



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
DEVELOPMENT OF PUBLIC SECTOR ACCOUNTING
APPROVED ON MAY 11, 2017
TO
REPUBLIC OF ALBANIA

GOVERNANCE

EUROPE AND CENTRAL ASIA

Regional Vice President:	Anna M. Bjerde
Country Director:	Linda Van Gelder
Regional Director:	Lalita M. Moorty
Practice Manager/Manager:	Roberto Adrian Senderowitsch
Task Team Leader(s):	Jonida Myftiu



ABBREVIATIONS AND ACRONYMS

AFMIS	Albanian Financial Management Information System
AGFIS	Albanian Government Information System
BETF	Bank-Executed Trust Fund
CHU	Central Harmonization Unit
CPF	Country Partnership Framework
EPSAS	European Public Sector Accounting Standards
ESA2010	European System of National and Regional Accounts
EU	European Union
FM	Financial Management
GDFC	General Directorate of
GFS	Government Fiscal Statistics
IPS	Integrated Planning System
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
MDTF	Multi Donor Trust Fund
MoFE	Ministry of Finance and Economy
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PIT	Project Implementation Team
PSA	Public Sector Accounting
PSC	Project Steering Committee
REPF	Report on the Enhancement of Public Financial Reporting
RETF	Recipient-Executed Trust Fund
SAFE	Strengthening Accountability and Fiduciary Environment
SAI	Supreme Audit Institution
SECO	State Secretariat for Economic Affairs, Switzerland Confederation
SIGMA	Support for Improvement in Governance and Management
SOE	Statement of Expenditure
TOR	Terms of Reference
ToT	Training of Trainers
WB	World Bank



BASIC DATA

Product Information

Project ID P159931	Financing Instrument Investment Project Financing
Original EA Category	Current EA Category
Approval Date 11-May-2017	Current Closing Date 31-Dec-2021

Organizations

Borrower Government of Albania	Responsible Agency Ministry of Finance and Economy (Albania)
-----------------------------------	---

Financing (in USD Million)

SUMMARY

Total Project Cost	0
Total Financing	0
Financing Gap	0

DETAILS

Project Development Objective (PDO)

Original PDO

The proposed development objective of the project is to: develop a road map for public sector accrual accounting implementation and to support the early stages of this reform, including building essential technical skills.



Summary Status of Financing (US\$, Millions)

TF	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
TF-A3277	07-Nov-2017	03-Apr-2018	21-Jun-2018	31-Dec-2021	1.07	.61	.46
TF-A5134	07-Nov-2017	03-Apr-2018	21-Jun-2018	31-Dec-2021	.38	0	.38

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. This restructuring seeks to extend the current closing date of the Albania Development of Public Sector Accounting Project (Project, P159931/TF0A3277/TF0A5134) from December 31, 2021 to December 31, 2022, for a cumulative extension of more than two years from the original. This the second restructuring for the Project.
2. The Development of Public Sector Accounting Project is providing US\$1.45 million financing to the Republic of Albania through two Small Recipient-Executed Trust Funds (RETF). These RETFs are funded by the Multi-Donor Trust Fund for Strengthening Accountability and the Fiduciary Environment (SAFE MDTF) (TF071422 & TF072737)¹. The Project’s Development Objective (PDO) is to develop a road map for public sector accrual accounting implementation and to support the early stages of this reform, including building essential technical skills. It has three components: (i) development of Public Sector Accounting and Financial Reporting Consistent with International Public Sector Accounting Standards (IPSAS); (ii) development of Ministry of Finance and Economy (MoFE) capacities and of professional accounting skills for public accounting practitioners; and (iii) project implementation support.
3. The project was approved on May 11, 2017 and became effective on June 21, 2018. It has disbursed US\$0.61 million (42%), and the contracted activities to date amount to more than US\$1.12 million (77.3%) of the total grant amount. The project was restructured in June 2020 to extend the closing date by 18 months from June 30, 2020 to December 31, 2021 to compensate for delays in signing and consequently effectiveness and the longer timeframe required for the Country Strategy and Action Plan (CSAP) preparation which is the core roadmap for Project activities.

¹ The SAFE MDTF was extended on October 13, 2021, with a new end disbursement date of June 30, 2023.



4. At the time of the June 2020 restructuring, progress towards achievement of the PDO and overall implementation progress were rated Moderately Satisfactory and Satisfactory respectively. However, given the persistent challenges outlined below, the likelihood of achieving the PDO by the current project closing date is low and, as such, was downgraded to Moderately Unsatisfactory in the October 2021 Implementation Status and Results Report (ISR) and the rating was maintained as such in the December 2021 ISR based on the findings of the virtual implementation support mission in November 2021.
5. The overall implementation progress remains satisfactory. The Ministry of Finance and Economy (MoFE) has been and continues to be dedicated to accelerating the pace of the project implementation and achieving its objectives. As such, following the extension, the implementation has improved significantly and there has been very good progress on the two project components. In particular, procurement and contracting of the two key technical assistance activities: (i) IPSAS implementation and (ii) Development of Professional Accounting Skills and Sustainable Public Sector Accounting Training Mechanism, were finalized in December 2020. Under the first contract, the consultants have advanced with an in-depth analysis, including update for public sector accounting gap analysis and related business process review, and started drafting of national guideline on public sector accounting. Under the second contract, consultants have completed the training needs assessment and trained 28 trainers for the public sector accounting (PSA) training program; and initiated the pilot public sector training program. In addition, there have been advances in the official IPSAS translation into the local language. Moreover, 19 MOFE staff received international certification on Public Financial Management from Association of Chartered Certified Accountants (ACCA).
6. The finalization of the procurement procedures for the key contracts took longer than envisioned. This is mainly attributable to the COVID-19 pandemic starting in late 2020. Traveling restrictions, widespread illness and competing priorities related to the pandemic slowed down implementation of tasks under both contracts compared to their intended delivery schedule. The Government of Albania has thus requested the extension of the closing date of the two small RETF grants until December 31, 2022 to allow for full disbursement of the resources, completion of the remaining activities, and achievement of the development objective. The requested closing date aligns with the current closing date of the MDTF that finances the RETFs.

II. DESCRIPTION OF PROPOSED CHANGES

7. The restructuring entails an extension of project closing date by 12 months until December 31, 2022 to complete the implementation of the remaining activities and fully achieve the PDO.
8. During the proposed extension period, the focus will be on the implementation of the remaining tasks under the two technical assistance activities, notably the “Technical Assistance for IPSAS implementation” and



“Development of Professional Accounting Skills and Sustainable Public Sector Accounting training mechanism”. The Technical Assistance for IPSAS implementation includes the following remaining tasks, in a sequential order: (i) drafting of the legal and regulatory framework, including review of institutional arrangements and business processes, and (ii) assistance to selected government entities to implement the selected new standards and prepare the first set of IPSAS based annual financial statements. The technical assistance for the “Development of Professional Accounting Skills and Sustainable Public Sector Accounting training mechanism”, includes the following remaining tasks, in a sequential order, (i) pilot PSA training and continuing professional development program, (ii) PSA educational framework and (iii) development certification program in public sector accounting. The MoFE has put in place a detailed action plan to complete the above tasks and achieve the PDO within the next 12 months. In addition, the remaining uncommitted balance of approx. US\$ 250,000 will be utilized to finance the following activities to further enhance achievement and sustainability of expected outcomes: (i) delivery of a third phase training program in local language, and (ii) ICT system adjustments, through the existing project contracts.

9. The team is not requesting any funds for supervision as the financing provided through the Bank executed part of the Project (TF0A3293 & TF0A4821) is sufficient to cover the related costs during the proposed extension period. The Donor has been consulted and is aware of the request for a no-cost extension of the Closing Date for the Project.
10. The audited project financial statements for the year ended December 31, 2020 are overdue. The hiring of the audit firm was outside the project’s control as the MoFE contracts one audit firm for all Bank financed projects, financed by government funds. This process was delayed for fiscal year 2020 due to the pandemic and general elections at the end of the April 2021, which affected the staffing and management of the units responsible for procurement in the ministry. The audit is under implementation, and the audit report is expected to be issued in February 2022. No notable issues have been observed in previous audits. There are no other outstanding procurement and financial management issues. The waivers to proceed with an extension for a project that has an overdue audit have been received by the team and are available in project records.
11. The restructuring will neither revise the PDO nor the results framework. The project implementation schedule and disbursement estimates will be revised to reflect the extension of the closing date.



III. SUMMARY OF CHANGES

	Changed	Not Changed
Loan Closing Date(s)	✓	
Disbursement Estimates	✓	
Implementation Schedule	✓	
Implementing Agency		✓
Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Cancellations Proposed		✓
Additional Financing Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Change in Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)



LOAN CLOSING DATE(S)

TF	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-A3277	Effective	30-Jun-2020	31-Dec-2021	31-Dec-2022	30-Apr-2023
TF-A5134	Effective	30-Jun-2020	31-Dec-2021	31-Dec-2022	30-Apr-2023

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Expected Disbursements (In US\$)

Fiscal Year	Annual	Cumulative
2017	0.00	0.00
2018	0.00	0.00
2019	0.00	0.00
2020	0.00	0.00
2021	0.00	0.00
2022	0.00	0.00
2023	0.00	0.00

Note to Task Teams: End of system generated content, document is editable from here.