



Donor Co-ordination Architecture” of Albania is led by Government-Donor Roundtables (DRT). The latest regular DRT, held in November 2009, presented an overview of the progress towards the EU and NATO integration, and implementation of the IPS and donor coordination in Albania. It concluded with the endorsement of the Harmonisation Action Plan (HAP) for improving donor co-ordination and aid effectiveness. The HAP sets out the agreed domestic targets for the Government and donor community for the 12 indicators of the Paris Declaration. In a meeting of the Development and Integration Partners in early 2010, the Government and donors were asked to provide their commitments to the implementation of the HAP.

This report is prepared by the Department of Strategy and Donor Coordination (DSDC) on behalf of the Government of Albania (GoA) to provide an overview of the continuous joint efforts to improve coordination and effectiveness and synchronize the work of donor and Government agencies in Albania toward the HAP implementation.

Indicator 1: Operational development Strategies

The National Strategy for Development and Integration (NSDI) 2007 – 2013 is under implementation and is actually supported by 27 approved sector and cross-cutting strategies. In addition to the approved strategies, 11 sector and crosscutting strategies are in process. The increasing number of completed strategies is an indication that Albania is moving toward reaching the 2010 target for this indicator. Improvements can still be done to the way these strategies are translated into action plans and linked to the Medium Term Budget Programme (MTBP) and annual budgets. Two main processes are serving this purpose: (i) the Project Priority Notes (PPN); and (ii) the Ministry Integrated Plans (MIP). The annual preparation of the PPN feeds directly into, and is an integral part of the MTBP. Recently, the MTBP has been growing into a more programme-wide approach – reflecting investment priorities at programme level. This is accurate for domestic investments and less applicable for external assistance. Since the MTBP is the crucial process for translating the NSDI and the sector and crosscutting strategies into budgetary terms, this process needs to be strengthened continuously. Improvements can be further made to the coordination mechanisms in order to avoid potential overlaps or inconsistencies as well as in order to increase the coherence of the investments and the linkages with the Medium-Term Budget Programme. A core component in the implementation of the Integrated Planning System (IPS) is the process of the strategy monitoring. The current monitoring instruments that have been in place so far are the NSDI Annual Progress Reports and the Ministry Annual Results Report. They have served as an instrument of communicating the achievements and increasing transparency. One critical process improvement directly related to IPS to strengthen the linkages between core strategy documents (NSDI, sector strategies, National Plan of SAA Implementation) and programme policy goals, objectives and outputs.

This will enable the government to identify more accurately how budget expenditures are supporting its policy priorities and create a firmer basis for “value for money” evaluations. In order to ensure that the priorities set out in the NSDI and supporting sector/cross-cutting strategies are appropriately reflected and delivered, the GoA has started a new process aiming to develop and test a *result-based monitoring system* (this will be more elaborated under Indicator 11).

Indicator 2: Reliable Country Systems

The improved Law on *Management of the Budgetary System*, approved in July 2008, has served to codify the MTBP and as a reference for the regulation on foreign assistance. The MTBP 2010-2012, prepared in 2009, was the first one undergoing a thorough process, showing improvements from the previous year’s budget. Continuous improvement is seen in the preparation of the MTBP 2011-2013. All budget institutions now prepare MTBP requests and receive budget allocations on a programme basis. Public investment has been fully integrated within the MTBP and public investment appraisals are now completed for significant capital projects based on the *Public Investment Procedures Manual* as part of the MTBP process.

Since 1st of January 2009, all contracting authorities have the obligation to award their contracts by using the e-procurement platform. The introduction of 100% e-procedures is perceived as the best tool for increasing transparency and reducing the costs of conducting the procurement process, for both contracting authorities and economic operators. The Public Procurement Commission has started to operate as of 1 April 2010, an independent body that will review and evaluate public procurement complaints.

In 2009, the GoA, represented by the DSDC, taking stock of the significant improvements undertaken since the issuance, in 2006, of the World Bank’s Country Fiduciary Assessment Report, requested the donor community to support its continued efforts to improve the public procurement system, through the conduct of an independent assessment of the public procurement system following an internationally recognized methodology. Over the period May-June 2009, the OECD/DAC methodology was presented to key stakeholders (donor and government representatives) by the UN Procurement Capacity Development Centre (based in Copenhagen). Consensus between the Government and donor community emerged to fully implement this assessment and to use it as a basis for discussion in order to increase use of country procurement system as agreed in the Paris Declaration and the Accra Agenda for Action. An international consultants and local consultant’s team working in coordination with the GoA and international donor community in Albania, carried out the first phase of the assessment work from 17 March through 23 April 2010. The assessment team will continue with its second phase in June 2010 and during this period the report will be validated and finalized and a gap assessment of GoA procurement capacities will be performed. Findings of the report will be shared with donor and government stakeholders upon its finalization.

Indicator 3: Aid flows are aligned on National Priorities

The DSDC has established a database (access-based database) of external assistance containing over 1400 completed, ongoing and planned projects, covering for the period 2000-2013. This database intends to provide an analytical overview of donor activities in all sectors. During January-March 2010, the DSDC completed its semi-annual update of the donor database, which is expected to provide a more comprehensive picture of external assistance in the country matched against priority areas, sectors, or sub-sectors as indicated in the national strategy (NSDI 2007-2013). During the March-April 2010 period, as per the budget preparation instructions, the DSDC submitted to all ministries the respective list of projects financed by external assistance. Information received on donor data is reflected in the MTBP in time, and it results in identifying gaps in budget ceilings and priorities for line ministries. There have been cases of delays in receiving information from donors, while there is little indication of planned disbursement for the years 2010-2013.

Under the IPS Trust Fund, an External Assistance Management Information System (EAMIS) is planned to be designed as a module of Albanian Financial Management Information System (AFMIS), which will facilitate the accurate recording of aid into this system, eventually narrowing or even closing the gap between aid reported by donors and aid recorded in the state budget. The GoA is in the negotiation phase with Oracle to obtain a Turn Key solution of the AFMIS system in Albania. Since the implementation of the AFMIS will exceed in time the IPS TF current deadline, the Government and donors have agreed to extend the IPS Trust Fund for one more year, until September 2011. A joint NSDI/External Assistance Annual Report will be prepared for 2010. The primary data source of this report will consist of the donor database, while secondary data sources will include the OECD/DAC database, the External Assistance Orientation Document (EAOD), and the NSDI.

Indicator 4: Strengthen capacity by coordinated support

Albania had made a marked improvement in its rating for indicator 4. The rise in the amount of coordinated technical support can be mainly attributed to joint efforts to meet short- and long-term needs for IPS and NSDI implementation. There have been improvements in donor behaviour to providing technical assistance in a manner that is co-ordinated with country strategies (NSDI 2007-2013 and the sector and cross-cutting strategies).

Implementation of the One UN Programme, through the Delivering as One (DaO) pilot, fits well within the overall national context of Albania, supports alignment of external assistance with national priorities and enhances strategic planning. A Country-Led Evaluation of the DaO pilot has been completed providing recommendations on further deepening of the UN reform process in Albania. The One UN Programme has been extended until end of 2011, at the request of the Government. The formulation of the next UN Common country Programme (2012-2016) will begin during the second half of 2010.

The European Commission is launching the preparatory work for the next MIPD 2011-2013, which will comprise the key areas of assistance to Albania and will outline IPA focus, in close cooperation with Albanian institutions, government strategies and action plans. As a follow up of the Sarajevo

workshop, the strategic planning of IPA will be shifted gradually towards sector oriented approaches. For this purpose, the Ministry of Integration (NIPAC) and DSDC, in close cooperation with the EU Delegation in Albania, will explore and then assess several sector strategies, in order to move forward to identify and agree on priority sectors sufficiently advanced for starting to implement and develop a sector wide approach. In this context, five sectors strategies are under consideration: Transport, Justice, Water, Environment and Agriculture. The outcomes of the sector strategy assessment and of the above sectoral meetings will be reflected in the MIPD 2011-2013 before the end of summer 2010.

Austrian Development Cooperation is currently preparing the Albanian Country Strategy 2010 – 2013 which aims to be fully aligned with the national priorities of Albania. ADC will focus on three main programmes such as: Environment, VET and Good Governance.

The new strategy for the Swedish Development Cooperation with Albania 2009-2012 is now at its implementation phase. The Government of Albania and Sida are in continued discussion to operationalize the strategy aiming at a better focus and coordination with other donors possibly through a programme or sector based approach in order to increase the efficiency of the donor support.

Switzerland is in the process of establishing for the coming four years a new Cooperation Strategy 2010-2013, to be finalized in June 2010, which will be fully aligned with the national priorities of Albania. The new strategy will be focussed on four main domains: democratisation and decentralisation, social inclusion, infrastructure, and economy and employment.

World Bank is preparing the Country Partnership Strategy FY11-14 whose main driver is the Government's development strategy as articulated in the NSDI and the accompanying EAOD. It is focused on accelerating the implementation of the large ongoing portfolio of Bank-financed projects in Albania, while selectively adding new projects, in a reduced number of critical sectors.

The Italian and Albanian Governments signed on 12 April 2010, a new protocol of cooperation for development for 2010-2012. The new protocol will provide 51 million Euro support to finance projects in private sector, agricultural and rural development, public, infrastructure and social development.

The German and Albanian Governments signed on 18 May 2010 a new protocol of cooperation for development for the period 2010-2011. The new protocol will provide 85.6 million euro support to finance projects in energy, water supply and sanitation, and economic development (SMEs).

The Hungarian and Albanian Government agreement on economic cooperation, in the fields of agriculture, energy, health, transport, ICT, etc., was approved by the Council of Ministers on 17 March 2010.

Although Japan does not have a specific strategy or agreement with Albania, a better focus of JICA assistance has been jointly discussed and agreed upon in 2010, based on country priorities and JICA comparative advantages.

Periodic meetings between donors active in a certain sector and the respective ministries have been ongoing for quite some years, at least for the most important sectors like Justice and Home Affairs, education, transport, etc. Starting in 2009, a calendar for the meetings of Sector Working Groups (SWG)

was established jointly with DTS, which is now produced at the beginning of each year. The 2010 Calendar was introduced to the donor community and line ministries in January. According to the calendar, the SWGs should meet at least quarterly. The SWGs are viewed as important fora for policy dialogue. To date, most of the SWG meetings have been focused on information sharing and better coordinating external assistance to the specific sector/sub-sector level and much less on policy coordination, strategy monitoring or priority investments and the MTBP or even less on the impact assessment (except few SWGs, like those under the J-HA, organised by the International Consortium, being a notable exception). Some changes are introduced in 2010, consisting in the re-organization of the structure of the SWG to better meet the NSDI strategic division. On the other hand it is noted that there is development of the Government leadership, and a higher dialogue level between parties. Although at least 33 meetings of the SWGs and sub-groups were organised in 2009 and 14 meetings in 2010, improvements are to be made during the rest of 2010. Main objective for 2010 is the organization of those SWGs that were not active in 2009, but which are of a high priority for the GoA. The DSDC has put a lot of attention to ensure the increase the awareness of the line ministries in issues regarding the HAP and Paris Declaration and the implications of their implementations at the sector level.

Indicator 5: Use of Country's PFM and Procurement Systems

Despite significant legal accomplishments within the PFM and the public procurement systems, the fact remains that the donor community is still reluctant to make use of country's systems. Upon publishing the final findings of the Assessment of the Public Procurement Systems, the donor community will evaluate whether or not to increase the use of country's systems.

Indicator 6: Strengthen capacity by avoiding parallel implementation structures

Based on information received from the line ministries in 2010, there are currently 25 PIUs. The Ministry of Public Works, Transport and Telecommunication has the largest number of PIUs (13); followed by the Ministry of Environment, Forestry and Water Administration (7); Ministry of Health (3) and; Ministry of Economy and Trade (2); while the other ministries do not have PIU. Line ministries have been using some former PIUs to manage projects from several donors. There is a need to continue activities that allow the government to utilise capacities built under previous projects and facilitate knowledge transfer. Continuing efforts to reduce the number of parallel PIUs will help Albania reach its 2010 target.

Indicator 7: Aid is more predictable

In January-March 2010, most donors reported to DSDC in a more timely fashion compared to the previous years. However, not all reporting has been done according to the format provided by DSDC, which has led to (i) significant delays in updating the database, (ii) missing information, especially regarding planned disbursements 2010-2013. Timely information received on donor data is very crucial in order for this information to be reflected in the MTBP in due time, to identify gaps between budget ceilings and priorities for the line ministries. Information on disbursement rates is very crucial not only for analysis purposes but also for a better planning of

the VAT reimbursement rates. Assistance in the form of loans is accurately recorded by the MoF and the Department of Treasury, while grants are not always recorded so meticulously. Thus, special attention needs to be given to the recording of grants in the government's budget.

Indicator 8: Aid is untied

The target for this indicator has already been achieved and surpassed, so no major achievements can be mentioned here.

Indicator 9: Use of common arrangements or procedures

As HAP predicts, for the fulfilment of this indicator more focus should be placed in exploring sectors to establish a PBA/SWAp. In this view, in March 2010 the GoA in collaboration with Sida Office in Tirana have jointly organised an in-depth practical training on Programme Based Approaches/Result Base Management. This training that was aiming at bringing the understanding of PBAs and SWAps to a higher level among stakeholders was attended by line ministries, DSDC and Sida members as well as representatives from selected donors and implementing agencies. Focus was extended to the Environmental Sector where the aim was to learn how to operationalise PBA/SWAp as well as define specific roles for the main actors in this sector.

Following the Sida training, a workshop in Sarajevo on "Sector Approaches in the Context of the EU Integration", was held in March 2010. The event provided the opportunity to identify methods for the formulation of sector approaches and to develop them in countries engaged in the EU integration process. The main sectors identified during this workshop were: J-HA, Water, Transport, Agriculture and Environment. Next to these theoretical approaches, the main activities to follow will be the joint discussion between DSDC, MEI and EU Delegation in order to explore the most advanced sectors where a PBA/SWAp may be introduced. The Government of Albania is looking at the options to implement PBA/SWAp in Agriculture and Environment sectors.

One example of an existing PBA/SWAp in Albania remains within the education sector (under implementation since June 2006) that is funded by WB, EIB, and CEB. The SWAp is established within the framework of the Education Excellence and Equity Programme that is the instrument for the application of the national strategy.

Other examples of using common arrangements or procedures are: The IPS Trust Fund, managed by the World Bank and with participation of UK, Austria, the EC, Italy, the Netherlands, Sweden, and Switzerland, which relies on existing government structures for implementation. Under the new agreement, IPS TF current deadline will be extended until September 2011.

The Millennium Challenge Albania Threshold Agreement, phase I and II, implemented by the US Government, is another example of donor efforts in support of programme-based approaches. It is being implemented since the end of 2006.

In February 2009, the Fast Tracking Initiative of Division of Labour (FTI-DoL) began in Albania. The purpose of the FTI-DoL is to help implement the EU Code of Conduct on Division of Labour adopted by the EU Council of Ministers in May 2007. Italy is the facilitator in this process. A joint work has been done by the GoA/DSDC representatives, Italy and European donors. Following the joint analysis carried out throughout 2009 and early 2010, a common agreement has

been reached on the roles and responsibilities of the European Lead Donors in the context of FTI-DoL. The allocation of Lead Donors to specific sectors has been agreed based on expression of interest from donors and as a result of sectoral analysis of donor commitments. This initiative has been formally adopted through a Memorandum of Understanding where the GoA and the participating donors have firmly expressed their will to endorse and develop it forward. Its signature on 31 May 2010 marks the beginning of the implementation of an in-country division of labour. The ultimate goal is to achieve better development results through more effective aid.

Indicator 10: Encourage shared analysis

In 2009 and early 2010, the number of individual donor missions has been still very high (as identified through the DSDC appointment calendar). From the same sources, it is noted that the number of joint missions remains still very low.

Indicator 11: Managing for Results

The DSDC has finalized in consultation with donors the IPS Communication Guidelines 2010–2013 that has started to be implemented. The IPS Communication Guidelines aims to increase awareness and provide practical and focused information on IPS issues to different target groups, as well as enhance the role of DSDC as the facilitator and accelerator and connection point between the Government and donors.

The 2008 NSDI Progress Report was published in December 2009. The document focuses on the progress made on the indicators defined in the NSDI, and on the further steps that need to be undertaken. While further progress is needed, the NSDI includes clear high-level indicators for sectors. This report tracks progress against 44 high-level strategic indicators. In 2009, the Ministry of Finance has initiated quarterly monitoring of the outputs contained in the ministry MTBP requests; while a number of measures monitored through the National Plan of SAA Implementation do provide a gauge of performance. Ministry Integrated Plans (MIP) are introduced since 2007, while in 2009, the first Ministry Annual Reports (MAR) were also completed. These reports measure the results achieved against the commitments set out in the annual Ministry Integrated Plans. The 2010 MIPs, finalised in April 2010, include a selected list of key results, indicators, major European integration commitments, draft legal acts, major public investment projects, key external assistance projects, and anti-corruption measures.

In 2010, Government's IPS priorities include introduction of performance monitoring and impact assessments. The introduction of policy instruments, such as impact assessments, offers another major opportunity to communicate ongoing efforts to ensure successful implementation. The DSDC, MoF and METE tested ways in which impact assessments can be introduced as a core policy instrument of the government's decision-making system. Establishment of a comprehensive monitoring system for sector strategies has been first piloted during the first half of 2009 for social inclusion and social protection strategies. In identifying policy options and the related policy, fiscal and regulatory impacts, ministries will consult and engage stakeholders extensively in the new policy process. Creative ways to gather ideas and perspectives using the internet will supplement the traditional face-to-face meeting as a consultation mechanism.

Preparation of the monitoring formats, called Performance Assessment Matrices (PAM), is undergoing. The Strategic Planning Committee (SPC) meeting held on 12 May 2010 approved the PAM process. In June 2010, DSDC will launch the result-based monitoring mechanism in a retreat with General Secretaries and Deputy Ministers. Following the discussion of the monitoring reports and requests for improvements with line ministries, in December 2010, the DSDC will prepare the PAM tables and submit them to SPC for consideration and action. These formats include:

- PAM planning tables: report planned targets of the strategies as declared by ministries (tables will be part of MIPs)
- PAM monitoring tables: report actual vs. planned targets of the strategies and provide achievement ratings by programme and by strategy (tables will be part of MARs)
- PAM scoreboard tables: 'traffic light' accountability system based on the above achievement ratings (these tables will be internal documents to be discussed during SPC meetings).

In this context, the proposed monitoring mechanisms are based on performance and have several purposes:

- Serve as the basis of the NSDI review - This process is necessary to enable: (i) the drafting of MTBP beyond NSDI 2017-2013 deadline, in 2011 the MTBP 2012 – 2014 will be compiled; (ii) provision of new commitments in the process of EU integration and other GoA priorities.
- Support national planning and performance budgeting – integral part of IPS.
- Promote accountability and enhance transparency – SPC analyses the extent to which ministries have reached their declared policy objectives and requests adequate corrective measures
- Help ministries in their program policy analysis – they will improve the implementation of the sector strategies, after reviewing programme policies and feeding findings from monitoring into the following policy cycle. This process will strengthen the implementation of NSDI.

Indicator 12: Mutual Accountability

The Harmonisation Action Plan was endorsed in November 2009. Both donors and the Government are coming up with their commitments for the HAP implementation. The HAP implementation and its achievements will be jointly monitored by the Government and the donor community.



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