and policies and the delivery of public services.Measures for 2023-2026:* Measure 2.2.1 Further improve methods, procedures and managerial accountability for MTBP formulation
* Measure 2.2.2 Enhance budget documentation and in particular the element of performance information
* Measure 2.2.3 Introduce spending reviews
* Measure 2.2.4 Further develop and introduce gender-responsive budgeting and climate-responsive budgeting
* Measure 2.2.5 Approval of the PPD together with the NSPP

**Component 2.3 Public Investment Management**Goal for 2030: A sound system for public investment management based on national single project pipeline, practices for merit-based project appraisal and selection linked to strategic government objectives, and transparent monitoring, reporting and evaluation on public investment project selection, execution and completion.Measures for 2023-2026:* Measure 2.3.1 Operationalise procedures for improved public investment management;
* Measure 2.3.2 Strengthen the Single Project Pipeline and enhance the gatekeeper role of MoF;

**Component 2.4 Local Finance**Goal for 2030: to have in place Municipalities with strong PFM systems and adequate financial resources through transparent revenue sharing and transfer mechanisms and revenue collection capacity that enable them to provide public services in accordance with the applicable standards.Measures for 2023-2026:* Measure 2.4.1 Improve the grant formula and calculation system for local government;
* Measure 2.4.2 Strengthen MTBP formulation and monitoring implementation in Municipalities.
* Measure 2.4.3 Develop and deploy the new Local Budget Management System (LBMS) for subnational budget preparation and monitoring
* Measure 2.4.4 Improve the level of financial resources from shared taxes

**Component 2.5 Budget Execution Monitoring and Reporting**Goal for 2030: A comprehensive and transparent budget monitoring and reporting system in place at the level of budget institutions and at central level covering all aspects of the budget reporting in place.Measures for 2023-2026:* Measure 2.5.1 Improve budget execution monitoring and reporting and introduce Citizens Budget Execution report;
* Measure 2.5.2 Improve monitoring and reporting on Public Investment Projects;
* Measure 2.5.3 Improve monitoring and reporting on Public Private Partnerships and Concession Contracts.
 |

## Component 2.1 Integrated Strategic Planning

Objective

The goal for 2030 is to operate an IT supported integrated planning system (IPS) that enables the government to effectively develop and monitor interlinked national, (sub)sectoral, cross-cutting and regional strategies, policies and prioritized public investments in support of achieving the goals for national development and EU integration and in alignment with available budgetary resources.

Context

The government bodies have established a comprehensive set of strategies and associated action plans is in place consisting of the overarching National Strategy for Development and European Integration (NSDEI) and several sectoral, sub-sectoral, cross-cutting and regional strategies have been developed and are being renewed on a regular basis. SASPAC has put in place regulations and instructions to guide the development and monitoring of strategies and their action plans in a consistent manner. Moreover, an Information System (IPSIS) has been put in operation to supporting the Integrated Planning Process. The IPSIS has so far only been utilised to a very limited extent and plans are made to improve the IPSIS to better serve the needs of its users. A continuing challenge remains (i) the align and integrate the various strategies at the various levels and (ii) to develop adequately costed strategies and action plans within available resources allocated through the Medium Term Budget Programs.

Priorities

The key priorities for the period 2023-2026 are to

* Review and improve the IPS to secure effective integrated strategy development at all levels.
* Introduce and gradually improve the annual policy priority document and attached to that the National Single Project Pipeline marking the start of the MTBP process.
* Further develop the IPSIS in support of the IPS and ensuring in particular linkages with (i) budget module of the AFMIS for developing the performance oriented MTBP, (ii) the PIM module of the AFMIS for public investment planning; (iii) the monitoring module of AFMIS for monitoring and reporting on the implementation of the MTBP and public investment projects; and (iv) the (EAMIS) system for planning and managing development projects with external support.

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| **Measure 2.1.1 Enhance the IT-supported Integrated Planning System for formulating and monitoring strategies** | 1. Review the effectiveness of the current Integrated Planning System and develop proposals for improvement.
 | Q1 2024 | Q4 2025 | **Responsible entity:**SASPAC (lead), MoF.**Partners:**Line Ministries, Foreign Aid Donors |
| 1. Enhance laws, by-laws and guidelines for integrated planning where needed.
 | Q1 2024 | Q4 2025 |
| 1. Upgrade the IPSIS including its interfaces with other relevant computer systems[[12]](#footnote-13).
 | Q1 2024 | Q4 2025 |
| 1. Develop and implement a comprehensive capacity development plan for civil servants engaged in the integrated planning process.
 | Q1 2024 | Q4 2025 |
| 1. Upgrade the EAMIS to adequately plan and manage projects implemented with external partners.
 | Q1 2024 | Q2 2026 |
| **Measure 2.1.2** **Expand the mid-term review and ex-post evaluation of strategies and action plans** | 1. Develop/update methodology/guideline for mid-term reviews and ex-post evaluations.
 | Q1 2024 | Q4 2026 | **Responsible entity:**SASPAC (lead), MoF.**Partners:** |
| 1. Develop and implement capacity development of evaluation teams.
 | Q1 2026 | Q4 2026 |
| 1. Gradually start implementing/expanding mid-term reviews and ex-post evaluations through pilots
 | Q1 2026 | Q4 2026 |

Performance indicators and milestones

|  |  |  |
| --- | --- | --- |
| Indicator | Baseline value (2022) | Target Value |
| 2023 | 2024 | 2025 | 2026 |
| 1. Percentage of strategies and action plans developed in accordance with IPS guidelines
 | 65% | 70% | 75% | 85% | 90% |
| 1. Percentage of strategies and action plans monitored through the IPSIS
 | NA | NA | 30% | 40% | 55% |

## Component 2.2 Medium Term Budget Planning

Objective

The goal for 2030 is to have fully developed and institutionalised processes for developing a high-quality and credible MTBP (both pre-budget statement and annual budget law) serving the implementation of the government priorities and policies and the delivery of public services.

Context

The MTBP process has been firmly established and the credibility of medium-term expenditure plans has improved since 2017.[[13]](#footnote-14) The progress is a result of efforts to strengthen the MTBP role in the budget process, through regulatory amendments and capacity building activities. The AFMIS has been further developed and covers all relevant business processes for MTBP formulation and the quality of MTBP documentation (pre-budget statement and annual budget documentation) has improved and includes performance information. Moreover, the concept of Gender Responsive Budgeting (GRB) has progressed due to improved legislation and regulations. All central and local government institutions present their policies and budgets in accordance with Gender Equality principles.

A number of challenges remain to be addressed. Also the quality of performance information in the budget documentation provided by Central Government Units (CGU) is not yet always at satisfactory level. The principle of programme management needs to be further elaborated in the context of managerial accountability reform. Expenditure reviews (as stand-alone assessments or as part of a mid-year budget review) are considered very helpful for formulating supplementary budgets or the budget for the next medium term period. Such reviews are not common practice.

Priorities

The priorities for the period 2023-2026 are:

* Methods, procedures and managerial accountability framework for MTBP formulation further strengthened, in particular for internal budget hearings, public participation.
* Budget documentation and in particular the element of performance information further improved.
* Sector-specific spending reviews gradually introduced.
* Basic elements of the concept of green / climate-responsive budgeting introduced and gender-responsive budgeting (in particular gender gap analysis) further enhanced.

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| **Measure 2.2.1** **Further improve methods, procedures and managerial accountability for MTBP formulation** | 1. Strengthen the concept of managerial accountability in MTBP formulation;[[14]](#footnote-15) amend legislation and AFMIS system.[[15]](#footnote-16)
 | Q1 2024 | Q4 2026 | **Responsible entity:**DAPB (lead)**Partners:**SIGMA, EU[[16]](#footnote-17)  |
| 1. Rollout the updated managerial accountability framework through pilots, awareness raising and training activities.
 | Q1 2024 | Q4 2026 |
| 1. Improve procedures for internal budget hearings between MoF and Budget Institutions; update the regulatory framework.
 | Q4 2024 | Q2 2025 |
| 1. Improve the procedure for public participation in the MTBP formulation process; Update the regulatory framework.
 | Q2 2024 | Q4 2024 |
| 1. Introduce and regularise as part of the MTBP procedures and budget documentation an overview of deviations between MTBP ceilings and budget ceilings as approved by parliament.
 | Q3 2024 | Q4 2025 |
| **Measure 2.2.2** **Enhance budget documentation and in particular the element of performance information** | 1. Assist Budget Institutions with improving performance information in the budget through capacity development activities and quality assurance systems.
 | Q4 2024 | Q2 2025 | **Responsible entity:** DAPB (lead), DBM**Partners:**EU[[17]](#footnote-18) |
| **Measure 2.2.3** **Introduce spending reviews** | 1. Develop a methodology for undertaking sector-specific expenditure reviews and adapt the relevant regulation.
 | Q3 2024 | Q2 2025 | **Responsible entity:** DAPB (lead), DBM, DPIM, DFL**Partners:**EU[[18]](#footnote-19) |
| 1. Pilot the expenditure review in selected sectors / Budget Institutions; adapt the methodology and rollout to other sectors through capacity development activities.
 | Q1 2026 | Q4 2026 |
| **Measure 2.2.4** **Further develop and introduce gender-responsive budgeting and climate-responsive budgeting** | 1. Review budget methodology to include ex ante and ex post gender analysis as a procedure to be undertaken by LM and BI in the process of proposing NPI
 | Q1 2025 | Q3 2025 | **Responsible entity:**DAPB (lead)**Partners:**UN Women, WB and GIZ |
| 1. Capacity building for LM and BI for conducting ex ante and ex post Gender Analysis.
 | Q4 2025 | Q4 2025 |
| 1. Develop a methodology for green / climate change-responsive budgeting and pilot the methodology for green / climate change-responsive budgeting in selected sectors / Budget Institutions.
 | Q2 2024 | Q4 2024 |
| **Measure 2.2.5 Approval of the PPD together** **with the NSPP** | 1. Approval of the Policy Priority Document together with NSPP as an integral part of it / contribution from line ministries.
 | Q1 2024 | Q2 2024 | **Responsible entity:**SASPAC (lead) **Partners:**Line Ministries |

Performance indicators and milestones

| Indicator | Baseline value (year) | Target Value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. PEFA Indicator 16 Medium Term Perspective in expenditure budgeting
 | C+ (2017) | - | B | B | B+ |
| 1. SIGMA Indicator 6.7.1 - Functioning of internal control (Alignment between management and budget structures (%)
 | 0/3 (2021) | - | Growing trend | Growing trend | Growing trend |
| 1. SIGMA Indicator 6.2.1 - Quality of the annual budget process and budget credibility (Operational alignment between the MTBF and the annual budget process)
 | 2/4 (2021) | - | - | Growing trend | Growing trend |
| 1. OBI assessment - Public Participation score
 | 6/100 (2021) | - | - | Growing trend | Growing trend |
| 1. OBI assessment – Transparency
 | 52/100 (2021) | - | - | Growing trend | - |
| 1. Spending reviews introduced.
 | - | methodology prepared and regulated | expenditure reviews piloted | Expenditure reviews implemented in 1 program / sector | Expenditure reviews implemented in 2 program / sector |
| 1. Gender gap analysis (GGA) as part of GRB introduced
 | - | GGA methodology prepared and regulated | GGA piloted | GGA rolled out  | GGA maintained  |
| 1. Green / Climate change-responsive budgeting (CCRB) introduced
 | - | CCRB methodology prepared and regulated | CCRBpiloted | CCRB piloted | CCRB rolled out |
| 1. Approval of the PPD together with the NSPP
 | (2022) | Cooperation with Line Ministries and approval with DCM every beginning of the year | Cooperation with Line Ministries and approval with DCM every beginning of the year | Cooperation with Line Ministries and approval with DCM every beginning of the year | Cooperation with Line Ministries and approval with DCM every beginning of the year |

## Component 2.3 Public Investment Management

Objective

The goal for 2030 is to have established a sound system for public investment management based on good international practices which includes a single project pipeline, practices for merit-based project appraisal and selection, transparent reporting on public investment project selection, execution and evaluation.

Context

Planning and monitoring of Public Investment projects is implemented by MoF, SASPAC and Budget Institutions.[[19]](#footnote-20) Following the Public Investment Management Assessment (PIMA) of 2016, a number of reforms have been initiated and recently been finalised. These include the introduction and approval by DCM of the ‘National Single Project Pipeline’ prepared by SASPAC[[20]](#footnote-21), a requirement for a Feasibility Study for projects that exceed a financial threshold that is defined for each sector; a requirement for a project execution plan that with a minimum financial implementation rates[[21]](#footnote-22) with the aim to reduce possible arrears and speed-up project implementation. These changes are being reflected in sub-legal acts.[[22]](#footnote-23) Several training activities have been implemented in connection to these reforms. AFMIS has a dedicated module for PIM which is used for planning of the capital budget part of the MTBP and also for reporting on capital budget execution. For the short term, the key focus of MoF is to fully put in operation the recent reforms, which requires additional training of staff engaged in PIM across the civil service and some adaptation of the AFMIS.

For the medium to long term, further reforms are considered as to address shortcomings in the PIM system and to prevent wasteful spending. These include the further elaboration of the National Single Project Pipeline, improving the methodology of project appraisal and selection, strengthening the gatekeeper role of MoF (independent review of project proposals).

Priorities

For the period 2023 - 2026 the priorities are:

* Operationalise improved procedures for public investment management.
* Elaborate and put in operation of the National Single Project Pipeline and strengthen the gatekeeper role of MoF, including establishing sound practices for identification, preparation and objective appraisal of projects in relation to strategic objectives, the independent review and selection of public investment projects.

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| **Measure 2.3.1 Operationalise procedures for improved public investment management** | 1. Upgrade PIM module of AFMIS to reflect changes in the new PIM procedures (Decision 887).
 | Q1 2023 | Q4 2024  | **Responsible entity:**DPIM (lead), SASPAC, Budget Institutions**Partners:**World Bank, IMF, EU[[23]](#footnote-24) |
| 1. Develop and deliver training for the implementation of the PIM procedures (Decision 887).
 | Q1 2023 | Q4 2026 |
| 1. Monitor the implementation of the PIM procedures; review and update the decision for PIM procedures if needed.
 | Q4 2025 | Q4 2026 |
| **Measure 2.3.2 Strengthen the Single Project Pipeline and enhance the gatekeeper role of MoF** | 1. Review procedures and systems for developing a comprehensive National Single Project Pipeline including PPP/Concessions, including detailed guidelines for the preparation and evaluation of feasibility studies to cover also compliance with the rules of state aid.
 | Q1 2024 | Q4 2024 | **Responsible entity:** SASPAC (lead for SPP), DPIM (lead for gate keeper role)**Partners:**IMF, EU[[24]](#footnote-25) |
| 1. Develop and implement a plan to further improve the concept of the SPP and the gatekeeper role of MoF.
 | Q4 2024 | Q1 2025 |

Performance indicators and milestones

| Indicator | Baseline value (year) | Target Value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. PEFA PI-11. Public investment management
 | C+ (2017) | - | - | - | B+ |
| 1. Improved procedures for PIM introduced (including relevant decision-making mechanism)
 | - | PIM procedures Operationalised | PIM procedures implemented and improved | PIM procedures implemented | PIM procedures updated |
| 1. Share of public investment projects that are proposed based on the strategic priorities of the government (value of projects in specific year)
 | 82% (2020) |  | ≥ 82% | ≥ 82% | ≥ 82% |
| 1. Actual disbursements for major investment projects compared to planned disbursements along with explanation of variations
 | 98%(2022) |  | ≥ 98% | ≥ 98% | ≥ 98% |
| 1. Ratio of new public investments submitted within the MTBP Cycle versus total new public investments approved in one year
 | 74.2%(2022) |  | ≥ 80% | ≥ 85% | ≥ 90% |

## Component 2.4 Local Finance

Objective

The goal for 2030 is to have in place Municipalities with strong PFM systems and adequate financial resources through transparent revenue sharing and transfer mechanisms and revenue collection capacity that enable them to provide public services in accordance with the applicable standards.

Context

Reforms in subnational MTBP formulation and transfers to municipalities has been implemented in conjunction with the local government decentralization reform agenda. Following the Territorial Administrative Reform, in 2015 the number of local self-government units (LSGU) has reduced from 373 to 61 and a Consultative Council has been in place to debate and agree on the various issues between central and local government. The decentralization agenda was further advanced, initially through an organic law “On local Self-Government” which defines the competencies and functions of local self-government units. A robust regulatory framework was required to ensure sustainable funding sources, accountability and transparency for the new local government structure. Consequently, in 2017 a new law on Local Self-Government Finances was enacted. This law reinforces local fiscal autonomy, expanding financing options and setting out rules and procedures for public financial management (PFM) at the local level. It balances increased financial autonomy with fiscal discipline by setting out rules for prudent spending, transparent policies, realistic revenue and expenditure forecasting and harmonization of budgeting processes with the central government.

Recent decentralization agenda progress has been accompanied by some substantial improvements in local government financial performance. The ratio of local government own-source revenues to GDP doubled over a seven year period[[25]](#footnote-26) (1.66% in 2022 compared to 0.82% in 2015). Meanwhile, LSGUs revenue from own-sources (tax and non-tax) increased by 164% between 2015 and 2022. Over 80% of LSGUs recorded a significant increase in own-source revenues over the same period[[26]](#footnote-27), representing an improvement in their fiscal capacity for financing local services. Local government expenditure represented around 9.02% of total public expenditure in 2022, compared to 7.7% in 2015. Moreover the system of formula-based transfers of unconditional grants to municipalities has improved. The grants to LGUs are based on the indicators population size, population density and the number of pupils, and are further adjusted following a financial equalization based on the fiscal capacity of the municipality to raise revenue. With the transfer of certain government functions (preschool education, irrigation, forest administration, fire protection, rural roads) from central Government to municipalities in 2016, the formula for defining the transfers have been accordingly adjusted. Municipalities are free to allocate and carry-over the unconditional grants they receive. In addition to these unconditional grants, some conditional grants are provided to compensate for the cost of central government functions that are delegated to local government – e.g. civil registrations. The calculation of the grants are regulated in the Law on Local Self-Government Finance.[[27]](#footnote-28) In order to ensure a well-integrated and efficient planning, important achievements were made to strengthen financial management in local government 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.

The system of financial oversight of Municipalities by Central Government has also been improved with the aim to support municipalities in fiscal distress. Municipalities with a very high level of debt and arrears are required to prepare and implement a financial rehabilitation plan under supervision of MoF.[[28]](#footnote-29) MoF prepares the annual report: "On the status of financial difficulties of local self-government units", to monitor the financial situation of local self-government units.

Also the formulation of the MTBP by LGUs has been further developed while respecting local autonomy. LGUs develop their MTBP with budget programmes, policy goals, objectives, outputs and KPIs and monitor and report on the budget execution. A reform is underway to align the LGUS programme structure of the budget to the service delivery arrangements in each municipality.

Priorities

The priorities for the period 2023-2026 are:

* The adjustment of unconditional transfer formula, due to the change of the new data of the Census for the number of the population as well as the revision of the criteria based on these results.
* Improvement of the practices for Budget Execution, Budget monitoring; MTBP formulation and preparation.
* Strengthening the systems at the local level of public finance management and financial information through the use of AFMIS in local level.

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| **Measure 2.4.1 Improve the grant formula and calculation system for local government.** | 1. Review and update the unconditional transfer formula, using the new data based on the population census.
 | Q4 2024 | Q4 2025 | **Responsible entity:**DLF (lead)**Partners:** SECO,Helvetas[[29]](#footnote-30) |
| 1. Develop and gradually implement an additional performance-based grant system based on measurable and verifiable indicators.
 | Q3 2024 | Q3 2026 |
| 1. Review and if necessary update the grant mechanism / formula in connection to the local government and decentralisation reforms.
 | Q1 2025 | Q4 2026 |
| **Measure 2.4.2 Strengthen MTBP formulation and monitoring implementation in Municipalities.** | 1. Review and improve the program description of the budget classifications customised to the specific service delivery arrangements of different categories of municipalities.
 | Q1 2024 | Q4 2026 | **Responsible entity:** DLF (lead)**Partners:**SECO[[30]](#footnote-31) |
| 1. Implementation of the new methodology for the design of the performance-based MTBP and monitoring of the MTBP implementation.
 | Q1 2024 | Q4 2026 |
| 1. The use of performance indicators in the Medium-Term Budget Program directly influencing the increase in the quality of monitoring the implementation of the local budget.
 | Q1 2024 | Q4 2026 |
| 1. Develop and implement capacity building activities for MTBP formulation, in-year budget execution reporting and annual budget execution reporting.
 | Q1 2024 | Q4 2026 |
| **Measure 2.4.3 Develop and deploy the new Local Budget Management System (LBMS) for subnational budget preparation and monitoring** | 1. Prepare a detailed specification document for the Local Budget Management System (LBMS).
 | Q4 2023 | Q1 2024 | **Responsible entity:** DLF (lead)**Partners:**SECO |
| 1. Develop and test the new LBMS.
 | Q2 2024 | Q1 2025 |
| 1. Develop and implement capacity building activities for the use of the new LBMS.
 | Q1 2024 | Q4 2024 |
| 1. Full operation of the new LBMS by all LSGU.
 | Q2 2024 | Q4 2024 |
| 1. Further plan AFMIS specification and development based on experience with the web-based MTBP software.
 | Q4 2024 | >2026 |
| **Measure 2.4.4 Improve the level of financial resources from shared taxes** | 1. Review, adopt and consolidate the methodology for Personal tax sharing with LGUs.
 | Q3 2024 | Q4 2026 | **Responsible entity:** DLF (lead)**Partners:** SECO |

Performance indicators and milestones

| Indicator | Baseline value (year) | Target value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. Grant formula adjusted based on Population Census Data
 | n/a | - | Grant formula Adjusted | Grant formula applied to all LGU-s | Grant formula applied to all LGU-s |
| 1. Additional performance-based grant scheme (PBGS) introduced
 | n/a | - | PBGS designed | PBGS piloted | PBGS piloted |
| 1. PEFA Performance Indicator 7: Transfers to subnational governments
 | C+ (2017) | - | - | B | B |
| 1. Percentage of municipalities using new LBMS software[[31]](#footnote-32)
 | - | - | 30% | 100% | 100% |
| 1. Percentage of municipalities that publish performance plans for service delivery[[32]](#footnote-33)
 | - | - | - | 50% | 70% |
| 1. Percentage of municipalities that publish information on performance achieved for service delivery.[[33]](#footnote-34)
 | - | - | - | 50% | 70% |
| 1. Local Budget Management Software and E-Platform introduced by MoF.[[34]](#footnote-35)
 | - | E-platform developed and adopted | E-platform fully operational and rolled out | E-platform maintained | E-platform maintained |

## Component 2.5 Budget Execution Monitoring and Reporting

Objective

The objective for 2030 is to have a comprehensive and transparent budget monitoring and reporting system in place at the level of budget institutions and at central level covering all aspects of the budget reporting.

Context

The Budget management legal framework[[35]](#footnote-36) has been consolidated, with some improvements in the Monitoring of financial performance of the Central government section aiming to change the reporting frequency, its content and defining the roles and responsibilities of the relevant parties. The Albanian Financial Management Information System (AFMIS) designed as an expansion of the existing AGFIS has also the Budget and Programme Portfolio Monitoring (BPPM) module which is now in use. Therefore, in-year budget implementation reports, the mid-year Report of Macroeconomic, Fiscal and Budgetary Performance as well as the year-end report have improved. A new Budget monitoring guideline was issued 2023.[[36]](#footnote-37) In accordance with the Organic Budget Law, the minister of Finance issues a standard guideline, which contains instructions on the procedures, formats and deadlines that all Central Government Units must follow when conducting their periodic budget execution monitoring reports. Under these circumstances, we ought to clarify that, the new guideline issued in May 2023 aims to further improve the monitoring process conducted by the LM/BI, but it is not within its scope the provision of a ‘aggregate budget monitoring report’. This new guideline, defines all the procedures and deadlines to be followed by all units of the central government during the monitoring of the implementation of the budget for financial and non-financial performance, products and policy objectives realized for each program. The new approved annexes within this guideline, which can be generated through the AFMIS System, contain data on the performance of budget expenditures according to their economic classification, performance of products related to their KPI’s for each budget program. The monitoring of objectives for each budgetary program policy is based on the relevant performance indicator, while the monitoring of the products is done in terms of quantity and value. To summarise, monitoring is the process that connects the realization of objectives and products with corresponding funds planned for their achievement. So the monitoring process can be done and presented only at the program level for each LM/BI. Meanwhile, the summarized information of the monitoring reports for LM/BI is part of the Annual Budget Execution Report, which presents the financial and non-financial budget performance of the LM/BI programs.

Furthermore, the report on the Annual Budget Execution Report contains a synthesized information and analysis on the performance of general expenditures, including those according to their economic and functional classification.

Priorities

The priorities until 2026 are:

* Improving budget execution monitoring and reporting by budget institutions and at aggregated level including the preparation of the citizens budget execution report;
* Enhancing the scope of reporting on the implementation of all public investment projects.
* Improving reporting on all PPP and concession contracts.

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| **Measure 2.5.1 Improve budget execution monitoring and reporting and introduce Citizens Budget Execution report** | 1. Review and update instruction for procedure and content/template of annual budget execution reports including the publishing of Citizens Budget Execution Report as part of Annual Budget Execution Report
 | Q1 2024 | Q4 2024 | **Responsible entity:** DBM (Lead), GDB, GDTreasury**Partners:**EU[[37]](#footnote-38) |
| 1. Publish the periodic Citizens Budget Execution Report
 | Q2 2025 | Annually |
| **Measure 2.5.2 Improve monitoring and reporting on Public Investment Projects** | 1. Implement the newly approved PIM monitoring procedure and enhance procedures if necessary.
 | Q1 2023 | Q4 2024 | **Responsible entity:** DPIM (lead), Budget Institutions, **Partners:**World Bank |
| 1. Adapt AFMIS to reflect changes related to the newly approved PIM procedures.
 | Q1 2024 | Q4 2024 |
| 1. Plan and deliver training activities for monitoring and reporting on Public Investment Projects.
 | Q2 2024 | Q4 2026 |
| **Measure 2.5.3 Improve monitoring and reporting on PPP and concession contracts** | 1. Update PPP legislation[[38]](#footnote-39) and relevant sub-legal acts[[39]](#footnote-40) to ensure adequate monitoring and reporting at contract and portfolio/program level.
 | Q4 2024 | Q4 2025 | **Responsible entity:**DC (lead), ATRAKO, DPIM, Partners:IMF, EU[[40]](#footnote-41) |
| 1. Develop a dedicated information system for monitoring and reporting on PPPs and concession contracts and prepare for necessary interfaces with other systems.
 | Q4 2025 | Q4 2026 |
| 1. Plan and deliver training activities for civil servants responsible for monitoring and reporting of PPP and concession contracts.
 | Q1 2025 | Q4 2026 |

Performance indicators and milestones

| Indicator | Baseline value (year) | Target Value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. PEFA Performance Indicator 28 “In-year budget reports”
 | D+ (2017) | - | B | B+ | A |
| 1. Citizens Budget Execution Reports published
 | - | - | Template approved | Report published |  |
| 1. Development of a dedicated information system for monitoring and reporting on PPPs and concession contracts
 | - | - | - | Information system is Contracted | Information system is developed and deployed |
| 1. Number of PPP contracts covered in the aggregated annual report on PPPs and concession contracts
 | - | - | 100 | 150 | 200 |

#

# Pillar 3 Revenue mobilization and management

## Introduction

Specific Objective 3 “Revenue and Customs management systems improved aiming for increased revenue and improved service delivery” covers the components Tax Management, Property Tax Management (Fiscal Cadastre) and Customs Management.

|  |
| --- |
| **Component 3.1 Tax Management**Goal 2030: Enhanced revenue mobilization aimed to create fiscal space for investment and sustainable development through a combination of tax policy reforms and modernization of the administrative systems; to ensure compliance with EU regulations and to improve the service delivery to tax payers.Measures 2023-2026:* Measure 3.1.1 Enhance the institutional capacity to analyse and develop tax policies and to manage tax reforms
* Measure 3.1.2 Develop and implement initiatives to reduce the VAT compliance gap
* Measure 3.1.3 Develop and implement an integrated approach to reduce under and undeclared work
* Measure 3.1.4 Ensure taxation of any unjustified wealth inside and outside the country
* Measure 3.1.5 Improve service delivery to tax payers

**Component 3.2 Property Tax Management**Goal 2030: to have in place a fully operational fiscal cadastre and effective property tax collection system targeting all properties across all municipalities in the country with the aim to bring additional revenue for local governments. Measures 2023-2030:* Measure 3.2.1 Improve the fiscal cadastre and the property tax collection system

**Component 3.3 Customs Management**Goal 2030: An effective Customs Administration which delivers improved services to citizens and businesses and operates in compliance with EU standards and legislation. Measures 2023-2026: * Measure 3.3.1 Modernise business and risk management processes of the Customs Administration
* Measure 3.3.2 Develop integrity framework and fight against informality and corruption
* Measure 3.3.3 Increase the number of Authorized Economic Operators
* Measure 3.3.4 Implement the National Single Window
* Measure 3.3.5 Improve the utilization of the New Computerised Transit System
 |

## Component 3.1 Tax management

Objective

The goal for 2030 is to enhance revenue mobilization with the aim to create fiscal space for investment and sustainable development through a combination of tax policy reforms and modernization of the administrative systems; to ensure compliance with EU regulations and to improve the service delivery to tax payers.

Context

During the last years, the General Directorate of Tax (GDT) has implemented several reforms in the domain of revenue management. These include improvements in compliance-risk management, investments in information technology systems, organisational structures and transparency for tax payers through awareness campaigns, friendly user website and call centres. Formalization of the economy has been a key focus, and recent initiatives underscore a commitment to enhance the tax authority's capabilities. To fortify compliance among high-wealth individuals, a specialized GDT department has been newly instituted. Also a fiscalization initiative was finalized in 2022, aimed at endowing the GDT with mandatory real-time data. This involves the integration of an IT system capturing cash register and e-invoice information. With the aim to increase revenue mobilization and to improve service delivery, MoF has developed and implemented more than 70% of the measures and activities in tax policy and revenue administration reforms parts of the Medium Term Revenue Strategy 2022-2026.[[41]](#footnote-42)

Priorities

In alignment with the MTRS, the priority for the period 2023-2026 are:

* Improving the institutional capacity to analyse and develop tax policies and to manage tax reforms.
* Undertaking actions aimed at reducing the VAT compliance gap;
* Reduction of un/under declared work and reduction of the cash economy;
* Enhance taxation of unjustified wealth inside and outside the country;
* Reducing tax evasion;
* Reducing compliance cost and improving the service delivery through institutional capacity development of the tax administration.

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| Measure 3.1.1 Enhance the institutional capacity to analyse and develop tax policies and to manage tax reforms  | 1. Develop and implement capacity building for tax policy analysis and assessment.
 | Q1 2023 | Q4 2026 | **Responsible entity:**GDFP (lead)**Partners:**IMF |
| Measure 3.1.2 Develop and implement initiatives to reduce the VAT compliance gap | 1. Improve risk management approaches for sectors identified as high risk
 | Q1 2023 | Q4 2026 | **Responsible entity:**GDTax (lead)**Partners:**IMF |
| 1. Use of Fiscalization system for maximizing VAT revenues.
 | Q12023 | Q4 2026 |
| Measure 3.1.3 Develop and implement an integrated approach to reduce under and undeclared work | 1. Strengthening the legal provisions for sanctions for offenses related to undeclared workers and under-declaration
 | Q12023 | Q4 2024 | **Responsible entity:**GDTax (lead)**Partners:**IMF |
| Measure 3.1.4 Ensure taxation of any unjustified wealth inside and outside the country | 1. Assess cases of large unexplained wealth of individuals by providing legal competence to inspectors to issue tax assessments through indirect methods especially for individuals that do not participate in the Voluntary Declaration Program.
 | Q12023 | Q4 2026 | **Responsible entity:**GDTax (lead)**Partners:**IMF |
| Measure 3.1.5Improve service delivery to tax payers | 1. Design and implement a taxpayer service delivery strategy aiming to improve tax products
 | Q12023 | Q4 2026 | **Responsible entity:**GDTax (lead)**Partners:**IMF |
| 1. Improve the efficiency of the national call center with a structured escalation process to deal with enquiries of different complexities
 | Q12023 | Q4 2026 |
| 1. Develop and implement capacity development programs for GDTax staffers (by tax academy, universities and other partners)
 | Q1 2023 | Q4 2026 |

Performance indicators and milestones

| Indicator | Baseline value (year) | Target Value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. Increase of revenues from VAT (measured on cumulative basis)
 | - | - | +0.36% of GDP | +0.45% of GDP | +0.47% of GDP |
| 1. Increase of revenues from reduction of under and un declared work (measured on cumulative basis)
 | - | 0.08% of GDP | 0.18% of GDP | 0.22% of GDP | 0.28% of GDP |

## Component 3.2 Property Tax Management

Objective

The goal for 2030 is to have in place a fully operational fiscal cadastre and effective property tax collection system targeting all properties across all municipalities in the country with the aim to bring additional revenue for local governments.

Context

The latest reform in the field of property tax aim to increase the revenues for Municipalities, by transitioning from a value-based taxation system for buildings and a simple area-based taxation system for land, to a modern taxation system that taxes both buildings and land, based on the market value of these assets. A key challenge has been to create a comprehensive integrated database of properties. All registered properties will be valued based on market value[[42]](#footnote-43).

During the first phase of property tax reform the General Directorate of Property Tax (GDPT) and the Fiscal Cadaster were established. The GDPT plays a crucial role, including overseeing the management of the Fiscal Cadaster and taking the lead, methodologically, in the administration of property taxes. A pilot program involving nine municipalities was launched to assess the efficacy of the FCIS, accompanied by extensive training sessions for municipal staff members. To enhance taxpayer awareness of their property tax responsibilities, the GDPT has collaborated with municipalities, sharing informative materials for dissemination through their channels. In this regard, the GDPT has developed flyers and other printable informational resources designed to enlighten taxpayers about their obligations

During the ongoing second phase of the reform, it has been drafted the draft-law “On the immovable property tax”. The provisions of the new draft-law includes regulating the mandate of the GDPT to be in charge for building evaluation/appraisal, the State Cadastre Agency to be in charge for land evaluation/appraisal. Furthermore it regulates the responsibilities of the GDPT and of the Municipalities. Also, it defines the way the cooperation between institutions shall be in terms of exchange of information and integration/interfacing of information systems. Moreover, the new draft law regulates the methods of tax invoicing and collections, as well as the mechanisms of complaints and appeals.

Priorities

The key priority for the period 2023-2030 is to:

* Prepare the fiscal cadastre and property tax collection system for full implementation in the period after 2030 – including completing the legal and regulatory framework, finalizing the FCIS with the interoperability and integration with other systems, addressing staffing requirements and human resource capacity building.

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| **Measure 3.2.1 Improve the fiscal cadastre and the property tax collection system**  | 1. Develop and adopt the legal framework (laws and by laws) for the fiscal cadastre and land and property tax and the sub-legal act for valuation of land and property.
 | Q1 2023 | Q4 2025 | **Responsible entity**MoF (lead) GDPT (lead)**Partners**Swedish International Development Cooperation Agency (SIDA) , ProTax Albania Project,[[43]](#footnote-44) and Swedish Tax Agency (STA) |
| 1. Design the institutional framework for managing and administering building tax.
 | Q4 2024 | Q1 2026 |
| 1. Finalise the fiscal cadastre information system and its interoperability with other systems and rollout to Municipalities.
 | Q1 2025 | Q4 2026 |
| 1. Pilot, build capacity and institutionalise procedures for evaluating property and populating and maintaining property data in the FCIS.
 | Q1 2025 | > 2026 |
| 1. Improve processes for property tax collection and increase awareness of tax payers.
 | Q1 2025 | > 2026 |

Performance indicators and milestones

| Indicator | Baseline value (year) | Target Value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. Law on “property tax” prepared and adopted
 | - | Property tax law prepared | - | Property tax law adopted | - |
| 1. Sub-legal acts for the implementation of the law on property tax adopted
 | - | - | - | Sub-legal acts prepared and adopted | - |

## Component 3.3 Customs Management

Objective

The goal for 2030 is to have an effective Customs Administration which delivers improved services to citizens and businesses and operates in compliance with EU standards and legislation.

Context

Important achievements in customs reforms are reported to date, especially in aligning the Albanian custom code with the EU Custom code. The automation of Customs remained a priority over the last years and efforts were made to introduce and improve systems such as the New Computerised Transit System (NCTS), the Integrated Tariff Management System (ITMS) and upgrade of existing modules in Asycuda (core Customs Administration system). Also, customer service delivery has improved due to the re-engineering of many processes, such as: simplification of procedures; and introduction of paperless customs management to simplify compliance. These changes resulted in improving online customs procedures, reducing customs processing times, and increasing the use of risk assessment. MoF has developed the Medium Term Revenue Strategy 2022-2026 with the aim to mobilize additional revenue in order to create fiscal space for investment and sustainable development.

Priorities

The main priorities for 2023-2026 are:

* Professionalizing the risk management and business processes of the Customs Administration
* Develop and implement plans to fight informality and corruption
* Introduce the national single window and increase the number of authorised economic operators
* Enhance the utilisation of the Computerised Transit System

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| Measure 3.3.1 Modernise business and risk management processes of the Customs Administration | 1. Continue to develop a more professional and agile workforce through improving HR practices and delivering capacity development.
 | Q1 2023 | Q4 2026 | **Responsible entity**GDC HR Directorate (lead), GDC, GDC Coordinator**Partners**EU Delegation |
| 1. Continue to invest in IT systems for Integrated Tariff Management System (ITMS).
 | Q1 2023 | Q4 2024 |
| Measure 3.3.2 Develop integrity framework and fight against informality and corruption | 1. Develop and implement an integrity framework.
 | Q4 2023 | Q4 2026 | **Responsible entity**GDC Anticorruption Directorate (lead)[[44]](#footnote-45)**Partners** |
| Measures 3.3.3 Increase the number of Authorized Economic Operators  | 1. Continue the information campaigns and audits of potential Authorized Economic Operators
 | Q1 2023 | Q4 2026 | **Responsible entity**GDC Directorate of Procedures (lead)**Partners**EU / Non EU Customs |
| **Measure 3.3.4 Implement the National Single Window** | 1. Develop the concept and institutional set-up of the National Single Window
 | Q1 2023 | Q4 2026 | **Responsible entity**GDC, GDC Coordinator |
| 1. Review and amend legislation and regulations for the National Single Window.
 | Q1 2024 | Q4 2026 |
| 1. Develop and deploy the IT solution for the NSW.
 | Q1 2024 | Q4 2026 |
| **Measure 3.3.5 Improve the utilization of the New Computerised Transit System (NCTS)** | 1. Review and update the legal provisions for the NCTS.
 | Q1 2024 | Q4 2026 | **Responsible entity**GDC, GDC Coordinator |
| 1. Further develop the NCTS IT environment.
 | Q1 2024 | Q4 2026 |

Performance indicators and milestones

| Indicator | Baseline value (year) | Target Value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. Percentage utilisation of Green Channel
 |  | 28% | 30% | 33% | > 33% |
| 1. Custom declaration processing time
 |  | 99.1 minutes | Decreasing trend | Decreasing trend | Decreasing trend  |
| 1. Number of Authorised Economic Operators
 |  | 13 | Increasing trend | Increasing trend | Increasing trend |
| 1. National Single Window (NSW)
 | - | - | - | - | 2026 |
| 1. New Computerised Transit System (NCTS)
 | - | - | - | - | 2026 |

# Pillar 4 Accounting and Budget Execution Management

## Introduction

Specific Objective 4 “Budget Execution Management and Accounting practices enhanced and aligned to International Standards and EU requirements” covers National Government Accounts, Accounting, Public Procurement, Debt Management, Cash Management and Asset Management.

|  |
| --- |
| **Component 4.1 National Government Accounts**Goal 2030: Fiscal statistics are compliant with EU standards. Measure 2023-2026:* Measure 4.1.1 Further improve the GFS and EDP statistics with EU standards (ESA 2010).

Component 4.2 AccountingGoal 2030: to prepare and publish (consolidated) financial statements in compliance with IPSAS, following the rollout of IPSAS to all central government Institutions:* Measure 4.2.1 Increase access to and utilisation of AGFIS;
* Measure 4.2.2 Develop the legal and regulatory framework for accounting reforms;
* Measure 4.2.3 Improve functionalities of AGFIS to absorb accounting reforms;
* Measure 4.2.4 Prepare, deliver and institutionalise capacity development of accountants to absorb accounting reforms.

Component 4.3 Public ProcurementGoal 2030: to guarantee an efficient and effective procurement system in accordance with the principles of transparency, free and fair competition, non-discrimination and equal treatment, by promoting and encouraging a sustainable system that guarantees value for money.Measures 2023-2026:* Measure 4.3.1 Improve quality and efficiency in procurement procedures;
* Measure 4.3.2 Design and Implement green public procurement;
* Measure 4.3.3 Enhance the efficiency of the complaint review system by increasing the speed of decision-making;
* Measure 4.3.4 Improve the legal and institutional framework for concessions and public-private partnership.

Component 4.4 Debt ManagementGoal 2030: to operate a comprehensive Debt Management System that ensures that the government’s financing needs and its debt payment obligations are met at the lowest possible cost over the medium to long term consistent with a prudent degree of risk.Measures 2023-2026:* Measure 4.4.1 Strengthening of debt management reporting and Investor Relations;
* Measure 4.4.2 Developing a comprehensive framework for provision of guarantees and on-lending;
* Measure 4.4.3 Gradually start to develop the necessary assessment for the new alternative financing instruments ((Green, Social or Sustainability or other Instruments).

Component 4.5 Cash ManagementGoal 2030: The goal for 2030 is to have in place advanced cash planning and cash management systems to ensure efficient and effective treasury operations.Measures 2023-2026:* Measure 4.5.1 Improve cash forecasting process;
* Measure 4.5.2 Introduce a comprehensive performance monitoring system for cash forecasting;
* Measure 4.5.3 Enhance cash management instruments.

Component 4.6 Asset ManagementGoal 2030: completed the procedures and systems for the registration and valuation of all public assets in accordance with the adopted accounting standards.Measures 2023-2026:* Measure 4.6.1 Finalise reform on asset register module in AGFIS for accounting purposes.
 |

## Component 4.1 National Government Accounts

Objective

The goal for 2030 is to ensure that the Government Finance Statistics (GFS) and Excessive Deficit Procedure (EDP) statistics are in line with EU standards (ESA 2010).

Context

The main data source used for the compilation of Government Finance Statistics are: (i) Albania Government Financial Information System (AGFIS) for data related to budgetary units and to some extent other units were government is involved[[45]](#footnote-46) and (ii) financial statements and other data sources for extra-budgetary units. INSTAT is supported by Eurostat for aligning Government Finance Statistics (GFS) with EU requirements and regularly transmits GFS tables and Excessive Deficit Procedure tables[[46]](#footnote-47) to Eurostat and with the status “not for publication”. Currently, there is a need to further improve the GFS and EDP statistics to be in line with international standards and the ESA 2010 methodology. The Five-Year Official Statistics Programme (OSP) 2022–2026[[47]](#footnote-48) approved by the Assembly of the Republic of Albania, presents the strategy for the development of official statistics and the national statistical system, including the improvement of the GFS. The Memorandum of Cooperation between INSTAT, the Ministry of Finance and the Bank of Albania for the Government Finance Statistics and the Tables of the Excessive Deficit Procedure includes the obligations and responsibilities of each institution which are regulated by legal acts of the European Union in the field of the production of Government Finance Statistic and reporting of the Excessive Deficit Procedure.

Priorities

The priorities for the period 2023-2026 are:

* Increasing the level of alignment of GFS and EDP Statistics following ESA 2010 methodology;
* To transmit the GFS and EDP tables to Eurostat following ESA 2010 Transmission Programme.

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| **Measure 4.1.1 Further improve the GFS and EDP statistics with EU standards (ESA 2010)** | 1. Investment in the construction of the information exchange system (web service) which will facilitate the exchange of data between MoF, INSTAT and the Bank of Albania.
 | Q1 2025 | Q4 2026 | **Responsible entity:**INSTAT (lead), MoF -GDMP**Partner:**Eurostat |
| 1. Report the data on cash and accrual basis from MoF in accordance with International Public Sector Accounting Standards (IPSAS).
 | Q1 2025 | > 2026 |
| 1. Collect and include the information on the PPPs and Concession contracts in GFS and EDP statistics.
 | Q1 2024 | Q4 2024 |

Performance indicators and milestones

| Indicator | Baseline value (year) | Target Value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. The information exchange system (Web service) to facilitate the exchange of data between MoF, INSTAT and BoA established.
 | - | - |  | Development of the Information Exchange System (web service) |  Information Exchange System (web service) developed |
| 1. Data on PPPs and Concession contracts included in the GFS.
 | - | - | - | PPPs and CCs included in GFS | PPPs and CCs included in GFS |

## Component 4.2 Accounting

Objective

The goal for 2030 is to prepare and publish (consolidated) financial statements in compliance with IPSAS, following the rollout of IPSAS to all central government Institutions.

Context

AGFIS is the information system used for accounting and treasury operations. The system has been developed over time, including full integration with the Human Resources Management Information System (HRIMS) for payroll in 2022 and the Automated Public Procurement system for procurement in 2020. The 20 largest budget institutions (out of a total of approximately 1020 Budget Institutions) are directly connected to AGFIS. These are all ministries, three large municipalities and a few large other public institutions. Other – mainly smaller - Budget Institutions do not have direct access to AGFIS, but submit their accounting documents in electronic format through the ‘electronic archive’ functionality of AGFIS to the Treasury District offices for further processing.

Approximately 300 budget institutions have been connected to this electronic archive system by the end of 2022. It is planned that the number of connected budget institutions will reach a total of 642 by 2023 and 728 by 2024.

Approximately 250 mainly smaller budget institutions will not be connected to the AGFIS through the ‘electronic archive’ module of AGFIS since these institutions do not comply with the legal requirements to provide three signatures on payment orders. A concentration of the number of small spending units may be required for the purpose of sound financial management and control. The AGFIS system is operated by MoF and maintained by NAIS.

Adequate management of arrears in the accounting system has been a high priority in the past years. Procedures have been put in place to ensure that financial transactions (e.g. procurement contracts, executive orders stemming from court cases, etc.) are recorded in the system on time. Underreporting of arrears has not yet been fully eliminated. In 2018, the MoF started its preparations for accounting reform with the aim to be fully compliant with IPSAS by 2030. A separate accounting reform unit was established within DHFMCA to support the process of transition to accrual accounting through the adoption of a regulatory framework that is based on IPSAS. As a first step, the Country Strategic Action Plan for Accounting Reform 2019-2027 was prepared.[[48]](#footnote-49) Following the adoption of the action plan, steps were taken to develop the legal and regulatory framework. To date, the IPSAS have been translated in Albanian, 10 instructions (sub-legal acts) have been developed and are subject to approval by the Minister of Finance in the later phases accompanied with specific manuals related with these instructions to be adopted as well. Also, first steps for developing a new accounting law have been undertaken, as there is provided by the consultant the structure that the law should have. Capacity building activities have commenced and 25 individuals (MFE staff, public sector accountants, universities, Professional Accountancy Organizations) were trained through an extensive training programme in IPSAS (provided by Chartered Institute of Public Finance and Accountancy. Subsequently 500 (out of a total of approximately 1,100) government accountants received a shorter training on IPSAS. A review of AGFIS functionality compared with IPSAS requirements was conducted under the WB project “Development of public sector accounting in Albania (IPSAS)” which provided recommendations on adding modules and accounts under AGFIS. In addition, it identified alternative solutions to fill in the data gaps through tools or spreadsheets that can be used for tracking information, processing it and determining the journal entries to be recorded in the AGFIS system on a periodic basis. Also, an analysis of the institutional responsibilities within the MoF and broader central government accounting function was conducted providing specific recommendations that will be considered for further reorganization of the function within the Ministry.

Priorities

For the period 2023 – 2026 the key priorities are:

* Increasing access of all budgetary institutions to the Electronic Archive through Web Portal.
* Improving the functionalities of AGFIS to make the system more efficient (automated pre-commitments for all budgetary institutions off & online with AGFIS, connection of AGFIS with the fiscalization system and AGFIS hardware and software Upgrade)
* Developing the legal and regulatory framework, AGFIS functionalities and institutionalizing capacity building for accountants in the context of the accounting reforms (IPSAS).

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| **Measure 4.2.1 Increase access to and utilisation of AGFIS** | 1. Increase access of budget institutions to the electronic archive module of AGFIS.
 | Q1 2023 | Q4 2024 | **Responsible entity:**GDTreasury (lead), NAIS**Partner:** |
| 1. Automate process of pre-commitment control of expenditure for budget institutions that do not have a direct connection with AGFIS hardware and software AGFIS upgrade.
 | Q3 2024 | Q4 2026 | **Responsible entity:**GDTreasury (lead), DHFMCA**Partner:** |
| 1. Secure interoperability with the fiscalization system to improve internal controls to prevent arrears.
 | Q3 2024 | Q4 2026 |
| **Measure 4.2.2 Develop the legal and regulatory framework for accounting reforms** | 1. Develop and enact a new public accounting law introducing the accounting reforms.
 | Q1 2024 | Q4 2026 | **Responsible entity:**DHFMCA (lead), GDTreasury**Partner:**World Bank, SECO |
| 1. Develop instructions / sub-legal acts covering all adopted IPSAS and develop for each sub-legal act the manuals.
 | Q1 2024 | Q4 2026 |
| 1. Assist the budgetary institutions in compiling opening balances and implementing the new accounting framework[[49]](#footnote-50).
 | Q1 2025 | Q4 2026 |
| **Measure 4.2.3 Improve functionalities of AGFIS to absorb accounting reforms** | 1. Prepare functional requirements document and AGFIS improvement plan to absorb the planned accounting reforms.
 | Q3 2024 | Q4 2026 | **Responsible entity:**GDTreasury (lead), DHFMCA**Partner:**World Bank, SECO |
| 1. Develop test and deploy improved / additional functionalities necessary to ensure compliance with the new legislation.
 | Q1 2024 | Q4 2026 |
| **Measure 4.2.4 Prepare, deliver and institutionalise capacity development of accountants to absorb accounting reforms** | 1. Develop a comprehensive capacity development plan, including mechanisms for CPD and certification of public sector accountants
 | Q1 2024 | Q4 2026 | **Responsible entity:**DHFMCA (lead), GDTreasury**Partner:**World Bank, SECO |
| 1. Prepare and deliver training and on-the-job support to all public sector accountants as per plan.
 | Q1 2024 | Q4 2026 |
| 1. Reorganization of the treasury branches as well as the structure responsible for the public sector accounting methodology, based on the best international practices and supporting the implementation of accrual accounting.
 | Q3 2024 | Q4 2026 |

Performance indicators and milestones

| Indicator | Baseline value (year) | Target Value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. Additional number of Budget Institutions connected to AGFIS and electronic archive (EA).
 | - | 5 to AGFIS, 300 to EA | 86 to EA | - | - |
| 1. Production of legal and sub-legal regulatory framework based on IPSAS as per plan.
 | - | Concept paper prepared | - | Legal framework drafted | Legal framework approved |
| 1. Opening balances prepared and new accounting framework implemented
 | - |  |  |  | Finalised |
| 1. Percentage of government accountants that have completed IPSAS training
 | - | 40% | 60% | 80% | 100% |

## Component 4.3 Public Procurement

Objective

The goal for 2030 is to guarantee an efficient and sustainable system by promoting its improvement towards a modern and efficient approach based on the best international practices, in accordance with the principles of transparency, free and fair competition, non-discrimination and equal treatment, by promoting and encouraging a sustainable system that guarantees value for money.

Context

In recent years, significant progress has been made to align the Public Procurement legislation with the EU directives. The Law on Public Procurement[[50]](#footnote-51) was approved and a series of sub-legal acts and regulations were adopted, including the approval of public procurement rules, DCM for the procurement of social services and the joint procurement vocabulary. The electronic procurement system (EPS) has been improving, including the implementation of new functionalities in EPS to align with the changes of the new law. An interface between the AGFIS and EPS was established in 2020, ensuring that contracting authorities could verify fund availability before proceeding with procurement procedures.

The Albanian Public Procurement Agency (PPA) in its capacity as the public procurement regulator continues to have oversight of the implementation of the new public procurement law. The PPA has published a roadmap regarding the use of green public procurement, including a methodology on the relevant criteria and technical specifications. The use of green criteria in public procurement requires increased capacities and knowledge on the concept of Green Public Procurement among the contracting authorities.

The Albanian Public Procurement Commission[[51]](#footnote-52) (PPC) has strengthened its independence by effectuation of legal changes in 2018. An electronic e-complaints management system for public procurement became operational since 2021. All planned vacancies were filled in until the end of 2022 and in the same year the PPC improved the efficiency of complaint reviews, both in terms of the number of complaints handled outside the deadline and the time taken to review complaints. The PPC will continue to maintain a focus on timely and effective decision-making in the complaint review process while keeping in balance resource allocation, regulatory amendments, and technological upgrades.

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| **Measure 4.3.1** **Improve quality and efficiency in procurement procedures**  | 1. On the use of award criteria “most economically advantageous tender based on costs” (MEAT based on cost).
 | Q1 2023 | Q4 2024 | **Responsible entity:**PPA (lead)**Partner:**SIGMA |
| **Measure 4.3.2** **Design and Implement green public procurement** | 1. Prepare the methodology to implement the green procurement/energy efficiency criteria.[[52]](#footnote-53)
 | Q1 2023 | Q4 2023 | **Responsible entity:**PPA (lead), MIE**Partner:**World Bank |
| 1. Develop and deliver training on green procurement/energy efficiency to procurement professionals.
 | Q1 2023 | Q4 2024 |
| 1. Review and amend the regulatory framework (if needed).
 | Q1 2023 | Q4 2026 |
| **Measure 4.3.3** **Enhance the efficiency of the complaint review system by increasing the speed of decision-making**  | 1. Fill in the vacancies.[[53]](#footnote-54)
 | Q1 2024 | Q4 2024 | **Responsible entity:**PPC (lead)**Partner:**University of Tirana, SIGMA, other International Partners |
| 1. Perform annually the training need assessment and develop and deliver specialized capacity building activities for inspectors.[[54]](#footnote-55)
 | Q1 2024 | Q4 2024 |
| 1. Update the E-complaint system.
 | Q1 2024 | Q4 2026 |
| 1. Implement the ISO 370001 on Anti-bribery management systems.[[55]](#footnote-56)
 | Q1 2024 | Q4 2024 |
| **Measures 4.3.4** **Improve the legal and institutional framework for concessions and public-private partnership** | 1. Align the Law on Concessions and PPP with the Acquis Communautaire
 | 2024 | 2025 | **Responsible entity:**Working Group **Partner:**SIGMA |

Performance indicators and milestones

| Indicator | Baseline value (year) | Target Value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. Percentage of use of the award criteria “the most economically advantageous tender based on cost” (MEAT criteria based on cost) on public procurement procedures.
 | 33.92% |  |  |  | Increasing trend |
| 1. ISO 370001 on ‘Anti-bribery management systems’ implemented by PPC.
 | - | - | - | - | Implemented |

## Component 4.4 Debt Management

Objective

The goal for 2030 is to operate a comprehensive Debt Management System that ensures that the government’s financing needs and its debt payment obligations are met at the lowest possible cost over the medium to long term consistent with a prudent degree of risk.

Context

The debt management legal framework has been consolidated, with some recent amendments implemented recently to accommodate improvements for preparing the Debt Management Strategy (DMS). The formulation and publication of this DMS on a regular basis has been fully institutionalised. A first ever Annual Borrowing Plan was published in 2022, clearly defining the borrowing strategy and instruments to be used. A quarterly auction calendar is timely published, complementing a yearly domestic issuance plan included in the Annual Borrowing Plan. A quarterly statistical debt bulletin is published and also the annual report on the implementation of the DMS.[[56]](#footnote-57) In January 2023, an international code format for government securities (ISIN-International Securities Identification Number) was introduced aiming to increasing the access of foreign investors in domestic government securities market.

Some challenges in the domain of Debt Management are to be addressed. Sufficient human resources are in place in the GDD, but capacity still to be developed.. The concession of guarantees and on-lending is well regulated in the debt law, however a proper framework is still to be developed. GDD performs a credit risk assessment of SOEs and subnational governments requesting a guarantee or when benefiting from on-lending operations. This analysis lags yet a formalized and well-structured methodology.

Priorities

The key priorities for the period 2023-2026 are to:

* Strengthening Debt Management Reporting and Investor Relations;
* Developing a comprehensive framework for provision of guarantees and on-lending, underpinned by a formalized assessment methodology focused on risk management of potential future portfolio;
* Assessment of potential use of new alternative financing sources (Green, Social, Sustainability or other instruments) Measures and activities.

Measures and activities

| Measures | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| Measure 4.4.1 Strengthening of debt management reporting and Investor Relations | 1. Prepare and publish the annual borrowing plan.
 | Q1 2023 | Q4 2023 | **Responsible entity:**GDSD (lead)**Partner:**World Bank |
| 1. Review current practices and improve information for investors published at MoF’s website[[57]](#footnote-58)
 | Q2 2024 | Q3 2024 |
| 1. Provide information to investor base on main macroeconomic developments in the country
 | Q3 2024 | Q4 2026 |
| 1. Prepare and publish the annual DMS Monitoring Report.
 | Q1 2023 | Q1 2026 |
| Measure 4.4.2 Developing a comprehensive framework for provision of guarantees and on-lending | 1. Develop a comprehensive framework for credit risk assessment of SOEs and subnational governments when providing state guarantees or on-lending.
 | Q1 2025 | Q4 2026 | **Responsible entity:**GDSD (lead)**Partner:**World Bank |
| 1. Building capacities of GDD staff to evaluate the creditworthiness of the SOEs and Subnational governments.
 | Q1 2025 | Q4 2026 |
| **Measure 4.4.3** Gradually start to develop the necessary assessment for the new alternative financing instruments ((Green, Social or Sustainability or other Instruments) | 1. Conduct an assessment of various green bonds and other alternative financing instruments and how they could be applied.
 | Q3 2024 | Q4 2025 | **Responsible entity:**GDSD (lead), DGMP, GDB, Line Ministries.**Partner:**World Bank, GIZ, AFD |
| 1. Building capacities of GDD, PIM and other staff to enhance the understanding of green financing and other alternative financing instruments and respective conditions and requirements.
 | Q3 2024 | Q4 2025 |

Performance indicators and milestones

| Indicator | Baseline value (year) | Target Value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. Annual Borrowing Plan and DMS Monitoring Report prepared and published
 | - | Documents published in the MoF Website | Documents published in the MoF Website | Documents published in the MoF Website | Documents published in the MoF Website |
| 1. Comprehensive Credit Risk Assessment (CRA) framework in place.
 | - | - | - | - | CRA framework developed and implemented[[58]](#footnote-59) |
| 1. Concept note on green / alternative financing instruments developed.
 | - | - | - | Assessment Report prepared | - |

## Component 4.5 Cash Management

Objective

The goal for 2030 is to have in place advanced cash planning and cash management systems to ensure efficient and effective treasury operations.

Context

The cash flow forecasting process has been recently improved. Monthly cash flow forecasts are produced for 12 months ahead and daily forecasts are produced for the upcoming three months period. Budget plans received from spending entities and historical data are an input for the forecasts. In addition to the top-down forecasting approach, a pilot with three line ministries and the tax and custom authorities has been implemented to complement the forecast with bottom-up information. To improve the accuracy of forecasts and minimize deviations, a periodic assessment of the accuracy of the forecast is needed by the GDTreasury.[[59]](#footnote-60) Regarding cash management, a limited remuneration of cash balances in the Treasury Single Account through deposits provided by the Bank of Albania is observed, as well as a loose cash buffer policy.

Priorities

The priorities for the period 2023-2026 are:

* Improve cash forecasting process.
* Establishing a comprehensive performance monitoring system for cash forecasting.
* Enhancing cash management instruments.

Measures and activities

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Measure | Activity | Start | End | Stakeholders |
| **Measure 4.5.1 Improve cash forecasting process** | 1. Revise the process of preparing and submission of treasury plans by Budget Institutions.
 | Q1 2024 | Q4 2026 | **Responsible entity:**GDTreasury (lead), CMU **Partner:**BI, GDTax, CustomsIMF |
| 1. Establish Technical Committee and organise technical meetings on monthly basis with largest BI, Tax and Customs to get real time crucial information.
 | Q1 2024 | Q4 2024 |
| 1. Introduce a notification mechanism two weeks before large payments take place.
 | Q1 2024 | Q4 2024 |
| 1. Use a new IMF developed “tool” in Microsoft Excel for preparation of forecasts and for data analysis.
 | Q1 2024 | Q4 2026 |
| **Measure 4.5.2 Introduce a comprehensive performance monitoring system for cash forecasting** | 1. Measure and monitor the deviations from the updated monthly forecasts.
 | Q1 2024 | Q4 2025 | **Responsible entity:**GDTreasury (lead) **Partner:**IMF |
| 1. Set key performance indicators (KPIs) for daily and monthly forecasts and presenting them to the Cash and Debt Management Committee (CDMC).
 | Q1 2024 | Q4 2025 |
| **Measure 4.5.3 Enhance cash management instruments** | 1. Improve cash buffer policy.
 | Q1 2024 | Q4 2025 | **Responsible entity:**GDTreasury (lead) **Partner:**BoA, IMF |
| 1. Raise the amount and timeline of idle cash deposit investment in BoA and introduce new investment instruments.
 | Q1 2024 | Q4 2025 |

Performance indicators and milestones

| Indicator | Baseline value (year) | Target Value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. Monthly cash forecast accuracy rate
 | 88% | 88% | 91% | 93% | 96% |
| 1. Detailed inflow and outflow items in Cash Flow Forecasting included
 | 0 | 0 | 6 | 2 | 0 |
| 1. Increase of the number of instruments for active cash management
 | 1 | 0 | 0 | 1 | 0 |

## Component 4.6 Asset Management

Objective

The goal for 2030 is to have completed the procedures and systems for the registration and valuation of all public assets in accordance with the adopted accounting standards.

Context

For the purpose of accounting, a public asset register module has been created in AGFIS. Considering the substantial data gap in the fixed assets records, an assessment of the quality, completeness, methodology and accuracy of the fixed assets was conducted under the WB project “Development of public sector accounting in Albania (IPSAS)”. As a result some instructions and guidelines were drafted such as: (i) an instruction on the initial recognition, measurement and derecognition of each class of assets, (ii) a methodology for fixed asset register, and (iii) an action plan for fixed assets stocktaking and proposed stocktaking arrangement at the business unit level. In conjunction with rolling out the register, training has been provided to the users of the system.

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Priorities

The priority for the period 2023-2026 is:

* Finalising the reform on introducing and fully deploying the asset register module in AGFIS.

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| **Measure 4.6.1 Finalise reform on asset registration for accounting purposes** | 1. Review and amend the relevant methodology for asset management in accordance with IPSAS requirements.[[60]](#footnote-61)
 | Q1 2024 | 2027 | **Responsible entity:**DHMCA (lead for IPSAS), GDTreasury (lead for AGFIS).  |
| 1. Continue and finalise migration / entry of asset data into AGFIS by online Budget Institutions and perform the necessary checks.
 | Q1 2024 | Q3 2026 |
| 1. Public sector institutions carries out the inventory and evaluation of their assets.
 | Q1 2025 | Q4 2026 |
| 1. Preparation of a consolidated asset register in central institutions, at the controlling unit level.
 | Q1 2025 | Q4 2026 |

Performance indicators and milestones

|  |  |  |
| --- | --- | --- |
| **Indicator** | **Baseline value (year)** | **Target value** |
| **2023** | **2024** | **2025** | **2026** |
| 1. Establishment of the proper regulatory framework regarding evaluation and inventory of public assets
 | - | Concept paper prepared | Regulatory framework drafted | Regulatory framework approved | - |
| 1. Preparation of a consolidated asset register in central institutions, at the controlling unit level.
 | - | Concept paper prepared | Drafted | Drafted | Approved |

# Pillar 5 Public Internal Financial Control

## Introduction

Specific Objective of Pillar 5 is “The system of Public Internal Financial Control is further professionalised in all Budget Institutions in compliance with EU integration requirements” and covers Financial Management and Control, Internal Audit, Public Financial Inspection and Anti-Fraud Coordination Services coordination and management of EU funds.

|  |
| --- |
| **Component 5.1 Financial Management and Control**Goal 2030: Strong FMC systems operational in all Public Institutions in compliance with national legislation and international / EU good practices.Measures 2023-2026:* Measure 5.1.1 Enhance legal and regulatory framework for FMC;
* Measure 5.1.2 Enhance Managerial Accountability in public institutions;
* Measure 5.1.3 Strengthen Risk Management practices;
* Measure 5.1.4 Enhance FMC quality assessment and improvement in public institutions.

**Component 5.2 Internal Audit**Goal 2030: Value-added internal audit in all public institutions in accordance with international standards.Measures 2023-2026:* Measure 5.2.1 Continue oversight and expand support services to public institutions and internal audit teams;
* Measure 5.2.2 Professionalise core internal audit practices through developing guidelines and delivering capacity building activities.

**Component 5.3 Public Financial Inspection and Anti-Fraud Coordination Services**Goal 2030: Public Financial Inspection that effectively addresses all reported cases of irregularities fraud and corruption and national anti-fraud strategy implemented to protect EU financial interests.Measures 2023-2026* Measure 5.3.1 Enhance collaboration with Internal Audit and ALSAI;
* Measure 5.3.2 Coordinate the drafting and monitoring of the National Anti-fraud Strategy for the protection of the EU financial interests.

**Component 5.4 Management of EU funds**Goal 2030: Adequate PFM systems in compliance with EU requirements for sound financial management in order to effectively absorb EU funds.Measures 2023-2026* Measure 5.4.1 Establishment of IPA III legal framework;
* Measure 5.4.2 Develop and implement regulations, procedures for IPA III management. Enhance the capacities of IPA III structures;
* Measure 5.4.3 Enhance financial adjustment and/or Recovery procedures for EU Funds in line with national and IPA III legal requirements;
* Measure 5.4.4 Take stock of future requirements for managing EU post-accession funds and develop an action plan, within the framework of chapter 22, which will determine the needs for improving the legal framework of funds management.
* Measure 5.4.5 Development of Simplified Cost Options (SCO)
 |

## Component 5.1 Financial Management and Control

Objective

The goal for 2030 is to have strong FMC systems operational in all Public Institutions in compliance with national legislation and international / EU good practices.

Context

Financial Management and Control (FMC) practices in Public Institutions have gradually improved over time. However the quality of FMC as well as compliance with laws and regulations varies considerably across public institutions. In particular in the area of internal control, managerial accountability and risk management space for improvement is observed. The legal framework consisting of the law on Financial Management and Control[[61]](#footnote-62) and several sub-legal acts are in the process of being amended as to address the ongoing reforms in the area. Also the FMC manual[[62]](#footnote-63) is being improved and further adapted. All changes are aligned to the EU requirements as stipulated in chapter 32 of the acquis. The process of annual quality self-assessment of the FMC system (through a questionnaire)[[63]](#footnote-64), follow-up reporting to MoF, development of FMC improvement plans and its implementation by Public Institutions has been established and is supported by CHU/FMC. Main findings are reported in the annual PIFC report and discussed by the PIFC board. The CHU/FMC supports the public institutions with direct assistance on implementing the financial management and control requirements. The concept of managerial accountability within public institutions has not yet fully crystallized and a deeper understanding of managerial accountability by executive management has to be developed and facilitated by the necessary tools. Some weaknesses in the systematic follow-up on recommendations from internal and external auditors have been identified and need to be resolved. Risk management is still at an early stage at all levels and needs to be better incorporated in the management of financial and operational processes.[[64]](#footnote-65)

Priorities

The priorities for the period 2023-2026 are:

* Updating the legal and regulatory framework for FMC improved in the context of ongoing reforms in the FMC area.
* Enhancing Managerial accountability practices in public institutions.
* Enhancing Risk management practices in public institutions.
* Continuing the support to public institutions with developing and implementing FMC tools.

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| **Measure 5.1.1** **Enhance legal and regulatory framework for FMC** | 1. Review the FMC law as to address ongoing reforms in the domain of FMC.
 | Q1 2023 | Q1 2023 | **Responsible entity:**DH/FMCA (lead).**Partners:** EU, SIGMA, SECO.[[65]](#footnote-66) |
| 1. Review and update sub-legal acts and further improve the FMC manual.
 | Q4 2023 | Q4 2025 |
| 1. Review the effectiveness of the FMC law as well as required harmonization with other legislation and prepare amendments if needed.
 | Q1 2026 | Q2 2026 |
| **Measure 5.1.2** **Enhance Managerial Accountability in public institutions**  | 1. Support public institutions with using the rules of delegation of duties as a follow-up on the developed legal and regulatory framework for FMC and managerial accountability.[[66]](#footnote-67)
 | Q1 2025 | Q4 2025 | **Responsible entity:**DH/FMCA (lead)**Partners:**EU, SIGMA, SECO.[[67]](#footnote-68) |
| 1. Raise awareness about managerial accountability and disseminate experiences to senior management of public institutions through training and technical assistance during the IC quality assessment.
 | Q1 2024 | Q4 2025 |
| **Measure 5.1.3 Strengthen Risk Management practices** | 1. Review and amend the risk coordinator and FMC coordinator instruction.
 | Q1 2024 | Q4 2024 | **Responsible entity:** DH/FMCA (lead)**Partners:**EU, SIGMA, SECO |
| 1. Raise awareness and providing technical assistance on risk management on how to develop the tools for (strategic and operational) Risk Management.
 | Q1 2024 | Q4 2025 |
| **Measure 5.1.4** **Enhance FMC quality assessment and improvement in public institutions** | 1. Improve the level of implementation of FMC recommendations from the IC quality assessment procedure through the FMC development plan.
 | Q1 2024 | Q4 2026 | **Responsible entity:** DH/FMCA (lead)**Partners:**SIGMA, SECO.[[68]](#footnote-69) |

Performance indicators and milestones

| Indicator | Baseline value (2022) | Target Value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. Percentage of Public Institutions that comply with FMC requirements.
 | 69% | 70% | 72% | 75% | 80% |
| 1. Percentage of Public Institutions that have adequate Managerial accountability mechanisms in place.
 | 68% | 70% | 72% | 75% | 80% |
| 1. FMC law and sublegal acts amended and approved.
 | NA | FMC law, FMC manual and instruction on declaration and reporting for the quality of internal control system adopted | IC quality assessment methodology adopted | Methodology on monitoring the performance of general government unites adopted | FMC law reviewed[[69]](#footnote-70)  |
| 1. Percentage of public institutions that have adopted all risk management tools.
 | 68% | 70% | 72% | 75% | 80% |

## Component 5.2 Internal Audit

****Objective****

The goal for 2030 is to ensure a value-added internal audit in all public institutions in accordance with international standards. This can be achieved through either an in-house internal audit function or shared services, ensuring adherence to internationally adopted standards on internal audit. The objective is to furnish meaningful recommendations to both the executive management of the budget institution and the audit committee. The audit profession will further derive advantages from the integration of digital technologies and tools, aiming to optimize and streamline internal audit functions within government organizations. Additionally, enhancing the certification framework for internal auditors and providing professional development opportunities at both national and international levels will contribute to the profession's continuous improvement.

Context

Following a gap analysis of the law on internal audit vis-a-vis international good practices, proposals for amending the law on internal audit have been developed. Proposed changes to the law include: (i) introducing a mechanism for outsourcing the internal audit function (audit service) as an alternative for employment of audit staff in the public entity; (ii) changes in the criteria for appointment of head of Internal Audit Unit of a public entity (senior auditor) and subordinate audit staff (junior auditors); (iii) changes in certification system: in addition to internal auditors also for other specialists in the domain of finance and economics can obtain certification after completing the necessary education and prior to being appointed as an Internal Auditor; (iv) clarification of the concepts for addressing observed corruption, fraud or irregularities and the role of the internal auditor and head of the public entity and (v) specification of the mandate and role of audit committees in public entities. Budget Institutions continue to develop and implement Quality Assurance Improvement Plans (QAIP) and MoF continues to provide Continuous Professional Development (CPD) and other training to Internal Auditors through national and international (CEF) training programs and 90% of internal auditors in active service have now been certified.

Despite these achievements, a number of challenges remain. Not yet all public institutions have staffed an internal audit function or outsource the audit function. In several public institutions – in particular in some LGUs and secondary level institutions at central level, the capacity of internal audit teams remains weak. Also the added value of internal audit requires improvement with financial and compliance audits culminating in strong audit reports presenting a clear audit opinion and practical recommendations for improving FMC and business processes. Subsequently the adequate follow-up on audit recommendations by executive management of budget institutions shall be promoted, and Audit Committees need to be strengthened as to bring a fruitful contribution to improving financial management practices.

More advanced types of internal audit such as IT-audit, performance audit, revenue audit and project audit have only been partially introduced. The framework of risk-based audit in combination with the principles of preventing, detecting, and addressing possible irregularities, fraud and corruption needs to be further operationalised and institutionalised to become fully effective. Improving and maintaining the professional qualifications and skills of the entire internal audit cadre remains a priority and a challenge.

Priorities

The priorities for the period 2023-2026 are:

* Ensuring that Internal Audit services are delivered in each budget institution, either through an in-house audit function, the shared Internal Audit services modality or other arrangements.
* Strengthening financial, compliance and performance audit practices as to ensure that internal audit provides genuine added value.
* Continuing and improving engagement of Executive Management of budget institutions to follow-up on recommendations of the Internal Auditors, External Auditors, and having in place effective Audit Committees.

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| Measure 5.2.1 Continue oversight and expand support services to public institutions and internal audit teams | 1. Develop tools and mechanisms for outsourcing internal audit services or establish shared internal audit services and provide support to public institutions that do not have an internal audit team to use these mechanisms.
 | Q1 2023 | Q2 2023 | **Responsible entity:**DHIA (lead)**Partners:** EU, SIGMA[[70]](#footnote-71) |
| 1. Enhance the quality assurance management system, in order to ensure effective monitoring of internal audit work throughout public sector entities
 | Q2 2025 | Q4 2026 |
| 1. Update the law on internal audit as to facilitate reform in the field of Internal Audit.
 | Q1 2023 | Q4 2023 |
| 1. Capacitate Audit Committees through customized training activities.
 | Q1 2024 | Q4 2026 |
| 1. Review options for introducing internal audit software to facilitate the work of Internal Audit teams.
 | Q1 2026 | Q4 2026 |
| Measure 5.2.2 Professionalise core internal audit practices through developing guidelines and delivering capacity building activities | 1. Development of the new IA Manual under the frame of recently Global internal Audit Standards, issued by IIA[[71]](#footnote-72).
 | Q3 2024 | Q4 2025 | **Responsible entity:** DHIA (lead)**Partners:**EU, SIGMA[[72]](#footnote-73) |
| 1. Develop/update Training of Trainers Program on new internal Audit Manual and GIAS[[73]](#footnote-74).
 | Q1 2023 | Q4 2026 |
| 1. Strengthen compliance audit practices: develop/update guidelines and deliver training to Internal Auditors on audit reporting, formulating audit opinion on internal control systems and presenting recommendations in the management letter.
 | Q1 2024 | Q4 2025 |
| 1. Develop guidelines and deliver training to Internal Auditors on risk-based audit approaches in connection to preventing, detecting or addressing irregularities, fraud and corruption.
 | Q1 2024 | Q4 2026 |

Performance Indicators and milestones

| Indicator | Baseline value (year) | Target value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. Percentage of public institutions that are covered by annual internal audits.
 | 136 | 138 | growing trend  | growing trend | growing trend |
| 1. Number of public institutions that have a functional audit committee.
 | 6 | 7 | growing trend | growing trend | growing trend |
| 1. Percentage of active internal auditors that are fully certified.
 | 80% | 88% | growing trend | growing trend | growing trend |
| 1. Percentage of internal audit units that have established and implemented QAIPs in accordance with the applicable standards.
 | 52% | 71% | growing trend | growing trend | growing trend |
| 1. Percentage of internal auditors that comply with CPD requirements
 | 100% | 100% | 100% | 100% | 100% |

## Component 5.3 Public Financial Inspection and Anti-Fraud Coordination Services

Objective

The goal for 2030 is to have an effective Public Financial Inspection in order to (i) to guarantee the compliance with the law in using public funds and to provide assistance in improving public financial management in accordance with professional standards and (ii) to coordinate the drafting, adoption and implementation of the National Antifraud Strategy to better protect the EU financial interests and to monitor and further strengthen the AFCOS coordination role.

Context

The Government is determined to provide a control system that will prevent fraud, irregularities, and other types of financial mismanagement of public funds in the public sector entities. Since 2015, a new Law on Public Financial Inspection[[74]](#footnote-75) and several sub-legal acts, regulations, guidelines, and manuals were introduced. These legislative changes were accompanied with organisational changes such as the establishment of the Department of Public Financial Inspection (DPFI) as a standalone function within the MoF. The PFI is an ex-post activity on the regularity of transactions and other activities of public financial management, performed under the responsibility of public units and individuals, in order to (i) define the violations to normative acts and verify the suspicions for any fraud committed; (ii) detect irregularities and damage caused to the property of public units; and (iii) Identify the responsible individuals for the violations committed and ask for indemnification, disciplinary or administrative measures to be taken, according to the level or type of responsibility. Multiple capacity building activities, including trainings, coaching and study tours have contributed to the enhanced professionalism of department staff. Following EU recommendations and regulatory requirements, the National Anti-fraud Strategy for the protection of the EU financial interests shall be developed, adopted, implemented, and monitored.

Priorities

The priorities for the period 2023-2026 are:

* Enhancing collaboration with Internal Audit and ALSAI.
* Strengthen the Coordinating role in drafting and monitoring of a National Anti-fraud Strategy for the protection of the EU financial interests.

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| Measure 5.3.1 Enhance collaboration with Internal Audit and ALSAI | 1. Implement MoU between the Financial Inspection, ALSAI and Internal audit.
 | Q1 2024 | Q4 2026 | **Responsible entity:**DPFI (lead). |
| Measure 5.3.2 Coordinate the drafting and monitoring of the National Anti-fraud Strategy for the protection of the EU financial interests | 1. Coordinate the drafting of the National Anti-fraud strategy for the protection of the EU financial interests.
 | Q4 2023 | Q4 2024 | **Responsible entity:**DPFI (lead).**Partners:**EU, SIGMA.[[75]](#footnote-76) |
| 1. Monitor and report on the implementation of the National Anti-fraud strategy.
 | Q1 2025  | Q4 2026 |

Performance indicators and milestones

| Indicator | Baseline value (year) | Target value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. National Anti-fraud strategy (NAFS) for the protection of the EU financial interests approved and monitored.
 | - | - | NAFS Prepared/ approved | NAFS reported and monitored | NAFS reported and monitored |

## Component 5.4 Management of EU funds

Objective

The goal for 2030 is to have in place adequate PFM systems in compliance with EU requirements for sound financial management in order to effectively absorb EU funds.

Context

The first Inter-Governmental Conference on accession negotiations with Albania took place on 19 July 2022 and the ‘screening’ was launched on the same date. Albania is receiving financial assistance under IPA III where the main objective is to support the beneficiaries in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required to comply with Union values. Many important milestones have been completed so far, such as the ratification of the “Financial Framework Partnership Agreement between the European Commission and the Republic of Albania”, for IPA III”[[76]](#footnote-77) and the manuals of procedures soon to be submitted to European Commission. As IPA III assistance is implemented through various methods such as direct management, indirect management and shared management, Albania will need to get ready to absorb the financing received by establishing and strengthening administrative and institutional capacities. Adding extra resources where needed and building capacities of the staff will be one of the priorities of the structures involved in dealing with IPA III.

Priorities

The priorities for the period 2023-2026 are:

* Develop and establish the IPA III institutional and regulatory framework and enhance the human resource capabilities to implement IPA III.
* Prepare for the absorption of future EU funds by identifying management options and making fund management systems fit for purpose.

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| Measure 5.4.1 Establishment of IPA III legal framework | 1. Preparing and approving the Decision of Council of Ministers on designation of functions, responsibilities and relations between authorities and structures for indirect management of EU financial assistance under the Instrument for Pre-accession Assistance 2021 – 2027 (IPA III)
 | Q1 2023 | Q4 2023 | **Responsible entity:**SASPAC (lead),NAO support office, CFCU **Partners:**EUD |
| Measure 5.4.2 Develop and implement regulations, procedures for IPA III management and enhance the capacities of IPA III structures | 1. Approve and establish the management structures in charge for IPA III implementation and prepare the manuals and instructions to guide the IPA III implementations.[[77]](#footnote-78)
 | Q1 2023 | Q4 2024 | **Responsible entity:**NAO support office (lead), CFCU, SASPAC**Partners:**EUD |
| 1. Assess existing human resource capacities, and skill gaps, develop a human resource capacity development plan, plan targeted training programs aligned with IPA III goals and foster international peer learning through partnerships and collaborative initiatives.
 | Q1 2023 | Q4 2026 |
| Measure 5.4.3 Enhance financial adjustment and/or Recovery procedures for EU Funds in line with national and IPA III legal requirements | 1. Undertake a comprehensive review of the national and IPA III legal base, evaluate existing financial adjustment and recovery procedures and identify weaknesses and areas for improvement in line with legal provisions IPA III.
 | Q1 2023 | Q4 2024 | **Responsible entity:**CFCU (lead), NAO Support office **Partners:**EUD |
| 1. Develop and adopt a comprehensive guide detailing the sequential steps for financial adjustments and recovery.
 | Q1 2023 | Q4 2024 |
| 1. Develop Training modules for staff involved in executing the procedures.
 | Q1 2023 | Q4 2025 |
| Measure 5.4.4 Take stock of future requirements for managing EU post-accession funds and develop an action plan, within the framework of chapter 22, which will determine the needs for improving the legal framework of funds management. | 1. Stocktaking of EU fund management modalities and systems based on examples from other EU member states.
 | Q1 2025 | Q4 2026 | **Responsible entity:**SASPAC (lead)**Partners:**EUD |
| 1. Implement a gap analysis and develop a action plan for (accelerated) preparation and implementation of fund management modalities and required adjustment of PFM systems.
 | Q1 2025 | Q4 2026 |
| **Measure 5.4.5 Development of Simplified Cost Options (SCO)** | 1. Defining rules for the development and implementation of simplified cost options, including legislation, standard SCOs for specific sectors, etc.
 | Q2 2024 | Q4 2025 | **Responsible entity:**SASPAC (lead), CFCU, Managing Authorities for Operational Programs IPA III |

Performance indicators and milestones

| Indicator | Baseline value (year) | Target value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. IPA-III entrustment package developed and approved.
 | - | IPA-III entrustment packagedeveloped | IPA-III entrustment packageapproved  | IPA-III entrustment packageimplemented | IPA-III entrustment packageimplemented |
| 1. Guideline for adjustment and recovery (GAR) of EU funds introduced
 | - | - | GAR adopted | GAR implemented | GAR implemented |

# Pillar 6 External Oversight

## Introduction

Specific Objective of the Pillar 6 is “External oversight mechanisms strengthened” and cover supreme audit and the parliamentary oversight.

|  |
| --- |
| Component 6.1 External AuditGoal 2030: to ensure that the Supreme Audit function operates based on the International Organization of Supreme Audit Institutions (INTOSAI) principles and in full compliance with the international Standards for Supreme Audit Institutions (ISSAIs) through further improvement of the legal, regulatory and methodological framework and the deployment of sufficient and capacitated auditors and support staff.Measure 2023-2026:* Measure 6.1.1 Further improve legal, regulatory and agile methodological framework and expand utilisation of audit tools;
* Measure 6.1.2 Professionalise reporting and communication in compliance with the communication strategy and relevant principles and standards.

Component 6.2 Parliamentary OversightGoal 2030: to ensure that the enabling environment and supporting structure for the Committee for Economy and Finance is professionalised following EU/OECD good practices which allows the parliament to better implement its scrutiny and oversight mandate.Measure 2023-2026:* Measure 6.2.1 Further professionalise the support function of the Parliamentary Committee for Economy and Finance.
 |

## Component 6.1 External Audit

**Objective**

The goal for 2030 is to ensure that the Supreme Audit function operates based on the International Organization of Supreme Audit Institutions (INTOSAI) principles and in full compliance with the international Standards for Supreme Audit Institutions (ISSAIs) through further improvement of the legal, regulatory and methodological framework and the deployment of sufficient and capacitated auditors and support staff.

Context

ALSAI’s independence and mandate is by legislation,[[78]](#footnote-79) and over the years the international Standards for Supreme Audit Institutions (ISSAIs) s have been adopted and the regulatory framework has been aligned to it. ALSAI audits each year in accordance with its annual audit plan based on risks selected central government institutions, State Owned Enterprises, Public Private Partnerships, and since 2021 all 61 LGUs in accordance with the law on local government. A renewed code of ethics has been introduced in 2018. For developing the capacity of ALSAI as an institution and its individual auditing staff, it has established collaboration with INTOSAI Development Initiative, the European Organization of Supreme Audit Institutions (EUROSAI), the European Court of Audit (internship programmes), CEF Slovenia (training programmes), SIGMA, internal audit trainings and bilateral engagements with other SAIs. ALSAI has expanded its scope of work with also auditing gender equality and achieving SDGs. For improving its audit practices, ALSAI established cooperation with development partners for piloting the external audit of PPPs and concession contracts and for introducing IT-supported audit techniques. Also, the communication and engagement with Parliament, Government, media and citizens is enhanced and is expected to further improve with the development of the new Communication Strategy 2022-2025. Steps to improve adequate follow-up of ALSAI audit recommendations – which has been a key issue - were made through a Parliamentary regulation aimed at providing a more effective mechanism for monitoring the follow-up of audit findings. More work in this area is foreseen.

Following the Supreme Audit Institutions Performance Measurement Framework (SAI-PMF) assessment[[79]](#footnote-80) implemented in 2022, ALSAI has developed and approved its Development Strategy for 2023-2027. Some highlights of the strategy include introducing specialised audits and agile audit approaches, improving communication of ALSAI with the Parliament and Citizens and continuing to expand and train its audit cadre.

Priorities

In accordance with ALSAI’s Development Strategy for 2023-2027 the priorities for 2023-2026 are:

* Increasing and improving the role of the ALSAI as a supporter of the Parliament for effective accountability and careful and in-depth examination of entities that use public funds;
* Increasing the impact of audit work on good governance, through improving the level of implementation of recommendations;
* Optimizing professional capacities to acquire innovative knowledge in audit work.

Measures and activities

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| **Measure 6.1.1 Further improve** **legal, regulatory and agile methodological framework and expand utilisation of audit tools** | 1. Continue regular peer reviews of the functioning of the ALSAI and on the basis of this update and implement ALSAI’s strategic development plan.
 | Q1 2024  | Q4 2026 | **Responsible entity:**ALSAI (lead)**Partners:**INTOSAI-IDI |
| 1. Define amendments in the ALSAI’s Organic Law to further strengthen the independence and the constitutional mandate of ALSAI.
 | Q4 2023 | Q4 2024 |
| 1. Develop/introduce IT applications for the use of Computer Aided Audit Techniques in some types of audits (compliance, financial and performance).
 | Q1 2024 | Q4 2026 |
| **Measure 6.1.2 Professionalise reporting and communication in compliance with the communication strategy and relevant principles and standards** | 1. Improve the quality of the audit reports customised to the demands of its readers and expand the use of all communication tools to continuously promote the role of the ALSAI
 | Q1 2023 | Q4 2024 | **Responsible entity:** ALSAI (lead) |
| 1. Expand monitoring, reporting and communication on follow-up on audit recommendations by auditees.
 | Q1 2023 | Q4 2026 |

Performance indicators and milestones

| Indicator | Baseline value (year) | Target Value |
| --- | --- | --- |
| 2023 | 2024 | 2025 | 2026 |
| 1. PEFA Indicator 30.1 Audit coverage and standards
 | B (2017) | - | - | A | - |
| 1. PEFA indicator 30.3 External audit follow-up
 | C (2017) | - | - |  | A |
| 1. SIGMA Indicator 4.3.1.5: Effectiveness of scrutiny of public authorities by independent oversight institutions (Implementation of SAI recommendations).
 | 4/8 | - | - | 5/8 | 7/8 |
| 1. Guideline for auditing of budget institutions prepared and implemented
 | - | - | Guideline approved | Guideline Implemented | - |
| 1. Computer Aided Audit Techniques (software) is in use.
 | - | - | - | Training provided | Softwarein use |
| 1. Methodology for audit of PPPs and concession institutionalised.
 | - | - | Methodologyfinalised | Methodology implemented | - |

## Component 6.2 Parliamentary Oversight

****Objective****

The goal for 2030 is to ensure that the enabling environment and supporting structure for the Committee for Economy and Finance is professionalised following EU/OECD good practices which allows the parliament to better implement its scrutiny and oversight mandate.

**Context**

The mandate of the Parliament in the governance system is clearly defined and the areas of responsibility of the Committee for Economy and Finance in the PFM system cover: economic policies, the State Budget and the supervision of its implementation, privatizations and the banking system.[[80]](#footnote-81) Recent PEFA and SIGMA assessments conclude that the Parliament – including the Committee for Economy and Finance – show a relatively solid performance but also identify space for improvement.[[81]](#footnote-82) As a follow-up on these assessments, several recommendations have been provided, including the establishment of subcommittees. International developments suggest that stronger engagement of Parliament across the budget cycle (fiscal policy and sustainability, scrutiny of budget, and supplementary budget proposals, scrutiny of budget execution, financial and audit reports as well as oversight of financial institutions) contribute to improved PFM.[[82]](#footnote-83) In this context, the Committee for Economy and Finance of the Parliament has expressed strong interest to further develop its role in the overall Good Governance and PFM system.

**Priorities**

The priority for 2023-2026 is:

* Professionalising the support structures of the Committee for Economy and Finance by preparing and commencing the implementation of a development plan.

****Measures and activities****

| Measure | Activity | Start | End | Stakeholders |
| --- | --- | --- | --- | --- |
| **Measure 6.2.1 Further professionalise the support structures of the Committee for Economy** and Finance of the Parliament | 1. Undertake an institutional review of the Committee for Economy and Finance of the Parliament and its support structure based on EU/OECD good practices.
 | Q1 2024 | Q2 2024 | **Responsible entity:**Committee for Economy and Finance of the Parliament**Partners:**National Democratic Institute, Westminster Foundation, EUD. |
| 1. Further establish international peer-to-peer collaboration and exchanges with parliaments and their Public Accounts Committees in the EU and the region.
 | Q4 2023 | Q4 2024 |
| 1. Prepare and approve a development plan for the Committee for Economy and Finance of the Parliament and its support structure.[[83]](#footnote-84)
 | Q3 2024 | Q2 2025 |
| 1. Implement and monitor the development plan.
 | Q3 2025 | Q4 2026 |
| 1. Establish a special Parliamentary sub-committee for public sector audit.
 | Q1 2024 | Q2 2024 |

Performance indicators and milestones

|  |  |  |
| --- | --- | --- |
| Indicator | Baseline value (year) | Target value |
| 2023 | 2024 | 2025 | 2026 |
| 1. PEFA PI-31 Legislative scrutiny of audit reports.[[84]](#footnote-85)
 | B(2017) | - | - | - | > B |
| 1. Development plan prepared and implemented
 | - | - | - | Approved | Implementation |

# Monitoring and Reporting Institutional Framework

The institutional framework for managing PFM reforms within the MoF comprises a steering committee, a technical committee and the directorate for PFM reform. The PFM Steering Committee is part of integrated Policy Management Groups (IPMG) 1 “Democracy, Rule of Law and Good Governance”.

**PFM Steering Committee**

The PFM Reform **Steering Committee** (SC)[[85]](#footnote-86) will continue to be the oversight body with responsibility for directing and monitoring PFM reform activities, including engagement with Development Partners and Civil Society. The SC is chaired by the Minister of Finance, and its membership are as follows:

* The Deputy Ministers for Finance;
* The Secretary General of the Ministry of Finance;
* Minister of State and Chief Negotiator
* One representative from the Prime Minister’s Office;
* The Secretary General of the ALSAI;
* One representative from the Parliamentary Committee for Economy and Finance;
* The Head of the Department of Public Administration;
* The General Director of the Public Procurement Agency;
* The Head of Public Procurement Commission;
* The General Director of Taxation;
* The General Director of Customs;
* The General Director of SASPAC
* The Head of INSTAT;
* Invited representatives from the DIP.

The Secretary General of MOF will serve as Secretary to the SC. The Committee will meet at least once a year and whenever required to review the progress of the reforms, review the risks and approve mitigating actions. The Secretary General may invite any other persons to the SC from time to time.

**PFM Technical Committee**

A **Technical Committee** (TC) that was established in 2017 will continue to have the mandate to catalyse the reform activities and to co-ordinate and monitor the implementation of the Outputs under the different Components of the respective Pillars. Importantly the TC would identify risks, plan their mitigation and alert the SC to these matters accordingly. The TC is chaired by the Secretary General of MOF. The Committee shall meet at least once a year and whenever required.

The SC and TC will be supported by the **Directorate responsible for Managing the PFM Reforms**. The Directorate will continue to be responsible for monitoring and reporting on the PFM reforms:

* Review Pillars progress reports;
* Succinctly report on PFM progress: achievements; where progress is off-track; challenges and risks to the TC and SC, in conjunction with the Pillars' Coordinators;
* Prepare an Annual Monitoring Report about PFM Strategy progress; and
* The Director shall support the SC in ensuring that risks to the implementation of the Action Plan are identified and TC and SC recommendations are implemented.

The PFM SC will be used as a forum for dialogue and feedback from Albania’s external partners on the PFM Strategy and its implementation. Meetings dedicated to the PFM reforms will be held on at least an annual basis.

# Risks and mitigation plan

To ensure the effective management of reforms, drawing from the experience gained between 2014 and 2022, a more proactive approach to risk management is imperative. This involves not only addressing risks associated with the implementation of activities but also considering potential risks to the overarching objectives of the Pillars and their respective Components. Thus, heightened attention will be directed towards the Risk and Mitigation Plan, which is to be a dynamic document forming an integral part of the regular reporting framework outlined in the governance arrangements mentioned earlier.

The Pillars/Component leaders are tasked with the ongoing monitoring of the execution of the Strategy's Action Plan, with a particular focus on proposing mitigating actions whenever identified risks materialize. The paragraphs below highlights key risks associated with the implementation of the PFM Strategy, accompanied by insights into how these challenges can be effectively mitigated.

Political Risk - Political transitions, changes in leadership, or shifting priorities can result in a faltering commitment to the reform agenda. To mitigate this risk:

* Increase awareness among political leaders and key decision-makers regarding the importance and benefits of PFM reforms;
* Ensure integration of PFM reforms into broader government plans and strategies;
* Conduct public awareness campaigns to enlighten citizens on the significance of PFM reforms, leveraging public support to influence political prioritization and sustainability.

Institutional Risks - Insufficient capacity and capabilities within government institutions pose significant risks to PFM reforms. To mitigate this risk:

* The MoF and other involved institutions are committed to investing in a comprehensive training needs assessment and the development of tailored training programs;
* Strengthen collaboration with ASPA and international organizations for additional support;
* Sustain continuous engagement in human capital investment, recognizing it as essential for sustaining positive outcomes.

Legal risk – regulatory changes planned are delayed. To mitigate this risk:

* Establish regular communication channels with relevant regulatory bodies involved in PFM reform;
* Seek support from political leaders and key institutions to prioritize and facilitate the implementation of regulatory changes;
* Advocate for the importance of timely regulatory reforms to achieve the broader objectives of PFM reform.

Financial Risks - Limited financial resources can hinder the implementation of comprehensive PFM reforms. To mitigate this risk:

* Conduct a thorough review of the resources needed for its implementation;
* Consider a phased implementation approach if necessary;
* Explore alternative sources of funding, including international donor funding.

Technological Risk - As PFM reforms increasingly rely on technology, the risk of cybersecurity threats rises. To mitigate this risk:

* Formulate a comprehensive cybersecurity policy that outlines standards, protocols, and guidelines for protecting information systems;
* Emphasize continuous monitoring and adaptability to evolving threats as crucial components of a successful cybersecurity plan.

Social Risks - Inadequate consultation and communication with key stakeholders can lead to social resistance or misunderstandings. To mitigate this risk:

* Engage stakeholders extensively during the PFM Strategy preparation process and its monitoring.
* Make all monitoring reports available to the public to ensure transparency and foster trust.

The table below highlights potential risks envisaged at the Strategy preparation stage and will form the basis for monitoring the risks. Pillars leaders will support the SC for ensuring that risks are monitored and mitigating actions are reported.

*Table 3: Key potential risks*

| Risk assessment (probability and impact):H = HighM = ModerateL = Low | Main Risk Factors |
| --- | --- |
| Delayed legal/ Regulatory changes | Inadequate Financial provision | Non-sustainable human resource capacity development | Inadequate availability of Human Resources | IT development or procurement challenges | Timely availability of TA / support | Inadequate coordination |
| Pillar 1 Macroeconomic Programming and Risk Monitoring |
| 1.1 Prudent and realistic macro-economic programming | L | L | M | M | L | M | L |
| 1.2 Establishing a comprehensive Debt Sustainability Analysis | L | M | M | M | L | L | L |
| 1.3 Fiscal Risk Management | L | L | M | M | L | L | M |
| 1.4 Fiscal Council | H | M | M | H | L | M | M |
| Pillar 2: Integrated Strategic and Budget Planning, Monitoring, and Transparent Reporting |
| 2.1 Integrated Strategic Planning | M | L | M | M | H | L | H |
| 2.2 Medium Term Budget Planning | L | M | M | M | L | L | M |
| 2.3 Public Investment Management | M | H | H | M | L | M | M |
| 2.4 Local Finance | L | M | H | M | M | M | H |
| 2.5 Budget Execution Monitoring and Reporting | L | M | H | M | M | L | M |
| Pillar 3: Revenue mobilization and management |
| 3.1 Tax Management | M | H | M | H | H | M | M |
| 3.2 Property Tax Management | M | H | M | H | H | M | H |
| 3.3 Customs Management | M | H | M | H | H | M | M |
| Pillar 4: Accounting and Budget Execution Management |
| 4.1 National Government Accounts | L | L | M | M | L | L | M |
| 4.2 Accounting | M | M | M | M | H | M | L |
| 4.3 Public Procurement | M | M | M | M | M | M | M |
| 4.4 Debt Management | L | M | M | M | M | M | L |
| 4.5 Cash Management | L | M | M | M | M | M | L |
| 4.6 Asset Management | M | M | M | M | M | M | L |
| Pillar 5: Public Internal Financial Control |
| 5.1 Financial Management and Control | L | M | M | M | L | L | M |
| 5.2 Internal Audit | L | M | M | H | L | L | M |
| 5.3 Public Financial Inspection and Anti-Fraud Coordination Services | L | M | M | M | L | L | M |
| 5.4 Management of EU funds | M | M | M | M | M | L | M |
| Pillar 6: External Oversight |
| 6.1 External Audit | L | L | M | M | M | L | L |
| 6.2 Parliamentary Oversight | L | M | M | H | L | M | L |

# 10 Estimated Cost and Financing

The majority of the reforms included in this strategy are policy reforms. The work of formalizing these reforms in the form of new and/or modified legislation and regulations will not require additional financial resources. Existing staff of the institutions involved in the implementation of the reforms will be responsible for taking necessary steps to bring the measures envisaged under this strategy document to successful fruition.

The approach used to measure the scope of resources employed to implement the PFM strategy is only extra costs, excluding administrative costs in the cost table. The PFM strategy includes some activities for which the source of financing is known, but the amount that will be financed to cover expenses or activities for which the source of funding has not yet been agreed upon remains to be decided.

The Government will seek financing from External Development and Integration Partners to finance activities and cover costs related to implementation and capacity building. Also, the Government remains committed to providing financing for activities to allow the implementation of reforms.

The table below presents information on the indicative cost of the PFM strategy at the pillar level. Further details on costing by specific objectives (components) can be found in Annex 3.



# Annex 1 Stakeholders for PFM Reform

|  |
| --- |
| **Ministry of Finance** |
| MoF | Ministry of Finance |
| GDFP | General Directorate of Fiscal Policies (under MoF) |
| DFH | Directorate of Fiscal Harmonization (under MoF GDFP) |
| GDMP | General Directorate of Macroeconomic Programming (under MoF) |
| GDHPIFC | General Directorate of Harmonization of Public Internal Financial Control (CHU, under MoF) |
| DHIA | Directorate of Harmonization of Internal Audit (under MoF GDHPIFC) |
| DHFMCA | Directorate of Harmonization of Financial Management, Control and Accounting (under MoF GDHPIFC) |
| GDB | General Directorate of Budget (under MoF) |
| DABP | Directorate of Analysis and Budget programming (under MoF GDB) |
| DBM | Directorate of Budget Management (under MoF GDB) |
| DPIM | Directorate of Public Investment Management (under MoF GDB) |
| DLF | Directorate of Local Finance (under MoF GDB) |
| DRF | Directorate of Fiscal Risk (under MoF GDB) |
| GDT | General Directorate of Treasury (under MoF) |
| DTO | Directorate of Treasury Operations (under MoF GDT) |
| DBP | Directorate of Business Processing (under MoF GDT) |
| GDSD | General Directorate of State Debt (under MoF) |
| DB | Directorate of Borrowing (under MoF GDSD) |
| DSDM | Directorate of Strategy and Debt Monitoring (under MoF GDSD) |
| GDPT | General Directorate for Property Tax (under MoF) |
| DPFI | Directorate of Public Financial Inspection (under MoF) |
| DC | Directorate for Concessions (under MoF) |
| GDTax | General Directorate of Taxation (under MoF) |
| GDC | General Directorate of Customs (under MoF) |
| NAO | National Authorising Officer (under MoF) |
| CFCU | Central Financing and Contracting Unit (under MoF) |
| AA | Audit Authority  |
|  |  |
|

|  |
| --- |
| **Ministry of Economy, Culture and Inovation** |
| ATRAKO | Concessions Agency |

**Prime Minister’s Office** |
| PMO | Prime Minister’s Office |
| SASPAC | State Agency for Strategic Programming and Aid Coordination (under PMO) |
| DoPA | Department of Public Administration (under PMO) |
| NAIS | National Agency for Information Systems (under PMO, also referred to as AKSHI) |
| PPA | Public Procurement Agency  |
|  | EU Funds Audit Agency |
| **Independent Institutions** |
| ALSAI | Albanian Supreme Audit Institution (independent institution, also referred to as High State Control) |
| INSTAT | Institute of Statistics (independent institution) |
|  |  |
| PPC | Public Procurement Commission (independent institution) |
| **Parliament** |
| PCEF | Parliamentary Committee for Finance and Economy  |
| **Other central government institutions** |
| BI | Budget Institutions |
| **Local Government** |
| LGU | Local Self-Government Units (Municipalities) |
| **Development Partners** |
| EU | European Union |
| IMF | International Monetary Fund |
| SECO | State Secretariat for Economic Affairs (Switzerland) |
| SIGMA | Support for Improvement in Governance and Management (OECD - EU) |
| WB | World Bank |
| UN  | United Nations |

# Annex 2 Overview of ongoing and planned support from development partners

|  |  |
| --- | --- |
| 1. PEFA National Level
 | Partner: EU, Implementation period: 2024 (planned) |
| 1. Subnational PEFA in five municipalities
 | Partner: SECOImplementation period: 2024 (planned) |
| 1. SIGMA Principles of Public Administration Assessment
 | Partner: SIGMAImplementation period: 2024 (planned) |
| 1. EU for Good Governance Technical Assistance
 | Partner: EUImplementation period: 2023-2027 (ongoing)Scope: Support Government with reforms in Public Administration, Anti Corruption, Local Governance and Public Finance Management.  |
| 1. Strengthening Fiscal Governance in the Western Balkans
 | Partner: World Bank (trust fund), EU (funding)Implementation period: Scope: Component I focuses on strengthening fiscal responsibility frameworks through (i) improving fiscal responsibility frameworks (rules and institutions) and (ii) Macroeconomic modelling and forecasting. Component II focuses on enhancing infrastructure governance through the strengthening of public investment management (PIM) and public asset management (PAM) with a sectoral and institutional focus through (i) Supporting evidence-based and climate-resilient infrastructure governance reforms and (ii) Institutional strengthening of PIAM with a focus on infrastructure, state-owned enterprises (SOE), and subnational governments (SNG) |
| 1. Fiscal Reform in South East Europe
 | Partner: IMF (lead), EU, SECOImplementation period: -2026 (second phase, ongoing)Scope: Support to five Western Balkan Countries in Revenue, PFM. PFM component: Fiscal Risk Management, State Owned Enterprises and Cash Forecasting. |
| 1. Government Debt Risk Management
 | Partner: WB (lead), SECO. Implementation period:Scope: Development of the financial market / debt instruments, Medium Term Deb Strategy, Auctions. |
| 1. Local PFM
 | Partner: SECO. Implementation period: 2024-2028 (second phase, planned)Amount:Scope: Supporting municipalities with improving budget planning and execution, revenue mobilization and PIFC. |
| 1. AFMIS rollout to subnational level
 | Partners: WB (lead), SECOImplementation period |
| 1. SAI PPP audit
 | Partner: SECO |
| 1. Public Sector Accounting Reform
 | Partners: World Bank (lead), SECOImplementation period: 2024-2027 (second phase) |
| 1. SIDA
 | ProTax Albania Project |

# Annex 3 Estimated Cost and Financing according to specific objectives (components)













# Annex 4 Action Plan of Public Finance Management Strategy 2023-2026

















































# Annex 5 Passport of Indicators of Public Finance Management Strategy 2023-2026

















1. Republic of Albania, Council of Ministers, Economic Reform Programme 2023-2025, 31 January 2023. [↑](#footnote-ref-2)
2. Republic of Albania Council of Ministers, Economic Reform Programme 2024-2026, 15 January 2024. [↑](#footnote-ref-3)
3. Law No. 30/2022 “On the approval of the Official Statistics Program 2022-2026” [↑](#footnote-ref-4)
4. MoF Directory General of Macroeconomic Programming [↑](#footnote-ref-5)
5. IMF provides support through its bi-annual engagement with MoF as part of the Article 4 Consultations. The technical assistance is yet to be decided from which independent international and financial institution is going to be offered. [↑](#footnote-ref-6)
6. IMF provides support through its bi-annual engagement with MoF as part of the Article 4 Consultations. [↑](#footnote-ref-7)
7. IMF fiscal risk management toolkit (<https://www.imf.org/en/Topics/fiscal-policies/Fiscal-Risks/Fiscal-Risks-Toolkit>) may be used as guidance material. It may be envisaged that all State Owned Enterprises are subject to assessment, monitoring and oversight arrangements as to identify contingent liabilities and manage fiscal risks. [↑](#footnote-ref-8)
8. TBA [↑](#footnote-ref-9)
9. The establishment of a fiscal council by the end of 2026 is suggested by the PAR roadmap 2023-2030 (VENDIM Nr. 737, datë 13.12.2023, PËR MIRATIMIN E UDHËRRËFYESIT PËR REFORMËN NË ADMINISTRATËN PUBLIKE 2023–2030). [↑](#footnote-ref-10)
10. Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States. [↑](#footnote-ref-11)
11. The EU independent fiscal institutions network (https://www.euifis.eu) and OECD provide guidance materials for independent fiscal institutions. [↑](#footnote-ref-12)
12. SASPAC is currently in the process of procuring an upgrade of the IPSIS. Linkages between IPSIS and In particular AFMIS for the purpose of formulating the MTBP, public investment management and budget performance reporting. [↑](#footnote-ref-13)
13. SIGMA 2021 Report <https://www.sigmaweb.org/publications/Monitoring-Report-2021-Albania.pdf> [↑](#footnote-ref-14)
14. Including the relation between first and second level Budget Institutions, the responsibility of executive management of Budget Institutions and mandate of (budget) programme managers. [↑](#footnote-ref-15)
15. E.g. system of electronic signatures [↑](#footnote-ref-16)
16. TBA [↑](#footnote-ref-17)
17. TBA [↑](#footnote-ref-18)
18. TBA [↑](#footnote-ref-19)
19. MoF is responsible for Public Investment Project appraisal and selection, formulation of the capital segment of the budget and monitoring and reporting on capital project implementation; SASPAC is mandated to develop national strategies and the unique list of projects of national importance whereas Budget Institutions prepare capital project proposals and implement projects. [↑](#footnote-ref-20)
20. Approved by DCM Nr. 447, dated 26/07/2023 on “Priority Policy Document 2024-2026” [↑](#footnote-ref-21)
21. At least 20% in the first year, 30% in the second year and 30% in the third year. [↑](#footnote-ref-22)
22. Decision No. 887 dated 27.12.2022 “for public investment management procedures“; Instruction No. 4 dated 20.02.2023 "For determining the financial limit of the full value of the project in accordance with the specifics of the sector, on the basis of which the method and procedure of evaluating the public investment project is determined"; Instruction no. 20 dated 22.06.2023 for an addition to instruction no. 4 dated 20.02.2023 "For determining the financial limit of the full value of the project in accordance with the specifics of the sector, on the basis of which the method and procedure of evaluating the public investment project is determined". Order No. 41, dated 25.01.2023, for “Approval of the content, methodology of filling and sending of the strategic relevance assessment form”. [↑](#footnote-ref-23)
23. TBA [↑](#footnote-ref-24)
24. TBA [↑](#footnote-ref-25)
25. Annual Report on Local Government Finance 2022 (MoF) [↑](#footnote-ref-26)
26. Annual Report on Local Government Finance 2022 (MoF) [↑](#footnote-ref-27)
27. Law No. 68/ 2017 “on Local Self-Government Finance” [↑](#footnote-ref-28)
28. Municipalities are divided 4 categories on the basis of their total level of arrears and debt as percentage of the total annual budget: > 15% (category 1); > 25% (category 2;, > 80% (category 3) or > 130% (category 4). [↑](#footnote-ref-29)
29. The Bashki te Forta Project, funded by Helvetas, supports municipalities and central government with establishing a performance management system and performance based grants as well as an academy for training of municipal officials. The Local Finance Project funded by SECO assists MoF and municipalities with budget planning at subnational level. [↑](#footnote-ref-30)
30. The “Local Finance Project” funded by SECO (2024-2028) assists MoF and municipalities with budget planning, revenue management and Internal Control at subnational level. [↑](#footnote-ref-31)
31. Source: Logframe SECO Local Finance Project phase 2 [↑](#footnote-ref-32)
32. Source: Logframe SECO Local Finance Project phase 2; Indicator adapted from PEFA performance indicator 8.1 [↑](#footnote-ref-33)
33. Source: Logframe SECO Local Finance Project phase 2; indicator adapted from PEFA performance indicator 8.2 [↑](#footnote-ref-34)
34. Source: Logframe SECO Local Finance Project phase 2 [↑](#footnote-ref-35)
35. Law No. 9936, dated 26.6.2008, as amended on 2.6.2016 “For the management of budget system [↑](#footnote-ref-36)
36. Guideline no.14 date 30.05.2023 “For standard budget monitoring procedures in Central Government Units” [↑](#footnote-ref-37)
37. TBD [↑](#footnote-ref-38)
38. Based on PAR Roadmap [↑](#footnote-ref-39)
39. Guideline 35 for monitoring PPPs (2019) [↑](#footnote-ref-40)
40. IMF is currently providing support. TBA for EU support [↑](#footnote-ref-41)
41. Add reference. The MTRS has been prepared with support from IMF. [↑](#footnote-ref-42)
42. Approximately 1.2 million properties are currently recorded in the system out of a total of approximately 4.5 million properties. [↑](#footnote-ref-43)
43. MoF, SIDA and Swedish Tax Agency have signed respectively a Contribution Agreement and a Project Agreement for the continuation of the support of the property tax reform. [↑](#footnote-ref-44)
44. Anticorruption Directorate at GDC is included in the drafting of integrity plan by order number 80 date 26.10.2023 [↑](#footnote-ref-45)
45. 2021 IMF Country Report No. 21/259, page 7. [↑](#footnote-ref-46)
46. Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community. [↑](#footnote-ref-47)
47. Law No. 30/2022 ‘On the approval of the Official Statistics Program 2022-2026’. [↑](#footnote-ref-48)
48. The World Bank and SECO have supported accounting reforms to date. [↑](#footnote-ref-49)
49. The activities related with the public sector accounting will depend on the starting of the new WB project [↑](#footnote-ref-50)
50. Law on Public Procurement No.162/2020 [↑](#footnote-ref-51)
51. The PPC is the highest administrative body for reviewing complaints related to public procurement procedures, concessions/public private partnerships, public auctions, and competition procedures for mining permits. [↑](#footnote-ref-52)
52. The methodology has been prepared in 2023. [↑](#footnote-ref-53)
53. Six vacancies. [↑](#footnote-ref-54)
54. Training has been provided in cooperation with University of Tirana and other national and international organizations. 15 Inspectors received 25 hours of training in 2023, and the same is foreseen for 2024. [↑](#footnote-ref-55)
55. ISO 37001:2016 specifies requirements and provides guidance for establishing, implementing, maintaining, reviewing and improving an anti-bribery management system. [↑](#footnote-ref-56)
56. The annual report on the implementation of the DMS is published since 2023 [↑](#footnote-ref-57)
57. In particular data on main macroeconomic developments in the country. [↑](#footnote-ref-58)
58. CRA framework implemented on new cases of guarantee or on-lending operations. [↑](#footnote-ref-59)
59. Suggested by World Bank Aide Memoire, September 2023 [↑](#footnote-ref-60)
60. Instruction nr. 40, including inventory and evaluation of public assets [↑](#footnote-ref-61)
61. Law no 110/2015 on Financial Management and Control, dated 15.10.2015. [↑](#footnote-ref-62)
62. https://financa.gov.al/wp-content/uploads/2018/06/Manuali\_i\_MFK\_2016\_1.pdf [↑](#footnote-ref-63)
63. https://financa.gov.al/pyetesori-i-vetevleresimit-per-vitin-2018-per-komponentet-e-menaxhimit-financiar-dhe-kontrollit/. [↑](#footnote-ref-64)
64. SIGMA Albania Progress report. [↑](#footnote-ref-65)
65. TBD. The SECO funded project for Local Finance also provides support in this domain. [↑](#footnote-ref-66)
66. Instruction no. 4 dated 29.01.2020 on “The delegation of rights and duties in general government units”. [↑](#footnote-ref-67)
67. EU has planned support in collaboration with SIGMA. The SECO funded project for Local Finance also provides support in this domain. [↑](#footnote-ref-68)
68. The SECO funded project for Local Finance also provides support in this domain. [↑](#footnote-ref-69)
69. Review the effectiveness of the FMC law as well as required harmonization with other legislation and prepare amendments if needed. [↑](#footnote-ref-70)
70. TBD. [↑](#footnote-ref-71)
71. New IIA standards are to be published in January 2024 and entering into force January 2025. [↑](#footnote-ref-72)
72. TBD; SIGMA is providing training in the field of basic IT audit. [↑](#footnote-ref-73)
73. Currently, the following training topics have been identified: performance audit, basic IT audit, project audit. The Introduction of comprehensive IT audits for public entities operating in a complex IT environment has also been identified as a need and is foreseen for the period 2027-2030. [↑](#footnote-ref-74)
74. Law no 112/2015 dated 15.10.2015 “On the Financial Inspection”. [↑](#footnote-ref-75)
75. TBD. OLAF may provide support to strengthen the AFCOS coordination function through its regular engagement with the MoF-DPFI. [↑](#footnote-ref-76)
76. Law 65/2022 [↑](#footnote-ref-77)
77. In accordance with the Financial Framework Partnership Agreement between the European Commission and the Republic of Albania”. [↑](#footnote-ref-78)
78. Law “On the Organization and functioning of the High State Control”, approved in 2014. [↑](#footnote-ref-79)
79. Albania Supreme Audit Institution performance report, approved with the Decision of the ALSAI Chairman no. 225, date 02.12.2022. [↑](#footnote-ref-80)
80. https://staging.parlament.al/ [↑](#footnote-ref-81)
81. PEFA indicator 31 Legislative scrutiny of audit reports: score B on a scale of A to D (source: PEFA 2017) and SIGMA indicator 2.7.1 Parliamentary scrutiny of government policy making: score 4 out of 5 (source: SIGMA 2021). [↑](#footnote-ref-82)
82. OECD (2019), Budgeting and Public Expenditures in OECD Countries 2019, Chapter 5 Parliament’s role in budgeting. [↑](#footnote-ref-83)
83. The scope of the development plan may include the mandate, sub-committee structure, collaboration with partners such as ALSAI, the Independent Fiscal Institution / Fiscal Council (to be established) and the National Bank of Albania; required research and support services, staffing requirements, capacity development needs, communication, transparency and public participation. [↑](#footnote-ref-84)
84. The PEFA sub-indicators PI 31.2 Hearings on audit findings (score C in 2017) and PI 31.3 Recommendations on audit by legislature (score C in 2017) have improved at a score higher than B. [↑](#footnote-ref-85)
85. To ensure the effective implementation of the reform Strategy and to facilitate coordination of efforts, a steering committee was established by the Prime Minister Order No. 202 dated 25.08.2014. [↑](#footnote-ref-86)