



REPUBLIKA E SHQIPËRISË
MINISTRIA E FINANCAVE

**Public Finance
Management**



**Annual
Monitoring Report**



2023



EXECUTIVE SUMMARY

Annual Monitoring Report

This Annual Monitoring Report on the Implementation of Public Finance Management Reforms covers the period from January 1, 2023, to December 31, 2023. It outlines the progress of planned reform activities and achievements against performance indicators and targets established in the new PFM sectoral strategy for 2023-2030 and the action plan for 2023-2026. Developed throughout 2023, the PFM sectoral strategy aligns with the National Strategy for Development and European Integration, the PAR Roadmap, the Economic Reform Programme, and the broader European Integration agenda. The strategy and action plan received formal approval after this reporting period through DCM 390, dated June 12, 2024, on “Approval of Sectorial PFM Strategy 2023-2030.”

Subsector strategies

During the reporting period, the PFM action plan was implemented alongside several subsector strategies, including the draft Medium Term Revenue Strategy, the Business Strategy of the Albanian Customs Administration, the Procurement Strategy, the Debt Management Strategy, and the Albanian Supreme Audit Institution (ALSAI) Development Strategy.

Cooperation with development partners

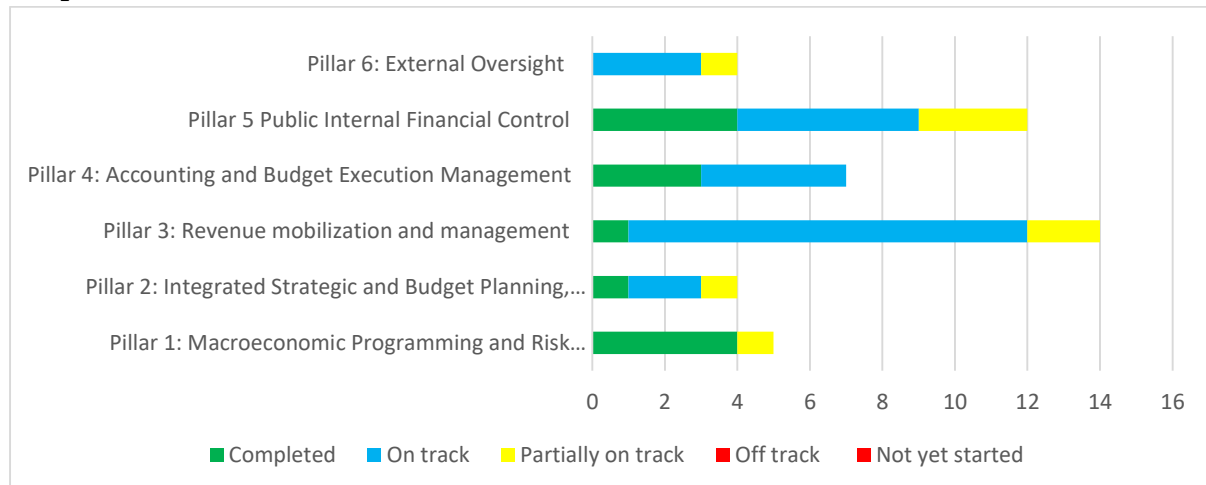
The government sustained productive collaboration with development partners for strategy implementation. This included regular assessments to evaluate the state of PFM policy and systems, such as the International Monetary Fund (IMF) Article 4 consultations and the preparation of a Public Expenditure and Financial Accountability Assessment with the EU, along with a Principles of Public Administration assessment with SIGMA. Both assessments are set to be implemented in 2024. Numerous technical assistance and support projects funded by development partners continue to enhance PFM systems, with major partners including the IMF, World Bank, EU, SIGMA, and SECO.

Overall progress

The PFM action plan for 2023 comprises 30 performance indicators and 46 activities across six pillars. **The implementation of the action plan is on track**, with all planned activities for 2023 completed or progressing as intended, and most performance indicator targets achieved as is shown in the graphs below.

Graph 1. Performance indicator targets status



Graph 2. Activities status**Pillar highlights****Pillar 1: Macroeconomic Programming and Fiscal Risk Monitoring**

The Ministry of Finance (MoF) has maintained and enhanced systems for developing and monitoring sound fiscal policies, guided by fiscal rules, robust macroeconomic forecasts and solid fiscal risk management. Compliance with fiscal rules has been transparently reported in key documents, including the ‘Macroeconomic and Fiscal Framework’, the ‘Economic Reform Programme’ and the ‘Report on the Implementation of the Annual Budget, Macroeconomic and Fiscal Situation.’ Notably, the Ministry prepared its first Fiscal Risk Statement (FRS) for 2022 on a pilot basis in 2023. The first draft served as a Pilot document for internal usage within the MoF, hence not being published. It also was a reference document used in collaboration with our international partners (IMF) for compiling the next official document in 2024, the FRS 2023. However, recruiting highly qualified macroeconomic staff remains a challenge. The gaps with new recruitment will be filled in the medium term, while for the excising staff training are capacity building are crucial.

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

Compliance of new strategic documents with Integrated Planning System Guidelines (IPS) has improved significantly. With the approval of DCM 887/2022, a revised regulation for Public Investment Management (PIM) entered into force. Additional instructions for assessing the strategic relevance of public investment projects and ranking them in the National Single Project Pipeline were introduced. Various training activities were conducted to ensure effective implementation of new PIM guidelines. A new Local Budget Management System (LBMS) was developed and adopted to enhance budget preparation and monitoring at the subnational level, set to launch in Q1 2024. New procedures for monitoring the implementation of public investment projects have been introduced.

Pillar 3: Revenue Mobilization and Management

Several measures of the draft draft Medium Term Revenue Strategy 2022-2026 have been implemented. With the delivery of staff training, the institutional capacity to analyse and develop tax policies and to manage tax reforms has been gradually increased.

Consolidation of the fiscalization system and improved risk management approaches have supported the reduction of the VAT compliance gap. Moreover, amended legislation enables the Tax Administration now to better address unjustified wealth. The design of a taxpayer service delivery strategy together with continuation of staff training aims to improve service delivery to taxpayers. In 2023, a new law on property tax was drafted and underwent the public consultation process as part of the ongoing property

tax reform initiative which is expected to be completed in 2030. Customs management has also improved in line with the Albanian Customs Administration's business strategy. The processing time for customs declarations has been reduced, and the number of successful applications from economic operators has continued to rise. The utilization of the green channel is 28% for 2023. The Albanian Customs Administration (ACA) has continued to modernize its business and risk management processes through staff training, investments in information systems (such as the Integrated Tariff Management System), the development of an integrity framework, and efforts to combat informality and corruption. Additionally, there has been an increase in the number of Authorized Economic Operators (AEO) and progress in developing the National Single Window.

Pillar 4: Accounting and Budget Execution Management

The Albania Government Financial Information System (AGFIS) remains the Government's core Financial Management Information System. Multiple budgetary institutions have gained access to the system, either directly or via the Electronic Archive (Web Portal). The second phase of accounting reforms is underway with the development of a concept note for developing the legal framework and securing donor support while International Public Sector Accounting Standards (IPSAS) training for public sector accountants continues. Amendments to Public Procurement regulatory framework and in particular DCM 285/2021 "On the Approval of Public Procurement Rules" have been prepared and the implementation of Green Public Procurement has advanced with the preparation of the guideline and methodology for green public procurement and the delivery of training to procurement professionals. The Ministry of Finance has published the Annual Borrowing Plan 2024 and Debt Management Strategy Report 2022. For improving asset management, steps have been taken to establish the proper regulatory framework regarding evaluation and inventory of public assets and to the preparation of a consolidated asset register in central institutions.

Pillar 5: Public Internal Financial Control

In 2023, amendments to the law on Financial Management and Control (FMC) were made, accompanied by updates to the FMC manual and various instructions. The Ministry of Finance has supported public institutions in enhancing managerial accountability and risk management, resulting in increased compliance with FMC requirements. Following the amendment of the law on internal audit, significant progress has been made in the development of tools and mechanisms for outsourcing internal audit services. The Ministry of Finance continued to support the professionalization of the core internal audit practices through developing guidelines and delivering capacity building activities. The Public Financial Inspection and Anti-Fraud Coordination Services has taken the first steps to develop the National Anti-Fraud Strategy for the protection of the EU financial interests. This strategy is expected to be completed and approved in 2024. Concerning the Management of EU funds, all IPA III entrustment packages for the IPA 2022 Annual Action Programmes and three Operational Programmes have been prepared and officially submitted to the EC. The establishment of the IPA III legal framework has been completed with the approval of DCM no. 540/2023. This was followed with capacity development activities of the IPA III structures.

Pillar 6: External Oversight

In accordance with its development strategy, The Albanian Supreme Audit Institution continued to further improve the effective scrutiny of public institutions, enhancing audit coverage and standards to ensure thorough oversight of financial processes and to strengthen external audit follow-up practices, crucial for maintaining accountability and transparency in financial management practices. At the same time, the Parliamentary Committee for Economy and Finance is actively advancing towards improving legislative scrutiny of audit reports with support from several development partners.

Risk management

Multiple risks that potentially negatively impact on the implementation of the action plan have materialized or have been identified. These include the inadequate number of skilled human resources, low capacity of existing human resources and staff turnover, limitations in the availability of budgetary resources to implement reform activities, a lack of coordination and engagement of stakeholders, delays in procurement and delays in the development and approval of legislative changes. Measures taken and planned to respond to these risks are developing and implementing recruitment and training plans, improved coordination and communication with partners and stakeholders, close monitoring of procedures for procurement and legal changes.

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1 Overall overview of the implementation of the Strategy 2023-2030

1.1 Introduction

This is the ninth Annual Monitoring Report on the Implementation of the Public Finance Management (PFM) Reform which covers the period 1 January 2023 to 31 December 2023. It encompasses another year of reform efforts and provides detailed information to the PFM Steering and Technical Committees on progress achieved and challenges encountered in meeting the Strategy's objectives and measures.

The present report provides an assessment of the PFM eligibility criteria for the European Union (EU) to provide Budget Support to Albania. The PFM eligibility criterion requires the existence of a credible and relevant programme to improve public financial management as well as satisfactory progress in the implementation of the programme. To our self-assessment PFM progress has been overall satisfactory, with 80% of target Performance Indicator fully achieved and 82.61% of the activities fully completed. The Government of Albania (GoA) has made good progress in the implementation of its Public Financial Management Reform Strategy. The developments for each pillar are described in the sections below.

1.2 Monitoring methodology

Directorate of Public Finance Strategies and Budget Support leads the process of preparing PFM annual monitoring report and send the reporting request to all the pillar leaders, which are the governing structure in charge for reporting on implementation of the Strategy against costed action plan, performance against targets; any delays; or amendments, identifying of the risks materialized, new risks and their mitigating measures. This report was prepared based on the monitoring toolkit approved by Steering Committee no. 11, dated 7 April 2020, and the Decision of the Council of Ministers no. 290, dated 11.4.2020, "On the establishment of the state database of the Integrated Planning Information System (SIPI/IPSIS)". The structure of the 2023 annual monitoring report is drafted in compliance with IPSIS methodology based on DCM no. 290, dated 11.4.2020.

Assessment of PFM progress is done at two levels: level of achievements of performance indicators and in the activity level. Regarding the assessment of performance indicators, the methodology used is: PI is marked in green and is named as achieved if the PI has achieved the 2023 target as planned. PI is marked in red if the PI has not achieved the 2023 target as planned. In other cases, the PI is marked in yellow and is considered as partially achieved. Regarding the assessment in the activity level: in green are those activities which has started in 2023 and are completed as planned within 2023; in blue are those activities which are started in 2023, has progressed as planned in 2023, but the end date is beyond 2023 (except those activities which their targets is periodically planned, in these cases there are considerate as completed for the year and marked in green); in yellow are those activities which despite the end date they don't progressed as planned in 2023; and in red are those activities which has not started yet and Off-track are those activities not making good progress and possibly in danger of failing.

1.3 PFM visibility and consultations

The PFM Reform Strategy serves as a policy dialogue framework for all donors and civil society actors active in the sector. The institutional framework for managing PFM reforms within the MoF comprises a steering committee (SC), a technical committee and the directorate for PFM reform.

One PFM Steering Committee meeting and One Technical Committee meeting were held during 2023. On 26 June 2023 the 11th Public Finance Management (PFM) Technical Committee was organized. The focus of the meeting was to discuss the 2022 draft PFM annual monitoring report, the challenges and progress made and also to discuss the drafting of the new PFM Strategy. Another focus was

the follow-up of the reporting processes within the public finance management field. On 21 July 2023, the report was discussed and approved by the *16th PFM Steering Committee* (SC) meeting and published in the official website of MoF¹. The Civil Society Organizations (CSOs) were invited and participated in the 16th PFM SC, but no comments were provided. The CSOs have been always invited in the SC meetings to give their contribution and feedback to the implementation and monitoring of the PFM reform. On 13 October 2023, MoF/DRPFM with support of Technical Assistance EU for Good Governance experts, *organized a meeting with all PFM responsible units/institutions*. The aim of this meeting was to discuss and agree on the next steps for developing and finalizing the PFM Sectoral Strategy 2023-2030 and the associated action plan 2023-2026, concretely was presented the scope and structure of the PFM sectoral strategy and action plan, IPSIS methodology and the meeting schedule for the next phase. In addition, MoF/DRPFM with support of TA experts started to conduct dedicated meetings with units responsible for each component of the PFM with the aim of defining the vision for 2030 and the measures of the Action Plan 2023-2026.

Two PFM Steering Committee meeting and one Technical Committee meeting were held during 2024. On May 3, 2024, the *Public Finance Management Steering Committee* was organized. Part of this event were all actors involved in the planning of the PFM reform (members of the Technical and Steering Committee), international partners and representatives from Civil Society Organizations. Public Financial Management Strategy 2023-2030 was approved with DCM no. 390, dated 12.6.2024 and it is published in the Official Gazette² on 26.06.2024 and MoF's website³.

In October 10, 2024 the 12th Public Finance Management (PFM) Technical Committee was organized. The focus of the meeting was the discussion of the draft annual monitoring report of the PFM for 2023, the challenges and progress achieved, as well as the discussion on the evaluation reports from international partners. *In October 31, 2024, the draft report was discussed and approved by the 18th PFM Steering Committee* (SC) meeting and will be published in the MoF website. The PFM Steering Committee was chaired by the Minister of Finance. Representatives of institutions and directorates within MoF involved in PFM and other members of the Steering Committee, also development partners and civil society organizations participated in the meeting.

In the framework of transparency and communication with the public, MoF publishes on its official website every annual monitoring report both in Albanian and English language.

2. STRATEGY PROGRESS IN 2023

2.1 Achievements in implementing PFM Strategy Pillars for 2023

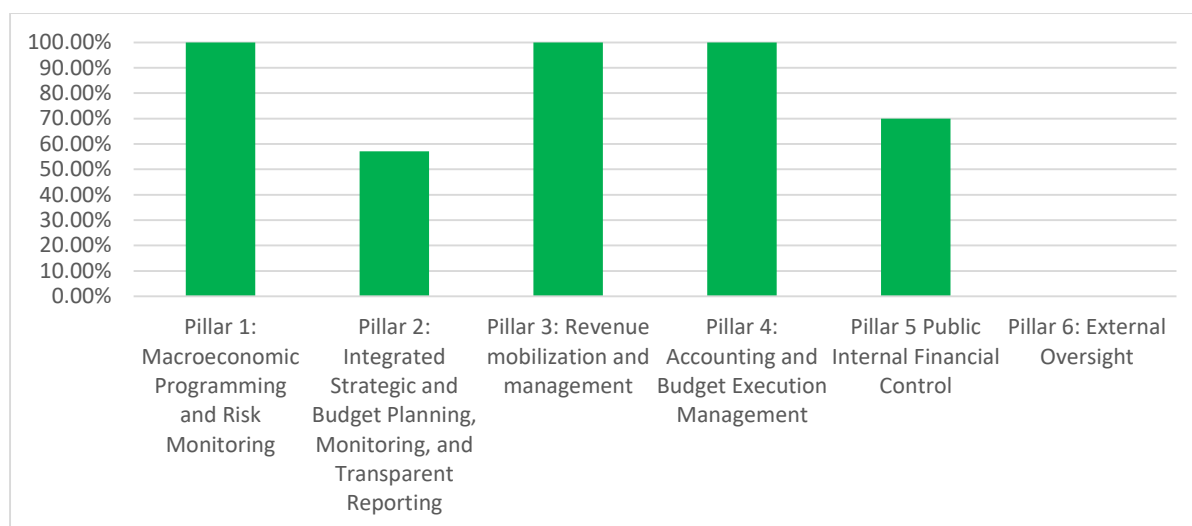
The Government of Albania has made good progress in the implementation of its Public Financial Management Reform Strategy. PFM progress has been overall satisfactory, with 80% of target Performance Indicator fully achieved. Overall, the graph below presents an overview of the level of achievement for each pillar, in the performance indicator level.

Graph 3. Level of PIs Achievement for each Pillar

¹ <https://arkiva.financa.gov.al/wp-content/uploads/2023/08/2022-PFM-Annual-Monitoring-Report.pdf>

² <https://qbz.gov.al/eli/fz/2024/105/d896de92-1aea-4d73-991e-7a99cfeb934f>

³ <https://financa.gov.al/en/menaxhimi-i-financave-publike/>



During 2023, the performance indicators which mainly contributed to pillar level of achievements are: (i) Nominal Gross Domestic Product (GDP): the difference of the forecasted values between MoF and IMF should not be higher than zero; (ii) 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; (iii) Percentage of strategies and action plans developed in accordance with IPS guidelines; (iv) Approval of the PPD together with the NSPP; (v) Improved procedures for PIM introduced (including relevant decision-making mechanism); (vi) Local Budget Management Software and E-Platform introduced by MoF; (vii) Law on “property tax” prepared and adopted; (viii) Percentage utilization of Green Channel; (ix) Custom declaration processing time; (x) Number of Authorised Economic Operators; (xi) Additional number of Budget Institutions connected to AGFIS and electronic archive (EA); (xii) Production of legal and sub-legal regulatory framework based on IPSAS as per plan; (xiii) Percentage of government accountants that have completed IPSAS training; (xiv) Annual Borrowing Plan and DMS Monitoring Report prepared and published; (xv) Monthly cash forecast accuracy rate; (xvi) Establishment of the proper regulatory framework regarding evaluation and inventory of public assets; (xvii) Preparation of a consolidated asset register in central institutions, at the controlling unit level; (xviii) Percentage of Public Institutions that comply with FMC requirements; (xix) Percentage of Public Institutions that have adequate Managerial accountability mechanisms in place; (xx) Percentage of public institutions that have adopted all risk management tools; (xxi) Number of public institutions that are covered by annual internal audits; (xxii) Percentage of internal audit units that have established and implemented QAIPs in accordance with the applicable standards; (xxiii) Percentage of internal auditors that comply with CPD requirements; (xxiv) IPA-III entrustment package developed and approved.

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

The public finance management reform continues to be a priority of the Albanian government not only as one of the preconditions for accession to the EU under public administration reform (PAR), but also aims at supporting a more developed economy with better services to citizens. Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilization, and continued relevance and credibility of the reform programme is one of the general conditions for disbursement of budget support tranches under IPA funds. In this context, the Public Finance Management Strategy 2023-2030, addressed several challenges that Albania is facing in its

path towards EU. Furthermore, progress of PFM is part of several monitoring and evaluation reports such as: Public Administration Reform Special Group (PAR SG) report, PAR Roadmap, SIGMA monitoring report, PEFA Assessment, and EU Progress Report for Albania.

With regards to the **EU-Albania PAR SG**, it serves as the main platform to push forward the work on PAR. Periodic reports on the follow-up of the PAR SG conclusions are prepared by Albanian Government and every yearly meeting, conclusions on the areas to be improved are issued. The 11th PAR SG meeting was held in June 2023, in which several operational conclusions were left such as: (1) the preparation (through an inclusive consultative process) and adoption of the new PFM Strategy. Albania to ensure proper costing of the activities envisaged in the new strategies; (2) to conduct a new PEFA assessment during 2024; (3) to continue reforms to prevent the occurrence of arrears, with a particular focus on arrears at local government (coupled with efforts to strengthen financial management) and arrears related to judicial cases; (4) to streamline the decision-making and management processes for public investments, irrespective of funding source through application of the DCM on the matter. Albania to ensure sufficient resources at MoF for financial oversight role. Albania to further improve reporting on investments, including Public-Private Partnerships (PPPs), by extending coverage and quality of monitoring reports; (5) to strengthen SOE oversight and assessment of fiscal risk emanating from SOEs through improved oversight and reporting, and strengthened risk assessment; and (6) to conduct public consultation on draft, approve the medium-term revenue strategy (MTRS), and monitor its implementation. These conclusions have been monitored and followed-up by MOF, and their progress was reported in the 12th PAR SG meeting held in June 2024.

Regarding the PAR Roadmap, following the bilateral meeting between the European Commission and the Government of Albania on Public Administration Reform (Cluster 1), held on December 12, 2022, the Department of Public Administration, as the leading institution in this area, initiated the process for the preparation of the PAR Roadmap for 6 thematic areas under PAR, where “Public Finance Management” is one of the thematic areas. The preparation of the PAR Roadmap started at the end of March 2023 and continued through the meetings and intensive cooperation of the MOF units to determine the measures, a document which was approved with DCM No. 737, dated 13.12.2023. During 2024, the MOF continued to monitor the implementation of measures and report the progress on a quarterly basis.

There was no SIGMA monitoring report conducted in 2023 for PFM area, however MOF has continued to monitor the recommendation left in the **2021 SIGMA monitoring report**⁴. Meanwhile, during 2023, SIGMA has updated the Principles of Public Administration to align with the latest standards from the EU, Organization for Economic Co-operation and Development (OECD), and other international organizations, and to address contemporary challenges. The revised framework aims to help public administrations adapt to evolving political priorities and citizen demands by being more digital, agile, innovative, and environmentally conscious. The new version integrates the Principles for EU enlargement and neighboring regions, clearly reflects EU values and standards, and now includes regional and local governments. The process of the SIGMA evaluation for Albania started in January 2024. The principles of Public Administration are organized in 6 thematic areas, 32 principles and 270 sub-principles. The Ministry of Finance is responsible for the thematic area ‘Public Financial Management’, as well as contributing to the other 5 thematic areas. The thematic area ‘Public Financial Management’ is composed of 10 principles, where 6 of these are directly related to the function of the Ministry of Finance. The Ministry of Finance has also cooperated with other institutions for inputting data into the

⁴ <https://www.sigmaweb.org/countries/albania-sigma.htm>

system, such as: the Ministry of Infrastructure and Energy; the Ministry of Interior; Ministry of Education and Sports; Ministry of Health and Social Protection; The General Directorate of Taxation and the Albanian Road Authority. During February – March 2024, the data are collected and uploaded in the PAR.IS online system, and in April 2024, dedicated meetings are held with responsible units. The final report is expected to be introduced in October 2024 and published in November 2024.

During 2023 the Government of Albania has confirmed PEFA Assessment for Albania to be started in 2024. The PEFA Assessment process for Albania started in May 2024 and has an end indicative deadline of December 2024. The assessment will cover the data for the fiscal years 2021, 2022, 2023. The PEFA Assessment 2024 aims to provide the Government of Albania with an updated objective diagnosis of the performance of Public Finance Management at the central level based on the PEFA methodology, based on 31 performance indicators: The following will be the areas of PFM will be subject of this assessment: (i) budget planning and executing; (ii) intergovernmental fiscal relations; (iii) performance information for service delivery, (iv) public access to fiscal information; (v) public investment management; (vi) public asset monitoring; (vii) macro-economic forecasts; (viii) debt management, (ix) revenue administration; (x) predictability of in-year resource allocation; (xi) expenditure arrears; (xii) payroll controls and internal controls on non-salary expenditure; (xiii) procurement system; internal and external audit; financial data integrity. This process is managed and supervised by the Government of Albania, the Delegation of the EU, the International Monetary Fund; World Bank, SECO and SIDA. The Ministry of Finance in this process plays the role of coordinator and supporter for the team of independent consultants contracted by EUD.

Regarding **EU report on Albania 2023**⁵, key findings are presented in the following box.

- **The Law on Organic Budget (OBL)** has been systematically implemented in line with the budget calendar for 2022. In recent years, including in 2022, budget revisions have been made primarily through normative acts, often lacking transparency, and confirmed ex post by Parliament. Uncertain economic conditions have justified this to some extent, but a return to more regular budget revision procedures seems appropriate.
- **An independent oversight body** with a mandate to assess the fiscal risks and monitor the compliance with the existing fiscal rules remains to be established.
- **The quality of the medium-term budget programme** has improved, but efforts should continue to consistently improve revenue estimates and strengthen sector ceilings to support policy implementation by the line ministries. Initial efforts on gender-responsive budgeting should be maintained and expanded.
- **Budget transparency** remains satisfactory overall with the publication of all key budget documents. However, further improvement in the quality and format of the documents is still needed including publishing of audit reports online in a timely manner.

Furthermore, based on the data reported from PFM responsible units, it results that 10 out of 17 components of PFM reform are related with the NPEI chapters, including the fundamental clusters.

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

This section provides a comparative overview of key macroeconomic indicators among Western Balkan countries, with a focus on public finance and economic performance. It is assumed that the Western Balkans follow largely a similar PFM reform agenda linked to the overall EU accession goal. Based

⁵https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-11/SWD_2023_690%20Albania%20report.pdf

on the data provided in the Western Balkans Regular Economic Report, and as is shown in the table below, a mixed picture of the performance of Albania appears when compared to its peers. Real GDP growth is the highest in the region after Montenegro. The Revenue as percentage of GDP is the lowest in the region, whereas the primary balance fluctuates and turned positive in 2023. Debt as percentage of GDP decreased in the past years but remains at a significant level of close to 60%, at a similar level as Montenegro and North Macedonia, but higher than other countries in the region.

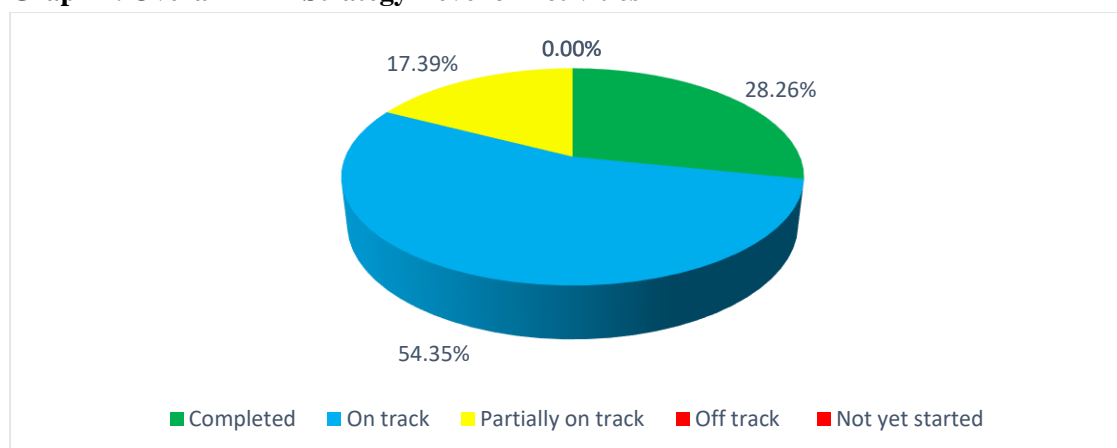
Table 1. Fiscal indicators in the Western Balkan countries 2021, 2022, 2023

Macro indicators	Real GDP growth, at constant market prices (%)			Revenue (% of GDP)			Primary balance (% of GDP)			Debt (% of GDP)		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Albania	8.9	4.9	3.3	27.5	26.8	27.9	-2.7	-1.8	0.7	75.4	65.3	59.8
Bosnia and Herzegovina	7.3	3.8	1.9	43.2	39.9	39.4	1.0	1.2	-0.1	37.8	35.8	36.2
Kosovo	10.7	4.3	3.1	27.4	27.9	29.3	-0.9	-0.1	0.2	21.1	19.7	17.2
Montenegro	13.0	6.4	6.0	44.0	38.6	42.8	0.2	-3.3	2.3	84.0	69.2	60.7
North Macedonia	4.5	2.2	1.0	32.1	32.1	34.9	-4.1	-3.4	-3.4	60.3	59.0	62.0
Serbia	7.7	2.5	2.5	43.2	43.4	42.9	-2.4	-1.5	0.1	57.1	55.6	52.6

2.4 Pillar activities that did not progressed as planned

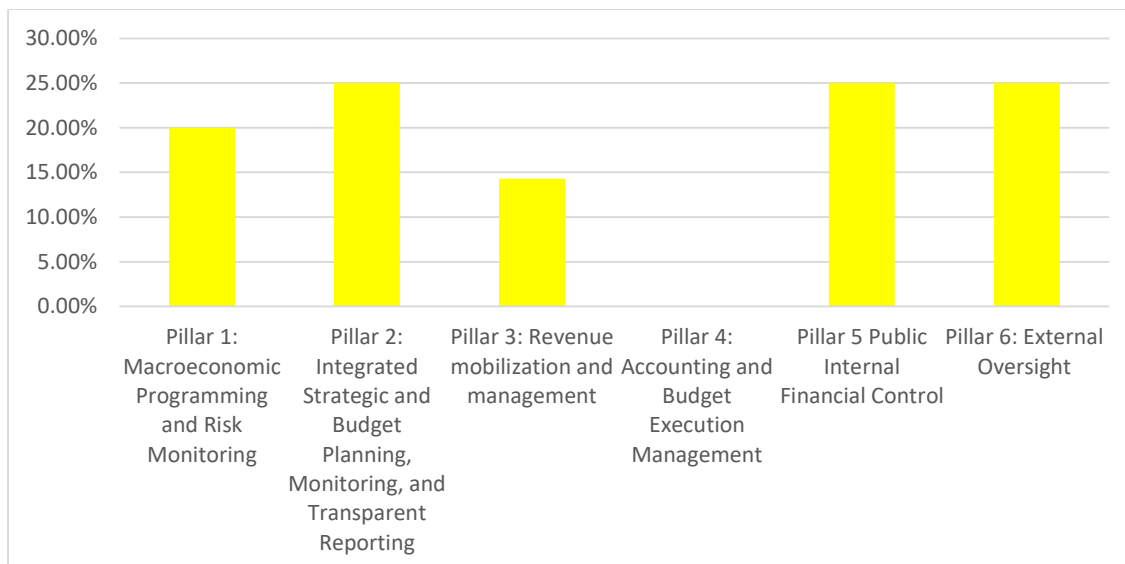
Based on the self-assessment, PFM progress has been satisfactory, with 82.61% of progress in the activity level (it includes “28.26 % completed” and “54.35% on track”). The graph below presents an overview of the status of the activities for the six pillars.

Graph 4. Overall PFM Strategy Level of Activities



Meanwhile, there are some activities that did not progressed as planned. The graph below presents an overview of the level of achievement as “partially on track” for each pillar, in the activity level. In total, there are 17.39% of activities partially on track. The work will continue in the upcoming year for these activities.

Graph 5. 2023 Activities partially on track



The main challenges that potentially negatively impact on the implementation of the activities were mainly related to inadequate availability of Human Resources and Delayed legal/ Regulatory changes.

2.5 General Budget execution

Most of the reforms included in this strategy are policy reforms. The work of formalizing these reforms in the form of new and/or modified legislation and regulations has generally not required additional financial resources. The existing staff of the institutions involved in the implementation of the reforms have taken all the necessary steps to achieve the desired results. The Action Plan 2023-2026 provides that the total additional cost of implementing the activities is EUR 11.58 million of which EUR 811,152 to be covered by the Government Budget and EUR 10,77 million from International Development Partners. While the planned budget for 2023 Action Plan was EUR 1.348 million (EUR 107,819 from Government Budget and EUR 1.232 million from International Development Partners). During 2023, the total resources used for the reform implementation were EUR 104,738 from Government Budget and EUR 127,415⁶ from International Development Partners.

⁶ There is a change in the total planned for 2023, due to the conversion of a value from ALL to Euro. The change has been made to the activity 3.3.1.1 “Continue to develop a more professional and agile workforce through improving HR practices and delivering capacity development” under component 3.3 Customs Management. As well there is a material error in the total planned for 2023 related to Component 2.4 “Local Finance”, activity 2.4.3.1 “Prepare a detailed specification document for the Local Budget Management System (LBMS)”.

3 Progress in implementing PFM Strategy Specific Objectives

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

3.1 Progress under Pillar 1 “Macroeconomic Programming and Risk Monitoring

During 2023, the systems for developing and monitoring a sound fiscal policy based on fiscal rules, advanced macroeconomic forecasts and solid fiscal risk management practices has been maintained and further improved. All targets set for 2023 have been achieved or were exceeded and are summarized in the table below.

Table 2: Performance Indicators and Targets of Pillar 1

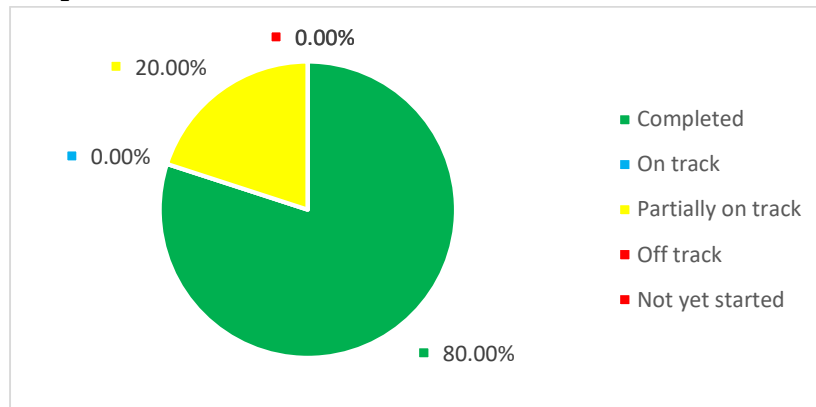
Indicator		Baseline value (year)	Target Value 2023	Fact Value 2023
Specific Objective (Component) 1.1 Prudent and realistic macroeconomic programming				
1	Nominal GDP: the difference of the forecasted values between MoF and IMF should not be higher than zero.	0.0 billion ALL (2022)	≤ 0	-0.8 billion ALL
2	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 % of GDP (2022)	> 0	0.7 % of GDP
Specific Objective (Component) 1.2 Establishing a comprehensive Debt Sustainability Analysis⁷				
Specific Objective (Component) 1.3 Fiscal Risk Management⁸				
1	Annual Fiscal Risk Statement introduced.	-	-	AFRS piloted
Specific Objective (Component) 1.4 Fiscal Council⁹				

Satisfactory progress is made as well towards completing the activities planned for 2023. 80% of the activities are completed and 20% are partially on track.

⁷ For Specific Objective (Component) 1.2 “Establishing a comprehensive Debt Sustainability Analysis”, no target values have been established for 2023.

⁸ For Specific Objective (Component) 1.3 “Fiscal Risk Management”, no target values have been established for 2023. According to the PFM Strategy 2023-2030 and PFM AP 2023-2026, the FRS had a target to be piloted in 2024. But this was achieved earlier, as the FRS was piloted already in 2023.

⁹ For Specific Objective (Component) 1.4 “Fiscal Council”, no target values has been established for 2023.

Graph 6: 2023 status of Pillar 1 activities

Components (Specific Objective) progress made during 2023

Specific Objective 1.1 Prudent and realistic macroeconomic programming

Performance Indicators

The difference between the Ministry of Finance and IMF's GDP forecasts is less than zero and amounts to -0.8 million ALL; and the primary balance is not less than zero and amounts to 0.2% of GDP. Both indicators show compliance with the fiscal rules for 2023. The indicator specifying the difference in GDP forecast was produced as a comparison between forecasted GDP as presented in the Annual Budget Law and the level of nominal GDP as published in the World Economic Outlook. The nominal GDP value forecasted by the MoF for 2023 was ALL 2,311.7 billion, while GDP forecasted by the IMF in the "World Economic Outlook", the latest published at the time the annual budget law is submitted for approval in the Parliament (October 2023), was ALL 2,312.5 billion. The difference in the forecasted values between MoF and IMF is ALL -0.8 billion. Regarding the 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, the fact value during 2023 was 0.7% of GDP (out of ≥ 0 planned). This indicator is measured as difference between the government net borrowing, excluding interest payments on consolidated government statement. In each annual budget law starting from the year 2024 and onwards, the actual primary balance cannot be negative, it must be at least balanced or positive (primary surplus). The primary balance resulted in a significant improvement, specifically for 2023 it marked 0.7% of GDP, from -1.8% of GDP in 2022, thus respecting the fiscal rule one year ahead.

Forecasted nominal GDP of the MoF and IMF (in billion ALL)

	2021	2022	2023 <i>F.</i>
MFE	1,856.2	2,138.3	2,311.7
IMF - World Economic Outlook	1,856.2	2,138.3	2,312.5
Difference MFE - IMF (The difference of the forecasted values should not be higher than zero)	0.0	0.0	-0.8

Source: Macroeconomic and Fiscal Framework, submitted on 24.01.2024, with DCM no. 41¹⁰

¹⁰<https://financa.gov.al/wp-content/uploads/2024/02/Kuadri-Makroekonomik-e-Fiskal-p%C2%BDr-periodh%C2%BDn-2025-2027-VKM-Nr.-41-dt.-24.1.2024-2.pdf>

Measures and activities

Prudent and realistic forecasting of macroeconomic indicators, the continuous benchmarking (comparative analysis) of the projections with those of independent international forecasters and compliance with fiscal rules has continued in 2023. The forecasts and comparative analyses and compliance with fiscal rules were transparently disseminated through several documents including (i) the "Macroeconomic and Fiscal Framework submitted on 24.01.2024, with DCM no. 41; (ii) the "Economic Reform Programme 2024-2026" submitted on 11.01.2024 with DCM no.12; and (iii) the "Macroeconomic and Fiscal Framework 2025-2027", submitted on 19.06.2024, with DCM no.399; and (iv) the "Report on the Implementation of the Annual Budget, Macroeconomic and Fiscal Situation". All reports were submitted and published in accordance with the set timelines.

The safeguarding of sound public finances and resilient fiscal frameworks through strict compliance with legislatively mandated fiscal rules is on track. Strict compliance with legislatively mandated fiscal rules has been accomplished for year 2023, while fostering a resilient fiscal framework and reinforcing the stability and accountability of public finance.

The recruitment of specialized staff and the development and delivery of specialized training of GDFMP staff is partially on track. Existing staff trainings and strengthening capacities are an ongoing process, while recruitment for new staff should be made public at official website for civil servants, which is operated by Public Administration Department (DAP).

Specific Objective 1.3 Fiscal risk management**Measures and activities**

In 2023, the first pilot Fiscal Risk Statement for 2022 was drafted, which served as an exercise phase, focusing on the coordination and consolidation of information provided by all reporting units, laying the groundwork for improved fiscal risk management in the future.

Key challenges and next steps

There were no key challenges faced during 2023.

3.2 Progress under Pillar 2 “Integrated strategic and budget planning, monitoring and transparent reporting”

During 2023, work was done to further enhance practices of budget planning and budget execution monitoring. 57.14% of the PI targets are achieved during 2023 and for 42.86% of the PI targets the information is not available. Overall, the analysis shows positive progress in most areas, particularly in Public Investment Management and Local Finance. Compliance with targets generally indicates effective introduction of improved procedures and e-platform. The table below presents the status of the achievement of performance indicators for Pillar 2 Integrated strategic and budget planning, monitoring, and transparent reporting.

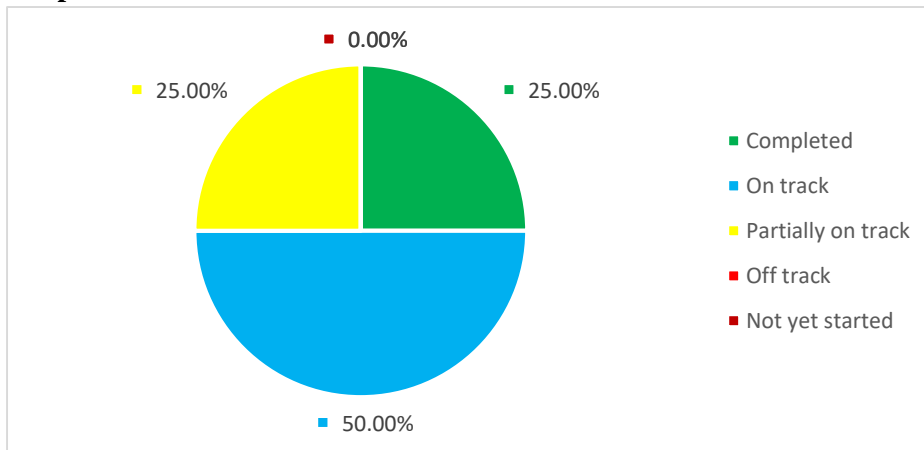
Table 3: Performance Indicators and Targets of Pillar 2

Indicator		Baseline value (year)	Target Value 2023	Fact Value 2023
Specific Objective (Component 2.1) Integrated Strategic Planning				
1	Percentage of strategies and action plans developed in accordance with IPS guidelines	65% (2022)	70%	70%
Specific Objective (Component) 2.2 Medium Term Budget Planning				
6	Spending reviews introduced.	-	Methodology prepared and regulated	NA
7	Gender gap analysis (GGA) as part of GRB introduced	-	GGA methodology prepared and regulated	NA
8	Green / Climate change-responsive budgeting (CCRB) introduced	-	CCRB methodology prepared and regulated	NA
9	Approval of the PPD together with the NSPP	(2022)	Cooperation with Line Ministries and approval with DCM every beginning of the year	100% PPD including NSPP developed and approved by DCM no. 447, dated 26.07.2023
Specific Objective (Component) 2.3 Public Investment Management				
2	Improved procedures for PIM introduced (including relevant decision-making mechanism)	-	PIM procedures operationalised	PIM procedures operationalised
Specific Objective (Component) 2.4 Local Finance				
2	Local Budget Management Software and E-Platform introduced by MoF.	-	E-platform developed and adopted	LBMS and e-platform developed and adopted
Specific Objective (Component) 2.5 Budget Execution Monitoring and Reporting¹¹				

¹¹ For Specific Objective (Component) 2.5 “Budget Execution and Reporting”, no target values has been established for 2023.

Satisfactory progress is made as well towards completing the activities planned for 2023. 25% are completed, 50% are on track and 25% are partially on track.

Graph 7: 2023 status of Pillar 2 activities



Components (Specific Objective) progress made during 2023

Specific Objective 2.1 Integrated Strategic Planning

Performance Indicators

The compliance with the Integrated Planning System Guidelines (IPS) has improved in 2023, with 70% of all strategies and action plans being developed in accordance with IPS guidelines. Strategies and action plans developed in accordance with IPS guidelines: (i) Blue Economy Strategy 2023-2030; (b) National Strategy for Science, Technology and Innovation 2023-2030; (iii) “S3” Strategy, 2023-2030; (iv) National Energy Strategy 2015 – 2030; (v) National Health Strategy 2021-2030; (vi) National Irrigation and Drainage Strategy 2019-2031 and Action Plan; (vii) Sectoral Strategy of Employment and Skills 2023-2030; (viii) Sectoral Strategy for Disaster Risk Reduction 2023-2030; (ix) Intersectoral Strategy for Decentralization and Local Governance 2023-2030; (x) National Food Security Strategy 2023-2027; (xi) Water Supply and Sewerage Sectoral Strategy, 2023-2030.

The further improvement of the compliance of strategies and action plans that are monitored in accordance with the IPS guidelines is planned for 2024.

Specific Objective 2.2 Medium Term Budget Planning

Performance Indicators

Concerning the Medium-Term Budget Planning, for 2023, the fact value is not available for: (i) spending reviews introduced; (ii) gender gap analysis (GGA) as part of Gender Responsive Budgeting (GRB) introduced and (iii) green/climate change-responsive budgeting (CCRB) introduced. In July 2023, in accordance with the provisions of Decision of the Council of Ministers (DCM) No. 887, "On Public Investment Management Procedures," DCM No. 447, of 26.07.2023, was approved. This decision also incorporates the National Single Project Pipeline (NSPP) as an integral part. The NSPP includes a total of 145 projects, categorized by their maturity status as follows: 60 mature projects, 36 partially mature projects, and 49 immature projects.

Specific Objective 2.3 Public Investment Management

Performance Indicators

After the approval of DCM no. 887 “on Public Investment Management Procedures” by the end of 2022, the regulatory framework for sound PIM was further developed with an instruction for sector specific financial limits defining strategic public investment projects and the order for assessing the strategic relevance of projects for the National Single Project Pipeline. In July 2023, referring to the provisions of DCM no. 887 "On public investment administration procedures" was approved DCM no. 447, dated 26.07.2023, where the National Single Project Pipeline (NSPP) was approved. The PIM Department has precisely followed the procedures of the DCM for the first and second phase of the preparation of the MTB 2024-2026 and the budget law of 2024.

Measures and activities

In parallel, several training activities have been undertaken in 2023 to ensure an adequate implementation of DCM 887/2022 by all public institutions. The Ministry of Finance, with the support of the World Bank, organized a workshop with representatives of line ministries, during the end of March 2023. During the workshop the main changes in the new DCM were explained and discussed and exercises with concrete examples were provided. In March 2023, SASPAC organized a workshop with all relevant government institutions to instruct them on the new methodology for preparing the Strategic Relevance Assessment forms, which are crucial for the preparation, appraisal, and selection process of new project proposals in the NSPP.

The Ministry of Finance has commenced the process of adapting and further improving the PIM module of the Albanian Financial Management Information System (AFMIS) following the adoption of DCM 887/2022 which presents the revised PIM procedures. Meetings with National Agency for Information System and the system maintenance company were planned to implement improvements in the system. The legal basis of DCM No. 887/2022 “On public investment management procedures” was completed by the adopted Guideline of the Minister of Finance No. 4, of 20.02.2023 (for setting the financial limit of the full value of the project in accordance with the specifics of the sector) and the Order of the Director General of SASPAC No. 41, of 25.01.2023 (for the preparation of Strategic Relevance Assessment Form), which is obligatory for all the new submitted projects that are classified as projects with strategic importance according to the DCM No 887/2022. The Guideline of the Minister of Finance sets the indicative threshold for each economic sector, which determines whether a project qualifies as strategic. On the other hand, the order from the Director General of SASPAC approves the form that must be filled out accordingly to objectively assess the strategic relevance of each project proposal requesting entry into the NSPP.

Specific Objective 2.4 Local Finances

Performance Indicators

In order to improve PFM at local level, the new Local Budget Management System (LBMS) for sub-national budget preparation and monitoring has been developed and adopted. Following the preparation of a detailed specification document for the LBMS, the software was developed and the E-platform on which it operates was established.

Measures and activities

The new software was introduced to all Local Government Units during the first quarter of 2024 for the preparation of the Medium Term Budget Programm (MTBP) 2025-2027. This new system was used from 61 municipalities and 12 Districts for the preparation of the MTBP 2025-2027.

Specific Objective 2.5 Budget Execution Monitoring and Reporting

Measures and activities

The improvement of monitoring and reporting on Public Investment Projects has been gradually improved through the implementation of the newly approved PIM monitoring procedure. Central government units are required to report to the Ministry of Finance on the implementation of public investment projects in accordance with annex. 2 of decision 887/2022 "On Public Investment Management Procedures".

Key challenges and next steps

There were no key challenges, since all the activities are completed and on track, except the activity that contributes to operationalize procedure for improved public investment management.

3.3 Progress under Pillar 3 “Revenue Mobilization and Management”

Reforms aimed to improve the systems for revenue mobilization and management have continued in 2023 in accordance with the PFM action plan and also the draft MTRS 2022-2026 and the Business strategy of the Albanian Customs Administration. All PIs targets have been accomplished. As part of the component property tax management a new draft-law “On the Property Tax” was drafted and underwent the public consultation process. The customs administration has reduced the custom declaration processing time and maintained the number of Authorised Economic Operators. The utilisation of the green channel was 28% during 2023.

The table below summarizes the status of the achievement of performance indicators for Pillar 3 Revenue Mobilization and Management.

Table 4: Performance Indicators and Targets of Pillar 3

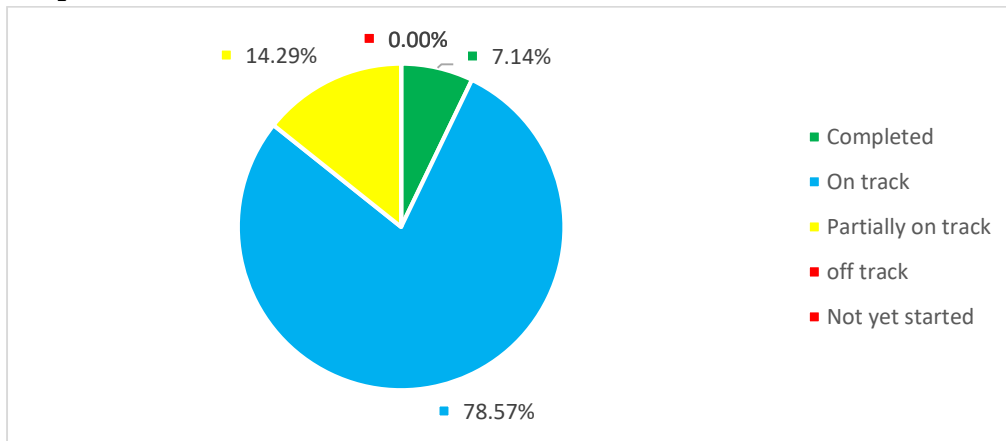
Indicator		Baseline value (year)	Target Value 2023	Fact Value 2023
Specific Objective (Component) 3.1 Tax management ¹²				
Specific Objective (Component) 3.2 Property Tax Management				
1	Law on “property tax” prepared and adopted	-	Property tax law prepared	Property tax law submitted and reviewed by public consultation
Specific Objective (Component) 3.3 Customs Management				
1	Percentage utilisation of Green Channel	-	28%	28%

¹² For Specific Objective (Component) 3.1 Tax Management, no target values have been established for 2023.

2	Custom declaration processing time	-	99.1 minutes	97.7 minutes
3	Number of Authorised Economic Operators	-	13	13

Satisfactory progress is made as well towards completing the activities planned for 2023. 78.57% are on track, 14.29 % are partially on track and 7.14% of activities are completed.

Graph 8: 2023 status of Pillar 3 activities



Components (Specific Objective) progress made during 2023

Specific Objective 3.1 Tax Management

Performance Indicators

From January 2022, The Government of Albania has started implementing measures envisaged in the draft Medium Term Revenue Strategy (MTRS) 2022-2026. As a result of these measures, tax revenues in 2023 have increased compared to 2019, and in 2024 will reach 26.7% of GDP, up from 25.2% in 2019. The implementation of fiscal policy measures according to IMF recommendations over the years has started with the "Fiscal Package 2022", and has continued with the "Fiscal Package 2023" and the "Fiscal Package 2024". The changes in fiscal policies have aimed at expanding the tax base, reducing tax invocation, abolishing reduced and preferential tax rates. The changes made include indirect tax legislation (excise and VAT), as well as direct taxes on the income of entities and physical persons. The new Law on "Income Taxation" was adopted, which expands the tax base, introduces the taxation of free professions and abolishes the reduced tax charge for the IT industry. The positive effect of tax policy for 2023 is over 15 billion ALL, or 0.7% of GDP.

Regarding the adoption of MTRS 2024-2026, the working group at the Ministry of Finance has drafted the first version. The draft will be proceeded for consultation. The deadline of approval of MTRS is December 2024.

Measures and activities

With the delivery of staff training, the institutional capacity to analyse and develop tax policies and to manage tax reforms has been gradually increased. The General Directorate of Taxation (GDT) has developed training with the assistance of the IMF for Big Data Analysis and International Tax Fraud. GDT has also developed training under the assistance of Swedish Tax Administration related to Compliance Risk Management, Taxpayer Service, Audit, Automatic Exchange of Information

and Culture of Integrity. GDT staff has completed trainings in Center of Excellence in Finance and IOTA.

With the approval of the new structure of the Ministry of Finance in 2024, **was established** a new Directorate for forecasting, statistics and tax revenue analysis under the General Directorate for tax policy in the Ministry of Finance.

The activities that contribute to develop and implement initiatives to reduce the VAT compliance gap through improving risk management approaches for sectors identified as high risk and the use of the fiscalization system to maximize VAT revenues are on track. To improve risk management approaches for high-risk sectors, the Risk Committee was created, which for the year 2023 has taken 14 decisions. These decisions were taken during the year 2023 by the Risk Committee established by the Order of the Director General of the Tax Administration No. 42 dated 23.02.2023, in which the top managers of the Tax Administration participate. These decisions are related to evidenced and assessed phenomena and risks, which are handled by the Regional Directorate of Tax Administration or by the functional directorates in GDT. Each decision of the Risk Committee has an average of 8 risk phenomena that it deals with. Business Intelligence rules and reports have been developed in the Financial Risk Module, which uses data from the fiscalization process (Electronic Invoicing). Also, during 2023, the rules related to the payment lists of social and health insurance contributions have been implemented in the C@Ts system. The tourism sectoral plan has been drawn up and implemented. The tourism sector is considered high risk as there are a number of risky phenomena that have to do with VAT registration fraud, non-payment of VAT, under-declaration of turnover, under-declaration of salaries, evasions that have to do with tax at source etc. Regarding the use of Fiscalization system for maximizing VAT revenues, the automation of the pre-filling process of the purchase/sale books by the Tax Administration has been carried out with the final aim of pre-filling the VAT declaration (to be completed in 2026). Also, during 2023, taxpayers who avoid VAT registration have been dealt with. Taxpayers who avoid registering for VAT tax liability have been identified. In 2023 there are +2,068 taxpayers or 6.6% more with VAT compared to 2022. Quantitative and qualitative data from taxation were used to identify any evasion in the declaration and payment of VAT.

The activity that contribute to develop and implement an integrated approach to reduce under and undeclared work through strengthening the legal provisions for sanctions for offenses related to undeclared workers and under-declaration is completed. The legal changes were approved with the fiscal package of 2023, specifically the law on tax procedures, article 119 point 3 was affected.

In 2023, legal changes were approved that enable and give competence to the Tax Administration for registration and assessment of individuals with large unexplained wealth based on its own and third parties data. This is an important step to ensure taxation of any unjustified wealth inside and outside the country and enables the assessment of 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

The improvement of service delivery to taxpayers is partially on track. The design of a taxpayer service delivery strategy has started, the call centre is operational and the training to staff of the General Directorate of Tax is provided by the Tax and Customs Administration Training Center and ASPA. The taxpayer service delivery strategy aims to improve tax products and services. The process for developing this strategy has started with the assistance of the Swedish Tax Agency (STA) with the development of the questionnaire measuring the satisfaction of taxpayers. The improving the efficiency of the national call center with a structured escalation process to deal with enquires of different complexities is on track. The Call center is operational and handles cases of decision-making by the Risk Committee. It is fully functional and handles the lists of taxpayers determined by the Risk Committee for various phenomena determined mainly as low risk.

New capacity development programmes are being developed by the tax academy (Tax and Customs Administration Training Centre), universities and other partners. The tax administration is continuously trained by the Tax and Customs Administration Training Center and by Albanian School of Public Administration (ASPA). During 2023, specific trainings for the new Law on "Income Tax were delivered.

Specific Objective 3.2 Property Tax Management

Performance Indicators

The Ministry of Finance, in collaboration with the General Directorate of Property Tax and the Swedish Tax Agency has drafted the new draft law "On property tax". This draft-law will establish property taxation based on market value according to a methodology that includes international valuation standards and concepts/elements of market value. This draft-law has undergone the consultation process via: the publication in the official website: konsultimipublik.gov, al, the public hearings with municipalities, universities, businesses, and the organizations and the projects that have the local government in their focus. These comments will be used, together with the feedback from the internal consultation with state institutions to improve the draft law before it will be submitted to Parliament for approval.

Measures and activities

The approval and entry into force of the law is foreseen for 2025. This would enable sufficient time for drafting and approving all the necessary bylaws, as well as the completion of the necessary processes for the registration and assessment of buildings in the Fiscal Cadastre before 2028, the target date for starting the taxation of buildings based on market value. The completion of the necessary processes for the registration and valuation of land in the Fiscal Cadastre is planned to be completed before 2030, the target year for starting taxation of land based on market value.

Specific Objective 3.3 Customs Management

Performance Indicators

For improving Customs Management, the effective custom declaration processing time has been decreased and the successful applications by economic operators has continued. In contrast, the percentage of the utilization of the green channel is below target. During 2023, the average time to process one custom declaration was 97.7 minutes against a target of 99.1 minutes, which is the result of a decreased processing time of declarations in yellow channel. The declaration processing time in 2022 was 95 min/declaration. By the end of the year, the number of Authorised Economic Operators was 13 (out of 13 planned), due to the continuation of the successful applications by economic operators and in time controls and approvals by Customs working group. Until December 2022, 20 companies have applied in total and 9 from them have received the status of AEO. The utilisation of Green Channel, measured by the percentage of utilisation without physical and customs control was 28% in 2023. During 2022, green channel time reduced from 32 to 31 min.

Measures and activities

The activities that contribute to the modernization of business and risk management processes of the Customs Administration are on track. Training of the existing and newly recruited employees are delivered on continuous basis, with the aim to develop a professional and agile workforce.

Investment in software development of the Integrated Tariff Management System (ITMS) continued until December 2023. It is expected to be implemented by Q4 2024.

Also the activities for the **development of the integrity framework and fight against informality and corruption, the increase of the AEO and the development of the National Single Window are on track. The Integrity Plan was drafted and approved** in implementation of the Intersectorial Anticorruption Strategy. The Integrity Plan of Anticorruption Directorate of Customs is aligned for the major objectives with the Intersectorial Anticorruption Strategy of the Government. Also, the Risk Register for Customs was approved. Information campaigns, processing of applications and audit of potential AEO have been implemented on a continuous bases. Terms of References for contracting an implementing company to develop the National Single Window have been developed and approved.

Key challenges and next steps

There were no key challenges, since all the activities are completed and on track, except the activities that contributes to improve service delivery to taxpayers.

3.4 Progress under Pillar 4 “Accounting and Budget Execution Management”

Accounting and Budget Execution Management has been further improved in 2023 and all PI targets have been achieved. Access of Budget Institutions to the AGFIS and the Electronic Archive has increased. Also, the planned accounting reforms and IPSAS rollout are on track with a concept paper prepared for the update of the legal framework and government accountants being trained. As part of debt and cash management, the Annual Borrowing Plan and DMS Monitoring Report have been prepared and published and the monthly cash forecast accuracy rate has been consolidated. For improving asset management, concept paper, prepared regarding the public sector accounting reform, includes issues about the regulatory framework regarding evaluation and inventory of public assets and the preparation of a consolidated asset register in central institutions.

The table below presents the status of the achievement of performance indicators for Pillar 4 “Accounting and Budget Execution Management.”

Table 5: Performance Indicators and Targets of Pillar 4

Indicator		Baseline value (year)	Target Value 2023	Fact Value 2023
Specific Objective (Component) 4.1 National Government Accounts¹³				
Specific Objective (Component) 4.2 Accounting				
1	Additional number of Budget Institutions connected to AGFIS and electronic archive (EA).	-	5 to AGFIS, 197 to EA	5 to AGFIS 197 to EA
2	Production of legal and sub-legal regulatory framework based on IPSAS as per plan.	-	Concept paper prepared	Concept paper prepared
4	Percentage of government accountants that have completed IPSAS training	-	40%	40%
Specific Objective (Component) 4.3 Public Procurement¹⁴				

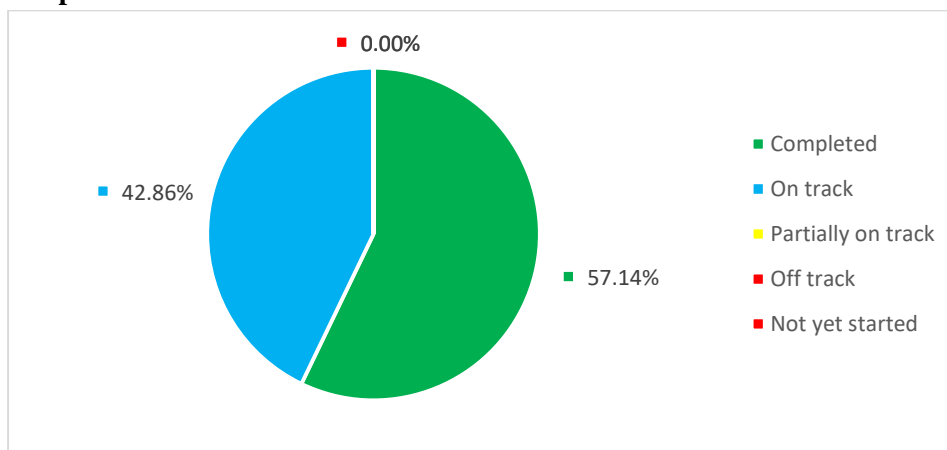
¹³ For component 4.1 National Government Accounts, no target values have been established for 2023.

¹⁴ For component 4.3 Public Procurement, no target values have been established for 2023.

Specific Objective (Component) 4.4 Debt Management				
1	Annual Borrowing Plan and DMS Monitoring Report prepared and published	-	Documents published in the MoF Website	ABP for 2024 and DMS monitoring report prepared and published
Specific Objective (Component) 4.5 Cash Management				
1	Monthly cash forecast accuracy rate	88% (2022)	88%	88%
Specific Objective (Component) 4.6 Asset Management				
1	Establishment of the proper regulatory framework regarding evaluation and inventory of public assets	-	Concept paper prepared	Concept paper prepared
2	Preparation of a consolidated asset register in central institutions, at the controlling unit level.	-	Concept paper prepared	Concept paper prepared

Satisfactory progress is made towards completing the activities planned for 2023. 57.14% are completed and 42.86% are on track.

Graph 9: 2023 status of Pillar 4 activities



Components (Specific Objective) progress made during 2023

Specific Objective 4.1 National Government Accounts

Even there were no targets related to “National Government Accounts” for 2023, work has been done and the progress is described as follows. Albania has made efforts to improve Government Finance Statistics (GFS) and Excessive Deficit Procedure (EDP) statistics in accordance with European System of Accounts (ESA) 2010, the Manual on Government Deficit and Debt (MGDD), and additional guidelines. The compilation of these statistics involves close cooperation between the Albanian Institute of Statistics (INSTAT), the Ministry of Finance (MoF), and the Bank of Albania (BoA).

INSTAT, acting as the coordinator of the National Statistical System, is responsible for the coordination and transmission of “Government Finance Statistics” and “Excessive Deficit Procedure” tables to Eurostat. A working group among INSTAT, BoA, and MoF is responsible for compiling these statistics. The working group has received assistance from external experts from Eurostat and the IMF to enhance the quality of these statistics. INSTAT received support from the IPA 2019 grant for the Statistical

Project 1.1 - Government Finance Statistics and Excessive Deficit Procedure, which aimed to enhance the reporting of these statistics to Eurostat. All improvements made during this grant implementation are reported to Eurostat. This project finished in December 2023. Since October 2014, INSTAT, in collaboration with BoA, has regularly transmitted EDP tables to Eurostat twice a year. The last transmission covered the period from 2010 to 2023 for the General Government sector, including budgetary and extra-budgetary units. INSTAT has partially compiled and transmitted "Annex 3 – Questionnaire related to EDP tables" to Eurostat, as well as a draft EDP Inventory describing the data sources and methods used for compiling GFS and EDP statistics in Albania. Currently, the EDP tables are transmitted to Eurostat with the status “not for publication.”

INSTAT regularly publishes a list of units within the General Government sector, including Public Financial Corporations and Public Non-Financial Corporations, following the ESA 2010 methodology. Using the AIGCS, INSTAT and BoA compiled and reported data for non-financial and financial accounts for the General Government sector to Eurostat. INSTAT has improved GFS data regarding the classification of units within the General Government sector, coverage of data sources, and classification of government accounts into ESA codes. The working group continues to work on enhancing GFS and EDP data to align with ESA 2010 methodology and the Manual on Government Deficit and Debt. Currently, these data are transmitted to Eurostat with the status “not for publication.”

Specific Objective 4.2 Accounting

Performance Indicators

AGFIS remains the key system-based tool for controlling and monitoring revenues and expenditures. Five new budgetary institutions have obtained direct access to the AGFIS system whereas an additional number of 197 new institutions are linked to the Electronic Archive. The percentage of the budget executed and monitored directly in AGFIS has increased to 83%. In 2023 the use of the electronic archive (Web portal) has been expanded to include 197 new institutions bringing it to 642 institutions in total.

The preparation of the second phase of Accounting and IPSAS reforms is on track with concept notes prepared for developing the legal framework and development partner support being secured with the World Bank and SECO. The ultimate objective of the reform is the preparation of the financial statements of public sector institutions based on selected IPSAS. After the finalization of the first phase of public sector accounting project in December 2022, during 2023, the concept of the phase 2 of the project for the implementation of the new accounting methodology in the public sector has been prepared and discussed with the World Bank and SECO. One main objective of this second phase is the development and approval of a public sector accounting law and other sublegal acts, based on IPSAS as per plan. This second phase will start in 2024.

As part of the ongoing accounting reforms, government accountants continued to follow IPSAS training. By the end of 2023, 40% of government accountants have completed IPSAS training in accordance with the plan. During the first phase of the IPSAS project, one of the main objectives was building capacity of the public sector accountants in the public sector institutions. In this regard, have been developed some activities, such as: piloting and rollout of a training of trainers course and subsequent IPSAS courses for government accountants. During 2023, DHFMCA in collaboration with ASPA, organized several trainings regarding public sector accounting and asset management with government officials. Further change management and capacity building is foreseen in the second phase of the accounting reforms supported by the World Bank: (i) Develop training program and deliver training to auditors (internal audit and state audit institution) on new Accounting Instructions, internal processes, opening balance sheet and related audit issues. (ii) Capacity building and training to Treasury and

budget institutions on all aspects above (may be defined as separate activity or integrated under each element). (iii) Awareness raising, high level events and other change management activities.

Measures and activities

During 2023 the GDT Treasury has been on track related to the activity to increase access and utilization of AGFIS. In this regard there was expanded the use of the electronic archive (Web portal) which serves for the electronic sending of the justifying documentation scanned and signed electronically by the institution of budget transactions of the general government unit to the Treasury branches into 197 new budgetary institutions during 2023, bringing it to 642 institutions in total.

Specific Objective 4.3 Public Procurement

Performance Indicators

Although a Performance Indicator target has not been set for 2023 there was some progress made.

As regard to the use of the award criteria “the most economically advantageous tender based on cost” (MEAT criteria based on cost), on public procurement procedures in 2023, the value of the contracts awarded based on cost (MEAT) in relation with the total awarded fund was 20.33% in comparison with 2022 where this value was 33.92%. This lower value is caused by a significant decrease in the procedures related to the reconstruction process, procedures in which the only criterion used for the evaluation was "The most economically advantageous tender based on cost.

Measures and activities

The Improvement of the quality and efficiency of procurement procedures has been on track during 2023 with the DCM 285/2021 "On the Approval of Public Procurement Rules" in the process of being amended. As soon as these amendments are approved, the process of approving the relevant guidelines including the MEAT guideline will continue.

Also the design and implementation of green public procurement (GPP) has progressed with the approval and publication¹⁵ of the guideline and methodology to implement the green procurement/energy efficiency criteria and the drafting of the Methodology “For the Implementation of Green Public Procurement in Albania”. The GPP methodology has been drafted with the assistance of the World Bank and is based on the EU legal framework.

PPA has developed and delivered training on green procurement/energy efficiency to procurement professionals. In collaboration with the World Bank PPA has prepared the necessary preliminary materials for the upcoming trainings on green procurement which are planned to be delivered in 2024. These trainings will cover topics such as the GPP concept and international trends and practice, details of the planning and design of individual green procurements, as well as pillars of effective procurement reform for GPP at the institutional and national levels, international good practices and the use of GPP in Albania. **During 2023 PPA has started the work on reviewing and amending the regulatory framework.** During 2023 PPA has started the work on reviewing and amending the Law 162/2020 ‘On public procurement’, which will be followed by the revision even of the sublegal acts as regards procurement. In this regard during the second half of 2023, PPA was maximally engaged in the process of drafting legal amendments of the PPL, the approval of which will be followed by the drafting of new

¹⁵ <https://app.gov.al/legjislacioni/prokurimi-publik/udherrefyes/>. The Guideline “On the Implementation of Green Public Procurement in Public Procurement Procedures”.

DCMs, such as a DCM on thresholds, and the amendment of existing DCMs for social procurement and the DCM for the procurement rules.

Specific Objective 4.4 Debt Management

Performance Indicators

With the development and publication of the Annual Borrowing Plan 2024 and DMS Monitoring Report 2022, all PI targets have been achieved for 2023. The Monitoring Report of the Medium-Term Debt Management Strategy was prepared by the Ministry of Finance in accordance with Article 6 of Law No. 9665, dated 18.12.2006 "On state borrowing, state debt and state loan guarantees in the Republic of Albania", as amended. This was submitted to the Parliamentary Economy and Finance Committee and published on the official website of the Ministry of Finance¹⁶. This monitoring report introduces an analysis on the progress of the implementation of the Medium-Term Debt Management Strategy for previous year. The publication of this report serves as a positive step towards increasing transparency towards the general public as well as intensifying communication with investors or third interested parties. The annual borrowing plan for 2024 was prepared in the end of 2023 and published in the website of the Ministry of Finance.¹⁷ The plan with the relevant information about the plan issuances of government securities in domestic and international market along the year with gross redemption figures the sources of financing.

Measures and activities

Both activities are completed regarding Strengthening of debt management reporting and Investor Relations. The annual borrowing plan for the year 2024 was prepared in the end of 2023 and was published in the website of the Ministry of Finance. The document follows international sounds practices, being concise and clearly identifying the annual gross financing needs as well as how it is planned to be financed. On the domestic borrowing, it defines securities tenors and estimated borrowing amounts by instrument. The domestic issuance calendar is included in the ABP. Regarding external borrowing projections, the plan clearly indicates estimated volumes for project financing from International Financial Institutions, and budget support operations with bilateral and multilateral entities. **The Monitoring Report for the DMS for the year 2022, was prepared and published in the MoF Website¹⁸ in March 2023.** The Monitoring Report of the Medium-Term Debt Management Strategy is prepared in accordance with Article 6 of Law No. 9665, dated 18.12.2006 "On state borrowing, state debt and state loan guarantees in the Republic of Albania", as amended. This Monitoring Report is prepared by the Ministry of Finance and sent to the Parliamentary Economy and Finance Committee, as well as published on the official website of the Ministry of Finance. This report introduces an analysis on the progress of the implementation of the Medium-Term Debt Management Strategy for previous year. The publication of this report will serve as a positive step towards increasing transparency towards the general public as well as intensifying communication with investors or third interested parties.

Specific Objective 4.5 Cash Management

Performance Indicators

¹⁶ https://financa.gov.al/wp-content/uploads/2024/02/Monitoring-Report_Year-2022_English-Version.pdf

¹⁷ Annual Borrowing plan published to https://financa.gov.al/wp-content/uploads/2024/02/APB_2023_Final3.pdf

¹⁸ https://financa.gov.al/wp-content/uploads/2024/02/Monitoring-Report_Year-2022_English-Version.pdf

Concerning the Cash Management there was only one performance indicator for 2023 which was achieved as planned. Monthly cash forecast is an indicator that depends on the progress of monthly expenses and income. Being that during the year 2023, the collection of income and the realization of expenses in some months has been higher or lower than the forecasts made, as a result it has had an impact on the monthly cash forecast and has remained on average 88%.”

Specific Objective 4.6 Asset Management

Performance Indicators

In the domain of asset management, steps have been taken to establish the proper regulatory framework regarding evaluation and inventory of public assets and to the preparation of a consolidated asset register in central institutions, at the controlling unit level. The final strategic objective of the reform is the preparation of the financial statements of public sector institutions based on selected IPSAS. After the finalization of the first phase of public sector accounting project in December 2022, during 2023, the concept of the project for the implementation of the new accounting methodology in the public sector, discussed with the World Bank and SECO, has been drawn up. One main objective of this second phase of the project is the approval of a public sector accounting law and other sublegal acts, based on IPSAS as per plan. Part of this updated regulatory framework is the methodology regarding the inventory and evaluation of public sector assets. Also, with the support of the consultants of the project, in central institutions, at the controlling unit level will be prepared a consolidated asset register. This second phase will start during 2024.

Key challenges and next steps

There were no key challenges, since all the activities are completed and on track.

3.5 Progress under Pillar 5 “Public Internal Financial Control”

The system of Public Internal Financial Control has been further professionalized in all Budget Institutions towards compliance with EU integration requirements. Across pillar 5, 70% of the PI targets have been achieved by the end of 2023, 10% have been partially achieved and 20% of the PI targets were not yet not achieved. The table below presents the status of the achievement of performance indicators for Pillar 5 Public Internal Financial Control.

Table 6: Performance Indicators and Targets of Pillar 5

Indicator		Baseline value (year)	Target Value 2023	Fact Value 2023
Specific Objective (Component) 5.1 Financial Management and Control				
1	Percentage of Public Institutions that comply with FMC requirements.	69% (2022)	70%	72%
2	Percentage of Public Institutions that have adequate Managerial accountability mechanisms in place.	68% (2022)	70%	73%

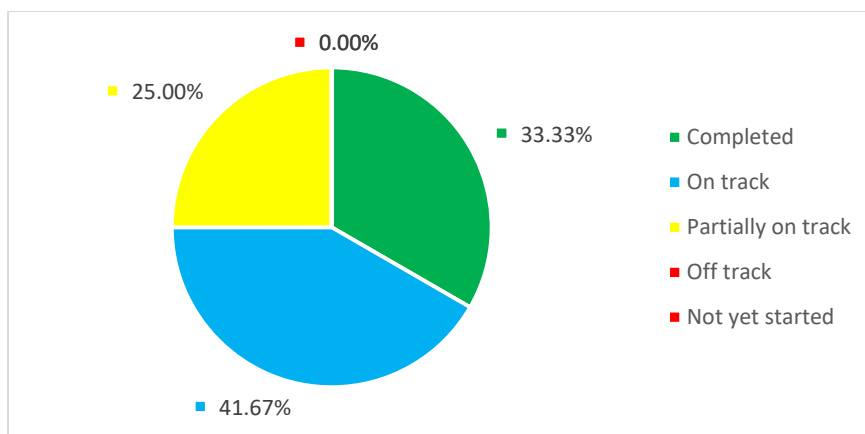
3	FMC law and sublegal acts amended and approved.	NA	FMC law, FMC manual and instruction on declaration and reporting for the quality of internal control system adopted	FMC Law amendments adopted and in force
4	Percentage of public institutions that have adopted all risk management tools.	68% (2022)	70%	73%
Specific Objective (Component) 5.2 Internal Audit				
1	Number of public institutions that are covered by annual internal audits.	136	138	142
2	Number of public institutions that have a functional audit committee.	6	7	6
3	Percentage of active internal auditors that are fully certified ¹⁹ .	80%	88%	81%
4	Percentage of internal audit units that have established and implemented QAIPs in accordance with the applicable standards.	52%	71%	86%
5	Percentage of internal auditors that comply with CPD requirements	100%	100%	100%
Specific Objective (Component) 5.3 Public Financial Inspection and Anti-Fraud Coordination Services²⁰				
Specific Objective (Component) 5.4 Management of EU funds				
1	IPA-III entrustment package developed and approved.	-	IPA-III entrustment package developed	IPA-III entrustment package developed and submitted to EC

Satisfactory progress is made as well towards implementing and completing the activities planned for 2023. A majority of 75% of the activities were on track or completed, whereas the remaining 25% of the activities were rated as partially on track.

Graph 10: 2023 status of Pillar 5 activities

¹⁹ All internal auditors should be certified within 3 years according to the Law.

²⁰ For Specific Objective (Component 5.3 Public Financial Inspection and Anti-Fraud Coordination Services, no targets have been established for 2023



Components (Specific Objective) progress made during 2023

Specific Objective 5.1 Financial Management and Control

Performance Indicators

The targets set in the PFM action plan 2023-2026 for (i) compliance with FMC requirements, (ii) establishing adequate managerial accountability mechanisms and (iii) adoption of risk management tools have been slightly exceeded.

The percentage of Public Institutions that comply with FMC requirements is 72% against a target of 70%. The main focus was on improving the functionality of the FMC system through the provision of technical assistance and internal control quality assessment and progress of the internal control system encouraging engagement and awareness regarding the strategic and operational importance of implementing financial management and control instruments. From the detailed analysis of the 17 internal control principles, it was found out that the internal control system for 2023 is partially effective. The components of the assessment of the control environment and control activities continue to show a more satisfactory evaluation. Specifically, the implementation of FMC quality assessments in public institutions and the provision of technical assistance has increased the awareness of managers and staff for the recognition and implementation of FMC instruments. The recommendations given in the evaluation reports have served as a starting point for drafting Public Institution-level action plans. These plans highlight measures to address deficiencies and their continuous follow-up and contribute to the improvement of the monitoring mechanisms of the internal control system.

The percentage of Public Institutions that have adequate Managerial accountability mechanisms in place has increased to 73% in 2023 against a target of 70%. These institutions have adopted organizational structures appropriate to the size, nature, and complexity of their activity. Also, these institutions have defined mission statements and their strategic and operational objectives, part of the medium-term budget program (MTBP) document, creating an organic connection between these priorities and performance objectives. In the drafting of this MTBP, all program managers are involved, who analyze the situation and determine, monitor, and report the priorities and objectives to be realized. At the same time, a lack of regular periodic reporting and implementation of concrete measures to address issues related to the internal control system are observed. This demonstrates the need for the design of a system of procedures for the creation, implementation and periodic standard reporting to managers or other structures of the institution. The focus of the current reporting framework remains on providing information on financial performance, such as budget monitoring reports or reports on financial obligations, and less on the preparation of periodic reports on the progress and status of implementation of established objectives or issues related to internal control systems. Another important mechanism for

the operation of an effective system of managerial responsibility is the use of regular procedures for the delegation of tasks and responsibilities. This element finds little application and is evaluated as unsatisfactory. The MoF supports the institutions on implementing the managerial accountability instruments, through the regulatory framework or technical assistance, as well as through the recommendations given during the evaluation of the quality of the internal control system, and trainings. The shortcomings identified in this aspect are mainly related to the lack of awareness to understand its importance as well as the clear definition of the terms, rules and procedures that must be followed in the process of delegating tasks within the public unit.

The Ministry of Finance (DHFMC) continued to enhance the legal and regulatory framework for FMC. Amendments to Law no. 10296, dated 07.08.2010 “On Financial Management and Control”, were adopted by Law 14/2023. The FMC manual was amended by the Order of Minister of Finance no. 4, date 26.01.2024 and the Instruction on the presentation of the declaration and the annual report on the quality of the internal control system in public units, was reviewed by the instruction no.2, dated 26.01.2024.

Adequate systems for risk management are another important element of the FMC system. 73% (against a target of 70%) of public institutions have adopted all risk management tools in 2023. It is worth emphasizing the commitment of the institutions in the preparation of the Medium-Term Budget Program where the objectives and priorities of the institution are identified together with the programs to which these objectives belong. From the analysis carried out, it becomes clear that a part of the institutions (directorates and departments) develops their operational objectives by placing them in line with the strategic objectives and national policies. The realization of this process as a whole, creating a clear connection between the purpose of policies, strategic and operational objectives as well as the budget allocated for their realization, serves as a starting point for the risk management process at every level of the public unit. In general, the non-functioning of this component at the required level comes as a result of not concluding the structured process of defining objectives in concrete action plans for their fulfilment by all employees according to the assigned responsibilities. A positive risk management situation continues to be presented in some of the Line Ministries, independent institutions or municipalities that have been supported by the Local Finance Project, and for which risk management mechanisms have been created, including the establishment of the risk management group, the regulations for its operation or the identification, evaluation, and treatment of risks for some of the main processes.

Measures and activities

The Ministry of Finance (DHFMC) continued to enhance the legal and regulatory framework for FMC. Amendments to Law no. 10296, dated 07.08.2010 “On Financial Management and Control”, were adopted by Law 14/2023. Meanwhile, the activity of reviewing and updating sub-legal acts and further improving the FMC manual is on track. Work has been done in drafting the amendments to the Financial Management and Control Manual which was reviewed by the Order No.4, dated 26.01.2024. The Instruction “On the presentation of the declaration and the annual report on the quality of the internal control system in public units” was reviewed by the Instruction No.2, dated 26.01.2024.

Specific Objective 5.2 Internal Audit

Performance Indicators

There are 142 (out of 138 planned) public institutions that are covered by annual internal audits in 2023 (Article 10 of IA Law 114/2015, amended). 136 public institutions have established (Internal Audit) IA units by the end of 2022 as a permanent function, reporting directly to the Board or Head of Institution. Besides that, 6 other public institutions have outsourced the IA service through a bilateral agreement between two public entities.

The number of functional Audit Committees is still the same in 2023, meanwhile in some ministries the Audit Committee has been recently established and in some other it needs to be reestablished. However, these 6 Audit Committees cover the audit issues for a larger number of public institutions (including agencies under the line ministries). The main reason that there is not an increase in the number of Audit Committees is related to the changes in the International Internal Audit Standards, which are reflected in IA Law and other bylaws. Currently the Decision of Council of Ministers on the Audit Committees is unweaved amendment procedures.

81% (out of 88% planned) of active internal auditors were fully certified during 2023. In June 2023, the last session of IA Certification 2022 - 2023 was completed successfully by 80 internal auditors. Currently out of 441 practitioners of the internal audit in public institutions, 355 internal auditors are certified and other 86 are expected to attend the forthcoming Certification session. Normally, all internal auditors should be certified within 3 years according to the IA Law 114/2015, amended.

86% (out of 71% planned) of internal audit units have established and implemented QAIPs in accordance with the applicable standards. According to IIA Standards, all IA units should be assessed by an external body (currently DHIA) for their compliance with requirements of IA Standards and IA law. Currently the DHIA has covered with external assessment 117 IA units, out of 136 established. The other IA Units have been established in less than 5 years, so they will be in focus for the future assessments. The DHIA has reperfomed the External Quality Assessment for the second time in less than 5 years for those units which resulted with very low performance and assessed with "red" Opinion, in order to follow up their progress and improvement.

100% of internal auditors comply with CPD requirements. All practitioners of internal audit in the public sector have been trained for more than 40 hours F2F training during the year.

Measures and activities

A major achievement in 2023 has been the enactment of Law no. 12, dated 02.02.2023 “On some amendments and changes in the Internal Audit Law no.114, dated 22.12.2015 “On the Internal Audit in Public Sector”. Following the entry into force of this, significant progress has been made in the development of tools and mechanisms for outsourcing internal audit services or establishing shared internal audit services. Article 10 of the amended IA Law now explicitly provides accessible avenues for public institutions lacking an internal audit team to utilize these mechanisms effectively. This legislative update, effective as of March 8, 2023, marks a crucial step forward in enhancing governance and accountability within public institutions across Albania. By facilitating access to outsourced or shared internal audit services, the amended law aims to streamline operations, improve transparency, and elevate standards of financial oversight within the public sector.

The professionalization of the core internal audit practices through developing guidelines and delivering capacity building activities is on track. Every year the Minister of Finance approves the Annual Program for Continues Training of Internal Auditors, which is implemented by the DHIA.

Specific Objective 5.3 Public Financial Inspection and Anti-Fraud Coordination Services

Measures and activities

The drafting and monitoring of the National Anti-fraud Strategy 2025-2027 for the protection of the EU financial interests is on track. This strategy to safeguard EU financial interests, as outlined in the National Plan for European Integration (NPEI) 2024-2026, signifies a pivotal initiative under the stewardship of the Minister of Finance. With Order no. 127, dated 15.04.2022, the establishment of a dedicated working group underscores Albania's commitment to combatting fraud and ensuring the integrity of EU funds management, particularly those related to IPA and IPARD programs. This strategic effort involves close collaboration among operators and managers of EU funds, alongside key structures

within the "AFCOS" service reporting network. Technical assistance provided through the Project for Good Governance has empowered contracted experts to contribute substantively to the strategy's formulation. Regular meetings at the Ministry of Finance have facilitated the smooth progression of this critical document, ensuring alignment with EU standards and best practices. As the strategy evolves, ongoing coordination with OLAF underscores Albania's proactive stance in fostering transparency and accountability in financial management across public institutions.

Specific Objective 5.4 Management of EU funds

Performance Indicators

Concerning the Management of EU funds, the 2023 performance indicator target is achieved. All IPA III entrustment packages for the IPA 2022 Annual Action Programmes and three Operational Programmes (OP) have been developed and officially submitted by the NAO to the EC. The IPA 2022 Annual Action Programmes entrustment package was sent in November 2023 and audited in December 2023 by DG NEAR. Entrustment was granted following their final report on March 1, 2024. For the three Operational Programmes, the entrustment packages were sent in May 2024 and audited in June 2024. After the audit, entrustment was granted for the three OPs following their final report on August 28, 2024.

Measures and activities

The establishment of the IPA III legal framework has been completed with the approval of DCM no. 540, dated 20.09.2023. This marks a significant milestone in the establishment of the legal framework for IPA III in Albania. This decision outlines the structures and authorities responsible for the indirect management of financial assistance under the annual and multiannual programs of the Instrument for Pre-Accession Assistance (IPA III) for the period 2021-2027, upon being entrusted by the EU to the Republic of Albania. Central to this framework is Article 14 "Protection of the financial interests of EU", dedicated to safeguarding the financial interests of the EU, which meticulously details provisions aimed at ensuring transparency, accountability, and efficient utilization of EU funds.

Development and implementation of regulations, procedures for IPA III management and enhancing the capacities of IPA III structures. The management and operational framework for IPA III in Albania have been significantly strengthened through decisive measures outlined in DCM 540/2023. This directive formally establishes the management structures responsible for overseeing the implementation of IPA III's financial assistance programs from 2021 to 2027. Furthermore, rigorous efforts have been undertaken to ensure operational efficiency and compliance through the development and approval of comprehensive Manuals of Procedures. These include both horizontal and specific manuals endorsed by the National Authorizing Officer (NAO), such as the Horizontal Manual of Procedures, sanctioned under decision no. 20186 on November 6, 2023, to ensure uniformity and sustainability across all IPA III structures. During this period, specific procedural guidelines for various key bodies were also formalized, including the Intermediate Body for Financial Management (IBFM) under NAO Order no. 19994 dated November 1, 2023, the Accounting Body (National Fund) under NAO Order no. 20184 dated November 6, 2023, and the National IPA Coordinator (NIPAC) under Decision no. 757/5 issued by the General Director of SASPAC on October 31, 2023. Concurrently, a proactive approach to capacity building has been adopted, with all IPA III structures conducting thorough assessments of

their capabilities and identifying skill gaps. Currently, the NAO/NAOSO, supported by technical assistance experts, is in the process of drafting a comprehensive HR capacity development plan aimed at enhancing the competencies of personnel across all IPA III entities, thereby fortifying Albania's institutional readiness and efficacy in managing EU pre-accession assistance.

Regarding the enhancement of financial adjustment and/or recovery procedures for EU Funds in line with national and IPA III legal requirements, all the activities planned are partially on track.

All the activities were initially planned to start within 2023, however taking into consideration that the accreditation process took longer than initially foreseen, the Technical Assistance contract has been signed at a later date. As such, the activities have been requested and planned to be covered from IPA project Support to EU Financial Assistance Management in Albania NEAR/TIA/2023/EA-RP/0136 during year 2025.

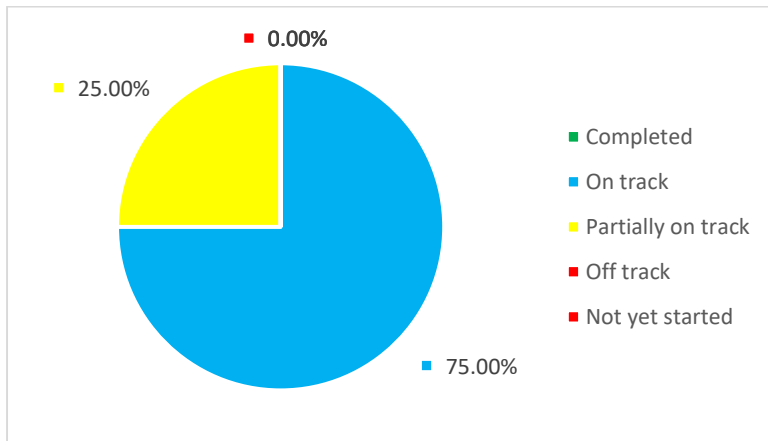
Key challenges and next steps

There were no key challenges, since all the activities are completed and on track, except the activities that contributes to the enhancement of financial adjustment and/or recovery procedures for EU Funds in line with national and IPA III legal requirements. However, the activities have been requested and planned to be covered from IPA project Support to EU Financial Assistance Management in Albania.

3.6 Progress under Pillar 6 “External Oversight”

During 2023 the Albanian Supreme Audit Institution (ALSAI) and the Parliamentary Committee for Economy and Finance continued to strengthen the external oversight mechanism. The ALSAI is actively engaged in completing the performance indicators which will be reported in the upcoming years according to the action plan and passport of indicators. Specifically, efforts are directed towards effective scrutiny of public institutions, enhancing audit coverage and standards to ensure thorough oversight of financial processes and to strengthen external audit follow-up practices, crucial for maintaining accountability and transparency in financial management practices (PEFA indicators 30.1 and 30.2 and SIGMA Indicator 4.3.1). The Parliamentary Committee for Economy and Finance is actively advancing towards completing the indicator of PEFA PI-31, which evaluates legislative scrutiny of audit reports. This initiative underscores the Parliamentary Committee for Economy and Finance's commitment to enhancing accountability and transparency in financial oversight. For 2023, no specific targets have been established in the PFM action plan.

75% of the activities planned for 2023 are on track and 25% are partially on track, as presented in the following graph.

Graph 11: 2023 status of Pillar 6 activities

Components (Specific Objective) progress made during 2023

Specific Objective 6.1 External Audit

Measures and activities

The ALSAI continued its work on improving legal, regulatory, and agile methodological framework and expand utilization of audit tools. The activity of defining amendments in Law No. 154 dated 21.11.2014 “On the Organization and functioning of the High State Control” to further strengthen the independence and the constitutional mandate of ALSAI is partially on track. During 2023, ALSAI has initiated the procedures for establishing the working group in charge of reviewing the law.

Progress is made on professionalizing reporting and communication in compliance with the communication strategy of ALSAI and applicable principles and standards. Regarding the improvement of the quality of the audit reports customized to the demands of its readers and the expanded use of all communication tools to continuously promote the role of the ALSAI, recent developments in the global practices include the major revision in International Standards of Supreme Audit Institutions (ISSAI) 140, which transitioned from quality control system to system of quality management. This called for a need to have a robust system and risk-based approach in managing audit quality. In response, during 2024, ALSAI conducted the Needs Assessment as a preliminary phase to the approval of the Quality Management Policy, aiming to analyze the existing policies and procedures, and identify opportunities for further improvement. ALSAI also approved its Policy on Quality Management which encapsulates all the relevant policies and procedures relating to audit quality, including the needs to enhance necessary and/or additional guidance to meet the quality management standards. This policy is already published on the ALSAI website. Regarding the expansion monitoring, reporting and communication on follow-up on audit recommendations by auditees, ALSAI verified the implementation of 4631 recommendations (compared to 3764 in 2022 and 1376 in 2021). The implementation rate for 2023 results to be 75%. Also, in accordance with ALSAI strategic goals, the data collection forms used for status on recommendations implementation by each department was redesigned. This improved the accuracy of ALSAI’s reporting. During 2023, ALSAI has also revised the format of the Report “On Follow up Audit Recommendations”. In addition, ALSAI regularly publishes the audit reports on ALSAI website and submits them to the Parliament.

Specific Objective 6.2 Parliamentary Oversight

Measures and activities

The Parliamentary Committee for Economy and Finances (CEF) has worked toward professionalization of the support structures of the Committee by preparing and starting the implementation of a development plan. The activity that contributes to further professionalizing the support structures of the CEF is on track. In accordance with the action plan, the CEF has cooperated with several international institutions. With the support of the "*Westminster Foundation for Democracy*" (WFD), the representatives of the CEF and some other permanent Committees of the Parliament of Albania got acquainted with the work carried out by the respective Parliamentary Committees of the English and Scottish Parliaments. Also, the WFD Foundation provided support for the design of the methodology of the Post-Legislative Review and the Corruption Prevention Assessment. In addition, *the American National Democratic Institute (NDI)* contributed to the assessment of the role of the Assembly in the war against corruption, with a special focus on increasing cooperation with the Supreme State Audit Office. The CEF, the administration of the Assembly and NDI experts worked on the concept for the establishment of the Public Audit Subcommittee. With the support of NDI, representatives of the majority and the opposition in the CEF participated in the Open Government Partnership (OGP) Summit with a focus on open government in the digital age, increasing accountability and transparency and strengthening democracy. At the Summit, ideas were exchanged on the strengthening of the role of the Assembly in the supervision of the government, the digitization of work processes and the role of civil society. Representatives of the CEF and its support staff participated in a conference organized by the *World Bank* regarding fiscal rules and fiscal councils in the Western Balkans. The objective of the conference was to design and share knowledge on fiscal rules and operational challenges for creating and maintaining effective fiscal councils. *The Subcommittee on Sustainable Development* has collaborated with UNDP for the design of the SDG measurement methodology and with the IPU (Interparliamentary Union) for strengthening the capabilities of the Subcommittee.

Key challenges and next steps

There were no key challenges faced during 2023.

4 Risks and steps to address them

Several risks and challenges that impact on the implementation of the action plan have materialized or have been identified. One of the key risks that has materialized or has been identified during the implementation of the action plan in 2023 is the inadequate number of skilled human resources, low capacity of existing human resources and staff turnover. Other risks include constraints in the availability of budgetary resources to implement reform activities, lack of coordination and engagement of stakeholders, delays in procurement and delays in the development and approval of legislative changes.

To effectively manage the reforms, and based on the experience during the period 2014-2022, risks that negatively impact the implementation of the action plan are actively managed.

Pillar 1 Macroeconomic Programming and Fiscal Risk Monitoring. For Macroeconomic Programming and Fiscal Risk Monitoring, the recruitment of highly qualified staff could not yet be completed. Existing staff trainings and strengthening capacities are an ongoing process, while recruitment for new staff should be made public at official website for civil servants, which is operated by Public Administration Department (DAP).

Pillar 2 Integrated strategic and budget planning, monitoring and transparent reporting. With regards to Public Investment Management, the adequate implementation of the new PIM regulations is delayed due to gaps in human resource capacity. Measures taken and planned to address this issue are the assessment of human resource needs, the preparation and execution of a recruitment plan (in 2024) and the continued delivery of capacity building activities. Also DCM 887/2022 was amended in 2024 to address a number of gaps. Similarly, the full use of the new Local Budget Management System by municipalities was hampered by human resource capacity constraints. Measures taken to mitigate this risk included the provision of regional trainings with all the budget directors and some of the Head of Programs. It is planned to carry out training for all phases of budget processes in 2024.

Pillar 3 Revenue Mobilization and Management. The General Directorate of Tax reports that a critical issue was staff turnover. Qualified staff has left for other engagements outside GDT or in EU countries. Also, it has been and continues to be very difficult to recruit new staff with good knowledge in information technology, statistics, IT, etc. Tendering processes that last for a long period, both for the IT sector and for other supporting functions, create difficulties in the work processes of the tax administration. During 2023, some measures were undertaken after risk materialization, such as: (i) financial reward of all staff engaged in the process of scanning Albania's situation in relation to EU membership.; (ii) salary increase for public administration, first for senior managers and then to be extended to every level of the hierarchy. During 2024, the process of salary increase for the public administration will continue. For the development of the Property Tax Management, a low level of engagement of municipalities in the usage of Fiscal Cadaster IT System and lack of engagement from other important stakeholders were experienced. During 2023, some measures were undertaken after the risks materialized. The General Directorate of Property Tax has continuously: (i) carried out trainings of LGU' staff; (ii) organized meetings with representatives from State Cadaster Agency about property data and with National Agency of Information Society (NAIS) about the handover of the Fiscal Cadaster IT System (FCIS). During 2024, NAIS has taken into administration the FCIS. The further cooperation between GDPT and NAIS is currently being determined. For 2024, the mitigation measures will be: (i) Design effective incentives to mobilize the LGUs participation; (ii) Provide trainings; (iii) Continuation of meeting and discussions with stakeholders; (iv) Communicate the reform and its importance and clari-

fyng what is needed by each stakeholder. Regarding the component of Customs management, the following risk mitigation measures are planned for 2024: (i) Continue the coordination in the Institution and partners; (ii) Correct Budget planning and (iii) focus on timely implementation of procurement procedures.

Pillar 4 “Accounting and Budget Execution Management”. The main risks materialized for this pillar were related to: Human Resources (staff, responsibilities, collaboration); Internal organization (management, roles and responsibilities, missions); The communication with interested parties; Foreign partners (the consultants companies and foreign partners/donors. These risks were successfully managed through the following measures: Review of priorities and operational work plans to adapt with the resources available; Continuous communication to raise the awareness of the decision makers and the managers of the public units on the importance of the activities in the framework of the implementation of IPSAS; Capacity building in the field of IPSAS implementation. These measures will be continued in the next period. Also, in regard to this component relating to the indicator “Additional number of Budget Institutions connected to AGFIS and electronic archive (EA)” for which the General Directorate of the Treasury is responsible, none of the risk factors has been materialized during the year 2023. Regarding the component of Debt Management there are no risks materialized during 2023.

Pillar 5 “Public Internal Financial Control”. No risks were identified under Component 5.1 and Component 5.3. In the area of internal audit (Component 5.2) delays in regulatory changes have occurred, which necessitated speeding up the process for procedure preparation and the development of practical action plans to meet deadlines. As well, challenges were noted in the management of EU funds under Component 5.4, specifically related to non-sustainable HR capacity development, inadequate HR availability and delayed legal/ regulatory changes. To address these issues, measures were undertaken during 2023 such as requesting additional technical assistance for further training and reorganizing the HR structure and announce vacant positions on the DoPA website, while the accreditation package has been completed. Additionally, during 2024, a consolidated training plan will be prepared and implemented, covering various topics and learning methods through 2024-2025, alongside the development of a robust retention policy to ensure long-term HR stability and effectiveness.

Pillar 6 “External Oversight”. No risks did materialize in the reporting period. It is mentioned that the Committee for Economy and Finance carefully managed the entire process of cooperation with the institutions that have helped to increase its professional level and the corresponding support structures.

Table 7. Main risks materialized.

Risk assessment (probability and impact): H = High M = Moderate L = 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 co-ordination
Pillar 1 Macroeconomic Programming and Risk Monitoring							
1.1 Prudent and realistic macro-economic programming				M			
1.3 Fiscal Risk Management							
Pillar 2: Integrated Strategic and Budget Planning, Monitoring, and Transparent Reporting							
2.3 Public Investment Management	M			M			
2.4 Local Finance				M			
2.5 Budget Execution Monitoring and Reporting							
Pillar 3: Revenue mobilization and management							
3.1 Tax Management				H			
3.2 Property Tax Management					H		H
3.3 Customs Management							
Pillar 4: Accounting and Budget Execution Management							
4.2 Accounting				M			L
4.3 Public Procurement							
4.4 Debt Management							
Pillar 5: Public Internal Financial Control							
5.1 Financial Management and Control							
5.2 Internal Audit	L						
5.3 Public Financial Inspection and Anti-Fraud Coordination Services							
5.4 Management of EU funds	M		M	M			
Pillar 6: External Oversight							
6.1 External Audit							
6.2 Parliamentary Oversight							

5 Cost of the PFM Strategy

Below is a summary of resources used for implementing the reform during 2023, by presenting the financial data on expenditure during the implementation of each Pillar categorized in the Government budget and Donor Funding in EURO.

Table 8. Resources used for implementing the PFM Strategy²¹

PFM Pillars	Actual Expenditure 2023			Planned 2023	% of change
	MTBP	Donor Funding	Total 2023		
Pillar 1 Macroeconomic Programming and Risk Monitoring	-	-	-	-	-
1.1 Prudent and realistic macro-economic programming	-	-	-	-	-
1.3 Fiscal Risk Management	-	-	-	-	-
Pillar 2: Integrated Strategic and Budget Planning, Monitoring, and Transparent Reporting	-	100,000	100,000	10,000	900%
2.3 Public Investment Management	-	-	-	-	-
2.4 Local Finance	-	100,000	100,000	10,000	900%
2.5 Budget Execution Monitoring and Reporting	-	-	-	-	-
Pillar 3: Revenue mobilization and management	104,738	21,415	126,153	1,324,356	-90%
3.1 Tax Management	-	-	-	-	-
3.2 Property Tax Management	-	18,000	18,000	18,000	0%
3.3 Customs Management	104,738	3,415	108,153	1,306,356	-92%
Pillar 4: Accounting and Budget Execution Management	-	-	-	-	-
4.2 Accounting	-	-	-	-	-
4.3 Public Procurement	-	-	-	-	-
4.4 Debt Management	-	-	-	-	-
Pillar 5: Public Internal Financial Control	-	6,000	6,000	6,000	0%
5.1 Financial Management and Control	-	-	-	-	-
5.2 Internal Audit	-	6,000	6,000	6,000	0%
5.3 Public Financial Inspection and Anti-Fraud Coordination Services	-	-	-	-	-
5.4 Management of EU funds	-	-	-	-	-
Pillar 6: External Oversight	-	-	-	-	-
6.1 External Audit	-	-	-	-	-
6.2 Parliamentary Oversight	-	-	-	-	-
TOTAL	104,738	127,415	232,153	1,340,356	-83%

²¹There is a change in the total planned for 2023, due to the conversion of a value from ALL to Euro. The change has been made to the activity 3.3.1.1 “Continue to develop a more professional and agile workforce through improving HR practices and delivering capacity development” under component 3.3 Customs Management. As well there is a material error in the total planned for 2023 related to Component 2.4 “Local Finance”, activity 2.4.3.1 “Prepare a detailed specification document for the Local Budget Management System (LBMS)”.

6 Conclusions and Recommendations

The implementation of the PFM strategy - led by the Ministry of Finance - shows satisfactory progress with almost all targets set for 2023 achieved and most activities planned for 2023 being on track or already completed.

Pillar 1: Macroeconomic Programming and Fiscal Risk Monitoring

For the upcoming period, the consolidation of focal rules and further improvement of Fiscal Risk Monitoring and Reporting practices shall be a priority. In accordance with the Roadmap for Good Governance a fiscal council shall be established, in for 2023, the options paper for the Fiscal Council shall be completed.

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

In conjunction with the strategic objectives and the EU recommendations and, following the approval of the new legal base for PIM, a strong focus shall remain on the further development of PIM practices in the Ministry of Finance, SASPAC and in particular in budgetary institutions. This is necessary to create a strong NSPP and to secure the gatekeeper role of the Ministry of Finance. Improvement of the PPP legislation and its further integration in the PIM systems is necessary. In the next period, the focus may also be on enhancing the budget documentation and monitoring processes and secure alignment with international standards and practices. The rollout of a new information system for the Municipalities and the review of the intergovernmental fiscal transfers forms a good basis for strengthening PFM at subnational level. For the component on MTBP, it is suggested to review and adapt the timelines of the target values as expressed in the PFM Action Plan.

Pillar 3: Revenue Mobilization and Management

With the overall aim to increase tax revenues it is recommended to safeguard the timely completion and adoption of the new Medium Term Revenue Strategy which will inform the decision makers for taking the next steps in the improvement of the tax and customs policy and management systems. Moreover, it is considered important to closely monitor the process of property tax reforms with the aim of improving the tax revenue of municipalities.

Pillar 4: Accounting and Budget Execution Management

For accounting, a consolidation of the connectivity to and utilization of the AGFIS and the gradual planning and implementation of accounting (IPSAS) reforms is foreseen. For Procurement, the focus shall remain on more efficient procurement procedures, GPP, complaint mechanisms and bringing the law on concessions and PPP in line with the EU Acquis. The implementation of the Debt Management Strategy shall be continued and alternative (green) debt instruments to be developed. Also enhancing cash planning and performance monitoring is a priority for 2024. The process of preparing a comprehensive and consolidated asset register in AGFIS shall be continued.

Pillar 5: Public Internal Financial Control

With amended legislation financial management and control and internal audit firmly in place, it is recommended to focus on further developing and refining methodologies, tools, and instructions and to support public institutions for the adequate implementation of and compliance with this amended legislation. To follow-up on agreements with the EU, the timely completion and subsequent implementation of the National Anti-fraud Strategy for the protection of the EU financial interests shall be secured.

In the domain of management of EU funds, strengthening of institutional capacity in all institutions and ensuring full compliance with the applicable legislation for IPA III shall be a top priority in order to secure uninterrupted financial assistance from the EU.

Pillar 6: External Oversight

To strengthen the external oversight function, the implementation of the ALSAI strategy is a key priority as is the further professionalization of the support structures of the Committee for Economy and Finance of the Parliament with external support and through peer collaboration.

Abbreviations and Acronyms

AEO	Authorised Economic Operators
AFMIS	Albanian Financial Management Information System
AFCOS	Anti-fraud Coordination Service
AGFIS	Albania Government Financial Information System
ALSAI	Albanian Supreme Audit Institution
CEF	The Parliamentary Committee for Economy and Finances
CSO	Civil Society Organizations
DBM	Directorate of Budget Management
DHFMCA	Directorate of Harmonization of Financial Management, Control and Accounting
DHIA	Directorate of Harmonization of Internal Audit
DIP	Development and Integration Partners
DLF	Directorate of Local Finance
DMAS	Directorate of Macroeconomic Analysis and Statistics
DPFI	Directorate of Public Financial Inspection
DPIM	Directorate of Public Investment Management
ESA	European System of Accounts
EU	European Union
FMC	Financial Management Control
FRS	Fiscal Risk Statement
GDC	General Directorate of Customs
GDP	Gross Domestic Product
GDSB	General Directorate of State Debt
GDHPIFC	General Directorate of Harmonization of Public Internal Financial Control
GDPT	General Directorate for Property Tax
GDT	General Directorate of Taxation
GFS	Government Finance Statistics
GFSM	Government Finance Statistics Manual
GoA	Government of Albania
GRB	Gender Responsive Budgeting
IA	Internal Audit
IMF	International Monetary Fund
INSTAT	Institute of Statistics
IPA	Instrument for Pre-Accession Assistance
IPS	Integrated Planning System
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
MOF	Ministry of Finance
MTBP	Medium Term Budget Programme
MTRS	Medium Term Revenue Strategy
NDI	National Democratic Institute
NSDI	National Strategy for Development and Integration
OBL	Organic Budget Law
OECD	Organization for Economic Co-operation and Development
OGP	Open Government Partnership
OLAF	European Anti-Fraud Office

PAR	Public Administration Reform
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PIFC	Public Internal Financial Control
PIM	Public Investment Management
PPA	Public Procurement Agency
PPL	Public Procurement Law
PPP	Public-Private Partnerships
PPC	Public Procurement Commission
SC	Steering Committee
SDG	Strategic Development Goal
SIGMA	Support for Improvement in Governance and Management
SOE	State-Owned Enterprises
SPC	Strategic Planning Committee
STA	Swedish Tax Agency
TA	Technical Assistance
TC	Technical Committee
UNDP	United Nations Development Programme
WFD	Westminster Foundation for Democracy
VAT	Value Added Tax

Annex 1: Status of 2023 PFM Action Plan measures

ACTION PLAN OF PUBLIC FINANCE MANAGEMENT 2023-2026									
Pillar 1: Macroeconomic programming and Risk Monitoring							Status (Choose from drop down list: 1-completed 2-on track 3-partially on track 4-off track 5-not yet started)		
Specific Objective (Component) 1.1: Prudent and realistic macro-economic programming									
					STAKEHOLDERS				
NO.	MEASURE	ACTIVITY	START	END	RESPONSIBLE ENTITY	PARTNERS			
1.1.1	Prudent forecasting of macroeconomic indicators in line with independent and international forecasters	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	GDMFP (lead)	IMF	completed		
		Address vacancies for specialized staff and develop and implement specialized training of GDMFP staff.	Q4 2023	Q4 2026			partially on track		
1.1.3	Safeguard sound public finances through the permanent compliance with the Fiscal Rules	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			GDMFP (lead)	IMF	completed
		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					completed
Specific Objective (Component) 1.3: Fiscal Risk Management									
					STAKEHOLDERS				
NO.	MEASURE	ACTIVITY	START	END	RESPONSIBLE ENTITY	PARTNERS			
1.3.1	Introduce Annual Fiscal Risk Statement and gradually expand the scope of fiscal risk monitoring and reporting	Develop, pilot and publish each year the Annual Fiscal Risk Statement.	Q1 2023	Q4 2025	DFR	IMF	Completed		

Pillar 2: Integrated strategic and budget planning, monitoring, and transparent reporting							Status (Choose from drop down list: 1-completed 2-on track 3-partially on track 4-off track 5-not yet started)
Specific Objective (Component) 2.3: Public Investment Management							
					STAKEHOLDERS		
NO.	MEASURE	ACTIVITY	START	END	RESPONSIBLE ENTITY	PARTNERS	
2.3.1	Operationalise procedures for improved public investment management	Upgrade PIM module of AFMIS to reflect changes in the new PIM procedures (Decision 887).	Q1 2023	Q4 2024	DPIM (lead), SASPAC, Budget Institutions	World Bank, IMF, EU	Partially on track
		Develop and deliver training for the implementation of the PIM procedures (Decision 887).	Q1 2023	Q4 2026	DPIM (lead), SASPAC, Budget Institutions	World Bank, IMF, EU	On track
Specific Objective (Component) 2.4 Local Finance							
					STAKEHOLDERS		
NO.	MEASURE	ACTIVITY	START	END	RESPONSIBLE ENTITY	PARTNERS	
2.4.3	Develop and deploy the new Local Budget Management System (LBMS) for subnational budget preparation and monitoring	Prepare a detailed specification document for the Local Budget Management System (LBMS).	Q4 2023	Q1 2024	DLF (lead)	SECO	completed
Specific Objective (Component) 2.5 Budget Execution Monitoring and Reporting							
					STAKEHOLDERS		
NO.	MEASURE	ACTIVITY	START	END	RESPONSIBLE ENTITY	PARTNERS	
2.5.2	Improve monitoring and reporting on Public Investment Projects	Implement the newly approved PIM monitoring procedure and enhance procedures if necessary.	Q1 2023	Q4 2024	DPIM (lead), Budget Institutions	World Bank	on track

Pillar 3: Revenue mobilization and management							Status (Choose from drop down list: 1-completed 2-on track 3-partially on track 4-off track 5-not yet started)
Specific Objective (Component) 3.1 Tax management							
NO.	MEASURE	ACTIVITY	START	END	STAKEHOLDERS		
					RESPONSIBLE ENTITY	PARTNERS	
3.1.2	Enhance the institutional capacity to analyse and develop tax policies and to manage tax reforms	Develop and implement capacity building for tax policy analysis and assessment.	Q1 2023	Q4 2026	GDTP (lead)	IMF	on track
3.1.3	Develop and implement initiatives to reduce the VAT compliance gap	Improve risk management approaches for sectors identified as high risk	Q1 2023	Q4 2026	GDTax (lead)	IMF	on track
		Use of Fiscalization system for maximizing VAT revenues.	Q1 2023	Q4 2026	GDTax (lead)	IMF	on track
3.1.4	Develop and implement an integrated approach to reduce under and undeclared work	Strengthening the legal provisions for sanctions for offenses related to undeclared workers and under-declaration	Q1 2023	Q4 2024	GDTax (lead)	IMF	completed
3.1.5	Ensure taxation of any unjustified wealth inside and outside the country	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.	Q1 2023	Q4 2026	GDTax (lead)	IMF	on track
3.1.6	Improve service delivery to tax payers	Design and implement a taxpayer service delivery strategy aiming to improve tax products	Q1 2023	Q4 2026	GDTax (lead)	IMF	partially on track
		Improve the efficiency of the national call center with a structured escalation process to deal with enquiries of different complexities	Q1 2023	Q4 2026	GDTax (lead)	IMF	on track
		Develop and implement capacity development programs for GDTax staffers (by tax academy, universities and other partners)	Q1 2023	Q4 2026	GDTax (lead)	IMF	partially on track

Specific Objective (Component) 3.2 Property Tax Management							
					STAKEHOLDERS		
NO.	MEASURE	ACTIVITY	START	END	RESPONSIBLE ENTITY	PARTNERS	
3.2.1	Improve the fiscal cadastre and the property tax collection system	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	MoF (lead) GDPT (lead)	Swedish International Development Cooperation Agency (SIDA), ProTax Albania Project, and Swedish Tax Agency (STA)	on track
Specific Objective (Component) 3.3 Customs Management							
					STAKEHOLDERS		
NO.	MEASURE	ACTIVITY	START	END	RESPONSIBLE ENTITY	PARTNERS	
3.3.1	Modernise business and risk management processes of the Customs Administration	Continue to develop a more professional and agile workforce through improving HR practices and delivering capacity development.	Q1 2023	Q4 2026	GDC HR Directorate (lead), GDC, GDC Coordinator	EU Delegation	on track
		Continue to invest in IT systems for Integrated Tariff Management System (ITMS).	Q1 2023	Q4 2024		EU Delegation	on track
3.3.2	Develop integrity framework and fight against informality and corruption	Develop and implement an integrity framework.	Q4 2023	Q4 2026	GDC Anticorruption Directorate (lead)		on track
3.3.3	Increase the number of Authorized Economic Operators	Continue the information campaigns and audits of potential Authorized Economic Operators	Q1 2023	Q4 2026	GDC Directorate of Procedures (lead)	EU / Non EU Customs	on track
3.3.4	Implement the National Single Window	Develop the concept and institutional set-up of the National Single Window	Q1 2023	Q4 2026	GDC, GDC Coordinator	WB	on track

Pillar 4: Accounting and Budget Execution Management							Status (Choose from drop down list: 1-completed 2-on track 3-partially on track 4-off track 5-not yet started)
Specific Objective (Component) 4.2 Accounting							
					STAKEHOLDERS		
NO.	MEASURE	ACTIVITY	START	END	RESPONSIBLE ENTITY	PARTNERS	
4.2.1	Increase access to and utilisation of AGFIS	Increase access of budget institutions to the electronic archive module of AGFIS.	Q1 2023	Q4 2024	GDTreasury (lead), NAIS		on track
Specific Objective (Component) 4.3 Public Procurement							
					STAKEHOLDERS		
NO.	MEASURE	ACTIVITY	START	END	RESPONSIBLE ENTITY	PARTNERS	
4.3.1	Improve quality and efficiency in procurement procedures	On the use of award criteria "most economically advantageous tender based on costs" (MEAT based on cost).	Q1 2023	Q4 2024	PPA (lead)	SIGMA	on track
4.3.2	Design and Implement green public procurement	Prepare the methodology to implement the green procurement/energy efficiency criteria.	Q1 2023	Q4 2023	PPA (lead), MIE	World Bank	completed
		Develop and deliver training on green procurement/energy efficiency to procurement professionals.	Q1 2023	Q4 2024	PPA (lead), MIE	World Bank	on track
		Review and amend the regulatory framework (if needed).	Q1 2023	Q4 2026	PPA (lead), MIE	World Bank	on track
Specific Objective (Component) 4.4 Debt Management							
					STAKEHOLDERS		
NO.	MEASURE	ACTIVITY	START	END	RESPONSIBLE ENTITY	PARTNERS	
4.4.1	Strengthening of debt management reporting and Investor Relations	Prepare and publish the annual borrowing plan.	Q1 2023	Q4 2023	GSDS GDMFP	World Bank	completed
		Prepare and publish the annual DMS Monitoring Report.	Q1 2023	Q1 2026			completed

Pillar 5: Public Internal Financial Control+A193:H220I208A193:H223A193:H222							Status (Choose from drop down list: 1-completed 2-on track 3-partially on track 4-off track 5-not yet started)
Specific Objective (Component) 5.1 Financial Management and Control							
					STAKEHOLDERS		
NO.	MEASURE	ACTIVITY	START	END	RESPONSIBLE ENTITY	PARTNERS	
5.1.1	Enhance legal and regulatory framework for FMC	Review the FMC law as to address ongoing reforms in the domain of FMC.	Q1 2023	Q1 2023	DH/FMCA (lead)	EU, SIGMA, SECO	completed
		Review and update sub-legal acts and further improve the FMC manual.	Q4 2023	Q4 2025	DH/FMCA (lead)	EU, SIGMA, SECO	on track
Specific Objective (Component) 5.2 Internal Audit							
					STAKEHOLDERS		
NO.	MEASURE	ACTIVITY	START	END	RESPONSIBLE ENTITY	PARTNERS	
5.2.1	Continue oversight and expand support services to public institutions and internal audit teams	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	DHIA (lead)	EU, SIGMA	completed
		Update the law on internal audit as to facilitate reform in the field of Internal Audit.	Q1 2023	Q4 2023	DHIA (lead)	EU, SIGMA	completed
5.2.2	Professionalise core internal audit practices through developing guidelines and delivering capacity building activities	Develop/update Training of Trainers Program on new internal Audit Manual and GIAS.	Q1 2023	Q4 2026	DHIA (lead)	EU, SIGMA	on track
Specific Objective (Component) 5.3 Public Financial Inspection and Anti-Fraud Coordination Services							
					STAKEHOLDERS		
NO.	MEASURE	ACTIVITY	START	END	RESPONSIBLE ENTITY	PARTNERS	
5.3.2	Coordinate the drafting and monitoring of the National Anti-fraud Strategy for the protection of the EU financial interests	Coordinate the drafting of the National Anti-fraud strategy for the protection of the EU financial interests.	Q4 2023	Q4 2024	DPFI (lead)	EU, SIGMA	on track

Specific Objective (Component) 5.4 Management of EU funds							
NO.	MEASURE	ACTIVITY	START	END	STAKEHOLDERS		
					RESPONSIBLE ENTITY	PARTNERS	
5.4.1	Establishment of IPA III legal framework	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	SASPAC (lead), NAO support office, CFCU	EUD	completed
5.4.2	Develop and implement regulations, procedures for IPA III management and enhance the capacities of IPA III structures	Approve and establish the management structures in charge for IPA III implementation and prepare the manuals and instructions to guide the IPA III implementations.	Q1 2023	Q4 2024	NAO support office, CFCU, SASPAC	EUD	on track
		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	NAO support office, CFCU, SASPAC	EUD	on track
5.4.3	Enhance financial adjustment and/or Recovery procedures for EU Funds in line with national and IPA III legal requirements	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	CFCU (lead), NAO support office	EUD	partially on track
		Develop and adopt a comprehensive guide detailing the sequential steps for financial adjustments and recovery.	Q1 2023	Q4 2024	CFCU (lead), NAO support office	EUD	partially on track
		Develop Training modules for staff involved in executing the procedures.	Q1 2023	Q4 2025	CFCU (lead), NAO support office	EUD	partially on track

Pillar 6: External Oversight							Status (Choose from drop down list: 1-completed 2-on track 3-partially on track 4-off track 5-not yet started)
Specific Objective (Component) 6.1 External Audit							
NO.	MEASURE	ACTIVITY	START	END	STAKEHOLDERS		
					RESPONSIBLE ENTITY	PARTNERS	
6.1.1	Further improve legal, regulatory and agile methodological framework and expand utilisation of audit tools	Define amendments in the ALSAI's Organic Law to further strengthen the independence and the constitutional mandate of ALSAI.	Q4 2023	Q4 2024	ALSAI (lead)	INTOSAI-IDI	partially on track
6.1.2	Professionalise reporting and communication in compliance with the communication strategy and relevant principles and standards	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	ALSAI (lead)		on track
		Expand monitoring, reporting and communication on follow-up on audit recommendations by auditees.	Q1 2023	Q4 2026	ALSAI (lead)		on track
Specific Objective (Component) 6.2 Parliamentary Oversight							
NO.	MEASURE	ACTIVITY	START	END	STAKEHOLDERS		
					RESPONSIBLE ENTITY	PARTNERS	
6.2.1	Further professionalise the support structures of the Committee for Economy and Finance of the Parliament	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	Committee for Economy and Finance of the Parliament	National Democratic Institute, Westminster Foundation, EUD	on track