

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 2022

Contents

	Page
Independent Auditor's Report	i-iii
Statement of Sources and Uses of Funds	1
Statement of Withdrawal Applications	2
Notes to the Special Purpose Financial Information	3-8
Appendices	I-IV

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 2022. 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

15 November 2023



Statutory Auditor,
Olisiane Felej.


Statement of Sources and Uses of Funds

	Note	For the period from 1 January to 31 December 2022	For the period from 1 January to 31 December 2021	Cumulative from 28 August 2015 to 31 December 2022
Sources of funds				
IBRD funding	4	4,451,335	5,321,007	20,439,924
Funds received from Tender purchase		1,353	-	10,927
Interest received		-	-	727
Total		4,452,688	5,321,007	20,451,578
Uses of funds				
Goods	5	1,729,000	442,062	6,627,151
Consultancy services	6	232,045	815,277	3,501,695
Training	7	16,120	-	244,079
Civil Works	8	2,945,896	4,218,229	9,491,443
Incremental operating costs	9	27,620	23,604	126,580
Funds returned to GoA		-	-	3,563
Total		4,949,681	5,500,172	19,994,511
(Deficit)/Surplus of receipts over disbursements		(496,993)	(179,165)	457,067
Exchange rate differences		19,041	3,873	33,668
Cash at the beginning of the period		968,692	1,143,584	-
Total cash at the end of the period	10	480,740	968,332	490,735

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 6 October 2023 and signed on its behalf by:


 Blerina Dudushi
 Project Manager
 Ministry of Health and Social Protection


 Daniela Gjyameti
 Financial Specialist
 Ministry of Health and Social Protection



Statement of Withdrawal Applications

IBRD 8466 AL

As of 31/12/2022

No	Withdrawal application number	Date of withdrawal application	Type of Disbursement	Category 2 Goods	Category 3 Consultancy and training	Category 1 Civil Works	Total disbursed
1	WA 33	23-Dec-2022	Direct payment	-	-	329,802	329,802
2	WA 32	23-Dec-2022	Direct payment	-	-	255,300	255,300
3	WA 31	06-Sep-2022	Direct payment	-	-	1,121,088	1,121,088
4	WA 30	17-May-2022	Direct payment	1,728,000	-	-	1,728,000
5	WA 29	12-May-2022	Direct payment	-	-	386,804	386,804
6	WA 28	17-Mar-2022	Direct payment	-	-	305,915	305,915
7	WA 27	18-Jan-2022	Direct payment	-	-	324,426	324,426
			Total	1,728,000	-	2,723,335	4,451,335

As of 31/12/2021

No	Withdrawal application number	Date of withdrawal application	Type of Disbursement	Category 2 Goods	Category 3 Consultancy and training	Category 1 Civil Works	Total disbursed
1	WA 20	01-Feb-2021	Direct payment	-	-	362,982	362,982
2	WA 21	15-Feb-2021	Replenishment	5,062	196,199	442,409	643,670
3	WA 22	02-Jun-2021	Direct payment	-	457,853	-	457,853
4	WA 23	23-Jun-2021	Direct payment	-	-	1,901,851	1,901,851
5	WA 24	27-Aug-2021	Direct payment	438,000	-	-	438,000
6	WA 25	08-Oct-2021	Replenishment	-	223,133	-	223,133
7	WA 26	21-Dec-2021	Direct payment	-	-	1,293,518	1,293,518
			Total	443,062	877,185	4,000,760	5,321,007

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 initially set on February 28, 2021, has been extended until December 31, 2024 as a result of restructurings.

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. Following the signature of the Loan agreement for the Additional Financing (AF- IBRD 93060) of about Euro 25 ml, on April 5, 2022, the closing date has been extended by 24 months, until December 31, 2024 same as for the AF. The AF aims to build on activities successfully implemented under the parent Project and to respond to the reconstruction needed to secure development gains.

1. General Information (continued)

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

The Government of Albania will repay the principal amount of the Loan in semi-annual instalments payable as of describe in following:

Date Payment Due (On May 15 and November 15)	Instalment share (Expressed as a percentage)
Beginning May 15, 2022, through November 15, 2036	2.94%
On May 15, 2037	2.98%

The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions.

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	IBRD-84660		Original contract		Revised	
	Amount of the Loan Allocated	Financing %	Amount of the Loan Allocated	Financing %	Amount of the Loan Allocated	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	

1. General Information (continued)

IBRD-93060

Category	Amount of the Loan Allocated	Financing %
(1) Works, Goods, Non-Consulting services for the Project other than Parts 1(a) (ii) (iii) and (v) of the Project	22,377,500	100%
(2) Consultant Services, Training and Operating Costs for the Project other than Parts 1(a) (ii) (iii) and (v) of the Project	2,560,000	100%
(3) Front-end Fee	62,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions.
(4) Interest rate Cap of Interest rate Collar Premium		Amount due pursuant to Section 4.05 (c) of the General Conditions
Total	25,000,000	

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, 2022, Euro 4,451,335 has been disbursed from the Loan proceeds while as of December 31, 2021, Euro 5,321,007 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.

During Y2022 no disbursements were made from IBRD 93060.

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 2022, 1 Euro was equivalent to 114.23 All.

As at 31 December 2021, 1 Euro was equivalent to 120.76 All.

3. Summary of significant accounting policies (continued)

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.

4. IBRD funding

Funds received from IBRD funding for the period from 1 January to 31 December 2022 were composed as follows:

	Period from 1 January to 31 December 2022	Period from 1 January to 31 December 2021
Direct payments	4,451,335	4,454,204
Replenishment	-	866,803
Total	4,451,335	5,321,007

5. Goods

Goods for the period from 1 January to 31 December 2022 were composed as follows:

	Period from 1 January to 31 December 2022	Period from 1 January to 31 December 2021
Supply & installation of Regional Hospital Information System (RHIS) including training	1,728,000	438,000
Office furniture for PCU	-	5,062
Total	1,728,000	443,062

6. Consultancy services

The consultancy services for the period from 1 January to 31 December 2022 were composed as follows:

	Period from 1 January to 31 December 2022	Period from 1 January to 31 December 2021
Staff salaries including the insurance paid by the staff Consulting Services for the supervision of the Regional Hospital of Laçi	117,891	105,521
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.	81,660	28,740
Consulting Services for the supervision of the Regional Hospital of Kuksi	22,780	42,400
Commissionary/Validation of the extension building Paediatric Hospital	6,794	12,594
Commissionary for Laci hospital	1,681	-
QSUT international management team support - Implementation of the New Management Strategy for QSUT (Conseil Sante)	1,239	-
Developing National Health Accounts (ICME)	-	457,853
Total	232,045	168,169

7. Training

Training for the period from 1 January to 31 December 2022 were composed as follows:

	Period from 1 January to 31 December 2022	Period from 1 January to 31 December 2021
Study Tour/s - HIF-Croatia	16,126	-
Total	16,126	-

8. Civil Works

The civil works services for the period from 01 January to 31 December 2022 were composed as follows:

	Period from 1 January to 31 December 2022	Period from 1 January to 31 December 2021
Rehabilitation of Regional Hospital Lac (Conorzio Ciro Menotti Ravenna)	2,087,618	621,169
Rehabilitation of Pediatric Hospital Mother Teresa	635,718	3,266,967
Rehabilitation of Regional Hospital Kukës (Arifaj shpk)	222,560	330,093
Total	2,945,896	4,218,229

- 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 8,929,162.

8. Civil Works (continued)

- Civil Works for Rehabilitation of Regional Laci 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/01-2020 dated January 29, 2021 signed between Ministry of Health and Social Protection and Consorzio Nazionale Cooperative di produzione e Lavoro "Ciro Menotti" Societa Cooperative per Azioni the total amount of 349,210,674 ALL including VAT equivalent euro 2,829,908.
- 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 1,058,134.

9. Incremental operating costs

Operating costs for the period from 1 January to 31 December 2022 were composed as follows:

	Period from 1 January to 31 December 2022	Period from 1 January to 31 December 2021
Health and Social Insurance for staff (portion paid out of IOC funds)	13,787	11,345
Other Incremental Cost (office administration)	10,440	7,454
Office Supplies	2,124	859
Bank Charges/ Commissions	606	1,093
Office Communication Expenses (Internet)	295	291
Advertisement Cost	267	-
Travel expenses and per diems (4 pers)	101	-
Operating Costs for Support for traveling expenses of NAIS eHealth unit (2018-2021) -(per diem tech.Working Group))	-	2,562
Total Incremental Operating Costs	27,620	23,604

10. Cash at the end of the period

Cash at the end of the period as at 31 December 2022 was composed as follows:

	Period from 1 January to 31 December 2022	Period from 1 January to 31 December 2021
Cash at Banks		
IBRD Credins Bank Account in EUR	475,217	266,680
IBRD Credins Bank Account in ALL	15,518	58,342
IBRD Special Account BoA EUR	-	643,670
Total	490,735	968,692

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	
	2022	2021
Balance at beginning of period	643,670	797,182
Funds received:		
Advance from IBRD	-	866,803
Total funds received	-	866,803
Disbursements:		
Funds transferred to Project Operational Account-POA in ALL	(300,000)	(500,000)
Funds transferred to Project Operational Account-POA in EUR	(343,670)	(520,315)
Total disbursements	(643,670)	(1,020,315)
Balance at end of the period	-	643,670

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	
	2022	2021
Balance at beginning of period	266,680	170,938
Funds received:		
Funds received from IBRD	343,670	520,315
Funds received from E.Lani (turn back per diem Barcelona)	44	-
Total funds received	343,714	520,315
Disbursements:		
Project expenditures	(124,938)	(243,629)
Funds received from internal transfer ALL account to euro account	(10,000)	(180,000)
Bank charges/Bank commission	(242)	(944)
Total funds disbursed	(135,180)	(424,573)
Balance at end of the period	475,214	266,680

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
	2022	2021
Balance at beginning of period	7,045,372	21,754,383
Funds received:		
Funds received from IBRD	35,196,000	60,979,000
Funds received from Internal transfer	1,184,000	21,834,000
Funds received from IMB (turn back)	2,089,996	-
Funds received from Purchase for tender documents	160,010	-
Total	38,630,006	82,813,000
Disbursements:		
Project expenditures ALL	(43,859,639)	(97,503,886)
Internal transfer from All Account to Euro account	-	-
Bank charges/Bank commission	(43,108)	(18,126)
Total	(43,902,747)	(97,522,012)
Balance at end of the period in ALL	1,772,631	7,045,371
Balance at end of the period equivalent in EUR	15,518	58,342