

Ministry of Health and Social Protection

Health System Improvement Project

(LOAN No: 8466 - AL)

Special purpose financial information for the
period 1 January to 31 December 2020

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Independent Auditor's Report

To: Ministry of Finance and Economy of Republic of Albania and the Management of the Project
"Health System Improvement Project"

Opinion

We have audited the accompanying special purpose financial information comprising the statement of sources and uses of funds, statement of withdrawal applications and the related notes of the Project "Health System Improvement Project" (further referred to as the "Project") implemented by the Ministry of Health and Social Protection and financed by the Loan Agreement No. 8466 - AL ("IBRD 8466 - AL") from the International Bank for Reconstruction and Development ("IBRD" or the "World Bank") for the period 1 January to 31 December 2020. The special purpose financial information has been prepared by the management of the Project in accordance with policies described in notes 2 and 3 of the special purpose financial information.

In our opinion, the special purpose financial information of the Project "Health System Improvement Project" is prepared, in all material respects, in accordance with the cash receipts and disbursement basis of accounting as set out in notes 2 and 3 to the special purpose financial information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the special purpose financial information section of our report. We are independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the special purpose financial information in Albania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to notes 2 and 3 to the special purpose financial information, which describe the basis of accounting. The special purpose financial information is prepared to provide information to Project's donors and lenders, and to Ministry of Finance and Economy of Republic of Albania and the management of the Project. As a result, the statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the information and use of the Project's management, the donors and lenders, and the Ministry of Finance and Economy of Republic of Albania and it should not be further distributed without our prior written consent.

Responsibilities of Management and Those Charged with Governance for the Special Purpose Financial Information

Management is responsible for preparation and fair presentation of the special purpose financial information in accordance with the basis of accounting described in notes 2 and 3; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the special purpose financial information in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a special purpose financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Special Purpose Financial Information

Our objectives are to obtain reasonable assurance about whether the special purpose financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this special purpose financial information.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.,
- Evaluate the overall presentation, structure and content of the special purpose financial information, including the disclosures, and whether the special purpose financial information represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton sh.p.k.

Tirana, Albania

29 April 2022

Mediu Kodra, FCCA

Kodra



Statement of Sources and Uses of Funds

	Note	For the period from 1 January to 31 December 2020	For the period from 1 January to 31 December 2019	Cumulative from 28 August 2015 to 31 December 2020
Sources of funds				
IBRD funding	4	4,282,726	844,300	10,667,582
Funds received from Tender purchase		-	-	9,574
Interest received		-	81	727
Total		4,282,726	844,381	10,677,882
Uses of funds				
Goods	5	16,809	331,213	4,456,089
Consultancy services	6	1,467,996	534,830	2,452,266
Training	7	61,538	93,848	227,953
Civil Works	8	2,327,318	-	2,327,318
Incremental operating costs	9	21,388	14,811	73,557
Funds returned to GoA		-	3,471	3,563
Total		3,895,049	978,173	9,540,746
(Deficit)/Surplus of receipts over disbursements				
		387,678	(133,792)	1,137,136
Exchange rate differences		2,876	4,691	6,848
Cash at the beginning of the period	10	759,183	888,284	-
Total	10	1,143,984	759,183	1,143,984

The Statement of Sources and Uses of Funds is to be read in conjunction with the notes set out on pages 3 to 9 and forming an integral part of the special purpose financial information.

The special purpose financial information of Health System Improvement Project was authorized for issue by the management of the Ministry of Health and Social Protection on 12 February 2021 and signed on its behalf by:


 Blerina Dudushi
 Project Manager
 Ministry of Health and Social Protection




 Daniela Gjylameti
 Financial Specialist
 Ministry of Health and Social Protection

Health System Improvement Project
 For the period from 28 August 2015 to 31 December 2020
 (amounts expressed in EUR unless otherwise stated)

Statement of Withdrawal Applications

IBRD 8466 AL

As of 31/12/2020

No	Withdrawal application number	Date of withdrawal application	Type of Disbursement	Category 2 Goods	Category 3 Consultancy and training	Category 3 Incremental Costs	Category 1 Civil Works	Total disbursed
1	WA 11	05-Mar-2020	Replenishment/	165,568	445,242	-	-	610,810
2	WA 12	28-May-2020	Direct payment	-	286,158	-	-	286,158
3	WA 13	02-Oct-2020	Direct payment	-	314,712	-	-	314,712
4	WA 14	12-Oct-2020	Direct payment	-	-	-	799,391	799,391
5	WA 15	13-Oct-2020	Replenishment/	16,808	569,564	-	-	586,372
6	WA 16	04-Nov-2020	Direct payment	-	-	-	470,250	470,250
7	WA 17	18-Dec-2020	Direct payment	-	-	-	950,688	950,688
8	WA 18	03-Dec-2020	Direct payment	-	-	-	106,989	106,989
9	WA 19	08-Oct-2020	Direct payment	-	157,356	-	-	157,356
			Total	182,376	1,773,032k	-	2,327,318	4,282,726

As of 31/12/2019

No	Withdrawal application number	Date of withdrawal application	Type of Disbursement	Category 2 Goods	Category 3 Consultancy and training	Category 3 Incremental Costs	Category 1 Civil Works	Total disbursed
1.	WA 10	30-Sep-2019	Direct payments	601,250	272,275	10,775	-	844,300
			Total	601,250	272,275	10,775	-	844,300

Notes to the Special Purpose Financial Information

1. General Information

Through a Loan Agreement, dated March 24, 2015, signed between the Republic of Albania (“Borrower”) and the International Bank for Reconstruction and Development (“Bank”), an amount of Euro 32.1 ml has been allocated to the Health System Improvement Project (the Project) in Albania.

The objective of the Project is to contribute to the modernization of selected public hospital services. The Project became effective on 28 August 2015 and its closing date is extended until December 31, 2022

A first Level 2 Restructuring was processed in December 2018, to revise the PDO, Project components and related costs after the mid-term review of July 2018. The revised PDO is to contribute to the modernization of selected public hospital services. The revised project components are:

- i) Improving Public Hospital Sector Management and Infrastructure;
- ii) Improving Health Information management/e-Health for Hospital Services;
- iii) Monitoring, Evaluation, and Project Management.

Another second Level 2 Restructuring was processed in October 2020 with the aim to increase investment in civils works for urgent reconstruction needed after the November 2019 earthquake and extend the closing date by 22 months to allow additional time to implement already signed contracts that had been delayed as a result of COVID-19. As result of the above restructuring the disbursement percentage for category one was changed into 100% (including the taxes) and the closing date was extended until December 31, 2022.

The reallocation between disbursement categories is summarized in the below table.

Table 1: Project costs by component (in Euro)

Component	Original	Revision of funds per component after mid-term review	Revision of funds per component after restructuring
Component 1: Improving management and infrastructure of Public Hospitals	15,100,000	18,061,000	22,230,315
Component 2: Improving Health information management system for hospital services	13,600,000	13,039,000	8,828,788
Component 3: Improving financial system in health care (Comp.3: removed after mid-term review)	2,400,000	-	-
Component 3: Project monitoring, assessment, and management	919,750	919,750	960,647
Front-end-fee	80,250	80,250	80,250
TOTAL	32,100,000	32,100,000	32,100,000

1. General Information (continued)

The Project is managed by the Ministry of Health and Social Protection (MHSP) former Ministry of Health (MoH) through a Project Coordination Unit established within the Ministry.

The table below sets forth the items to be financed out of the proceeds of the loan, the allocation of the amounts of the loan and the percentage of expenditures to be financed.

Table 2: Expenditure categories as per Loan Agreement (in Euro)

Category	Original contract Amount of the Loan Allocated	Financing %	Revised allocated after Restructuring 1	Financing %	Revised allocated after Restructuring 2	Financing %
(1) Works	6,760,000	63%	9,251,000	63%	13,837,382	100%
(2) Goods, Non-Consulting services	18,360,000	100%	16,294,000	100%	12,463,794	100%
(3) Consultant Services, Training and Operating Costs	6,500,000	100%	6,075,000	100%	5,718,574	100%
(4) Front-end Fee	80,250	-	80,250	-	80,250	N/A
(5) Unallocated	399,750	-	399,750	-	-	N/A
Total	32,100,000		32,100,000		32,100,000	

As indicated in the table, following the second restructuring dated October 5, 2020, all the categories of expenditures are financed at 100% from the loan proceeds.

As of December 31, 2020, Euro 4,282,726 has been disbursed from the Loan proceeds while as of December 31, 2019, Euro 844,300 were disbursed.

2. Basis of preparation

The special purpose financial information has been prepared in accordance with the accounting policies in note 3, under the Cash Basis of Accounting.

The special purpose financial information is presented in EUR. Euro is also functional currency of the Project being the currency in which funds are received and most of expenses are settled.

The special purpose financial information comprises the Statement of Sources and Uses of Funds, the Statement of Withdrawal Applications (and related expenditure) used as the basis for the submission of withdrawal applications and a summary of significant accounting policies and other explanatory notes.

3. Summary of significant accounting policies

A summary of significant accounting policies underlying the preparation of the Project's financial statements is presented below.

3.1 Foreign currency transactions

The Project has adopted the Euro as its reporting currency for consistency with the reporting needs of its main donor, the World Bank.

Cash and bank balances in other currencies are converted into Euro at the year-end rate of exchange. Transactions in currencies other than Euro are converted to the reporting currency at the rate ruling at the date of the transaction. Foreign exchange differences are recognized in the Statement of Sources and Uses of Funds.

As at 31 December 2020, 1 Euro was equivalent to 123.70 All.

As at 31 December 2019, 1 Euro was equivalent to 121.77 All.

3.2 Cash

Cash comprises cash on hand, demand deposits and cash equivalents. Demand deposits and cash equivalents comprise balances with banks and investments in short term money market instruments. Amounts appropriated to the Entity are deposited in the Entity's bank account and are controlled by the Entity. Receipts from exchange transactions are deposited in trading fund accounts controlled by the Entity. They are transferred to revenue at each year end.

3.3 Recognition of income and expenses

Income is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred. Accordingly, direct payments of the Project's expenses, which are made from the proceeds of the trust fund, are recognized as sources and uses of funds at the time the payment is made. The Statement of Withdrawal Applications presents only applications submitted during the year and only expenses settled through such applications. Expenses presented in the notes to the special purpose financial information include all expenses settled during the year in spite of the supporting withdrawal application period.

3.4 Taxation

The Project is exempt from income tax. The Project is liable for withholding tax and personnel income tax for its staff. The Project is liable for all VAT expenses incurred.

Health System Improvement Project
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(amounts expressed in EUR unless otherwise stated)

4. IBRD funding

Funds received from IBRD funding for the period from 1 January to 31 December 2020 were composed as follows:

	Period from 1 January to 31 December 2020	Period from 1 January to 31 December 2019
Direct payments	3,085,544	-
Replenishment	1,197,182	844,300
Total	4,282,726	844,300

5. Goods

Goods for the period from 1 January to 31 December 2020 were composed as follows:

	Period from 1 January to 31 December 2020	Period from 1 January to 31 December 2019
Supply & installation of Financial Management System Software in about 420 PHCs	16,809	-
Medical equipment for regional hospitals	-	331,213
Total	16,809	331,213

6. Consultancy services

The consultancy services for the period from 1 January to 31 December 2020 were composed as follows:

	Period from 1 January to 31 December 2020	Period from 1 January to 31 December 2019
Employee and insurance expenses	85,125	97,285
Development of Health Insurance Organization "Road Map"	-	18,600
QSUT international management team support - Implementation of the New Management Strategy for QSUT	286,158	400,621
TA on revision of health law and hospital law and Risk Impact Assessment for hospital law	11,770	16,898
Design of technical specifications of Supply & installation of Financial Management System Software in about 420 PHCs	-	1,426
Review of the Existing Hospital Master Plan	629,654	-
Technical assessment, architectonic & engineering design, specifications, estimated cost for General Paediatric Hospital and Angiology/Cardio-Surgery within the territory of TUHC - Tirana, Kruja Hospital and Laçi Hospital	270,700	-
Developing National Health Accounts	28,200	-
Review the Health Financing Section of Albanian National Health Strategy 2016-2020	39,790	-
For Technical assessment, design of civil work , specifications, estimated cost and supervision of civil works, Installation of medical devices and Furniture's plot of existing paediatric hospital building.	116,600	-
Total	1,467,996	534,830

7. Training

Training for the period from 1 January to 31 December 2020 were composed as follows:

	Period from 1 January to 31 December 2020	Period from 1 January to 31 December 2019
Training in USA HSIP staff	-	33,993
Study Tour/s - HIF-Croatia	61,538	59,855
Total	61,538	93,848

8. Civil Works

The civil works services for the period from 01 January to 31 December 2020 were composed as follows:

	For the period from 1 January to 31 December 2020	For the period from 1 January to 31 December 2019
Rehabilitation of Pediatric Hospital Mother Teresa	2,220,329	-
Rehabilitation of Regional Hospital Kukes	106,989	-
Total	2,327,318	-

- Civil Works for Rehabilitation of Pediatric Hospital (QSUT) corresponds to the Component 1 "Improving Hospital Services " of the project "Health System Improvement Project" and it is related to the contract no. HSIP/CW/ICB/01-2018 dated October 04, 2019, signed between Ministry of Health and Social Protection and JV Ulu Insaat Turizm Sanayve Ticaret Limited Sirketi (JV leader) and 4 A - M Sh.p.k (JV Member) in the total amount of 1,098,019,044 ALL including VAT equivalent euro 8,929,161.94
- Civil Works for Rehabilitation of Regional Kuksi Hospital corresponds to the Component 1 "Improving Hospital Services " of the project "Health System Improvement Project" and it is related to the contract no.HSIP/CW/ICB/05-2019 dated August 20, 2020, signed between Ministry of Health and Social Protection and Arifaj SHPK in the total amount of 130,954,604 ALL including VAT equivalent euro 1,058,133.51

9. Incremental operating costs

Operating costs for the period from 1 January to 31 December 2020 were composed as follows:

	Period from 1 January to 31 December 2020	Period from 1 January to 31 December 2019
Health and Social Insurance for staff (portion paid out of IOC funds)	9,721	10,272
Bank Charges/ Commissions	1,791	1,839
Operating Costs for Support for traveling expenses of NAIS eHealth unit	1,129	-
Office Supplies	907	2,174
The annual tax of the Municipality	259	161
Mail and courier	193	196
Other Incremental Cost (office administration)	7,388	153
Office Communication Expenses (Internet)	-	16
Total Incremental Operating Costs	21,388	14,811

10. Cash at the end of the period

Cash at the end of the period as at 31 December 2020 was composed as follows:

	Period from 1 January to 31 December 2020	Period from 1 January to 31 December 2019
Cash at Banks		
IBRD Special Account BoA EUR	797,182	644,300
IBRD Credins Bank Account in ALL	175,864	39,799
IBRD Credins Bank Account in EUR	170,938	75,084
Total	1,143,984	759,183

11. Subsequent events

There are no other significant events that would require either adjustments or additional disclosures in the special purpose financial information

APPENDICES

(Loan No: 8466-AL)

Health System Improvement Project
Statements of Special and Project's Accounts

(Supplementary schedules to the Special purpose
financial information)

Appendix 1

Supplementary Schedule of Special Account Statement

Donor	IBRD Loan 8466-AL	
Account No:	2117653E	
Depository Bank	Bank of Albania	
Address	Sheshi Skenderbej, No 1, Tirana	
Currency	EUR	
	2020	2019
Balance at beginning of period	644,300	-
Funds received:		
Advance from IBRD	1,197,182	844,300
Total funds received	1,197,182	844,300
Disbursements:		
Funds transferred to Project Operational Account-POA in ALL	(400,000)	(100,000)
Funds transferred to Project Operational Account-POA in EUR	(644,300)	(100,000)
Bank Charges	-	-
Total disbursements	(1,044,300)	(200,000)
Balance at end of the period	797,182	644,300

Appendix 2

Supplementary Schedule of Project Operational Account Statement-Euro

Donor	IBRD Loan 8466-AL	
Account No:		739084
Depository Bank		Credins Bank
Address		Rr. Ismail Qemali Nr.4, Tiranë
Currency		EUR
	2020	2019
Balance at beginning of period	75,187	478,720
Funds received:		
Funds received from Special Account	644,300	100,000
Funds received from D.Gjylameti (Correction)	-	40
Funds received from internal transfer All account to euro account	-	286,158
Funds received from bank Interest	-	8
Total funds received	644,300	386,206
Disbursements:		
Project expenditures	(546,808)	(788,112)
Bank charges/Bank commission 9	(1,638)	(1,627)
	-	-
Total funds disbursed	(548,446)	(789,739)
Balance at end of the period	170,938	75,187

Appendix 3

Supplementary Schedule of Project Operational Account Statement-ALL

Donor	IBRD Loan 8466-AL	
Account No:		739084
Depository Bank		Credins Bank
Address		Rr. Ismail Qemali Nr.4, Tiranë
Currency		ALL
	2020	2019
Balance at beginning of period	4,846,261	50,671,808
Funds received:		
Funds received from Special Account	49,170,000	12,305,000
Funds received from bank Interest	-	4,001
	49,170,000	12,309,101
Disbursements:		
Project expenditures	(32,243,016)	(23,053,276)
Internal transfer from All Account to Euro account	-	(35,054,355)
Bank charges/Bank commission	(18,862)	(27,017)
Total	(32,261,877)	(58,134,648)
Balance at end of the period in ALL	21,754,383	4,846,261
Balance at end of the period equivalent in EUR	175,864	39,799