



REPUBLIC OF ALBANIA

Council of Ministers

DECISION

No. 775, dated 24.9.2010

ON

THE MANAGEMENT OF FOREIGN FINANCING IN THE REPUBLIC OF ALBANIA

Pursuant to Article 100 of the Constitution, Article 39 of the Law No 9936 of 26.6.2008 “On the management of the budgetary system in the Republic of Albania”, and Article 26 of the Law “On state government borrowing, debt and guarantees in the Republic of Albania“, upon the proposal of the Minister of Finance, the Council of Ministers:

DECIDED:

1. The object of this decision ensuring and management of foreign financing as an integral and/or reported part of the budget system of the Republic of Albania.
2. Foreign financing shall mean any loans, credits and grants obtained by the Council of Ministers of the Republic of Albania and by the Republic of Albania from foreign countries, international bodies, international financial institutions, foreign banks, non-for-profit organizations, etc.
3. Government framework agreements shall mean any agreements/protocols concluded between the Republic of Albania or the Council of Ministers of the Republic of Albania and the governments of foreign countries with the scope of ensuring financial cooperation or development cooperation of mutual benefit.
4. Government agreements shall mean any agreements concluded between the Republic of Albania or the Council of Ministers of the Republic of Albania and the governments of foreign countries with the scope of ensuring financing for public investment projects in the Republic of Albania.
5. Financing agreements shall mean any loan/credit or grant agreements concluded between the Republic of Albania, or the Council of Ministers of the Republic of Albania and foreign creditors or donors, with the scope of financing public investment projects in the Republic of Albania.

6. On the basis of the analysis and assessment of the economic and financial situation of the country, the Council of Ministers upon the proposal of the Ministry of Finance endorses each year the Medium Term Budget Programme (MTBP) as an integral part of the Integrated Planning System (IPS). For each programme, the Medium Term Budget Programme envisages all public investment projects in a rolling 3-year period, including also projects entirely financed by foreign assistance or co-financed by the state budget.
7. Coordination of foreign assistance projects follows procedures laid down in the Integrated Planning System (IPS) endorsed by the Decision of the Council of Ministers No. 692 dated 10.11.2005. IPS constitutes the key national framework for policy development and financial planning, for identification of the strategic priorities of Albania's development and integration, and for allocation of national and foreign financing in a coherent, efficient and integrated manner.
8. IPS, through the strategic framework which sets priorities to be financed by foreign assistance, builds on the priorities defined in the government programme, updated National Strategy for Development and Integration 2007-2013, sector and cross-cutting strategies and in the National Plan for the Implementation of the SAA.
9. Department of Strategy and Donor Coordination (DSDC) at the Council of Ministers, in cooperation with the Ministry of Finance and the Ministry of European Integration, coordinates the process of identification, discussion and selection of strategic priorities, through consultation with line ministries and other independent central institutions.
10. The Strategic Planning Committee (SPC), through mechanisms and procedures defined in the Integration Planning System (IPS), guides the long- and medium-term foreign assistance programmes and approves the list of new priority projects in each sector. The list of priority projects approved in principle by SPC shall be further used by the Ministry of Finance and DSDC in their negotiations with lenders/donors for new financing.
11. The Ministry of Finance shall be the only institution entitled to request and ensure financing from lenders and donors, in the form of loans or grants which are co-financed by loans. In case of grant assistance, or grants as a co-financing by state budget, this process shall be conducted by DSDC in cooperation with the Ministry of Finance and the Ministry of European Integration.
12. Institutional responsibilities in following procedures for the conclusion of government framework agreements, financing agreements and government agreements shall be as indicated below:
 - a) For government framework agreements and financing agreements, the Ministry of Finance and DSDC shall be the lead parties in negotiations, according to the type of financing, loans or grants, respectively. The negotiation team shall include representatives from the relevant line ministries.
 - b) For government agreements, the negotiation process shall be led by DSDC which shall cooperate with line ministries and the Ministry of Finance. This provision shall not be applicable to financing negotiations under the Instrument of Pre-

accession Agreements (IPA) Programme, as the Ministry of European Integration shall lead this process.

- c) Upon conclusion of negotiations, the Ministry of Finance in cooperation with DSDC shall submit the negotiated government framework agreements to the Council of Ministers for approval in principle.
 - ç) Upon conclusion of negotiations, the beneficiary line ministries in cooperation with the Ministry of Finance shall submit the negotiated government agreements and the financing agreements to the Council of Ministers for approval in principle.
 - d) The Minister of Finance, with the signatory power issued to him pursuant to the Law No 8371 dated 9.7.1998 "On the conclusion of treaties and international agreements", shall sign the government framework agreements and the financing agreements.
- dh) The line ministers, with the signatory power issued to them pursuant to the Law No 8371 of 9.7.1998 "On the conclusion of treaties and international agreements", shall sign the government agreements.
13. The beneficiary (central and local) institutions are responsible for earmarking in their budget any financial obligations arising from their relevant adopted financing agreements.
 14. Once government framework agreements, financing agreements and government agreements are signed, the signatory institution shall follow the necessary legal procedures for the entry into force of the relevant agreement.
 15. The Ministry of Finance and DSDC shall exchange information with lenders/donors and beneficiaries of foreign assistance concerning the received loans/grants, the extent of use and destination of these funds.
 16. DSDC and the Ministry of Finance shall monitor the line ministries to ensure that they fulfil the conditions laid down in the agreements with lenders and/or donors, and to check the progress made in the implementation of the relevant projects.
 17. The Ministry of Finance shall follow, record and report all transactions related to loans and grants. Line ministries and central and local institutions are obliged to report to the Ministry of Finance all the required information, within the set deadlines. Implementation of foreign loans and grants shall constitute an integral part of the annual factual budget.
 18. Any gains from loans and grants shall be recorded as incomes in the "Central treasury account" by the Bank of Albania, and shall be channelled in individual special accounts, pertaining to each project, in the Bank of Albania. Loans and grants disbursed in kind, since those are paid directly from the lender's accounts, shall be recorded as incomes in the budget on the basis of payment-orders issued by the lender/donor and confirmed by the beneficiary institution, in line with procedures to be established for this purpose by the Ministry of Finance.

19. Disbursements of loans and grants shall be recorded in the State budget expenditures. Transfers to the beneficiaries' accounts will be effectuated from the treasury system accounts to the second-tier banks. If loans and grants are disbursed in kind or are directly managed by the donors, disbursements shall be simultaneously recorded both as budget revenues (income) and expenditures, on the basis of payment-orders issued for the purchase of relevant goods or services and the confirmation by the beneficiary.
20. Central ministries/institutions and local institutions shall report immediately to the Ministry of Finance whenever they obtain financial assistance or material aid from foundations, associations, enterprises, individuals, etc. Failure to report on time burdens with responsibility the institution's head and entitles the Ministry of Finance to reduce the conditional state budget allocated to the relevant institution by the value of the assistance obtained.
21. Central ministries/institutions and local institutions, whenever they obtain loans, grants or material aid for any projects, shall report this information to the Ministry of Finance on monthly basis, according to the set deadlines.
22. No later than January and July of each year, line ministries shall report to DSDC:
 - a) Information on the implementation progress of foreign assistance projects, for the preceding year.
 - b) Information on planned implementation of foreign assistance projects, for the current year. This applies to projects started in the preceding years, as well as projects with committed funding whose implementation is expected to start in the current year.
 - c) Project proposals to be financed by foreign assistance, for projects that are to be negotiated with donors, during the current year.

Line ministries shall inform the Ministry of European Integration for information contained under points "a" and "b", concerning projects supported by EU financial assistance.

23. DSDC, in the capacity of the body entrusted with the foreign assistance database:
 - a) shall update the database, with information received from line ministries, no later than March and September of each year.
 - b) shall prepare the annual monitoring report of foreign assistance for the preceding year.
24. Ministry of Finance is responsible for issuing detailed guidelines concerning procedures to be followed during the various stages of disbursement, spending, reporting and repayment of loans and grants.

25. Ministry of Finance, DSDC, Ministry of European Integration and line ministries, as well as other institutions subordinate to the central executive government, are responsible for ensuring implementation of the present Decision.
26. The Decision of the Council of Ministers No. 116, dated 24.2.1997 "On powers, procedures, signature, disbursement, registration, implementation, repayment and reporting of foreign loans, credits and grants awarded to the government of the Republic of Albania" is hereby abolished.

The present Decision enters into force upon publication in the Official Gazette.

PRIME MINISTER

SALI BERISHA

MINISTER OF FINANCE

RIDVAN BODE