

IPA 2008 National Programme for Albania
Support and Expansion of the Albanian Treasury System

1. Basic information

1.1 CRIS Number: 2008/020-116

1.2 Title: Support and Expansion of the Albanian Treasury System

1.3 Sector: 01.32

1.4 Location: Tirana, Albania

Implementing arrangements:

1.5 Contracting Authority (EC) - Delegation of the European Commission to Albania

1.6 Implementing Agency: Austrian Development Agency (ADA)

1.7 Beneficiary (including details of project manager): Ministry of Finance, General Treasury Department and 6 main Treasury offices in regional districts, 100 local and central government units.

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Financing:

1.8 Overall cost (VAT excluded)¹: 1,525,000 EUR

1.9 EU contribution: 1,500,000 EUR

1.10 Final date for contracting: Three years following the date of conclusion of the Financing Agreement

1.11 Final date for execution of contracts: Two years following the end date for contracting. These dates apply also to national co-financing.

1.12 Final date for disbursements: One year following the end date for the execution of contracts

2. Overall Objective and Project Purpose

2.1 Overall Objective:

To strengthen public financial management in Albania in compliance with the European Partnership and the National Strategy for Development and Integration.

2.2 Project purpose:

To substantially strengthen the capacities of the Ministry of Finance (MoF), Line Ministries and Local Government Units to assure an optimal financial management of government resources and the expansion of the network between the MoF (Treasury District Offices, line Ministries and Local Government Units).

2.3 Link with AP/NPAA / EP/ SAA

¹ The total cost of the project should be net of VAT and/or other taxes. Should this not be the case, the amount of VAT and the reasons why it should be considered eligible should be clearly indicated (see Section 7.6)

The European Commission's progress report of November 2007 stated that an internal audit law was recently approved by parliament and proposals were made by the government to introduce the concept of managerial accountability in a new draft Organic Budget Law. It also stated that, overall preparations in the area of Financial Control are advancing moderately.

The European Partnership for Albania 2007 outlines as short term priorities the need to review the public internal and financial control policy paper and action plan and clearly define the internal audit function, separate from other control and inspection functions; develop an appropriate inspection service to combat fraud and ensure that the Internal Audit Law and the draft organic Budget Law are in line with internationally recognized standards. In terms of long-term priorities there is a need to develop and implement the principles of decentralized managerial accountability and functionally independent internal audit, in accordance with international standards and EU best practice and to further strengthen capacity for external audit, financial control management and internal audit

The Stabilisation and Association Agreement (SAA) between the Government of Albania and the European Community was signed in June 2006. Article 90 aims to strengthen the additional reforms in the financial control.

In response to the EP, and the SAA, the Government's the National Plan for the Implementation of the SAA (NPISAA), the most recent version of which was adopted in September 2007, identifies short and medium term general priorities and their resultant legislative and implementation activities. In this document the general priorities for the short and medium term are identifies as following:

The short term priorities (2007-2009) focus on further approximation of legislation in this area and the establishment of a central authority for the financial control and auditing methodology will strengthen and support the PIFC system.

Whilst the medium term priorities (2009-2011) aim at creating the necessary institutional and legislative framework such as the approval of the Strategy for the Public Financial Internal Control. Annex IV provides the full list of short and medium priorities, and legislative reforms foreseen in the NPISAA.

2.4 Link with MIPD

The project is in line with the expected results foreseen in the Political requirements: under 2.2.1.2 "Expected results" sections which foresees that "Considerable progress in the implementation of a sound financial management will be made". In this framework, under section 2.2.1.3 "Programmes to be implemented" is foreseen "Support to the development of a public internal and external financial control strategy and the preliminary steps of the relevant services for the preparations of the decentralisation of community assistance". Besides "developing improved and coordinated economic and fiscal policies to assist in the stabilization of the macro-economic environment, to streamline public expenditures" is also part of the Socio-economic requirements under section 2.2.2.1 Main Priorities. In point 2.2.2.2 Expected results is foreseen "Capacity building of the Ministry of Finance and Ministry of Economy will have lead to improved and coordinated economic and fiscal Policies".

2.5 Link with National Development Plan

The Government of Albania has approved its National Strategy for Development and Integration (NSDI). The strategy foresees the reform of management of public expenditures in order to strengthen the monitoring of public expenditures in the frame of Public Financial Management. One of the more detailed sector strategies which support the implementation of the NSDI, is the Public Finance Strategy (see 2.6).

2.6 Link with the Public Finance Strategy

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 recently approved by the Council of the Ministers, covering the period 2007-2013. This strategy is part of the National Strategy for Development and Integration. The Public Finance Strategy states as a strategic priority under II.3.1 "Improvement of the quality of reporting, transparency in the execution of the state budget and management of public funds, through the modernisation of Treasury System and implementation of the new computerised system" (page 14). The project is in line with the expected results foreseen in the Political requirements for the main six areas: III.1.4 "Strengthening the Treasury management and control" (page 18-19), which foresees that "Implementation of the new computerized treasury System will be extended in all the territory and will include the Tax and Customs systems and other budgetary institutions. On line communication between TS and four main Ministries which have the main impact in the execution of public expenditure will be set up. Attention will be focussed toward the cash forecasting, cash management and control of liabilities and payments. Centralisation of public receipts in the Unified Treasury Account in Central Bank, closing the temporary accounts in commercial banks". For information on the financing of the IPS, refer to section 3.5.

3. Description of project

3.1 Background and justification:

The General Treasury Department (GDT) operates under the authority of the Ministry of Finance and has branches in 36 districts of Albania. At present, there are 220 treasury officers working within the GDT at its central and local offices. The GDT cooperates with all public state agencies which are budgeting and executing public expenditures such as the general Budget Department, General Taxation and Customs Department, Social Insurance Institute and all the central and local government institutions throughout the country. It also executes all public expenditures through Central Bank of Albania and the network of private Commercial Banks.

Over the past few years a new Computerised Treasury System (AMoFTS) has been built. It has been financed by World Bank (WB) loan and maintained by the State Budget. The AMoFTS system offers the solution to many problems raised over the years on the process of budget execution and reporting. The AMoFTS is a specific financial oracle system (Oracle financials customised and parameterized for Albanian TS), which covers and keep trace of all steps of a public transaction (from commitments to the payment) which will improve the management of government resources from budgetary institutions. The system has been tested in all Treasury District Offices during 2007. By late 2008 it is expected to be fully integrated with the Albanian central bank and commercial banks online. Furthermore, during the period 2008-2009 it is foreseen that AMoFTS will be consolidated within TS, whereby treasury

officers will register in the system all government commitments, expenditures, payments, receipts, taking in consideration that all public institutions are working of line.

As stated under section 2.6 the Public Finance Strategy 2007-2013 has outlined as a priority that AMoFTS should be expanded to cover all budgetary institutions (at present there are approximately 2400 budgetary institutions), enabling the Treasury to focus on its main functions: monitoring, managing the government liquidities, financial controlling before the payment and preparation of the consolidated financial reports for the government.

In light of the above, AMoFTS needs to be upgraded to a Public Financial Management System (PFMS) which could: (i) link the medium term planning process with yearly budgetary planning; (ii) make line ministries and local government units more accountable during the planning phase and cash forecasting process; (iii) help the MoF to achieve active cash management; (iv) provide support for all public finance operations, (v) collect directly on line accurate, timely, complete, reliable and consistent information on all financial events from central and local government units, (vi) provide adequate management reporting, (vii) support government-wide and agency policy decisions, (viii) provide complete audit trail / auditable financial statements.

Apart from MoF, the possibility of the establishment of a countrywide network infrastructure MoF (TDO), line Ministries (LM) and Local Government (LG) institutions could decrease the time and cost of public expenditure, significantly improve the transparency in monitoring and reporting process, which helps in a better governance in the future.

This project compiled the first necessary steps towards realizing the final objective of the Government.

Through the establishment of e-links with public institutions (the starting target is maximal 100 units) and building capacities at the MoF, LM & LG, the materialisation of the IPA project is expected to substantially strengthen the capacities of Ministry of Finance for an optimal financial management of government resources, by ensuring – through the careful programming and monitoring of inflows and outflows in the government accounts – that spending agencies are provided, in a timely manner, the resources needed for a smooth provision of public services, while minimizing the cost of government financing.

The General Treasury Department will be the main beneficiary of this project. It is foreseen that the assistance will cover , the GTD and its main 6 district offices (in Tirana, Durrës, Fier, Korça, Shkodra and Elbasan) which will cooperate with a large number of government spending institutions from the main Ministries (such as Education, Health, Transport, Labour and Defence) and the largest municipalities. These institutions are the beneficiaries as they (i) execute a high percentage of the total public expenditures; (ii) have well qualified staff (or to an acceptable scale); (iii) interested or motivated to work online with AMoFTS and profit from its reporting facilities; (iv) willing to make necessary investments (or to share the maintenance cost) for communicating online with AMoFTS. However, the precise IT architecture of the expanded system will require detailed analysis and options-presentation. Therefore, it is foreseen that any further investment in the AMoFTS will be subject to a detailed assessment by the EU-funded SIGMA programme prior to the preparing of technical specifications, purchase of hardware/software and training for their implementation. The SIGMA feasibility study may consider the new Organic Budget Law, and how the new role of accounting officer is being enforced and to which managerial level, the current technical, and human capacities at central and local spending units, the cost-benefits of various approaches

to expansion, as well the maintenance and capacity building cost of the preferred option to the Albanian state and local government budget for a 10-15 year period, amongst others.

The Ministry of Finance is competent to manage and work on the project given the experience accumulated so far in this area. The level of commitment from the Treasury, Budget and other TS partners has been demonstrated through the level of cooperation as far as a promise for future projects. A number of intensive training sessions have taken place during the last two years. Therefore, the ministry strongly believes that its staff is capable of implementing and managing the above outlined project.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)

The successful implementation of the pilot project which may be focused in the establishment of e-links between Treasury and 100 Line Ministries and local Government units in six important regions (as Tirana, Durrës, Fier, Korça, Shkodra, Elbasan) will have a catalytic effect. This project would compile with the first necessary steps towards realising the final objective of the Government “to create e- links and to have online in AMoFTS system as users all institutions of the cities, in order to complete the vision on the public financial sector”.

- The know-how received through this project will contribute to the knowledge dissemination to other government units throughout Albania. The treasury officers and financial officers trained in the pilot institutions will be the future trainers for the rest of the institutions.

- Several options of a feasibility study provided by the EU funded SIGMA programme, will be explored. The MoF may be upgraded to all spending units, the security hardware and software of the MoF Financial System may be upgraded for spending units; the networking platform of MoF routers, firewalls, switches etc may be upgraded for all spending units. The precise number will be decided by the ministry following the SIGMA assessment.

To complete all steps required to complete the process in 2013, further support will be needed from external sources: estimated cost 20 million EUR (training, IT equipments, power supplies and connectivity installation). The necessity is also foreseen in the Public Finance Strategy part IV.2 “Need for additional resources”. The maintenance of the system is also very important to assure the continuity of operations. The maintenance cost is estimated at 5 million EUR /year for all institutions. This cost will be covered by MoF budget or will be shared with the institutions as users of the system.

Other Public Agencies and other Government partners could also profit from this process. They will use the AMoFTS information for their purposes, which at the end will improve significantly the public governance in all areas. The project will help mainly in increasing transparency, the effectiveness and using public funds with economy, shortening the time of procedures, decrease paper work and other operating and financial government costs.

3.3 Results and measurable indicators:

Contract 1: Capacity Building in Cash Forecasting and Management

Results:

1. Assessment and briefs on legal, technical and analyses of cash forecasting & management function and job descriptions prepared and used by the MoFin;
2. Drafted legal instruction “Cash forecasting (CF) & management, MoF and related partners”.
3. 20 experts on CM trained.
4. Reports and other documents on Active CF and CM in EU countries, issues related to Albania.

Measurable Indicators:

1. Legal instructions closer to international standards in the area.
2. Execution of Cash Management of government liquidities undertaken to a higher standard with greater efficiency, and effectiveness.

Note: As the AMoFSTS system is a specific financial system (**Oracle** financials customised and parameterized), and for which MoF have borrowed a substantial amount of financing from the WB (2.3 mil USD), there appears to be as only one option for further design/ interfacing/additional programmes - it must be Oracle as one source contract.

The precise number of beneficiaries, and information flows required as foreseen for Contracts 2 to Contract 5 will be decided following the SIGMA feasibility study mentioned in section 3.1.

Contract 2. Drafting of technical Specifications and tender Dossier for the “Software Design/Extension contract”

Result

Technical Specifications prepared based on analysis and due to the \$6 million investment already made, will be Oracle based.

Measurable Indicator:

Technical Specifications will include all requirements and solutions related to the future needs (see contract 3)

Contract 3, Software Design/Extension

Results:

1. AMoFSTS extended all interfaces and components built in compliance with Oracle.
2. IT and Functional MoF staff capable to monitor and maintain independently the AMoFSTS and users on-line.
3. Possibly 200 LM and LG experts trained and capable to operate with AMoFSTS
4. All issues relating the testing period (on line operation with pilot LM's and LG's) monitored and resolved.

Measurable Indicators:

1. AMoFTS capable to produce all reports for management level.
2. Quality of daily maintenance by IT and Functional MoF staff of the AMoFTS and users on-line.
3. Possibly 200 LM and LG experts operating with AMoFTS, and able to train other financial officers of all budgetary institutions
4. Not one issue pending at the end of the testing period.

Contract 4 Technical Specifications for purchasing + 1 year maintenance of Network and IT Equipments

Results

Technical Specifications prepared based in analysis phase of the existing network infrastructure (Oracle compliant) and equipments of selected pilot institutions.

Measurable Indicator

Technical Specifications will include all requirements related to the future needs (see contract 5)

Contract 5. Investments (Network and IT Equipments)

Results:

1. All IT network and equipment installed / upgraded.

Measurable Indicators:

1. E-links / equipments established and operating between Treasury System and possibly 100 government units through AMoFTS, and Oracle compliant.

3.4 Activities:

Contract 1: Capacity Building in Cash Forecasting and Management

Activities which must be developed under this contract are as following:

- Assisting MoF manager in providing legal, technical advise and analyses reviewing in cash forecasting & management function and job descriptions;
- Preparing the Legal instruction in Cash forecasting & management, relations with Central Bank and Local Government units;
- Organizing and providing Training in MoF premises of 20 experts from MoF, LM and LG units, based in case studies and experienced countries. (the training and documents must be developed in English and Albanian Language)
- Organisation and monitoring a Study visit for 6 MoF experts in two EU countries to follow closely the daily cash management

It is foreseen that such support could be provided by an International and a local consultant. Both will work closely with IC and MoF staff.

After the training is previewed a study visit of the trained MoF staff, with the aim to follow directly in place the daily cash management in MoF of two European countries for better understand the process and clarify the issues raised in Albania.

The precise number of beneficiaries, and information flows required as foreseen for Contracts 2 to Contract 5 will be decided following the SIGMA study mentioned in section 3.1

Contract 2, Technical Specifications for Software Design/ Extension contract

Under this contract will be developed the analyses phase, taking in consideration the existing situation and all requirements stated in contract 3, which will be part of the Terms of Reference for realisation of AMoFTS extension and design new related modules.

Profile of the contractor:

One technical architect and one procurement expert providing sufficient experience in this area.

Contract 3. Software Design/Extension – Software Development and user Training

Component 1. Upgraded the existing Treasury System to a Public Financial Management System (PFMS)

Task under the project is: Developed and operational the following components or interfaces:

1. Cash management module and interface with AMoFTS
2. Centralisation of receipts in Central Bank, issues related with all partners involved such as Commercial Banks, Central Bank, Tax and Custom systems, budgetary institutions;
3. Creating new reports for the management level from AMoFTS;
4. Creating new responsibilities in the system in compliance with MoF policy from AMoFTS
5. Web portal for connecting spending units interacting with Public Financial System in the Ministry of Finance

Component 2. Competence Development (training)

1. Training of 30 experts from MoF (functional and IT) for the above components and interfaces and also as trainers for other financial officers.
2. In collaboration with local trainers, provide training up to 200 experts of spending units in AMoFTS modules (BDG; PO; FA)
3. Monitoring and resolving all functional and IT issues during the online monitoring /testing process.

Profile of the contractor:

- The company must be experienced in building the integrated systems (oracle based),
- Experience with integrated systems in public sector, or banking system.

Note: AMoFTS system is a specific financial system (Oracle financials customised and parameterized), and for which MoF have borrowed a substantial amount of financing from the

WB (2.3 mil USD), there appears to be as only one option for further design/interfacing/additional programmes - it must be Oracle as one source contract.

Contract 4. Technical Specifications for purchasing, including cost estimate for 1 year maintenance

Under this contract a Local company will be required to prepare the ToR for the fifth contract. Part of the ToR must be the analyse phase about the existing situation in equipments and existing communication infrastructure for Treasury system and the pre-selected pilot institutions

Contract 5. Supply of Network and IT Equipments + 1 year maintenance

To administrate the AMoFTS system according the national and EU standards, the establishment of secure network connection between MoF and pilot LM and LG institutions is needed.

1. Extension of the MoF Countrywide network infrastructure for connecting maximal 100 spending units 6 Pilot main regions (direct connectivity through Albtelecom part of MoF WAN infrastructure)
2. Upgrading the security hardware and software of the MoF Financial System for additional users (Institutions) of the AMoFTS.
3. Upgrade on the networking platform of MoF routers, firewalls, switches etc for additional users (Institutions) of the AMoFTS
4. Upgrade on the main servers for additional users (Institutions) of the AMoFTS
5. Implementation of the integrated archive system for the documentation management of government expenditures (hardware software)
6. New necessary Oracle user licenses per 100 spending units.
7. Approximately 100 computers and UPSs and routers for connectivity to spending units for supporting the online process with LM and LG units

IT equipment Bought, Installed and IT staff trained

3.5 Conditionality and sequencing:

1. This IPA investment should only be undertaken following a detailed assessment in 2009 of the rate and success of AMoFTS, as well as the feasibility/cost-benefit analysis of further expansion. As mentioned above, it is foreseen that the EU funded SIGMA programme will undertake such a study/assessment.
2. Potential problems in case of low support by the high management level of the institutions involved.
3. Potential problem with the administrative capacities of the selected central/local government units
4. Potential problems with the administrative capacities in charge of implementing the project.
4. Potential problems with the implementation of the project due to low level of engagement of the contract awarded company (the company might not be result oriented).
5. There might be problems regarding telecommunication.
6. Potential problems with the electrical power supply.

3.6 Linked activities

Over the past, the area of financial management has received financial support from the EU through the CARDS national, and SIGMA programmes, as well as the Technical Assistance Information Exchange Office (TAIEX). Other support has been provided by the World Bank, and through Dutch, British, and Swedish funded programmes.

The Ministry of Finance has benefited from a new Computerized Treasury System (AMoFTS) which was financed from a \$6 million WB loan (duration of the project 2001-2007) and maintained by the State Budget for \$280,000 for 3 years. The communication costs of the system are provided by Albtelecom and are financed by the MoF's budget (80,000 EUR/year). The system was under the testing phase in all Treasury District Offices for year 2007. The system is now fully operational in the MoF. It is foreseen that the central bank and commercial banks will be connected by the end of 2008.

In the frame of the CARDS 2001 programme, the twinning project entitled 'Support for the strengthening of the Public Internal Financial Control System (PIFC)'- phase 1- was implemented by the British National Audit Office and the Dutch Ministry of Finance. The principle objective of the project was to strengthen the Internal Audit function across the public administration, under the leadership of the MoF. In addition, under the same CARDS programme, the General Directorate of Internal Audit of the MoF was renovated, refurbished and provided with IT hardware, software and office equipment.

Furthermore, under the CARDS 2004 Programme, the 36 district Treasury office of the MoF have been renovated, as complementary/donor coordinated support to that provided by the WB.

Under the CARDS 2005 annual programme, the twinning project "PIFC 2" (a follow up to the previous one) has been evaluated and is expected to commence in the later part of 2008. It will be implemented by the British National Audit Office, and the Polish Ministry of Finance. The support will focus primarily on financial management and control issues, but also internal audit.

Furthermore, the CARDS 2005 Annual Programme, and specifically under the project 'Provision of ICT supplies to the Albanian Administration' 80 PC s and 90 UPS' have been foreseen for the MoF and the Treasury.

The MoF has benefited from technical expertise the EU funded OECD/SIGMA programme for several years. Such support has included legal, institutional and operational expertise in the area of internal audit, and aspects of financial management and control as well as commenting in the substantially revised organic budget law, amongst others.

In addition, during 2007 an EU Funded- TAIEX study tour of Albanian MoF high level representatives took place at the Ministry of Finance, Italy, with the aim of focusing on debt and cash management procedures.

Since 2003 the Ministry of Finance has benefited from the project 'Strengthening the Public Expenditure Management', which is funded by DFID, SIDA and the Netherlands. It is currently in its third phase, as is expected to end in early 2009.

The \$8 million IPS trust fund is managed by the WB. Several EU member states have contributed to the fund, including the UK, Sweden, The Netherlands, Italy, Austria and Germany, as well as the EU (CARDS), UNDP, USAID, OSCE, and the Swiss. The IPS consists of 7 components. As previously mentioned under section 2.6, those related to public finance included support to the medium term budgeting as well as the management of public investments. In the framework of IPS the interface of AMoFTS with the “Budget Preparation and Approval link with MTBP” (medium term budget preparation) will be designed.

3.7 Lessons learned

The AMoFTS projects financed by the World Bank was the first of its kind in Albania and as a new and very complex project, the General Treasury Department encountered many problems in implementing it. The initial lessons learned have been the lack of a feasibility study prior to the purchase and installation of the AMoFTS system. Such a study could have considered the precise IT architecture and interfaces, the roles of the beneficiary institutions, and the precise number and type of experienced IT staff for its successful implementation, amongst others. The lack of such an analysis and options presentation therefore led to several problems during the implementation phase (see 3.5). One of the main problems was the lack of coordination and dedicated experts from the beneficiary party for the proper functioning of the system after project completion. However, such lessons learned from the former project will be helpful in avoiding this kind of problems in the foreseen IPA investment. In addition, as mentioned under section 3.1, due to the fact that any further investment may follow one of several options, including a ‘hybrid’ approach, in 2009 the EU funded SIGMA programme will undertake a feasibility study of the precise horizontal and vertical expansion of AMoFTs before tendering is undertaken on the contracts 2 to 5 foreseen in this fiche.

Potential problems regarding low administrative capacities and inappropriate equipment will be avoided through a careful selection of the institutions involved in order to choose only those with the necessary administrative capacities and that offer a good support of the high managerial levels in these institutions. Training also will be important in this respect.

Potential problems with the electrical power supply can be avoided either through agreements with the Albanian Electro energy Corporation or through small investments of the institutions involved.

Indicative Budget (amounts in €)												
			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	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	–	190000	190000	100%							
Contract 1: Capacity Building in Cash Forecasting and Management	X	–	190000	190000	100%							–
Activity 2	X	–	100000	100000	100%							
Contract 2: Technical Specifications for Software Design/ Extension contract	X	–	100000	100000	100%							–
Activity 3	X		725000	725000	100%							
Contract 3: Software Design/Extension and user Training	X		725000	725000	100%							–
Activity 4	X		25000			25000	100%	25000				
Contract 4: Technical Specifications for purchasing, including cost estimate for 1 year maintenance	X	–	25000			25000	100%	25000				–
Activity 5		X	485000	485000	100%							
Contract 5: Investments (Network and IT Equipments)	–	X	485000	485000	100%							–
TOTAL IB			1040000	1015000	97.60%	25000	2.40%	25000				
TOTAL INV			485000	485000	100%							
TOTAL PROJECT			1525000	1500000	98.40%	25000	1.60%	25000				

The above listed amounts are indicative. The precise financial value of each of the above mentioned contracts will be decided following the SIGMA feasibility study.

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1	3 rd Quarter 2009	4 th Quarter 2009	2 nd Quarter 2010
Contract 2	1 st Quarter 2010	2 nd Quarter 2010	3 rd Quarter 2011
Contract 3	1 st Quarter 2010	2 nd Quarter 2010	1 st Quarter 2011
Contract 4	1 st Quarter 2010	2 nd Quarter 2010	1 st Quarter 2011
Contract 5	2 nd Quarter 2010	3 rd Quarter 2010	1 st Quarter 2011

All projects should in principle be ready for tendering in the 1ST Quarter following the signature of the FA

6. Cross cutting issues (where applicable)

6.1 Equal Opportunity

N/A

6.2 Environment

N/A

6.3 Minorities

N/A

List of ANNEXES

- 1- Log frame in Standard Format
- 2- Amounts contracted and Disbursed per Quarter over the full duration of Programme
- 3- Description of Institutional Framework.
- 4 - Reference to laws, regulations and strategic documents:
 - Reference list of relevant laws and regulations
 - Reference to AP /NPAA / EP / SAA
 - Reference to MIPD
 - Reference to National Development Plan
 - Reference to national / sector investment plans
- 5- Details per EU funded contract (*) where applicable:
 - For *TA contracts*: account of tasks expected from the contractor
 - For *twinning covenants*: account of tasks expected from the team leader, resident twinning advisor and short term experts
 - For *grants schemes*: account of components of the schemes
 - For *investment contracts*: reference list of feasibility study as well as technical specifications and cost price schedule + section to be filled in on investment criteria (**)
 - For *works contracts*: reference list of feasibility study for the *constructing works* part of the contract as well as a section on investment criteria (**); account of services to be carried out for the *service part* of the contract

(*) non standard aspects (in case of derogation to PRAG) also to be specified

(**) section on investment criteria (applicable to all infrastructure contracts and constructing works):

- Rate of return
- Co financing
- compliance with state aids provisions
- Ownership of assets (current and after project completion)

ANNEX 1
Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR Project Fiche	Programme name and number	
Strengthening the Treasury System and establishing e-links between TS and Spending Units.	Contracting period expires: 3 years following the date of conclusion of the Financing Agreement	Disbursement period expires: One year after the end date for the execution of contracts
	Total budget : EUR 1,525,000	IPA budget: EUR 1,500,000

Overall objective	Objectively verifiable indicators	Sources of Verification	
To contribute to strengthening of public financial management in compliance with European Partnership (key priorities and political criteria) and the National Strategy for Development and Integration	Significant quantifiable and qualifiable increase of accountability and transparency in cash management, budget planning, monitoring and reporting process.	<ul style="list-style-type: none"> ▪ MoF daily forecasting and monitoring of government resources; ▪ All transactions ordered directly in AMoFTS from LM and LG units (100 units on line), controlled from Treasury staff and closed in the same day. ▪ High quality financial government reports and easily controlled. 	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
Substantially strengthening the capacities of the Ministry of Finance, LM & Local Government to assure an optimal financial management of government resources and Establishment of a countrywide network infrastructure MoF (TDO), line Ministries and Local Government institutions will improve significantly the transparency in budgetary planning, monitoring and reporting	Level of Transparency	<ol style="list-style-type: none"> 1. Guideline on cash forecasting and management by 1st quarter 2. MoF daily forecasting and monitoring of government resources; 3. Monthly and quarterly report from MoF, foreign experts for the project 4. All transactions ordered directly in AMoFTS from LM and LG units (100 units), controlled from Treasury staff and closed in the same day. 5. Monthly monitoring reports during the testing on-line process. 	<p>Commitment of Government to reforms</p> <p>Commitment of Government to maintain and further invest in the system after donor support</p>

process.		6. BoA reports 7 EC and WB reports	
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>Contract 1: Capacity Building in Cash Forecasting and Management</p> <p><u>Results:</u></p> <ol style="list-style-type: none"> 1. Assessment and briefs on legal, technical and analyses of cash forecasting & management function and job descriptions prepared and used by the MoF; 2. Drafted legal instruction “Cash forecasting (CF) & management, MoF and related partners”. 3. 20 experts on CM trained. 4. Reports and other documents on Active CF and CM in EU countries, issues related to Albania. <p>Note: As the AMoFTS system is a specific financial system (Oracle financials customised and parameterized), and for which MoF have borrowed a substantial amount of financing from the WB (2.3 mil USD), there appears to be as only one option for further design/interfacing/additional programmes - it must be Oracle as one source contract.</p> <p>Contract 2, Drafting of technical Specifications and tender Dossier for the “Software Design/Extension contract”</p>	<ol style="list-style-type: none"> 1. Legal instructions closer to international standards in the area. 2. Execution of Cash Management of government liquidities undertaken to a higher standard with greater efficiency, and effectiveness. <p>Technical Specifications will include all requirements and solutions related to the future needs (see contract 3</p>	<ol style="list-style-type: none"> 1. MoF guideline in CF & CM. 2. MoF daily forecasting and monitoring of government resources; 3. MoF monthly monitoring reports directly from the AMoFTS and from LM & LG units. 4. All transactions ordered directly in AMoFTS from LM and LG units (100 units), controlled from Treasury staff and closed in the same day. 5. Daily reporting from AMoFTS to LM and LG. 	<p>Commitment of all actors Availability of staff Availability of resources</p>

Result
Technical Specifications prepared based on analysis and due to the \$6 million investment already made, will be Oracle based.

Contract 3, Software Design/Extension

Results:

1. AMoFTS extended all interfaces and components built in compliance with Oracle.
2. IT and Functional MoF staff capable to monitor and maintain independently the AMoFTS and users on-line.
3. 200 LM and LG experts trained and capable to operate with AMoFTS
4. All issues relating the testing period (on line operation with 100 LM and LG) monitored and resolved.

Contract 4 Technical Specifications for purchasing + 1 year maintenance of Network and IT Equipments

Results

Technical Specifications prepared based in analysis phase of the existing network infrastructure (Oracle compliant) and equipments of 100 selected institutions.

Contract 5. Investments (Network and IT Equipments)

1. AMoFTS capable to produce all reports for management level.
2. Quality of daily maintenance by IT and Functional MoF staff of the AMoFTS and users on-line.
3. Possibly 200 LM and LG experts operating with AMoFTS, and able to train other financial officers of all budgetary institutions
4. Not one issue pending at the end of the testing period.

Technical Specifications prepared

1. E-links / equipments established and operating between Treasury System and probably 100 government units through AMoFTS, and Oracle

<u>Results:</u> 1. All IT network and equipment installed / upgraded.	compliant		
Activities	Means	Costs	Assumptions
Contract 1: Capacity Building in Cash Forecasting and Management <u>Activities</u> which must be developed under this contract are as following: <ul style="list-style-type: none"> • Assisting MoF manager in providing legal, technical advise and analyses reviewing in cash forecasting & management function and job descriptions; • Preparing the Legal instruction in Cash forecasting & management, relations with Central Bank and Local Government units; • Organizing and providing Training in MoF premises of 20 experts from MoF, LM and LG units, based in case studies and experienced countries. (the training and documents must be developed in English and Albanian Language) • Organisation and monitoring a Study visit for 6 MoF experts in two EU countries to follow closely the daily cash management It is foreseen that such support could be provided by an International and a	Technical Assistance; 124 working days for a period of 4 months Tasks (1 and 2) International Expert: 60 working days, from which 1 consecutive month In MoF Local expert: 50 working days 3. 7 working days training at MoF (international and local trainer) 14 days in two countries for 6 MoF experts	IPA EUR 190,000	

<p>local consultant. Both will work closely with IC and MoF staff.</p> <p>After the training is previewed a study visit of the trained MoF staff, with the aim to follow directly in place the daily cash management in MoF of two European countries for better understand the process and clarify the issues raised in Albania.</p> <p>Contract 2, Technical Specifications for Software Design/ Extension contract</p> <p>Under this contract will be developed the analyses phase, taking in consideration the existing situation and all requirements stated in contract 3, which will be part of the Terms of Reference for realisation of AMoFTS extension and design new related modules.</p> <p>Profile of the contractor:</p> <p>One Functional architect and one procurement expert providing sufficient experience in this area.</p>	<p>Duration 3 months at MoF site</p> <p>Two international experts: Functional expert and Procurement expert</p>	<p>EUR 100,000</p>	
<p>Contract 3 . Software Design/Extension</p> <p>Component 1. Upgraded the existing Treasury System to a Public Financial Management System (PFMS)</p> <p>Task under the project is: Developed and operational the following components or interfaces:</p> <p>1. Cash management module and interface with AMoFTS</p>	<p>Duration 6 months</p> <p>Obligatory: Testing phase in MoF site</p>	<p>EUR 725 000</p> <p>Indicatively EUR 400,000</p>	

<p>2. Centralisation of receipts in Central Bank, issues related with all partners involved such as Commercial Banks, Central Bank, Tax and Custom systems, budgetary institutions;</p> <p>3. Creating new reports for the management level from AMoFTS;</p> <p>4. Creating new responsibilities in the system in compliance with MoF policy from AMoFTS</p> <p>5. Web portal for connecting spending units interacting with Public Financial System in the Ministry of Finance</p> <p>Component 2. Competence Development</p> <p>1. Training of 30 experts from MoF (functional and IT) for the above components and interfaces and also as trainers for other financial officers.</p> <p>2. In collaboration with local trainers, provide training of 200 experts of spending units in AMoFTS modules (BDG; PO; FA; AP, AR)</p> <p>3. Monitoring and resolving all functional and IT issues during the online monitoring /testing process.</p> <p>Profile of the contractor:</p> <ul style="list-style-type: none"> - The company must be experienced in building the integrated systems (oracle based), - Experience with integrated systems in public sector, or banking system. <p>Note: AMoFTS system is a specific financial system (Oracle financials</p>	<p>Duration 1 year from which:</p> <p>Task 1: 2 months training at MoF</p> <p>Task 2: 2 months training in 6 regions (in parallel)</p> <p>Task 3 : 6 months monitoring from MoF and in 6 districts</p>	<p>Indicatively 325,000 EUR</p>	
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<p>customised and parameterized), and for which MoF have borrowed a substantial amount of financing from the WB (2.3 mil USD), there appears to be as only one option for further design/ interfacing/additional programmes - it must be Oracle as one source contract.</p>			
<p>Contract 4. Technical Specifications for purchasing + 1 year maintenance of Network and IT Equipments</p>	<p>Duration 2 months ToR's prepared by a Local company</p>	<p>25,000 EUR (MoF) The funding will be provided by the Albania state budget, while the contract will be signed by the Ministry of Finance (MoF)</p>	
<p>Under this contract a Local company will be required to prepare the Tech Specs for the fifth contract. Part of the TechSpecs must be the analyse phase about the existing situation in equipments and existing communication infrastructure for Treasury system and 100 preselected institutions.</p>			
<p>Contract 5 Network and IT Equipment + 1 year maintenance</p>			
<p>To administrate the AMoFTS system according the national and EU standards, the establishment of secure network connection between MoF and 100 LM and LG institutions is needed.</p>		<p>485,000 EUR</p>	
<p>1. Extension of the MoF Countrywide network infrastructure for connecting 100 spending units of Pilot 6 main regions(direct connectivity through Albtelecom part of MoF WAN infrastructure) 2. Upgrading the security hardware+software of the MoF</p>	<p>Tech Specs provided. IT equipment Bought, Installed and IT staff trained</p>		

<p>Financial System for 2400 spending units</p> <ol style="list-style-type: none">3. Upgrade on the networking platform of MoF routers, firewalls, switches etc for 2400 spending units4. Upgrade on the main servers for 2400 spending units5. Implementation of the Integrated archive system for the documentation management of government expenditures (hardware software)6. New necessary Oracle user licenses per 100 spending units.7. 100 computers+UPS's+routers for connectivity to spending units for supporting the online process with LM and LG units			
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ANNEX II
Amounts (in €) Contracted and disbursed by quarter for the project

Contracted	Q 4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Total
Contract 1	190,000									190,000
Contract 2			100,000							100,000
Contract 3			725,000							725,000
Contract 5				485,000						485,000
Cumulated	190,000		1,040,000	1,500,000						1,500,000
Disbursed										
Contract 1	60,000		60,000		70,000					190,000
Contract 2			60,000		20,000		20,000			100,000
Contract 3			425,000		200,000		100,000			725,000
Contract 5				200,000		285,000				485,000
Cumulated	60,000		625,000	825,000	1,120,000	1,405,000	1,500,000			1,500,000

ANNEX 3

Description of Institutional Framework

On central level:

Ministry of Finance
General Treasury Department
14 Line Ministries

On local level:

Treasury District Office in Tirana
Treasury District Office in Shkodra
Treasury District Office in Elbasan
Treasury District Office in Korça
Treasury District Office in Durrës
Treasury District Office in Fier

86 local public institutions such as:

Municipalities of Tirana, Shkodra, Elbasan, Korça, Durrës, Fier.
Several Communes (TBD)
Regional Customs and Taxation Departments in Tirana, Shkodra, Elbasan, Korça, Durrës, Fier.
Regional Offices of the Ministry of Education and Science in Tirana, Shkodra, Elbasan, Korça, Durrës, Fier.
Regional Offices of the Ministry of Public Works, Transport and Telecommunication in Tirana, Shkodra, Elbasan, Korça, Durrës, Fier.
Regional Offices of the Ministry of Labor, Social Affairs and Equal Opportunities in Tirana, Shkodra, Elbasan, Korça, Durrës, Fier.
Regional Offices of the Ministry of Education and Science in Tirana, Shkodra, Elbasan, Korça, Durrës, Fier.
Regional Police Offices (Ministry of Interior) in Tirana, Shkodra, Elbasan, Korça, Durrës, Fier.
Regional Judicial Offices in Tirana, Shkodra, Elbasan, Korça, Durrës, Fier.
Etc.

ANNEX 4

Reference to laws, regulations and strategic documents

Reference list of relevant laws and regulations

Below are enlisted the Albanian laws and other legal acts that regulate the area and functions of the State Treasury and the General Treasury Department

- Law “On the Preparation and Implementation of the State Budget in the Republic of Albania”, no. 8379, date 29.07.1998. A revised organic budget law is under discussion in the Parliamentary Commissions and will be soon approved by the Albanian Parliament. This law regulates the main concepts of the public finances and financial management and control.
- Decision of the Council of Ministers no. 183, date 16.04.1993 “On the organization and functioning of the Treasury System”.
- Annual law “On the State Budget of the year 200...”
- Annual Instruction of the Minister of Finance “On the implementation of the Annual State budget”

Reference to Stabilisation and Association Agreement

This project’s intervention field is in line with the objectives set out by the Stabilization and Association Agreement, in particular Article 90 – “Audit and financial control co-operation” stating:

Audit and financial control co-operation

Co-operation 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 will, in particular, co-operate 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.

Reference to National Action Plan for the implementation of the SAA

More specifically, the legislative and implementing initiatives to be taken, in the medium term have been listed by the Albanian authorities as:

Short-term Legislative activities

- Drafting and approving a DCM "On Changes to the Internal Auditing Procedure Manual" within the drafting and approval of the DCM "On the Approval of the Financial Management Control Procedure Manual";
- Drafting and approving a DCM "On the approval of the national strategy for staff qualifications (PIFC)".

Short-term Implementing activities

The following implementing activities will be undertaken to address short-term priorities:

- Establishing a central authority for the financial control and auditing methodology as one of the main elements of the PIFC system. This will take place through two independent units: one on internal auditing and the other on internal financial control. These two units will work closely with each other and yet will work independently. This will take place some time in 2006 with the planned hiring of 21 employees, around 15 more than the present staff member number;

- Realising the already started public sector training sessions for internal auditors;
- Creating Working and further development groups for the further Public Financial Control Policy Letter;

Whilst the medium term priorities (2009-2011) are outlined as:

Legislative initiatives

- DCM "On the Strategy for the Public Financial Internal Control”;

Implementing activities:

- Completing Audit Schemes;
- Completing Study visits to EU member states, aiming administrative capacity increase and the improved internal auditing in Albania;
- Drafting a "National Training Strategy", which will be followed by its practical implementation;
- Carrying out training sessions for human resource development;

Reference to MIPD

The project is in line with the expected results foreseen in the Political requirements: under 2.2.1.2 “Expected results” sections which foresees that “Considerable progress in the implementation of a sound financial management will be made”. In this framework, under section 2.2.1.3 “Programmes to be implemented” is foreseen “Support to the development of a public internal and external financial control strategy and the preliminary steps of the relevant services for the preparations of the decentralisation of community assistance”. Besides “developing improved and coordinated economic and fiscal policies to assist in the stabilization of the macro-economic environment, to streamline public expenditures” is also part of the Socio-economic requirements under section 2.2.2.1 Main Priorities. In point 2.2.2.2 Expected results is foreseen “Capacity building of the Ministry of Finance and Ministry of Economy will have lead to improved and coordinated economic and fiscal Policies”.

Reference to National Development Plan

The Albanian Government’s National Strategy of Development and Integration takes a bottom-up approach, including the above-mentioned EU documents.

Under the framework of the Government’s Integrated Planning System (IPS), whose central aim is to match medium and annual budgeting to the policy framework, has been drafted a Public Finance strategy by the Ministry of Finance covering the period 2007-2013. The strategic aims of the strategy reverberates those of the EP and the NPISAA.

ANNEX 5

Investments:

A substantial part of the foreseen assistance covers the design and procurement of hardware and software. As mentioned above, a feasibility study will be undertaken by SIGMA prior to the preparation of any technical specifications. Therefore, the exact technical specifications will be known following this study.

In addition, as mentioned in Section 3.4 the AMoFTS system is a specific financial system (Oracle financials customised and parameterized), and for which MoF have borrowed a substantial amount of financing from the WB (2.3 mil USD), there appears to be as only one option for further design/ interfacing/additional programmes - it must be Oracle as one source contract.

In this case a derogation to specify the purchasing of Oracle software within the technical specification of the contract is necessary.

Institution Building:

Some complementary technical assistance (training) on the IT system is foreseen, although like the investment aspect, the exact nature of the training will be defined following the feasibility study.