



REPUBLIC OF ALBANIA
COUNCIL OF MINISTERS

Integrated Planning System MANUAL

DEPARTMENT OF STRATEGY AND DONOR
COORDINATION

Foreword

Looking forward, the pace, scope and complexity of demands placed on Government will continue to increase as we pursue European and NATO integration and accelerate our socio-economic development. If Government is to play its role, it must be supported by sound policy development and good public financial management. I believe that the Integrated Planning System presents a comprehensive, well-designed approach for strengthening these core processes and improving the overall effectiveness of Government.

Reform of this scale requires commitment and willingness to change at all levels in Government. As Government, it is our individual and collective duty to lead the successful implementation of the new system within ministries and across government. This handbook provides an overview of the core features of the Integrated Planning System to assist us in fulfilling our role as champions of change.

Prof. Dr. Sali Berisha
Prime Minister

A handwritten signature in blue ink, appearing to read 'S. Berisha', with a horizontal line underneath.

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Abbreviations

BPI	Budget Preparation Instructions
CBPI	Complementary Budget Preparation Instructions
DSDC	Department of Strategy and Donor Coordination
EI	European Integration
GSBI	Group on Strategy, Budgeting and Integration
IPS	Integrated Planning System
IPSIS	Integrated Planning System Information System
MIP	Ministry Integrated Plan
MMP	Ministry Monitoring Plan
MOF	Ministry of Finance
MTBP	Medium-Term Budget Programme
NSSSED	National Strategy for Socio-Economic Development
NSDI	National Strategy for Development and Integration
PEIP	Programme Expenditure and Investment Planning
PEM	Public Expenditure Management
PMT	Programme Management Team
PPR	Programme Policy Review
SAA	Stabilisation and Association Agreement

Introduction

“Strong political commitment and effective leadership are critical for the success of the Integrated Planning System.”

This handbook has been designed to provide an overview of the Integrated Planning System (IPS)

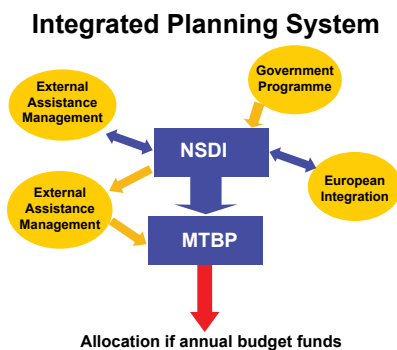
What is the Integrated Planning System?

IPS is the key national decision-making system for determining strategic direction and the allocation of resources. The aim of the IPS is to provide a broad planning framework within which the Government’s core policy and financial planning processes function in a coherent, efficient and integrated manner. The core processes include:

- National Strategy for Development and Integration (NSDI)
- Medium-Term Budget Programme (MTBP) and Public Investment Management Process as part of it;
- European Integration and NATO Membership
- External Assistance

IPS focuses on the technical redesign and harmonisation of these core processes. The fundamental assumption of IPS is that the quality and coherence of these technical processes significantly affect the government’s ability to achieve its policy goals/objectives and keep its promises to the public.

Figure 1. IPS core processes



Accountability for the Integrated Planning System

The Government of Albania affirmed its commitment to IPS in November 2005 and set out these responsibilities at the decision-making and coordinating levels.

The **Council of Ministers** is the ultimate decision-making body for major policy proposals, including national, sector and crosscutting strategies, the state budget, and all implementing laws.

The **Strategic Planning Committee**¹ is an inter-ministerial committee chaired by the Prime Minister that reviews and endorses the government's policy and fiscal priorities. This involves:

- o setting the policy priorities and strategic directions within a sound fiscal framework at the beginning of the annual planning process;
- o deciding on the inter-sectoral resource allocation (MTBP preparation ceilings) over the medium term;

1. The Committee is composed by: Prime Minister (Chair), Deputy Prime Minister, Minister of Defence, Minister of Economy, Trade & Energy, Minister of Integration, Minister of Finance, Minister of Foreign Affairs, and Minister of Public Works, Transport & Telecommunications

- o reviewing the draft MTBP prior to the preparation of the state budget and;
- o receiving regular reports on progress against key IPS commitments

The **Government Modernisation Committee**² is an inter-ministerial committee chaired by the Deputy Prime Minister that approves IPS methodologies and ensures that the technical elements of IPS will effectively and efficiently deliver the government's priorities.

Department of Strategy and Donor Coordination (DSDC) is a newly established structure at the Council of Ministers with the aim of coordinating the implementation of the IPS throughout the Government. Two other processes that DSDC is responsible are: the preparation and monitoring of National Strategy for Development and Integration and external assistance coordination.

A key issue for the successful implementation of IPS is the presence of a common management team in each ministry to address the planning and budgeting processes. To lead the process, a Group for **Strategy, Budgeting and Integration (GSBI)** was established in each Ministry in May 2006. GSBI manages, assures the quality, and monitors the implementation of IPS within the ministry. The Group is led by the Minister, and comprises the Deputy Ministers, the Authorizing Officer/ General Secretary, all General Directors and the Heads of the Programme Management Teams. Each GSBI has a technical secretariat and may create **additional working groups** at the sector or programme level for more focused work, for example, the Programme Management Teams used in the MTBP process. Depending on the subject, other officials may be called upon as required.

The Authorizing Officer/ General Secretary is the IPS coordinator for the ministry. The coordinator serves as the ministry contact point for DSDC at the Council of Ministers on IPS related issues.

2. Committee comprises Deputy Prime Minister (Chair), Minister of Economy, Trade & Energy, Minister of European Integration, Minister of Finance, Ministry of Interior and Minister of Public Works, Transport & Telecommunications

This chapter briefly describes the IPS implementation plan and annual cycle and then summarizes each of the core policy and financial processes.

IPS Implementation Plan

IPS implementation is taking place in a series of stages.

- **2006** – Process design – establishment of central IPS structures and building capacity. In line ministries, establish oversight structures, expand awareness of IPS, extend the basic IPS methodologies, and assess needs.
- **2007** – Implementation – Ensure that processes are understood and institutionalised across government, with targeted technical assistance for specific ministry products.
- **2008 – 2009** Consolidation – Strengthen accountability mechanisms and increase service delivery capacity.
- **2009** – Implementation in all ministries, with emphasis placed on securing technical assistance, organizational development and improving ministry planning and budgeting capacity,
- **2010** – Quality of implementation, with emphasis placed on further strengthening accountability mechanisms and increasing ministry service delivery capacity.

IPS Calendar

At the beginning of each year, an **Integrated Planning Calendar** is approved setting out the key deadlines of IPS, including the planning for the implementation of the National Strategy and Development of Integration (NSDI) 2007-2013, European Integration process, Medium Term Budget Programme (MTBP), and external assistance. IPS calendar includes also the agenda of the Strategic Planning Committee.

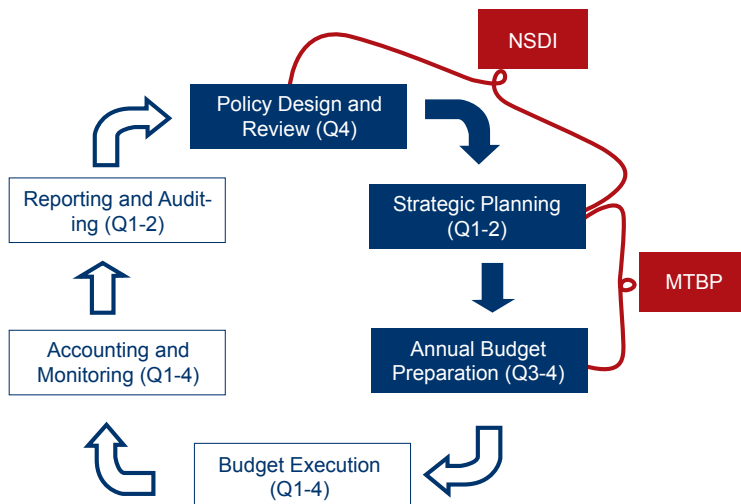
National Strategy for Development and Integration

The **National Strategy for Development and Integration (NSDI)** replaced the National Strategy for Socio-Economic Development (NSSED). This change signifies the increasing importance that European and NATO integration have in driving the policy agenda and determining resource allocation. NSDI presents the medium to longer-term policy direction for government over a 7 year planning time frame (2007 – 2013). It is founded upon a national vision and a comprehensive set of sector and crosscutting strategies. The national strategy details affordable and achievable policies in each sector needed to deliver the Government's policy goals. Sector strategies consider strategic policy commitments from the Government Programme, European/NATO integration requirements, and any major public investment or external assistance priorities.

Since 2006, each ministry has been reviewing its sector strategy and, in consultation with DSDC, has determined what steps are required to revise, or, if one does not currently exist, develop a strategy. Ministries are also responsible for leading or participating in the preparation of crosscutting strategies which cover policy commitments spread across several ministries. The strategies include some broad costing of policies in the medium- to long term under alternative scenarios of resource availability. During the drafting of the national strategy, the financial implications of all sector strategies and trade-offs in public expenditure are considered together to ensure that the strategies are affordable in aggregate. The sector strategies provide the policy basis for the MTBP. The NSDI document was completed in December 2007 and approved by the Council of Ministers in March 2008.

The linkage between the medium- to long-term national strategic priorities and the budgeting and resources allocation process is the key feature of the Integrated Planning System (IPS). (Figure 2 below).

Figure 2: The linkage between the NSDI and the MTBP cycle



Medium-Term Budget Programme

The **Medium Term Budget Programme** ensures that **budget allocations reflect policy priorities** over the medium term (3 year period) by making an explicit linkage between budget allocations and programme policy objectives. In doing so, the MTBP addresses the appropriate mix between investment and recurrent expenditure allocations and considers the balance between expenditures undertaken by central government and those undertaken by local government. The 3 year time horizon for expenditure planning allows greater predictability in future resource allocations. Table 1 outlines the annual MTBP process.

Table 1: Annual MTBP process

Quarter	Key Actions
Quarter 1	The MTBP preparation commences in December of the previous year, when MoF prepares the macroeconomic assessment and forecast . In February, DSDC produces the priorities policy note to guide the setting of the MTBP preparation ceilings.

Quarter	Key Actions
	<p>SPC and CoM approve the medium term macroeconomic framework, setting of policy priorities, preparatory and final MTBP ceilings. Budget Preparation Instruction (BPI) is issued by MOF in February and includes the MTBP preparation ceilings.</p>
	<p>Line Ministries prepare draft Ministry Integrated Plans (MIP) and Ministry Monitoring Plans (MMP). This combines in one place:</p> <ul style="list-style-type: none"> o Minister's message and ministry's mission. o key policy goals and objectives of sector strategy and key contributions to crosscutting strategies o major planned programme output targets and approved budgets for the coming year o major legislation, European integration initiatives public investment projects, anticorruption measures and external assistance projects
<p>Quarter 2</p>	<p>By the end of Q1 and during Q2, until May all Line Ministries complete Programme Policy Reviews (PPR) and Programme Expenditure and Investment Plans (PEIP).</p>
	<p>The PPR establishes policy goals, policy objectives and policy standards that underpin each ministry programme. The assessment may reveal a variety of problems or opportunities: policy gaps; poor data; policy research requirements.</p>
	<p>The PEIP specifies estimates for the cost of achieving programme outputs by identifying in some detail how resources are going to be allocated to related activities and expenditure items within the programme. If the outputs required for the delivery of programme policy objectives are not affordable under the MTBP preparation ceiling, programme policy objectives must be modified or funds reallocated from other programmes. In any case, the respective LM should submit Additional Requests for the outputs that cannot be financed by the ceiling, with the respective justifications which will be scrutinized by MoF. Public investment planning (both domestic and foreign) is an important component of PEIP.</p>
	<p>Information in the PPR and PEIP is used to establish MTBP expenditures requests presented by each ministry to MOF. Ministries may present an additional expenditure request if they feel their preparation ceiling is not sufficient. Ministries, MOF, MOEI and DSDC will be engaged in discussions on MTBP expenditure requests.</p>

Quarter	Key Actions
	Once the team composed of MOF, MOEI and DSDC has analyzed the MTBP expenditure requests and developed the revised macro-economic framework , it advises the SPC on final MTBP expenditure ceilings by presenting the draft MTBP document. The Council of Ministers ultimately sets the MTBP expenditure ceilings.
Quarter 3	Complementary Budget Preparation Instruction (CBPI) is issued to Line Ministries in July to guide them on how to prepare the Reviewed Expenditure Requests which are going to be analyzed by MoF, Mol and DSDC and presented during the budget negotiations with LM's. Also during Q3, MoF prepares the Reviewed MTBP Document. The Reviewed Macroeconomic Framework, is being approved by both SPC and CoM.
Quarter 4	The draft state budget, which started to be prepared by the end of Q3 is finalized, together with the Reviewed MTBP document. The both are approved by SPC and the Council of Ministers and submitted to Parliament for final approval, accompanied with information about the reviewed MTBP document.

European Integration

Albania's **European integration** commitments are set out in the Stabilisation and Association Agreement (SAA) between the Government of Albania, the European Commission and the European Union member states. In addition, the second European Partnership for Albania was launched by European Commission in November 2005 and adopted by the European Council Decision on January 30, 2006. The European Partnership is drawn from European Commission annual reports assessing the progress of Albania in the SAA. It defines short and medium term priorities in order for Albania to achieve gradual integration in the European Union and at the same time measures the country's progress in this process.

European integration requires major changes in Albania's governance arrangements, economy, judicial system and public administration. To meet these commitments the Government developed the National Plan for the Implementation of the SAA, which identifies legal, policy, institutional and capacity measures for the short (1-2 years) and medium (3-4 years) term.

These requirements feed also into the formulation of the sector and cross-cutting strategies. In turn, the MTBP process translates the requirements into outputs and output targets to ensure they are affordable and delivered in a cost-effective manner. Ministries monitor the progress made on meeting European integration requirements as part of a broader monitoring plan, thereby, harmonising reporting requirements and timelines.

External Assistance Management

The IPS also allows decisions to be made at a strategic level about the types and amounts of **external assistance** needed. Sector and crosscutting strategies identify the areas where external assistance is necessary, in consistency with Government's policy goals and objectives. Government then engages in dialogue with donors about the support available and donor preferences for supporting particular projects and programmes identified by Government.

Department of Strategy and Donor Coordination, the first focal point for donors, is responsible for the preparation of the External Assistance Orientation Document. This document shows the government leadership role in the process of external assistance coordination.

External Assistance Orientation Document aims to assist the process of **orienting external assistance towards government priorities**, as defined in the NSDI and in the related mid-term and annual budget processes.

The management of external assistance will be supported by an External Assistance Management Information System (EAMIS).

Assessing progress and holding the Government accountable

3

The consolidation and continuation of monitoring and evaluation activities is an essential component of public expenditure reforms to improve the effectiveness of government. Monitoring and evaluation provides the feedback on the implementation of policies and programmes which allows government to build on its strengths and learn from the experience of implementation.

The primary vehicle for identifying monitoring requirements is the MTBP process where all commitments must be linked to the appropriate ministry programme and translated into policy goals, policy objectives, output targets, activities and a related programme expenditure request.

In the framework of IPS each ministry should prepare the **Ministry Integrated Plan (MIP)**, an annual document that highlights the key MTBP commitments, including European integration commitments, planned legislation, major public investments, anticorruption measures, and external assistance projects.

The MIP comprises two main parts:

- the **Ministry Annual Report**, which highlights the results achieved against the commitments of the Ministry Integrated Plan of the previous year;
- the **Ministry Monitoring Plan**, which includes a set of key objectives and legal requirements for monitoring and reporting, agreed with line ministries by February.

The **Ministry Monitoring Plan** (as annex of the Ministry Integrated Plan) is negotiated with each ministry to identify the outputs for which the Government wishes to receive regular progress reports.

The **NSDI Progress Report** is an important component of the monitoring system for the implementation of (IPS), which is based on the political, economic, and social developments of the country and assesses the

implementation of policies and reforms crucial for the achievement of long-term objectives set forth in the NSDI.

The **NSDI Progress Report** summarizes the progress and performance of the sectors during the reporting period, in terms of the implementation of NSDI in its three main areas: Integration in the European Union (EU) and NATO, Democratization and Rule of Law, and Economic and Social Development. In addition, the report shows the progress made regarding the achievement of the Millennium Development Goals.

The Progress Report aims at evaluating and monitoring the progress made towards the achievement of country's development objectives. It uses statistical information in terms of comparing the progress of reforms of Albania with that in other countries of the region. Furthermore, it serves to foster a wider debate on GoA's strategic plans and agenda.

The monitoring mechanism will be supported by a newly-designed **IPS Information System** (IPSIS) that builds on and links information reported by line ministries to the Ministry of Finance (regarding MTBP implementation) and the Ministry of European Integration (regarding SAA implementation).

IPSIS thus serves two key purposes:

- o provides the Government with the monitoring information it needs to track major government commitments; and
- o provides ministry management with a means to track comprehensive information on the delivery of ministry operational plans

IPSIS reporting will be at least quarterly and align with European integration reporting requirements. Within 3 months of the end of the financial year, results are collected and published in a **Ministry Annual Report**. The results also feed into the **NSDI Annual Progress Report**, which focuses predominantly on reporting against higher-level indicators.

**Department of Strategy and Donor Coordination
Council of Ministers**

Bly "Dëshmorët e Kombit", Nr.1, Tirana, Albania
Tel: + 355 4 2277357 - Fax: + 355 4 2226354
E-mail: koordinimi@km.gov.al - Web: www.km.gov.al