

## Project fiche – IPA National programmes 2012/ Component I

### 1. IDENTIFICATION

<b>Project Title</b>	<i>Implementation of a modern Financial Management and Control system and Public Financial Inspection in Albania</i>
<b>CRIS Decision number</b>	<i>2012/023-036</i>
<b>Project no.</b>	<i>6</i>
<b>MIPD Sector Code</b>	<i>1. Public Administration Reform</i>
<b>ELARG Statistical code</b>	<i>02.32 Financial control</i>
<b>DAC Sector code</b>	<i>15111 - Public finance management</i>
<b>Total cost (VAT excluded)<sup>1</sup></b>	<i>2,625 million Euro</i>
<b>EU contribution</b>	<i>2,5 million Euro</i>
<b>Management mode</b>	<i>Centralized</i>
<b>EU Delegation in charge</b>	<i>The Delegation of the European Union to Albania</i>
<b>Implementation management</b>	<i>Ministry of Finance of Albania/ Central Harmonization Unit on Financial Management and Control:</i>  Mrs Anila Çili, Director of (CHU/FMC) Mob.+355682067057, e-mail: <a href="mailto:acili@minfin.gov.al">acili@minfin.gov.al</a>
<b>Implementing modality</b>	<i>Stand-alone project: one service contract</i>
<b>Project implementation type</b>	<i>C01 - Project-type interventions</i>
<b>Zone benefiting from the action(s)</b>	<i>Albania</i>

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<sup>1</sup> The total project cost should be net of VAT and/or of other taxes. Should this not be the case, clearly indicate the amount of VAT and the reasons why it is considered eligible.

## 2. RATIONALE

### 2.1. PROJECT CONTEXT: ISSUES TO BE TACKLED AND NEEDS ADDRESSED

Albania must meet a number of conditions among which, as specified in Chapter 32 of the EU *acquis*, **shall adopt a modern system of public internal financial control (PIFC)**. The system required by the EU aims to give reasonable assurance that transactions comply with the principles of sound financial management, transparency, efficiency, effectiveness and economy, as well as with relevant legislation and budget descriptions.

The legal framework on Financial Management Control (FMC) in Albania has been approved by Parliament and entered into force on January 2011. However, the successful **implementation of the legal basis** requires a significant change in management arrangements. Very few countries have been able to introduce FMC so that it delivers not only improvements in *'control'* but also in financial management and hence better *'value for money'* in public expenditure. The changes require new regulations and procedures which are usually relied upon to achieve the desired results. Albania therefore wishes to go beyond the process that has been adopted in other countries so that it can achieve the full benefits from FMC.

For that reason a strategic plan for a modern implementation of FMC system (2011-2016) has been prepared in cooperation with SIGMA. During the first stage of the implementation process, the Central Harmonisation Unit on Financial Management Control (CHU/FMC) of the Ministry of Finance selected one budgetary program in the Ministry of Public Works and Transport and will be assisted from SIGMA experts and probably by SIDA assistance. The next stage of the strategic plan (2013-2016) is supposed to be assisted by EU through a **twinning project** as described in the present project fiche. The FMC implementation process will require: (i) changes to the managerial structures including review of the status of executing officers within organizations; (ii) building clear roles and relations between key officials of financial management (Head, Authorising officer, Executing officer and other managers); (iii) considerable training activities mainly to executing officers who will be expected in the future to provide managers with the information that they will need to ensure that they are using public resources efficiently and effectively.

At a technical level there is also a need for greater management understanding of what a program is, how to well define measurable performance indicators; what the difference is between activities and projects and how the budget of a program can be broken down over sub programmes/activities and also over individual line managers responsible for different elements of a programme. How to move from the present system to the modern FMC arrangements that are proposed? As it represents much more than a technical reform, it is aimed through this project to work closely with some main local and central government institutions, develop trainings for management, provide technical guidance, assist in whole budgetary process, monitor progress, harmonize the framework on FMC, gradually raise interest amongst other public units so that they are encouraged to participate and adopt the reforms later.

Another aspect related to a sound financial management of public resources is related to the financial inspection. The legal framework on public financial inspection has entered into force in 2010 and the structure, which will cover this function and will act as Anti-Fraud Coordination Service (AFCOS) for Albania, has been created as a structure within the MoF.

The inspection function is aimed to assure the protection of financial interests of public entities toward severe mismanagement, fraud and corruption; the separation of the function of inspection and internal audit; the protection of EU financial interests. For an efficient, accurate and successful implementation of its objectives, assistance is needed in terms of: preparing of the **financial inspection manual** according to EU standards; raising capacities of the inspectors and directorate staff through trainings and exchanging of experience with other countries.

## **2.2. LINK WITH MIPD AND NATIONAL SECTOR STRATEGIES**

In the **MIPD (2011-2013)** section 2.6 states as one of main priorities: *Complete essential steps in public administration reform with a view to enhancing professionalism and de-politicisation of public administration.*

As specific objective the Section 3.2.3, of the above document states: *Further strengthen sound financial management and development and enhanced implementation of effective, coordinated national preventive anti-corruption policies and strategies.*

**The NSDI 2007-2013** includes a set of operating principles to ensure that government policy, planning and implementation takes place in a coherent, efficient and integrated manner. The project proposal is in line with priorities stated under NSDI.

Under the framework of the Government's Integrated Planning System (IPS), whose central aim is to better match medium term and annual budgeting to the policy framework, a **Public Finance Strategy** has been drafted by the Ministry of Finance and approved by the Council of the Ministers, covering the period 2007-2013. This strategy is part of the National Strategy for Development and Integration.

## **2.3. LINK WITH ACCESSION PARTNERSHIP (AP)/EUROPEAN PARTNERSHIP (EP)/ STABILISATION AND ASSOCIATION AGREEMENTS (SAA) /ANNUAL PROGRESS REPORT**

This project-proposal is in line with medium term priorities of the **European Partnership**, specifically: (i) Develop and implement the principles of decentralized managerial accountability and functionally independent internal audit, in accordance with international standards and EU best practice, (ii) Develop procedures and administrative capacity to ensure effective protection of the EU's financial interests.

Article 90 of the **Stabilization and Association Agreement (SAA)** "Audit and financial control cooperation", aims to strengthen the additional reforms in the financial control. Cooperation between the Parties shall focus on priority areas related to the Community acquis in the field of public internal financial control (PIFC) and external audit. The Parties shall, in particular, cooperate with the aim of developing efficient PIFC and external audit systems in Albania, in accordance with internationally accepted standards and methodologies and EU best practices.

**In the National Plan of Implementation of Stabilization and Association Agreement** (under Section 3.2.) is stated as priority of Albanian Government in the field of Public Internal Financial Control to: *Develop and implement a consolidated system of Public Internal*

*Financial Control (PIFC) relying heavily on international standards and best practices of the EU. The PIFC Policy Paper and Action Plan sets out the activities to be undertaken in order to fulfill the objective as above for the period 2009 to 2014.*

*Findings of the **Commission's 2010 Analytical Report** on Albania's Application for accession*  
The Analytical Report for Albania 2010 underlined, under section 3.32 "Chapter 32 Financial Control", the following conclusion: *Whereas the legal framework and institutional arrangements for public internal financial control are largely in place, actual implementation of both financial management and control and internal audit principles still needs to be further developed. Considerable further training and awareness raising efforts are required in order to embed the new control environment and management culture.*

In the final report of the **fact finding mission of DG Budget Brussels**, EC, titled "PIFC-Albania: report of a mission by DG Budget B4 to Tirana (29-31 March 2011)", was underlined that: *Clear progress is made in area of PIFC during 2010. The primary legislation is in place, including both the FMC Law and amendments to the internal audit law. Managerial accountability and the subsequent development and implementation of FMC are however still at a very early stage. At the moment FMC is characterized by numerous controls rather than efficient management systems. There is no clear concept of delegation of functions.* It was also stressed out under the same report that: *Further support would be needed and DG Budget encouraged the Ministry of Finance to seek support under IPA 2012 program.*

#### **2.4. PROBLEM ANALYSIS**

The Ministry of Finance is leading the public finance reforms and recognizes that it is important for Albania to move closer to the best practices applied by Member States and to move closer to international standards, which will in turn help to improve both accountability and to enhance transparency of where the taxpayer's money is being spent on. In this frame, after the completion and the entering into force of the legal framework of FMC, steps should now be taken to introduce a modern financial management and control system in practice.

This will require considerable change from the traditional financial management and control system. The successful introduction of the FMC in conformity with European Commission requirements demands a significant change in management arrangements. The system required by the European Commission represents a structured model for guiding national governments in establishing a state-of-the-art control environment in their income and spending centres. It aims to give reasonable assurance that transactions comply with the principles of sound financial management, transparency, efficiency, effectiveness and economy, as well as with relevant legislation and budget descriptions.

Actually, the direct relationship between the establishment of managerial accountability and FMC and the greater likelihood of the achievement of the objectives of the organization (taking into account the internal control and other applicable standards), is not well understood in Albania. FMC is primarily regarded as a 'control' function and not as an element of an organizational process designed to secure the delivery of the objectives of the organization and at the same time requiring the organization to adhere to certain standards.

There appears to be a lack of clarity over individual managerial responsibilities for the delivery of objectives to time and to standard within a determined cost. These are key policy responsibilities. Therefore, managerial accountability appears to be relatively limited. Financial management needs to go well beyond financial control and the managerial approval of expenditure payments into supporting managers as they endeavour to deliver objectives efficiently and effectively.

Furthermore the financial inspection is a new function in Albania and it will cover the protection of the EU and State Budget funds from mismanagement, fraud and corruption. This ambitious aim could be achieved successfully through a strong legal framework in place and with strong capacities of financial inspectors and directorate staff, as well.

The project is intended to assure a successful implementation of FMC system in public institutions, especially in local government institutions and some main central ones, with a result of spending public money not only in accordance with relevant laws and regulations, as traditionally made, but to achieve value for money.

## **2.5. LINKED ACTIVITIES AND DONOR COORDINATION**

The twinning project “PIFC 2” funded by CARDS 2005 started in September 2008 and was implemented by the British National Audit Office and the Polish Ministry of Finance. It’s primarily focus was financial management and control; the set up of the CHU and, internal audit. During the second half of 2010, the CHU/FMC staff of the Ministry of Finance prepared in cooperation with SIGMA experts the “5 Years Implementation Plan of a modern FMC System in Albania” (2011-2016), which has been approved by the MoF Order No.11841, dated June 10, 2011. PIFC 2 assisted in creating the EU-conform legal framework for FMC. The project proposed by this fiche intends to implement that legislation. The PIFC 2 Project created the legal framework and the basis for FMC introduction, and the new project we apply for, represents a logical continuance of the same focused on the practical implementation of the new concepts.

During 2011-2013 the CHU/FMC will be supported by SIGMA for implementation of FMC in one pilot institution as an experiment before roll out gradually in other public institution starting from year 2014. Probable assistance of SIDA will be assured for the above mentioned period.

The present project under IPA 2012 is in line with broader term reform on public finances and more precisely with SETS (Support for the Extension of the Treasury System) Project funded under IPA 2008; The SETS consists of the transfer of some treasury functionalities in public entities in order to assure the strengthening of managerial accountability and internal control in the management of public finances. The selected institutions for implementation of FMC concept will also use online the accounting Treasury system under SETS project.

IPA 2009 Decentralised Management (DM) Project is aimed to adequately prepare the Albanian Authorities for absorbing EU financial assistance, putting into place efficient structures and strengthening the capacities of key institutions for technical management of IPA assistance when conferral of management of power is granted.

## **2.6. LESSONS LEARNED**

The experience gained showed that in PIFC area there is need of change in management mentality and organizational culture, and that the efforts spent in preparation of a good legal frame doesn't mean full success or full achievement of predefined objectives.

During the implementation of PIFC II Twinning project, for a four month period the new legal framework (FMC Law and Manual), was tested in few pilot institutions. The pilot approach means entering deeply in the whole cycle of budgeting introducing the new FMC framework, risk analysis, etc. and discovering in practice issues and problems which can not be captured and solved otherwise. Analyzing in practice management arrangements and legal framework compliance on public finances, could produce real benefits, either for the pilot organizations, or for the Ministry of Finance itself.

## **3. DESCRIPTION**

### **3.1. OVERALL OBJECTIVE OF THE PROJECT**

The overall objective of the project is to contribute to the effective, efficient, transparent and accountable use of public funds to meet the Government objectives.

### **3.2. SPECIFIC OBJECTIVE(S) OF THE PROJECT**

The specific objective of the project is the implementation of a modern system of Financial Management and Control (FMC) and financial inspection in main public institutions of Albania.

### **3.3. RESULTS**

#### **Activity 1: Technical Assistance to Central Harmonization Unit on Financial Management and Control (FMC)**

- Result 1.1.1 Public finance legislation reviewed and updated - based on lessons learned from pilot exercise 2011-2013 - and the public finance legal framework book (including legal and sub legal regulations) published.
- Result 1.1.2 Training conducted of and assistance provided to public units authorising officers, executing officers and line managers of selected institutions on the establishment of a risk management process and on the information requirements necessary to achieve the performance objectives.
- Result 1.1.3 Training conducted of the executing officers of selected institutions in providing the support, information and advice on Financial Management and Control to the line managers and authorising officers including CHU/FMC staff.
- Result 1.1.4 Study tours organized to partner countries.

- Result 1.1.5 Increased awareness on benefits of FMC introduction and on the use of public funds timely and reliable, showing the linkage between budget inputs and results achieved.
- Result 1.2.1 Financial inspection legal framework reviewed and instruction/manual on financial inspection issued.
- Result 1.2.2 Enhanced capacities of inspectors and inspection directorate staff.
- Result 1.2.3 Study tours organized to EU partners countries.

### **3.4. MAIN ACTIVITIES**

#### **Activity 1: Technical Assistance to Central Harmonization Unit on Financial Management and Control (FMC)**

##### **Contract 1.1 Twinning (IPA contribution)**

##### **Sub-activity 1.1: Implementation of FMC**

- Sub-activity 1.1.1 Review/update of public finance legislation based on lessons learned from pilot exercise 2011-2013 and publishing the public finance legal framework book (including legal and sub legal regulations).
- Sub-activity 1.1.2 Assist and provide trainings to public units authorising officers, executing officers and line managers of selected institutions on the establishment of a risk management process and on the information requirements necessary to achieve the performance objectives.
- Sub-activity 1.1.3 Training the executing officers of selected institutions in providing the support, information and advice to the line managers and authorising officers, including CHU/FMC staff.
- Sub-activity 1.1.4 Study tours to EU partners' countries.
- Sub-activity 1.1.5 Awareness seminars organized for different stakeholders.

##### **Sub activity 1.2 Implementation of PFI**

- Sub-activity 1.2.1 Review of financial inspection legal framework and issuing of instruction/manual on financial inspection.
- Sub-activity 1.2.2 Raise/improve capacities of inspectors and inspection directorate staff through various training/workshop activities.
- Sub-activity 1.2.3 Study tours to EU partners countries.

##### **Contract 1.2 Service contract**

Under activity 1, a co-financing of 5 % will be provided by Ministry of Finance according to the work plan that will be jointly prepared with the selected Member State. The co-financing

will be in addition to the contribution in kind (office space, facilities, etc.). Contribution in kind is not included in the budget table (section 4).

### **3.5. ASSESSMENT OF PROJECT IMPACT, CATALYTIC EFFECT AND CROSS BORDER IMPACT (WHERE APPLICABLE)**

The project will contribute to knowledge dissemination to other government units throughout Albania. The CHU staff and other managers of the selected institutions trained during the project will be the future trainers for the “roll-out” in rest of the institutions. The successful implementation of the project will have a catalytic effect on Financial Management and Control at other administrative layers and increase in general the notion of transparency, accountability and the need for proper Public Financial Management in the fight against corruption. This project would comply with the first necessary steps towards realising the final objective of the Government which is focused on the successful implementation of the FMC principles in all public institutions.

### **3.6. SUSTAINABILITY**

The project will create a strong basis for full roll out of the reform throughout the public administration. The capacities of CHU staff and of a focused groups of managers will be raised, and the harmonization of public finance framework will be assured through the project activities. Trained Albanian trainers will ensure the continued supply of professionals implementing the legislation concerned. In addition, the project activities will assure the completion of the financial inspection methodology, the review of the current legal framework and raise the capacities of the financial inspectors.

### **3.7. ASSUMPTIONS AND PRECONDITIONS**

The main assumption for the success in project implementation, are:

- Willingness for further roll-out of the new FMC and inspection methodologies to all public institutions concerned at central and local levels;
- Sustainability of project results ensured in the long term (resources and commitment);
- Good co-operation of targeted institutions with the project and full implementation of outputs and recommendations in practice;
- Willingness of staff involved in FMC and inspections to embrace new methodologies;
- Successful change of organisational culture;
- Awareness about the urgent need of FMC and inspection reform.

In addition, preconditions identified are:

- (i) Budget co-financing ensured; and
- (ii) The results of precursory pilot exercise (SIGMA) available in time and good quality to support the present project.

Some measures to mitigate the risks related to project success are planned, as well:

- Selection of the institutions based on specific criteria;
- Signature of agreement between top level management of the MoF and other public organizations before starting the implementation process;
- Leading the process by a Steering Committee with relevant stakeholders representatives;
- Providing incentives for better performance in cooperation with General Budget Department and General Treasury Department of the Ministry of Finance.

#### **4. IMPLEMENTATION ISSUES**

The contract is managed by the EU Delegation to Albania under centralized management.

#### 4.1. INDICATIVE BUDGET

Indicative Project budget (amounts in EUR) (for centralised management)

PROJECT TITLE			SOURCES OF FUNDING									
			TOTAL EXPENDITURE	IPA CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1	X											
contract 1.1	-	-	2,625,000	2,500,000	95%				0	0	0	-
contract 1.2	-	-				125,000	5%	125,000	0			-
.....												
TOTAL IB												
TOTAL INV												
<b>TOTAL PROJECT</b>			<b>2,625,000</b>	<b>2,500,00</b>		<b>125,000</b>						

NOTE: DO NOT MIX IB AND INV IN THE SAME ACTIVITY ROW. USE SEPARATE ROW

Amounts net of VAT

(1) In the Activity row, use "X" to identify whether IB or INV

(2) Expressed in % of the **Total** Expenditure (column (a))

## 4.2. INDICATIVE IMPLEMENTATION SCHEDULE (PERIODS BROKEN DOWN BY QUARTER)

*Dates indicated in the schedule cannot go beyond the contracting and execution deadlines in the financing proposal*

Contracts	Start of Tendering/ Call for proposals	Signature of contract	Project Completion
Contract 1.1	1st Quarter 2013	2 <sup>nd</sup> Quarter 2013	3 <sup>rd</sup> Quarter 2014

*All projects should in principle be ready for tendering in the 1<sup>st</sup> Quarter following signature of the FA*

Assistance would be required for preparation of the twinning fiche and to be agreed with EUD.

## 4.3. CROSS CUTTING ISSUES

### 4.3.1 *Equal Opportunities and non discrimination*

Based on the fundamental principles of promoting equality and combating discrimination, participation in the project will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability and age. Contractor shall be requested to provide monitoring data recording the participation of men and women in terms of expert inputs (in days) and of trainees benefiting under the project (in days) as an integral component of all project progress reports

### 4.3.2 *Environment and climate change*

*NOT APPLICABLE*

### 4.3.3 *Minorities and vulnerable groups*

The project does not directly involve activities with a minority's impact.

### 4.3.4 *Civil Society/Stakeholders involvement*

Consultation with targeted institutions has been done through various approaches as: Interviews of top management representatives/Selection based upon criteria to be fulfilled (prepared with SIGMA)/Bilateral institutional meetings/Bilateral agreements between the Authorizing officers/Budgetary performance (round table with General Budget Department) and representatives of other related projects(same institutions chosen for the SETS Project (Decentralization of Treasury System), in order to assure full package of reforms.

Targeted institutions, involved during project implementation, will include mainly the local government institutions, e.g. the municipalities of Shkodra, Tirana, Durrës, Elbasan and Korça and, probably 3 line Ministries, which could be the Ministry of Tourism, Culture, Youth and Sports; the Ministry of Education and Science; the Ministry of Health).

## **ANNEXES**

- 1 Log frame**
- 2 Description of Institutional Framework**
- 3 Reference list of relevant laws and regulations only where relevant**
- 4 Details per EU funded contract (\*) where applicable**
- 5 Project visibility activities**

**ANNEX 1: Logical framework matrix in standard format**

<b>LOGFRAME PLANNING MATRIX FOR Project Fiche</b>	Project title and number		Implementation of a modern Financial Management and Control system and Public Financial Inspection in Albania
	Contracting period expires: three years following the date of the conclusion of the Financing Agreement		Execution period expires: The contracts must be executed within a maximum of two years from the end date of contracting
	Total budget	EUR 2.625 million	
	IPA budget:	EUR 2.5 million	
<b>Overall objective</b>	<b>Objectively verifiable indicators (OVI)</b>	<b>Sources of Verification</b>	
To contribute to the effective, efficient, transparent and accountable use of public funds to meet the Government objectives.	Implementation of government policies and strategies in line NSDI and NPI SAA requirements	<ul style="list-style-type: none"> <li>• EU annual progress reports on Albania</li> <li>• NSDI monitoring (progress reports)</li> <li>• Reports by State Supreme Audit</li> </ul>	
<b>Specific objective</b>	<b>Objectively verifiable indicators (OVI)</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
The implementation of a modern system of Financial Management and Control (FMC) and financial inspection in main public institutions of Albania	<ul style="list-style-type: none"> <li>• Results targeted during financial planning achieved within projected timeframes and budgets</li> <li>• Regular FMC reports by targeted institutions in line with new requirements as from 2013</li> </ul>	<ul style="list-style-type: none"> <li>• FMC reports by targeted institutions</li> <li>• Reports by the State Supreme Audit</li> <li>• Official Financial Management and Control reports by targeted</li> </ul>	<ul style="list-style-type: none"> <li>• Willingness for further roll-out of the new Financial Management and Control and inspection methodologies to all public institutions concerned at central, regional and local levels</li> </ul>

		institutions	<ul style="list-style-type: none"> <li>• Sustainability of project results ensured in the long term (resources and commitment)</li> </ul>
<b>Results</b>	<b>Objectively verifiable indicators (OVI)</b>	<b>Sources of Verification</b>	Assumptions
<p><b>Activity 1 Technical Assistance to Central Harmonization Unit on Financial Management and Control (FMC)</b></p> <p>Result 1.1.1 Public finance legislation reviewed and updated - based on lessons learned from pilot exercise 2011-2013 - and the public finance legal framework book (including legal and sub legal regulations) published.</p> <p>Result 1.1.2 Training conducted of and assistance provided to public units authorising officers, executing officers and line managers of selected institutions on the establishment of a risk management process and on the information requirements necessary to achieve the performance objectives.</p> <p>Result 1.1.3 Training conducted of the executing officers of selected institutions in providing the support, information and advice on Financial Management and Control to the line managers and authorising officers, including CHU/FMC staff.</p> <p>Result 1.1.4 Study tours organized to</p>	<ul style="list-style-type: none"> <li>• New methodologies approved</li> <li>• Public Finance Book published</li> <li>• Number of specialists trained</li> <li>• Study tours organised on Financial Management and Control</li> <li>• New inspection manual approved</li> <li>• Number of inspectors trained</li> <li>• Study tours organised on Financial Inspection</li> </ul>	<ul style="list-style-type: none"> <li>• Instructions of Ministry of Finance</li> <li>• Decisions / instructions by the ministers / relevant managers of the targeted institutions issued in writing</li> <li>• Project reports on training, study tours and information activities</li> </ul>	<ul style="list-style-type: none"> <li>• Good co-operation of targeted institutions with the project and full implementation of outputs and recommendations in practice</li> <li>• Willingness of staff involved in Financial Management and Control and inspections to embrace new methodologies</li> <li>• Successful change of organisational culture</li> <li>• Awareness about urgency of reforms</li> </ul>

<p>partner countries</p> <p>Result 1.1.5 Increased awareness on benefits of FMC introduction and on the use of public funds timely and reliable, showing the linkage between budget inputs and results achieved.</p> <p>Result 1.2.1 Financial inspection legal framework reviewed and instruction/manual on financial inspection issued</p> <p>Result 1.2.2 Enhanced capacities of inspectors and inspection directorate staff</p> <p>Result 1.2.3 Study tours to EU partners countries.</p>			
<b>Activities to achieve results</b>	<b>Means / contracts</b>	<b>Costs</b>	<b>Pre-conditions</b>
<p><b>Contract 1.1 Twinning (IPA contribution)</b></p> <p><u>Sub-activity 1.1</u>: Implementation of FMC</p> <p><i>Sub-activity 1.1.1 Review/update of public finance legislation based on lessons learned from pilot exercise 2011-2013 and publishing the public finance legal framework book (including legal and sub legal regulations).</i></p> <p><i>Sub-activity 1.1.2 Assist and provide trainings to public units authorising officers, executing officers and line managers of selected institutions on the</i></p>	<ul style="list-style-type: none"> <li>• 1 twinning contract</li> <li>• Contract 1.1 IPA contribution</li> <li>• Contract 1.2 AL Contribution</li> </ul>	<ul style="list-style-type: none"> <li>• EUR 2.625 million</li> </ul>	<ul style="list-style-type: none"> <li>• Budget co-financing ensured</li> <li>• Results of SIGMA pilot project available in time and good quality to support the present project.</li> </ul>

<p><i>establishment of a risk management process and on the information requirements necessary to achieve the performance objectives.</i></p> <p><i>Sub-activity 1.1.3 Training the executing officers of selected institutions in providing the support, information and advice to the line managers and authorising officer ,including CHU/FMC staff.</i></p> <p><i>Sub-activity 1.1.4 Study tours to EU partners' countries.</i></p> <p><i>Sub-activity 1.1.5 Awareness seminars organized for different stakeholders</i></p> <p><b><u>Sub activity 1.2:</u></b> Implementation of PFI</p> <p><i>Sub-activity 1.2.1 Review of financial inspection legal framework and issuing of instruction/manual on financial inspection</i></p> <p><i>Sub-activity 1.2.2 Raise/improve capacities of inspectors and inspection directorate staff through various training/workshop activities.</i></p> <p><i>Sub-activity 1.2.3 Study tours to EU partners countries.</i></p>			
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## **ANNEX 2: Description of Institutional Framework**

The Ministry of Finance is leading the public finance reforms and recognize that it is important for Albania to move closer to the best practices applied by other member states and closer to international standards. Actually the legal basis on financial management and control and on public financial inspection has been created and approved. The structures in charge of the guiding role for the implementation, has been established, as well. The Central Harmonization Unit on Financial Management and Control will guide the activities related to FMC system implementation, while the Public Financial Inspection Directorate will be in charge of the process aimed to improve the capacities of financial inspectors improve the legal framework.

The reform will provide a stronger linkage between resources provided and outputs achieved. This effect could be monitored through budgetary process which means the involvement of the General Budget Department and General Treasury Department of the Ministry of Finance in the project.

## **ANNEX 3: Reference list of relevant laws and regulations**

- Law No.9936, date 26.06.2008, On Management of the Budgetary System in the Republic of Albania;
- Law No.10296 dated 08/07/2010, On Financial Management and Control;
- PIFC Policy Paper and Action Plan, approved by Decision of Council of Ministers No.640, dated 11.06.2009;
- Manual on Financial Management and Control, approved by the Minister of Finance with Order No.54, dated 15.07.2010;
- Strategic plan for a modern implementation of FMC system (2011-2016), approved by the Minister of Finance with Order No.11841, dated 10.06.2011;
- Order No.92, dated 29.12.2011, "On standard audit trails on low and high value procurement";
- Instruction No.30 dated 27.12.2011, On Management of Assets in Public Sector Entities;
- Instruction No.28, dated 15.12.2011, On the Presentation of the Quality Statement Declaration and Annual Report of Internal Control System in Public Entities;
- Instruction No.2, dated 06.02.2012, On Standard Procedures of Budget Implementation.
- Law No.10294, "On Public Financial Inspection", dated 01.07.2010;
- Decision of the Council of Ministers (DCM) No. 492, dated 06.07.2011 "On allowance of the public financial inspector;
- DCM No.850, dated 14.12.2011, "On additions and changes in DCM No.23 dated 12.01.2012" On determining the functions and responsibilities of relations between the authorities of decentralized management structures of European Union assistance, within the pre-expansion instrument (IPA), component I, transition assistance and institutional strengthening ";

- Instruction No.11, dated 16.05.2011 "On criteria for initiation of public financial inspection", published in Official Bulletin No.122, date 26.08.2011;
- Order No.36, date 16.05.2011 "On criteria for the selection of public financial inspectors";
- Instruction No.17, dated 25.07.2011 "On performance of public financial inspection and quality control".

#### **ANNEX 4: Details per EU funded contract (\*) where applicable:**

#### **Indicative profiles and account of tasks expected from the team leader, resident twinning advisor and short term experts**

##### ***Profile and tasks of the Project Leader (PL):***

This project requires a Project Leader who will be responsible for the overall coordination of the project activities. The project leader is expected to closely work with the resident twinning advisor and the short-term experts as well as with the counterpart of the beneficiary institution.

##### **a) Tasks of the PL:**

- Overall project co-ordination;
- Supervision of the implementation of the project in coordination with the Albanian TL counterpart;
- Mobilising short-term experts;
- Closely work with the resident twinning advisor and the short term experts;
- Executing administrative issues (i.e. signing reports etc.);
- Advising on the future plans and reporting to the relevant authorities on the progress of the project.

##### ***Profile and tasks of the Resident Twinning Advisor (RTA):***

This project requires a RTA for the management of the project The RTA will work on a day-to-day basis with Ministry of Finance (MoF) *and* support the co-ordination of different actions.

##### **a) Tasks of the RTA:**

- design a work plan for the implementation of project;
- assist in the preparation of all strategic project documents and training manuals; quarterly monitoring reports and final project report etc;
- ensure the day-to-day management of the project working on the daily basis with the MoF staff to implement the project;
- to ensure that all activities are implemented in a professional way;
- to plan and organise study visits, training activities;

- to provide detailed reports on the impact of the programme.

***Profile and tasks of the short-term experts:***

The PL and the RTA will be assisted by international short-term experts. The short-term expert shall assist the PL and the RTA in delivering the activities within the project.

**ANNEX 5: Project visibility activities**

During the implementation of the project the EC directive on visibility requirement will be taken in account. Brochures and leaflets, as well as all official publications will hold the EU logo and the Ministry of Finance logo. Also some official events are foreseen to take place such as Project Opening event and Project closing event.