

2 ALBANIA

INTRODUCTION

WITH A POPULATION OF 3 MILLION, Albania has a gross national income (GNI) per capita of USD 2 960. According to the latest survey, conducted in 2004, less than 2% of the population lived below the dollar-per-day international poverty line; 10% fall below the two-dollars-per-day threshold. Net official development assistance (ODA) to Albania in 2006 was USD 321 million, accounting for 3.5% of GNI.

Albania has endorsed the Paris Declaration on Aid Effectiveness (the Paris Declaration). Compared with 30 donors in the 2006 Baseline Survey, only 20 donors have responded to the 2008 Survey. This is a result of a decrease in the number donors providing aid in 2007 and of individual UN agencies reporting together as one unit. Together, the 20 donors provided 80% of the country's ODA.

DIMENSIONS	2007	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate- High	Realistic translation of priorities into budgetary terms	Fully implement National Strategy for Development and Integration
Alignment	Low-Moderate	Limited used of national systems; low reporting of aid in budget	Step up donor use of public financial management systems; improve data on aid disbursements
Harmonisation	Low-Moderate	Limited use of programme-based approaches	Develop sector-wide approaches in additional sectors
Managing for results	Low	Lack of capacity at ministry and local level	Mainstream national monitoring and evaluation framework
Mutual accountability	Low	Lack of formal mutual accountability mechanism	Finalise Harmonisation Action Plan; ensure it includes a monitoring system

OVERVIEW

Box 2.1:

Challenges and priority actions

OWNERSHIP

OWNERSHIP IS CRITICAL TO ACHIEVING DEVELOPMENT RESULTS and is central to the Paris Declaration on Aid Effectiveness. Aid is most effective when it supports a country-owned approach to development; aid is less effective when countries feel that aid policies and approaches are driven by donors that provide assistance. In the context of the Paris Declaration, ownership specifically concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

INDICATOR 1

Do countries have operational development strategies?

Ownership has many dimensions. Indicator 1 – assessed as part of the World Bank’s review on *Results-Based National Development Strategies: Assessments and Challenges Ahead* – provides an entry point to the issue. The World Bank assesses the operational value of a country’s development strategy and policy against three criteria, all of which are essential features of any serious effort to harness domestic and external resources for development purposes: the existence of an authoritative, country-wide development policy which clearly identifies priorities and is well costed.

The World Bank rates the operational value of a country’s development strategy against a five-point scale running from A (highest score) to E (lowest score). The Paris Declaration 2010 target is to raise, to at least 75%, the proportion of partner countries having operational development strategies – *i.e.* meriting a rating of A or B.

Albania received a C rating in the 2006 Baseline Survey. This indicates that the country has taken action towards achieving good practice in operational development strategies, but has not reached the Paris Declaration target of achieving a B or A rating. For the 2008 Survey, Albania maintained a C rating according to World Bank’s assessment, which indicates that “progress is being made, although not yet enough, and the basis exists for even more substantive progress.” However, it is worth noting that the assessment took place in 2006. Progress has been made since, which is described below.

The World Bank’s Aid Effectiveness Profile for Albania for 2006 explains that the long-term vision for Albania is to be a member of the European Union (EU) and of NATO. Thus, in addition to its medium-term poverty reduction strategies, Albania is also pursuing policies consistent with the Stabilisation and Association Process, which lay out a political, institutional and economic orientation plan to be implemented prior to consideration for EU accession. Albania signed a Stabilisation and Association Agreement (SAA) with the European Union in 2006, completing the first step towards EU accession. However, most of these policies were not integrated into the country’s first poverty reduction strategy covering the period 2002-07.

Since 2005, the Albanian government has approved and implemented a broad planning and monitoring framework called the Integrated Planning System (IPS). The IPS establishes a set of operating principles to ensure that policy and budget planning and implementation take place in a coherent, efficient and integrated manner. The government approved the National Strategy for Development and Integration (NSDI) for 2007-13 in March 2008. This strategy presents a unified framework encompassing both development priorities and SAA policies, thereby ensuring that efforts in both areas can be effectively costed and prioritised. This effort is being supported by a new co-ordination structure that aims to facilitate inter-ministerial co-ordination.

Albania has also made progress in linking national priorities and strategies to the budget. In the past, co-existence of various plans and strategies generated duplication and weakened the link between plans and resource allocation processes. There has been considerable efforts to link the NSDI with the regular planning process in the respective ministries, including the annual medium-term budgetary process (MTBP). The MTBP requires each ministry to develop a three-year plan (within an expenditure ceiling) to achieve policy objectives as intermediate steps to the achievement of the NSDI goals. The preparation and updating of sector strategies is a central feature of the NSDI process. During 2007, 12 strategies have been approved by the Council of Ministers; another 13 strategies have been completed and more are in process of being prepared.

Since its establishment in 2005, the Department of Strategy and Donor Co-ordination (DSDC) has been increasing its role in taking the lead in co-ordinating external assistance. The DSDC led preparations for the NSDI, which entailed a broad consultative process involving key stakeholders from government, private sector, civil society and donors. The DSDC has also been a key player in preparing the IPS multi-donor trust fund (MDTF). The goal of the MDTF is to support capacity building in implementing the IPS in Albania. The DSDC will ensure that the main policy and financial processes of the government function in a coherent, efficient and integrated way.

Albania's latest long-term development strategy, the NSDI, provides evidence that it has taken additional action towards achieving good practice and is, thus, on course to meet the 2010 target. However, challenges remain in operationalising national development strategies. The broad scope of the strategies may strain the limited capacity of the government. Further work is needed in three areas: to provide an analytical basis for some of the priorities selected; to link programmes to budgets; and to transform priorities into realistic action plans that optimise use of available resources. The sectoral plans represent a good start; however, they must be fully translated into budgetary terms. Experience from joint donor projects demonstrates that it takes time to make the MTBP process solid and sustainable – and to ensure that line ministries fully respect procedures. ■

ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies, institutions and procedures. The Paris Declaration envisions donors basing their support fully on country partner aims and objectives. Indicators 2 through 8 examine several dimensions of aid to assess the degree to which partner countries and donors achieve alignment.

During 2007, the DSDC developed the External Assistance Orientation Document (EAOD), which is tied to the NSDI priorities. Albania's ratings for alignment reveal some progress since the 2006 Baseline Survey; however, continued effort is needed in all areas if the 2010 targets for alignment are to be met.

BUILDING RELIABLE COUNTRY SYSTEMS

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. In each case, the focus is on the degree to which these systems adhere to broadly accepted good practices – or to which there is in place a reform programme to promote improved practices. If countries have reliable systems, donors will be encouraged to use such systems for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses the degree to which partner countries either have public financial management (PFM) systems that are in line with broadly accepted good practices or have credible reform programmes in place to establish reliable PFM systems. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong) with half-point increments. To score highly, a country needs to meet all three of the following criteria: a comprehensive and credible budget linked to policy priorities; effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way; and, timely and accurate accounting and fiscal reporting, including timely and audited public accounts.

INDICATOR 2a

How reliable are country public financial management systems?

The 2010 target is that each country will move up at least one measure (*i.e.* 0.5 points) on the CPIA scale for measuring the quality of PFM systems.

In 2005, Albania received a rating of 4.0 on a 6-point scale, considerably above the average of 3.2 for all countries rated in the World Bank's CPIA. As Albania is no longer an International Development Association (IDA) country, the World Bank will no longer disclose its CPIA rating. Thus, Albania does not have a rating for 2007.

Since 2005, the government has carried out several initiatives to improve public financial management (PFM) systems in Albania. In 2006, the Department of Public Investment Management was established to fully integrate public investment (both domestically and externally financed) into the public expenditure management process. For the 2008 budget, all budget institutions submitted public investment proposals in full compliance with the new procedures. Currently, an improved Law on Management of the Budget System has been drafted and submitted to Parliament. This law will codify the MTBP process and serve as reference for the regulation on foreign assistance.

Most importantly, 2007 marked the first time that all ministries completed a full MTBP process, starting with the establishment of the macro-economic framework and budget ceilings through to the finalisation of the budget. Confidence in Albania's PFM systems should increase over the next few years, both from the results of ongoing initiatives and reforms, and because of the intensive support from donors to manage development finance as part of the IPS. The recently established Central Financial Contracting Unit at the Ministry of Finance will be key to this improved confidence. The priority for the government should be to ensure the implementation and success of all these new mechanisms and institutions, in order to continue progress on this indicator.

INDICATOR 2b

How reliable are country procurement systems?

At the time of the 2006 Baseline Survey, no mechanism was in place to systematically assess and quantify the quality of procurement systems in partner countries. Thus, it was impossible to set country-level targets on progress towards Indicator 2b.

Since 2005, Albania has undertaken several reforms to increase transparency in public procurement. In 2007, a new Public Procurement Law was adopted. This law mandated the establishment of the Public Procurement Advocate as an independent review body that reports directly to the Parliament. The Public Procurement Advocate office will be a cornerstone in developing a fair and transparent public procurement process. Donors have financed further reforms such as an e-procurement system and capacity improvements of procurement officials. According to the latest World Bank's Aid Effectiveness profile dating from 2006, actual implementation of public procurement shows considerable problems, particularly in many government agencies and ministries that continue to resort to single-sourcing practices.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Comprehensive and transparent reporting on aid, and how it is used, is an important means of ensuring that donors align aid flows with national development priorities. The degree to which development assistance to the government sector is fully and accurately reflected in the budget provides a useful indication of the degree to which serious effort is made to connect aid programmes with country policies and processes. It also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

Indicator 3 is a proxy for alignment. It measures the percentage of aid disbursed by donors to the government sector that is included in the annual budgets for the same fiscal year. The indicator is a joint measure of two components: the degree to which donors report aid flows comprehensively to partner countries; and the degree to which partner countries accurately record aid.

INDICATOR 3

	Government budget estimates of aid flows for 2007 (USD m)	Aid disbursed by donors for government sector in 2007 (USD m)	2005 (for reference)	2007*
	a	b		c = a / b c = b / a
Austria	0	3	--	0%
Canada	0	--	--	--
CEB	0	--	--	--
Council Of Europe	0	--	--	--
Czech Republic	0	--	--	--
Denmark	0	--	--	--
EBRD	0	20	--	0%
EIB	0	--	--	--
European Commission	0	72	--	0%
France	0	--	--	--
GAVI Alliance	0	0	--	0%
Germany	0	22	--	0%
Global Fund	0	2	--	0%
Greece	0	1	--	0%
Hungary	0	--	--	--
IFAD	0	1	--	0%
IMF	0	--	--	--
Isl.Dev Bank	0	7	--	0%
Italy	0	11	--	0%
Japan	0	1	--	0%
Korea	0	--	--	--
Kuwait	0	--	--	--
Netherlands	0	5	--	0%
Norway	0	--	--	--
OPEC Fund	0	--	--	--
OSCE	0	2	--	0%
Spain	0	2	--	0%
Sweden	0	5	--	0%
Switzerland	0	10	--	0%
United Kingdom	0	4	--	0%
United Nations	0	13	--	0%
United States	0	24	--	0%
World Bank	0	56	--	0%
Average donor ratio	--	--	--	0%
Total	192	262	32%	73%

* Ratio is c=a/b except where government budget estimates are greater than disbursements (c=b/a).

TABLE 2.1:

Are government budget estimates comprehensive and realistic?

The final figure highlights any discrepancy between the government's budget estimates and actual disbursements by donors. The discrepancy (or gap) can be in either direction: budget estimates can be higher or lower than disbursements by donors. In order to have a single measure of discrepancy under 100%, the ratio is inverted when budget estimates are higher than donor disbursements. The 2010 target is to halve the proportion of aid flows to the government sector that is not currently reported on government budget(s), ultimately arriving at a point where at least 85% of aid is reported on the budget.

The 2006 Baseline Survey for Albania showed 32% of aid disbursed for the government sector being recorded in the budget. The 2008 Survey results report a significant improvement, with 73% of total aid disbursed for the government sector recorded in the national budget. This puts Albania within reach of achieving its 2010 target of at least 85% for this Indicator 3.

In the past, the gap between aid and aid recorded on the budget resulted from the lack of a co-ordinated system in Albania for reporting aid. Donors tended to deal with particular line ministries, and their contributions have not been centrally recorded. Since 2005, the overall responsibility for the management of external assistance has fallen under the DSDC, in close co-operation with the Ministry of Finance. This has provided donors with single point of contact for reporting while also allowing the government to check that sector allocations are consistent with national strategy priorities. The EAOD identifies all priority areas in which external assistance is needed. The first EAOD has been completed and is available publicly. For the first time, this document links the government's aid requirements to its strategic priorities.

The discrepancy in aid and disbursement for 2007 is mainly due to delays in implementing programmes in 2006, which led to funds being carried over in the next year. The DSDC is leading the design and development of a new database, called the External Assistance Management Information System (EAMIS), to improve reporting on donor disbursements. The EAMIS is envisaged as the repository for all information on ODA from all donors, and will be linked to the MTBP and Treasury systems. Greater use of the donor database within the DSDC and Ministry of Finance, along with the production of the EAOD, will ensure that information on ODA is included in budget discussions and taken into account in decisions on the MTBP and annual budget.

Albania faces two main challenges for aligning ODA with budget programmes. Some sectors have several large projects that span across several institutions, making the projects difficult to track. Additionally, support for local, rural and regional development is implemented in a variety of different ways. The government is working to provide greater clarity on the appropriate level and methods of co-ordination.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints significantly undermine the ability of partner countries to capture, co-ordinate and utilise aid flows more effectively. Under the Paris Declaration, donors committed to providing technical co-operation in a manner that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Likewise, there is greater recognition that successful capacity building is endogenous – *i.e.* is led by the partner country. To this end, the partner country defines clear objectives to ensure that existing capacities are used effectively and that external support is harmonised within this framework.

Indicator 4 focuses on the extent to which donor technical co-operation – an important input into capacity development – is moving towards this country-led model. It measures the degree of alignment between donor technical co-operation and the partner country's capacity development needs and strategies. The Paris Declaration 2010 target is that 50% of technical co-operation flows are implemented through co-ordinated programmes that are consistent with national development strategies.

INDICATOR 4

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	2005 (for reference) c = a / b	2007
Austria	0	1	38%	47%
Canada	--	--	1%	--
CEB	--	--	--	--
Council Of Europe	--	--	36%	--
Czech Republic	--	--	0%	--
Denmark	--	--	--	--
EBRD	0	0	0%	100%
EIB	--	--	--	--
European Commission	4	28	20%	14%
France	--	--	--	--
GAVI Alliance	--	--	--	--
Germany	4	4	2%	100%
Global Fund	--	--	--	--
Greece	1	1	31%	90%
Hungary	--	--	--	--
IFAD	0	0	--	59%
IMF	--	--	--	--
Isl.Dev Bank	0	0	--	100%
Italy	2	5	18%	37%
Japan	0	1	--	46%
Korea	--	--	--	--
Kuwait	--	--	--	--
Netherlands	1	3	70%	37%
Norway	--	--	0%	--
OPEC Fund	--	--	--	--
OSCE	1	2	100%	72%
Spain	3	4	0%	91%
Sweden	5	8	64%	59%
Switzerland	6	10	51%	58%
United Kingdom	2	4	89%	39%
United Nations	3	9	26%	34%
United States	19	32	0%	60%
World Bank	11	11	67%	98%
Total	63	124	28%	51%

TABLE 2.2:
How much technical
co-operation is co-ordinated
with country programmes?

Technical assistance co-ordination in Albania improved in 2007: 51% of technical assistance provided by donors was co-ordinated, compared with only 28% in 2005. The figure now meets the 2010 target of 50%. The positive change can be attributed to donors' joint efforts to meet short- and long-term technical assistance needs for IPS implementation. In 2006, an IPS Immediate Needs Technical Programme was launched by United Nations Development Programme to provide short-term assistance to the DSDC. In addition, the MDTF approved by the government in December 2007 will address medium- and long-term IPS capacity building needs. The MDTF, which currently has seven donors participating, will be managed through the World Bank.

If adequately implemented, Albania's MDTF could serve as a best practice model for additional donor co-ordination efforts and joint initiatives. There are also a number of other sector examples such as the Support to the Public Expenditure Management programme, through which donors are jointly funding capacity building projects.

USING COUNTRY SYSTEMS

INDICATOR 5

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the partner's long-term capacity to develop, implement and account for its policies – to both its citizens and its parliament. The Paris Declaration encourages donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. In this respect, Indicator 5 is directly linked to Indicator 2 on the quality of PFM and procurement systems, and measures the use of both.

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding to the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting, and auditing) as a percent of total aid disbursed to the government sector. The 2010 target is relative to Indicator 2a on the quality of PFM systems.

Indicator 5b measures the volume of aid, as a percent of total aid disbursed to the government sector, that uses partner country procurement systems. The 2010 target is relative to Indicator 2b; thus, targets are indicated only for those countries that established scores for Indicator 2b in the context of the 2006 Baseline Survey.

Albania scores 4.0 on Indicator 2a; thus, the 2010 target for Indicator 5a is that 43% of aid makes use of national PFM systems. Albania's procurement system has not yet been rated; thus, no target has been set for Indicator 5b.

Despite receiving an above-average rating for PFM systems and recent ongoing reforms in Albania, quantitative evidence shows a very low proportion of ODA making use of government systems since 2005. The 2006 Baseline Survey for Albania reported that 14% of aid made use of PFM systems, averaged across the three components. For procurement, only 6% of aid made use of country systems.

The 2008 Survey shows a slight decline of aid to the government sector using Albania's PFM system at 12%, and a slight improvement to 10% for use of the procurement system. Both figures are far below the country's 2010 target. This is broadly consistent with the finding in the 2006 Baseline Survey that, at the global level, there was no correlation between the strength of a partner country's systems and donor use of such systems.

In the 2008 Survey, many donors cited insufficient transparency and accountability in Albania's systems as reasons for not using them. Other factors mentioned by donors include lack of familiarity with Albania's systems, lack of trust and differences in management standards. As mentioned earlier, Albania made progress in setting up reliable country systems; the government has initiated several PFM and procurement reforms to build confidence in their public systems, including improving legislation and internal auditing systems. Albania recently established a new cross-cutting strategy for Prevention, Fight on Corruption and Transparent Governance. The results of these initiatives need to be demonstrated before donors are inclined to move more towards comprehensive use of national PFM systems. The government must continue to improve its PFM and procurement systems. The government will take steps to build trust through familiarising donors with these systems and harmonising management standards. However, the onus is on donors to make much greater use of national systems if the 2010 target of 43% for Indicator 5a is to be met.

TABLE 2.3:
How much aid for the government sector uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management (PFM)					Procurement		
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	2005	2007	Procurement systems (USD m) e	2005	2007
					(for reference)	avg (b,c,d) / a		(for reference)	e / a
Austria	3	0	0	0	0%	0%	0	0%	0%
Canada	--	--	--	--	0%	--	--	0%	--
CEB	--	--	--	--	--	--	--	--	--
Council Of Europe	--	--	--	--	0%	--	--	0%	--
Czech Republic	--	--	--	--	0%	--	--	100%	--
Denmark	--	--	--	--	--	--	--	--	--
EBRD	20	0	0	0	0%	0%	0	0%	0%
EIB	--	--	--	--	--	--	--	--	--
European Commission	72	0	0	0	7%	0%	0	7%	0%
France	--	--	--	--	--	--	--	--	--
GAVI Alliance	0	--	--	0	--	--	--	--	--
Germany	22	13	13	13	23%	59%	0	10%	0%
Global Fund	2	0	0	0	--	0%	2	--	100%
Greece	1	0	0	0	25%	25%	0	25%	38%
Hungary	--	--	--	--	--	--	--	--	--
IFAD	1	0	0	0	--	0%	0	--	0%
IMF	--	--	--	--	--	--	--	--	--
Isl.Dev Bank	7	7	7	7	--	100%	0	--	0%
Italy	11	0	0	0	0%	0%	0	0%	0%
Japan	1	0	0	0	--	0%	0	--	0%
Korea	--	--	--	--	--	--	--	--	--
Kuwait	--	--	--	--	--	--	--	--	--
Netherlands	5	0	0	0	0%	0%	3	0%	68%
Norway	--	--	--	--	0%	--	--	0%	--
OPEC Fund	--	--	--	--	--	--	--	--	--
OSCE	2	0	0	0	0%	0%	0	0%	0%
Spain	2	0	0	0	0%	0%	0	0%	0%
Sweden	5	0	0	0	0%	0%	0	0%	6%
Switzerland	10	0	0	0	67%	0%	0	100%	0%
United Kingdom	4	0	0	0	0%	0%	0	0%	0%
United Nations	13	0	0	1	4%	2%	0	19%	0%
United States	24	0	0	0	--	0%	0	--	0%
World Bank	56	12	12	11	37%	21%	21	0%	37%
Total	262	32	32	31	14%	12%	27	6%	10%

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

INDICATOR 6

When providing development assistance, some donors establish specific project implementation units (PIUs), *i.e.* dedicated management units designed to support development projects or programmes. A PIU is said to be “parallel” when it is created at the behest of the donor and operates outside existing country institutional and administrative structures.

In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity building efforts, distort salaries and weaken accountability for development.

TABLE 2.4:
How many PIUs are parallel
to country structures?

	2005 (for reference)	2007 (units)
Austria	1	5
Canada	0	--
CEB	--	--
Council Of Europe	0	--
Czech Republic	0	--
Denmark	0	--
EBRD	0	0
EIB	--	--
European Commission	11	1
France	--	--
GAVI Alliance	--	--
Germany	17	5
Global Fund	--	0
Greece	0	0
Hungary	0	--
IFAD	--	0
IMF	0	--
Isl.Dev Bank	--	0
Italy	5	5
Japan	--	0
Korea	--	--
Kuwait	--	--
Netherlands	2	3
Norway	1	--
OPEC Fund	--	--
OSCE	3	3
Spain	0	0
Sweden	0	0
Switzerland	0	0
United Kingdom	1	0
United Nations	6	2
United States	0	0
World Bank	10	0
Total	57	24

To make aid more effective, the Paris Declaration encourages donors to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes.” Indicator 6 is a count of the number of parallel PIUs being used in partner countries. The 2010 target is to reduce by two-thirds the stock of parallel PIUs in each partner country.

The 2008 Survey shows a significant reduction in the number of parallel PIUs in Albania – from 57 in 2005 to 24 in 2007. This puts the country within reach the 2010 target of reducing the number of parallel PIUs to 19. It should be noted that a refinement of the definition of PIUs in the 2008 Survey may have contributed to the reduction of parallel PIUs.

In the 2006 Baseline Survey, donors cited capacity constraints of the Albanian government to implement projects as the reason for maintaining parallel PIUs. The government has made

efforts to address this by improving the existing legal framework and increasing capacities of public administration in implementing donor projects. In addition, line ministries are using some former PIUs to manage projects from several donors. For example, a World Bank PIU for a roads project within the General Roads Directorate has been given a new role in managing all transport projects financed by donors. The Ministry of Health has hired local consultants who were part of a previous World Bank PIU; these individuals are now transferring their knowledge to the ministry staff. These types of activities allow the government to utilise capacities built under previous projects and facilitate knowledge transfer. Continuing such efforts to reduce the number of parallel PIUs will help Albania reach its 2010 target.

PROVIDING MORE PREDICTABLE AID

For many countries, development assistance constitutes a vital source of revenue and resources. Being able to predict aid disbursements – in terms of both how much aid will be delivered and when – is as an important factor in the ability of countries to manage public finances and undertake realistic planning for development. It is particularly crucial to enabling partner countries to implement medium- to long-term development plans and to optimise the allocation of resources within and across sectors. In this regard, the Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable fashion according to agreed schedules.

Indicator 7 examines in-year predictability of aid to the government sector, measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in the national accounting system as actually disbursed. Indicator 7 assesses predictability from two angles. The first angle is the combined ability of donors and government to disburse aid on schedule. The second is the ability of donors and government to record comprehensively disbursements made by donors to the government sector.

INDICATOR 7

TABLE 2.5:
Are disbursements
on schedule and recorded
by government?

	Disbursements recorded by government in 2007 (USD m) a	Aid scheduled by donors for disbursement in 2007 (USD m) b	Aid disbursed by donors for government sector in 2007 (USD m) for reference only	2005 (for reference)		2007*	
						c = a / b	c = b / a
Austria	0	4	3	0%		0%	
Canada	0	--	--	--		--	
CEB	0	--	--	73%		--	
Council Of Europe	0	--	--	0%		--	
Czech Republic	0	--	--	0%		--	
Denmark	0	--	--	--		--	
EBRD	0	25	20	36%		0%	
EIB	0	--	--		100%	--	
European Commission	0	67	72	37%		0%	
France	0	--	--	0%		--	
GAVI Alliance	0	0	0	--		0%	
Germany	0	39	22	64%		0%	
Global Fund	0	2	2	--		0%	
Greece	0	1	1			0%	
Hungary	0	--	--			--	
IFAD	0	2	1	94%		0%	
IMF	0	--	--			--	
Isl.Dev Bank	0	6	7	79%		0%	
Italy	0	9	11		0%	0%	
Japan	0	1	1	6%		0%	
Korea	0	--	--	--		--	
Kuwait	0	--	--		96%	--	
Netherlands	0	7	5	11%		0%	
Norway	0	--	--			--	
OPEC Fund	0	--	--	20%		--	
OSCE	0	3	2	0%		0%	
Spain	0	2	2			0%	
Sweden	0	6	5	0%		0%	
Switzerland	0	10	10	0%		0%	
United Kingdom	0	4	4	0%		0%	
United Nations	0	18	13	--		0%	
United States	0	30	24			0%	
World Bank	0	93	56	77%		0%	
Average donor ratio	--	--	--	33%		0%	
Total	96	330	262	49%		29%	

* Ratio is c=a/b except where disbursements recorded by government are greater than aid scheduled for disbursement (c=b/a).

Indicator 7 is designed to encourage progress in relation to both angles, with the aim of gradually closing the predictability gap – by one-half – by 2010. The ultimate goal is to improve not only the predictability of actual disbursements, but also the accuracy of how disbursements are recorded in government systems – an important feature of ownership, accountability and transparency.

In Albania, donors scheduled USD 331 million for disbursement in 2007, and actually disbursed – according to their own records – slightly less than expected (USD 262 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2008 and to delays in implementing programmes. By contrast, only 29% of aid scheduled for disbursement was recorded by the government as disbursed within 2007. This indicates that a significant proportion of disbursements was not captured, either because the disbursements were not appropriately notified by donors or because they were inaccurately recorded by government. The figure of 29% is a significant decline from 49% in 2005. The decline may be due to the very rapid pace of reform and growth in Albania, which has caused major challenges in managing investments in many parts of government. It also reflects, to some degree, the different interpretation of Indicator 7 compared to the 2006 Baseline Survey. These challenges are directly addressed by the government's approach to public administration reform and by the strong emphasis on capacity building – on the part of both government and donors. However, reaching the 2010 target of 74% of disbursements on schedule and recorded seems unlikely.

Indicator 7 seeks to improve both the predictability of actual disbursements and the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Albania, the combined predictability gap amounts to USD 235 million or 71% of aid scheduled for disbursement. Closing this predictability gap will require donors and government to collaborate on various fronts at the same time. As mentioned in the 2006 Baseline Survey, they might work together to improve three key aspects: a) the realism of predictions on volume and timing of expected disbursements; b) the way donors notify their disbursements to government; and c) the comprehensiveness of government records of disbursements made by donors.

UNTYING AID

INDICATOR 8

How much aid is untied?

Aid is said to be “tied” when it is provided on the condition that the recipient country will use it to purchase goods and services from suppliers based in the donor country. Experience shows that aid with such conditions attached increases the costs of goods and services provided to partner countries; it also increases the administrative burdens on both donors and partners. By contrast, untied aid helps build a country's capacity to provide goods and services.

Country figures for untying aid are based on voluntary self-reporting by donors that are members of the OECD Development Assistance Committee (OECD-DAC). The 2010 target is to continue progress towards untying aid over time.

According to OECD data covering 80% of aid to Albania, 82% of aid was untied in 2006. Albania has made significant progress on Indicator 8, exceeding the baseline amount of 59% and meeting its 2010 target of continued progress over time. Donors continue to increase efforts to untie aid. For example, the European Commission and the World Bank have opened their procurement procedures for local companies. Efforts to untie aid should continue however, as currently only seven donors participate in the MDTF. ■

HARMONISATION

DECADES OF DEVELOPMENT EXPERIENCE show that poor co-ordination of aid increases the cost for both donors and partner countries, and significantly reduces the value-added of aid. Harmonisation of aid delivery procedures and adoption of common arrangements help reduce duplication of effort and lower the steep transaction costs of managing aid. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and share analysis.

In Albania, donors have used a variety of mechanisms to co-ordinate their activities such as the donor roundtables and sector working groups, the IPS Support Group, and Development Counsellors (including EC Member State Development Counsellors). The Donor Technical Secretariat (DTS) is a mechanism created by donors in order to facilitate the co-ordination process. The DTS has been responsible for logistical and advisory support of many of these co-ordination efforts and events. On harmonisation, donors now need to make substantially more use of programme-based approaches (PBAs).

USING COMMON ARRANGEMENTS

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A sound mechanism for aid co-ordination can be described as one that builds on shared objectives and that reconciles, in a constructive manner, the various interests of stakeholders.

Indicator 9 assesses the degree to which donors work together by measuring the proportion of total ODA disbursed within PBAs. In practice, there are many different modalities for implementing PBAs, which operate at various levels. At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* sector policy) and establishing a single budget framework that captures all resources (both domestic and external). At the second level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that 66% of aid flows are provided in the context of PBAs.

INDICATOR 9

The proportion of aid using PBAs (and thus common procedures) improved slightly in Albania – from 5% in 2005 to 14% in 2007. However, this remains significantly below the 2010 target level of 66%. Since 2005, more donors are beginning to take up PBAs, particularly through direct budget support and through a sector-wide approach (SWAp) for education. The government is working to strengthen the role of Sector Working Groups and to nominate donor “focal points” at the sector level in order to facilitate the use of SWAps in other sectors. Donors and government should continue to explore the possibility of developing PBAs in all sectors in order to reach the 2010 target for Indicator 9.

TABLE 2.6:
How much aid is
programme based?

	Programme-based approaches (PBAs)			Total aid disbursed (USD m) d	2005 (for reference)	2007
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b			
Austria	0	1	1	3	0%	22%
Canada	--	--	--	--	0%	--
CEB	--	--	--	--	--	--
Council Of Europe	--	--	--	--	0%	--
Czech Republic	--	--	--	--	0%	--
Denmark	--	--	--	--	--	--
EBRD	0	0	0	20	0%	0%
EIB	--	--	--	--	0%	--
European Commission	0	0	0	72	7%	0%
France	--	--	--	--	0%	--
GAVI Alliance	--	0	0	0	--	100%
Germany	0	4	4	22	0%	17%
Global Fund	0	2	2	2	--	100%
Greece	0	0	0	4	0%	0%
Hungary	--	--	--	--	--	--
IFAD	0	0	0	1	0%	0%
IMF	--	--	--	--	--	--
Isl.Dev Bank	0	0	0	7	0%	0%
Italy	0	0	0	16	0%	0%
Japan	0	0	0	1	0%	0%
Korea	--	--	--	--	0%	--
Kuwait	--	--	--	--	0%	--
Netherlands	0	1	1	7	0%	19%
Norway	--	--	--	--	--	--
OPEC Fund	--	--	--	--	--	--
OSCE	0	0	0	2	0%	0%
Spain	2	2	3	4	0%	97%
Sweden	0	0	0	10	10%	0%
Switzerland	0	6	6	10	31%	56%
United Kingdom	0	0	0	4	0%	0%
United Nations	1	2	2	17	26%	15%
United States	0	8	8	32	0%	25%
World Bank	11	4	15	58	12%	25%
Total	13	29	42	293	5%	14%

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

One of the most frequent complaints of partner countries is that donors make too many demands in relation to their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared.

Indicator 10 measures the extent to which donors are merging their missions (Indicator 10a) and analytical work (Indicator 10b) at the country level – either with country partner authorities or amongst the donor community (or both). It calculates the proportion of missions to the country undertaken jointly (*i.e.* by more than one donor) and the share of country-analysis exercises undertaken on a joint or co-ordinated basis. The 2010 target is that 40% of donor missions to the field are conducted jointly and that 66% of country analytical work is carried out jointly.

INDICATOR 10a

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2005 (for reference)	2007 c = a / b
Austria	0	2	25%	0%
Canada	--	--	0%	--
CEB	--	--	--	--
Council Of Europe	--	--	--	--
Czech Republic	--	--	0%	--
Denmark	--	--	--	--
EBRD	4	25	25%	16%
EIB	--	--	--	--
European Commission	0	5	0%	0%
France	--	--	--	--
GAVI Alliance	0	0	--	--
Germany	3	15	0%	20%
Global Fund	0	2	--	0%
Greece	0	5	0%	0%
Hungary	--	--	--	--
IFAD	0	5	--	0%
IMF	--	--	--	--
Isl.Dev Bank	1	3	--	33%
Italy	1	37	0%	3%
Japan	0	1	--	0%
Korea	--	--	--	--
Kuwait	--	--	--	--
Netherlands	0	2	0%	0%
Norway	--	--	15%	--
OPEC Fund	--	--	--	--
OSCE	0	0	57%	--
Spain	0	1	--	0%
Sweden	1	8	23%	13%
Switzerland	3	10	--	30%
United Kingdom	0	8	8%	0%
United Nations	34	67	13%	51%
United States	0	6	0%	0%
World Bank	81	89	23%	91%
Total	83	291	9%	29%

* The total of co-ordinated missions has been adjusted to avoid double-counting. A discount factor of 35% is applied.

TABLE 2.7:
How many donor missions
are co-ordinated?

In 2005, only 9% of donor missions in Albania were conducted jointly. The 2008 Survey shows good progress on Indicator 10a. In 2007, 29% donor missions were conducted jointly, which moves Albania much closer to meeting its 2010 target of 40%. Even so, donors should consider reducing the total number of missions conducted, which remains quite high. In 2007, the World Bank participated in the greatest number of joint missions; UN agencies also increased their number of joint missions, with many of these missions relating to the design of the One UN “Delivering as One” pilot. It is anticipated that this pilot will pave the way for enhanced inter-agency work on future missions relating to the UN programme in Albania.

Donors have been using the Donor Dialogue newsletter (produced jointly by the Donor Technical Secretariat and DSDC) to note upcoming events and directly contact key partners regarding joint missions. In addition, the government established the IPS Calendar, which includes a calendar of events related to external assistance. Tracking the main events for each donor is another way to help deliver progress in this direction.

TABLE 2.8:
How much country analysis
is co-ordinated?

	Co-ordinated donor analytical work* (analyses)	Total donor analytical work (analyses)	2005 (for reference)	2007
	a	b		c = a/b
Austria	0	2	--	0%
Canada	--	--	100%	--
CEB	--	--	--	--
Council Of Europe	--	--	--	--
Czech Republic	--	--	0%	--
Denmark	--	--	--	--
EBRD	0	0	0%	--
EIB	--	--	--	--
European Commission	0	0	--	--
France	--	--	--	--
GAVI Alliance	0	0	--	--
Germany	0	0	0%	--
Global Fund	0	0	--	--
Greece	0	3	33%	0%
Hungary	--	--	--	--
IFAD	0	1	--	0%
IMF	--	--	--	--
Isl.Dev Bank	0	0	--	--
Italy	0	7	67%	0%
Japan	0	0	--	--
Korea	--	--	--	--
Kuwait	--	--	--	--
Netherlands	0	2	0%	0%
Norway	--	--	--	--
OPEC Fund	--	--	--	--
OSCE	0	0	100%	--
Spain	0	4	--	0%
Sweden	1	3	0%	33%
Switzerland	0	0	--	--
United Kingdom	3	4	--	75%
United Nations	27	38	38%	71%
United States	0	4	0%	0%
World Bank	1	3	11%	33%
Total	24	71	22%	34%

* The total of co-ordinated analytical work has been adjusted to avoid double-counting. A discount factor of 25% is applied.

Albania improved slightly in the extent to which aspects of analytical work are co-ordinated, increasing from 22% in 2005 to 34% in 2007. However, this is still far below the 2010 target of 66%. Donors are aiming to deepen the partnership with the government through early and proactive collaboration, with more emphasis given to involving the government in joint decisions regarding authorship of analytical work. In order to move closer to its 2010 target, the government should undertake a more comprehensive assessment and periodic review of the alignment and contribution of various bi-lateral and multi-lateral partners to Albania's national goals. This exercise is already taking place in the education sector through the education SWAp, and could be initiated in other sectors. As the IPS progresses, the government plans to undertake more joint analytical work. ■

INDICATOR 10b

MANAGING FOR RESULTS

THE PARIS DECLARATION CALLS ON donors and partner countries to make a joint commitment to managing for development results – *i.e.* to manage resources according to desired results. This implies defining desired results and measuring progress toward them, as well as using information on results to improve decision making and performance. It also implies strengthening capacity to undertake such management and helping to increase the demand for a focus on results (*i.e.* adopt a results-based monitoring framework).

INDICATOR 11

Do countries have results-based monitoring frameworks?

Indicator 11 utilises data collected as part of the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead*. The review focuses on three particular aspects of a robust results-based monitoring framework: the quality of the information generated; stakeholder access to the information; and the extent to which such information is utilised within a country-level monitoring and evaluation system.

The assessments are expressed in scores running from A (high) to E (low), with B representing a "largely developed results-based monitoring framework." The 2010 target is to reduce by one-third the proportion of countries lacking transparent, results-based monitoring frameworks (*i.e.* reduce by one-third the number of countries not attaining at least a B rating).

Albania maintained a D rating in the World Bank's assessment, as with the previous Comprehensive Development Framework assessment, indicating that relevant elements exist and provide some basis for making progress. It is worth noting however, that the assessment took place in 2006, and that some improvements have been made in this area.

The Institute of Statistics (INSTAT) serves as the central data collection agency; however, the quality and timeliness of information is inconsistent. INSTAT continues to receive training from several donors. Taking into account the requirements of the SAA and NSDI, INSTAT has prepared a five-year statistical programme (approved by Parliament) that establishes the short- and medium-term priorities in the statistical field and – for the first time – includes monitoring of its implementation. Since 2006, government efforts to disseminate development information have improved. Extensive consultations have informed the preparation of the NSDI including working groups and advisory groups, TV debates, the donor community and parliamentary involvement. In addition, Ministry Integrated Plans, which outline the main commitments and budget of each ministry for the current year, were published online for the first time in 2007.

Donors are increasingly focused on strengthening the government's overall capacity to manage for results; support for the IPS is the cornerstone of this effort. The IPS will produce a single, annual report on progress achieved under the unified strategy. While further progress is needed, the NSDI includes clear high-level indicators for sectors, and the SAA reporting systems offers a regular performance monitoring and evaluation system. For Albania, reaching the 2010 target of a B rating for Indicator 11 remains ambitious. The government and donors will have to make considerable strides in the quality of information, stakeholder access to information, and overall monitoring and evaluation. ■

MUTUAL ACCOUNTABILITY

INDICATOR 12

Do countries have reviews of mutual accountability?

THE PARIS DECLARATION RECOGNISES that for aid to be truly effective, stronger and more balanced accountability mechanisms are required at all levels. In particular, aid is more effective when both donors and partner country governments are accountable – to their respective publics and to each other – for the use of resources and management to achieve development results. The Paris Declaration calls for donors and partner countries to jointly assess (through existing country-level mechanisms) mutual progress in implementing agreed commitments on aid effectiveness, including commitments made under the Paris Declaration.

Indicator 12 is concerned with the specific question of whether there is a country-level mechanism for mutual assessment of progress on the partnership commitments arising from the Rome or Paris Declarations, or from local harmonisation and alignment plans. The 2010 target is for all partner countries to have in place such mechanisms.

No such mechanism currently exists in Albania. The country is continuing to work with donors on to establish and finalise a Harmonisation Action Plan that covers both government and donor commitments and actions. This should provide a starting point for mutual assessment and mutual accountability. ■

PROGRESS SINCE 2005 AND PRIORITIES FOR 2010

ALBANIA HAS MET TARGETS FOR ONLY TWO INDICATORS: Indicator 4 on co-ordinated technical co-operation and Indicator 8 on untying aid. For the remaining indicators, the results are mixed, showing that although progress has been made against some indicators, significant gaps need to be filled vis-à-vis the 2010 targets for others. In particular, the government and donors must undertake substantial efforts to improve use of country systems, predictability of aid, use of PBAs and results-based monitoring frameworks and decrease the number of individual donor missions. Progress towards reaching targets may be affected by the decline in number of donors participating in the 2008 Survey. Albania should continue its reforms for institutional development and improving capacity. At the same time, donors must engage in increased alignment and harmonisation activities to reach the 2010 targets. ■

SUMMARY
TABLE 2.9

INDICATORS		2005 REFERENCE	2007	2010 TARGET
1	Operational development strategies	C	C	B or A
2a	Reliable public financial management (PFM) systems	4.0	Not available	4.5
2b	Reliable procurement systems	Not available	Not available	Not applicable
3	Aid flows are aligned on national priorities	32%	73%	85%
4	Strengthen capacity by co-ordinated support	28%	51%	50%
5a	Use of country PFM systems	14%	12%	43%
5b	Use of country procurement systems	6%	10%	Not applicable
6	Strengthen capacity by avoiding parallel PIUs	57	24	19
7	Aid is more predictable	49%	29%	74%
8	Aid is untied	59%	82%	More than 59%
9	Use of common arrangements or procedures	5%	14%	66%
10a	Joint missions	9%	28%	40%
10b	Joint country analytical work	22%	34%	66%
11	Results-based monitoring frameworks	D	D	B or A
12	Mutual accountability	No	No	Yes

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ACRONYMS

DSDC	Department of Strategy and Donor Co-ordination
EAMIS	External Assistance Management Information System
EAOD	External Assistance Orientation Document
INSTAT	Institute of Statistics
IPS	Integrated Planning System
MTBP	Medium-term Budget Programme
MTDF	multi-donor trust fund
NSDI	National Strategy for Development and Integration
ODA	official development assistance
PBA	programme-based approaches
PFM	public financial management
PIU	Project implementation units
SAA	Stabilisation and Association Agreement
SWAp	sector-wide approach