

REPORT ON THE PROCESS OF RECONSTRUCTION



Faktøje.al



"FOLLOW THE MONEY"

RECONSTRUCTION AFTER NOVEMBER 26, 2019

February 2022

During 2020-2021, through this project, the organization “Faktoje”, which provides fact-checking services, has realized the following:

- The first Centralized Database of Beneficiaries at municipality level in terms of grants, rent bonuses, and a list of individuals eligible for new houses according to the scoring system and their household characteristics, etc.

<https://faktoje.al/perfituesit-tirane/>

- Database of “Decisions of the Council of Ministers” on reconstruction fund allocation.

<https://faktoje.al/data/>

- Database on “Educational Facilities” included in the reconstruction process.

<https://faktoje.al/objektet-arsimore/>

- Database on “Buildings to be demolished”.

<https://faktoje.al/pallatet-per-shembje-tirane/>

Faktoje has monitored the process related to:

- 1 The allocation of funds necessary for the reconstruction process
- 2 Analysis of budgeted, procured, and spent fund:
- 3 Information on the number of grants and loans that Albania has managed to absorb
- 4 Transparency with regard to entities awarded reconstruction contracts, etc.

On the Faktoje.al website, a dedicated application has been created, called “Fakto dhe Ti”, specifying citizens’ complaints about various issues. Said complaints (over 30) were received, verified, and then delegated to the responsible institutions: responsible municipalities (part of the reconstruction process), Ministry of Reconstruction and to the attention of the Supreme Audit Institution. One part of the complaints have been verified and then published as articles on our website.

<https://faktoje.al/fakto-dhe-ti/>

Faktoje has produced a series of videos raising awareness about false information, about the recovery after the earthquake, sharing the issues reported by many citizens.

<https://www.youtube.com/watch?v=YjtTDu4xKCQ>

<https://www.youtube.com/watch?v=q7giGjy1IR4>

<https://www.youtube.com/watch?v=6ZrXlGI0vIk&t=3s>

THE PROCESS FAKTOJE FOLLOWED TO IMPLEMENT THE REPORT

In the framework of the report, Faktoje has submitted over 65 requests for information to local and central institutions regarding the reconstruction process, as part of the fact-checking methodology, but also aiming to provide the public with verified, official, and reliable information.

There was a noticeable "hermetization" in the provision of information about the reconstruction process during this process, with responses frequently exceeding legal deadlines and being incomplete by omitting certain answers, resulting in Faktoje filing complaints with the Information Commissioner in 20 cases.

The drafted report was distributed for consultation to 17 institutions of interest that were included or mentioned in the report, or to simply inform them.

Only 3 municipalities responded during the consultation process, namely Durrës, Kamza, and

Institution	Reply
Ministry of Reconstruction	No reply
Ministry of Finance and Economy	No reply
Albanian Development Fund	No reply
Supreme Audit Institution	A meeting took place
Ministry of Culture	No reply
Financial Supervision Authority	No reply
Municipality of Tirana	No reply
Municipality of Durrës	Replied
Municipality of Kamza	Replied
Municipality of Kruja	No reply
Municipality of Lezha	No reply
Municipality of Shijak	No reply
Municipality of Kurbin	No reply
Municipality of Kavaja	No reply
Municipality of Mirdita	Replied

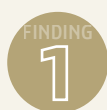
Mirdita Municipalities. The Supreme Audit Institution held a meeting with Faktoje to ensure that the report was seen and if any comments would be sent.

Requests for Information	Number of Requests Sent	Number of Answers Received	Number of Complaints	Total
Municipality of Tirana	10 Requests	7 Answers	3 Complaints	65 Requests
Municipality of Durrës	12 Requests	9 Answers	3 Complaints	
Municipality of Lezha	2 Requests	1 Answer		
Municipality of Kruje	3 Requests	1 Answer	1 Complaint	
Municipality of Kavaje	3 Requests	2 Answers	1 Complaint	
Municipality of Shijak	3 Requests	1 Answer	1 Complaint	
Municipality of Mirdite	3 Requests	1 Answer		
Municipality of Kurbin	4 Requests	1 Answer	2 Complaints	
Municipality of Kamez	4 Requests	2 Answers	1 Complaint	
Municipality of Vore	7 Requests	5 Answers	1 Complaint	
Municipality of Rrogozhine	1 Request	1 Answer	1 Complaint	
Albanian Development Fund	4 Requests	4 Answers		
Institute of Construction	1 Request	1 Answer		
Ministry of Reconstruction	4 Requests	3 Answers	4 Complaints	
Ministry of Finance and Economy	3 Requests	1 Answer	1 Complaint	
National Housing Authority	1 Request	1 Answer		
Albanian Financial Supervisory Authority	1 Request	1 Answer	1 Complaint	

TRACKING THE MONEY

RECONSTRUCTION PROCESS IN 2020-2021

12 FINDINGS & 12 RECOMMENDATIONS



Albania received a commitment to assist in meeting needs totaling **EUR 1.15 billion from the Donor Conference** in February 2020, **with EUR 295 million in grants** and approximately **EUR 853 million in loans**.

Despite the claim in the 2020 Budget Implementation Report, 11 months after 2020 ended, the Ministry of Finance and Economy stated in its reply dated December 9, 2021, that **“No loans have been signed as of yet,”** confirming Fakoje’s finding of a lack of loans regarding the reconstruction process.

RECOMMENDATION

The Albanian government should report and display clear transparency towards the citizens and the Parliament about the process of soft loan absorption from the Donor Conference and report on the reasoning behind the lacking performance in comparison to the commitments claimed about such loans, which would result in a lower cost to the state budget compared with the funding of budgetary expenditures with debt instruments in domestic and foreign markets.



According to sources from the Ministry of Finance and Economy (factual budget implementation report 2020) and the information obtained from the Ministry of Reconstruction, **it results that EUR 277 million or 94% of grants promised in the Donor Conference have been signed and are in use.**

- a** On the **reconstruction portal**, **there is no information about the range of grant procurement for the reconstruction process**, and how many of them have been realized or have been translated into public investments for the Albanian citizens.
- b** In the budget implementation reports and draft budget materials, **there is no reporting or detailing of the planning and realization of revenues from grants obtained from the Donor Conference** and the relevant projects and investments funded by such grants.
- c** According to the Ministry of Finance and Economy, with regard to the level of reconstruction grant disbursement, **there are no data reported by partners for development on the “External Assistance Management Information System” database.**

RECOMMENDATION

- a** The complete list of facilities funded by donors and their relevant amounts should be included in the report as part of budget realization and the transparency portal, too.

- b In line with the legal requirements on budgetary system management, the Government of Albania should follow and periodically report on the progress and level of disbursement of grants from reconstruction for the projects they fund.
- c Fiscal indicators should report revenues from grants and realization thereof and the list of investments should detail grant-funded projects and their actual progress.

FINDING 3

Based on the review of Council of Ministers' Decisions allocating reconstruction funds and allowing contract conclusion and works to begin, it was discovered that: **The allocated amount since 2020 has exceeded the annual and 3-year budgets adopted by the Albanian Parliament, resulting in an expenditure invoice that was not reflected in the fiscal indicators.**

- a In 2020, the government **allocated an amount of ALL 46.5 billion** (or roughly EUR 381 million) through DCMs for establishing work sites, **therefore exceeding the relevant budget.**
- b The same took place in **2021**, a year during which funds adopted by **new DCMs continued and are unsupported by budgetary funds.**
- c With the new 2022-2024 budget, **the amount unsupported by budgetary funds is ALL 33.7 billion** (or approximately EUR 276 million).

RECOMMENDATION

- a The Albanian government and the Supreme Audit Institution should exhibit transparency and encourage accountability in terms of the allocation of funds for the reconstruction process and the undertakings relevant to such allocations that exceed the funds budgeted and adopted by the Parliament of the Republic of Albania.

- b All commitments undertaken pursuant to the allocation of funds by DCMs should be recorded and reported in accurate and complete data, in accordance with the applicable legislation, and their progress, invoice recording, and payment disbursement should be monitored.
- c Thus also reporting on additional funding needs that would provide an accurate overview of the reconstruction cost and its impact on public debt.

FINDING 4

Based on the report of the Ministry of Finance and Economy in late 2020 and the publishing of the 10-month report of 2021, **it results that there is a lack of budgeting in terms of the full amount of projects.**

In the 2022-2024 capital investment list, part of the 2022 draft budget, **there is no item concerning any current or new reconstruction investment projects** (not only the ADF), **while 2022 is supposed to be the final year in the reconstruction process.**

During 2021, **new projects were launched that have not been detailed for 2022.**

RECOMMENDATION

- a Pursuant to the legislation in force and the recommendations of the IMF, the government of Albania should report the detailed list of each project covered by reconstruction funds, both at the budgetary planning stage and at the budget-implementation reporting stage.
- b The project detailing should be done in line with requirements at project level and included in the budgetary cycle and standard controls thereof.

FINDING
5

Normative Act No. 9, dated 16.12.2019 “On addressing the consequences of the natural disaster”, article 10, which focuses on the information and transparency principle, defines: The public authorities shall make public every revenue, donation or expense carried out with the aim to address the consequences of natural disasters. Article 38 of the same act sets forth the establishment of a **unique government portal in regards to the transparency of the reconstruction process and criteria that it should fulfill.**

As a result, **much of the information that should have been included in the portal in accordance with the Normative Act is inaccessible to citizens** in an organized and up-to-date manner, **or is not available at all** (for further reading, please refer to the respective report section). The stipulations of the Normative Act included the publication of data on procurement procedures with regard to the reconstruction process.

RECOMMENDATION

- a The Albanian government should ensure full Portal functioning by displaying transparency at least to the minimum extent pursuant to applicable legal acts. In addition to the list of beneficiaries, the detailed list containing the data at contract and economic operator level should also be included in regards to procurements for the reconstruction process.
- b With respect to procurement procedures, they may include data on winning bids or competitor number, in order to encourage transparency.
- c The list of reconstruction facilities covered by said contracts should be published, along with the reconstruction progress at project level and relevant funded costs.

- d The list of payments made by the treasury for beneficiaries and economic operators should be public and easily accessible to citizens, identifying the programs and projects relevant to the Reconstruction Process.

FINDING
6

Faktoje found that **there isn't a category to make periodic or annual reports and that the last report is from 2020**, on the use of budget funds on reconstruction.

RECOMMENDATION

The Albanian government should assess the possibility to publish detailed periodic reports on the reconstruction process. These reports should focus on the progress of outputs at project level, either funded by grants or by the state budget, and input use.

FINDING
7

The completion of the November 26, 2019 Earthquake **Reconstruction and Recovery program in 11 Albanian municipalities has been repeatedly postponed.** According to the Albanian Government Program published in September 2021, in the section regarding reconstruction, **the end of Spring 2022, is established as the deadline when all earthquake traces will be erased.** Whereas, **in further public announcements by the Government, the deadline was postponed to September 2022.**

Report and transparency is required from Tirana Municipality for allocated projects and in identified issues related to budgeting and financial reporting addressed in the report. **The fulfillment of commitments on the conclusion of the process is unrealistic and gets progressively postponed.**

RECOMMENDATION

The government of Albania and reconstruction process implementation units should report and conduct a realistic analysis of the reconstruction progress and sources necessary to meet the commitments. The government of Albania should analyze the reasons for deadline violations and the actions being taken to promptly complete the process.



The field work found that the **demolition process for earthquake-damaged buildings has encountered occasional delays and there are uncertainties regarding the classification of buildings** by those inhabiting the buildings classified as damaged, who are living there or may live there.

The demolition process that precedes reconstruction has faced delays, as is the case for Tirana Municipality. **The changes to the classification of construction facilities**, the removal and inclusion of facilities in the reconstruction process even 2 years later (see the Student Residence No. 16 case) **are an indicator of the challenges to the process and increase the risk of including in this process public works that are not necessarily related to the November 2019 earthquake.**

RECOMMENDATION

The Albanian government, in collaboration with the Construction Institute and implementation units, should make the list of earthquake-damaged facilities and their classification transparent at facility level and final evaluation date. Any amendments or addenda to the list should be made transparent. Above all, in order to ensure the safety of residents, facilities designated as uninhabitable and scheduled for demolition should be treated as such and restricted from public access. The government should perform a demolition progress review to meet commitments for successful process completion.



By DCM No. 212, dated 11.03.2020, "On the use of the reconstruction fund for financing the reconstruction of educational facilities", Tirana Municipality was allocated a total amount of ALL 3.63 billion (or approximately EUR 30 million) for the reconstruction of educational facilities. The total fund allocated to Tirana Municipality increased by ALL 2.48 billion (or around EUR 20 million), thus amounting to a total of ALL 6.11 billion (or about EUR 50 million) for the reconstruction of educational facilities in this implementation unit.

The funds allocated by DCM 212, as amended, would fund the reconstruction of 22 educational facilities in Tirana Municipality, their works supervision, and furnishing. Based on the review of Standard Tender Documents, it results that 5 framework agreements have been concluded for these educational facilities concerning their reconstruction, works supervision and furnishing. Meanwhile the DCM-allocated amount for Tirana Municipality was ALL 5.18 billion.

Therefore, Tirana Municipality has entered into a framework agreement amounting to approximately ALL 810 million (or roughly EUR 6.64 million), thus exceeding the fund allocated then. The applicable legislation on the budgetary system management prohibits the undertaking of financial commitments (contracts) that exceed funds allocated upon their signing. Furthermore, the legislation stipulates that contracts must be recorded on the treasury system within 5 days from being signed. The failure to comply with legal provisions is subject to relevant administrative measures.

RECOMMENDATION

The government of Albania should discipline the process of commitment recording and reporting, in order to address the risk of undertaking commitments or concluding contracts that exceed DCM-allocated funds. For undertaken commitments that exceed allocated funds, implementation units should apply

the measures provided for in the legislation in force. Moreover, the Government should discipline the process to ensure that all contracts are backed by budgetary funds and do not become concealed debt to citizens.

FINDING 10

The government of Albania, by DCM No. 1134, dated 24.12.2020, entitled “On the use of the reconstruction fund to finance the rebuilding/reconstruction of educational facilities in Tirana Municipality and appointing Tirana Municipality as the implementation unit,” awarded Tirana Municipality a fund of approximately ALL 1.61 billion (or approximately EUR 13.2 million) for the reconstruction of several student residences (dormitories) and a school. Based on a review of contracts concluded under the DCM, it appears that a contract has been signed using “DCM 1134” as the funding source **for the reconstruction of the “Besim Daja” school, for a total amount of around ALL 140 million or EUR 1.15 million, despite the fact that the school itself is not listed as a beneficiary in DCM 1134.** Furthermore, the total amount allocated under DCM 1134 is ALL 1.608 billion, while **Tirana Municipality has entered into contracts under the DCM in the amount of ALL 1.69 billion, thus exceeding the allocated fund by ALL 82 million or roughly EUR 670 thousand.**

RECOMMENDATION

The government of Albania and Ministry of Finance should monitor the undertaking of budgetary commitments within approved limits and ensure their timely recording. It should establish law-required premises in the budgetary system for recording commitments in their full amount and relevant time, as well as take measures to record all contracts on the treasury system. The requirements of the applicable legislation in terms of imposing administrative measures on implementation units for

delays in commitment recording should apply for any delays or failures to fully report. Following contract and commitment level reviews, for commitments exceeding adopted funds, the provisions of the applicable legislation should apply, assigning responsibility to employees of the implementation units appointed by relevant DCMs. It is critical to monitor commitments at the project level, rather than just at fund realization, to ensure both limit observance and utilization for the outputs/projects for which they are allocated, while also accounting for quantitative variances.

FINDING 11

By DCM No. 212, dated 11.03.2020, “On the use of the reconstruction fund for financing the reconstruction of educational facilities”, **ADF was allocated an amount of ALL 4.35 billion (or approximately EUR 36 million) for the reconstruction of 45 educational facilities in some municipalities of the country as well as for the supervision of the works. The allocated value of the reconstruction (not including the supervision) is ALL 4.175 billion** which is divided in 7 Lots. Based on the data analysis regarding the fulfillment of the contract **it turns out that as of this contract there have been investments in 37 objects out of the 45 objects planned to be financed** by DCM 212. Based on the analysis it turns out that **9 educational facilities were not part of the list submitted by ADF:** 2 have been transferred with the DCM from the ADF to be implemented by other units, 3 have been financed and implemented by EU4SCHOOLS, 2 objects have been financed by the German KfĚ and there was no explanation to what happened to 2 other facilities. After Faktoje’s request for information on the reconstruction of 36 facilities (without including the school ‘Jashar Hoxha’ which was added later) which cost ALL 3.90 billion. **Thus the number of objects has gone down to 9 whereas the funds have only gone down by ALL 275 million.** If we also count that the German Grant for 3 schools is EUR 11 million and will finance two of the schools

which were previously part of the funding list by DCM no. 212, thus the state budget would spare approximately ALL 894 million or EUR 7.3 million. Also two educational facilities such as the 9-year schools "Gjon Gjonaj" and "At Zef Pëllumbi" which were transferred by the DCM in other implementing units thus their respective value with a total of ALL 424 million of **EUR 3.5 million should have been spared by the ADF.**

RECOMMENDATION

The Government of Albania should also conduct a detailed analysis of the funding of educational facilities by analyzing quantitative variables and the monetary value with the allocation and causes that caused this situation. The Government of Albania should detail and monitor reconstruction funds at the facility/project level, since according to SAI the way it is detailed makes it harder to follow the project's implementation in the financial aspect. The Government of Albania should ensure that the donor's funds will serve to ease the burden on the state's budget. The government of Albania should take measures to address the financial risks and as soon as a object is financed by another source or transferred for implementation in another unit it should conduct a transparent analysis to review the earlier allocations of the implementing units.



Contrary to what was initially determined by Decision no. 6, dated 16.12.2019 of the Inter-Ministerial Committee for Civil Emergencies and since the closure of the landfill of Porto - Romano the **inerts which were created during the earthquake on November 26, 2019 were deposited in the Sharra Landfill free of charge. According to the municipality of Tirana the cost for the deposition in the landfill is covered in the context of the help provided to deal with the consequences of the earthquake by the company "Integrated Energy BV SPV".** It turns out that **this contribution in kind by this company is not being reported in the donor's list with the respective amount as part of the assistance provided by them.**

RECOMMENDATION

The Government of Albania and the Local government units which were affected by the earthquake should be transparency, register, adjust and report on where the reconstruction inerts were deposited and the respective value as well as the contribution in kind provided by the company "Integrated Energy BV SPV".



“The report was realized as part of the project “Follow the money” - of the recovery after the earthquake in Albania”, with the financial support of the Democracy Commission Small Grants Program of the Public Affairs Office of the U.S. Embassy in Tirana. Opinions, findings, conclusions and recommendations expressed are of the author/s, and do not necessarily represent those of the State Department.

