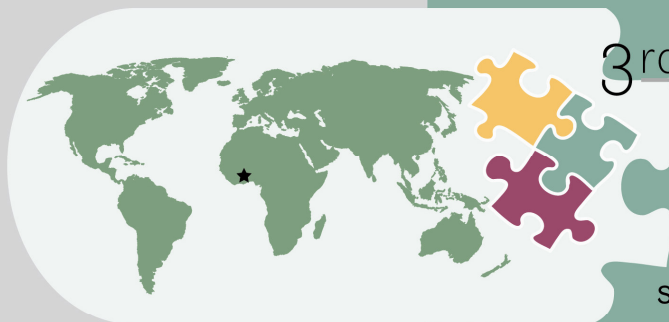


2008 SURVEY ON MONITORING
THE PARIS DECLARATION

EFFECTIVE AID BY 2010?
WHAT IT WILL TAKE
VOL. 2 COUNTRY CHAPTERS



3rd

High
Level Forum
ON AID EFFECTIVENESS

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ALBANIA

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INTRODUCTION

With a population of 3 million, Albania has a gross national income (GNI) per capita of USD 2960. According to the latest survey, conducted in 2004, less than 2% of the population lived below the dollar-a-day international poverty line; 10% fall below the two-dollars-a-day threshold. Net official development assistance (ODA) to Albania in 2006 was USD 321 million, accounting for 3.5% of GNI.

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 United Nations agencies reporting together as one unit. Together, the 20 donors provided 80% of the country's ODA.

OVERVIEW

BOX 1. Progress, Priority Actions, and Challenges

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 use of national systems; low reporting of aid on 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

OWNERSHIP

INDICATOR 1

Ownership is critical to achieving development results and is central to *the Paris Declaration*. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving ownership is not easy. Nor can it be measured by a single indicator. Indicator 1 provides an entry point to the issue of ownership, focusing in particular on whether or not a country has an operational development strategy to which donors can align their development assistance. Based on the World Bank's *Results-Based National Development Strategies: Assessment and Challenges Ahead* report, Indicator 1 assesses whether the

national development strategy is prioritised, outcome-oriented, drawn from a long-term vision and whether it shapes a country's public expenditures.

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 *Results-Based National Development Strategies: Assessment and Challenges Ahead* report, which indicates that "progress is being made, although not yet enough, and the basis exists for even more substantive progress."

The World Bank's report 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 from 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 have 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 ten 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 demonstrate 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 and plans. The Paris Declaration envisions donors basing their support fully on the development strategies, institutions and procedures of partner countries. Indicators 2 through 8 examine a number of dimensions in assessing the degree of alignment attained. 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 2A

If countries have reliable systems for public financial management (PFM) and procurement, donors will be encouraged to make use of such systems for the delivery and management of aid. This enables donors to align aid more closely with national development strategies, thereby enhancing aid effectiveness. Indicator 2a measures the degree to which partner countries have PFM systems that reflect broadly accepted good practices, or have in place reform programmes to establish such 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 Country Policy and Institutional Assessment (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 *Organic Budget Law* 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

The reliability of country procurement systems in Albania was not assessed in the 2006 Baseline Survey. Therefore, country-level targets have not been set. Still, 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 World Bank's *Results-Based National Development Strategies: Assessment and Challenges Ahead* report, 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

INDICATOR 3

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, and of achieving accountability for the use of development resources and results. Indicator 3 assesses the

degree to which aid flows align with national priorities, using the proportion of aid that is recorded in the budget as a proxy. The total figure (Table 1) provides an overall indication of the discrepancy between the value of budget estimates and actual disbursements. This discrepancy can be in either direction: budget estimates can be higher or lower than disbursements. To obtain a single measure of discrepancy that is always less than 100%, the ratio is inverted when budget estimates are higher than disbursement. The indicator is, in effect, a measure of budget realism.

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.

In the past, the gap between aid disbursed 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 were not 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 a 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 current 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 broad projects that cut 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.

Table 1: Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows in 2007	Aid disbursed by donors for government sector in 2007	2005	2007 *	
	(USD m) a	(USD m) b	(for reference)	c = a / b (%)	c = b /a (%)
Austria	0.00	2.65	--	--	--
CEB	0.00	--	--	--	--
Council Of Europe	0.00	--	--	--	--
Czech Republic	0.00	--	--	--	--
Denmark	0.00	--	--	--	--
EBRD	0.00	20.40	--	--	--
EIB	0.00	--	--	--	--
European Commission	0.00	72.42	--	--	--
France	0.00	--	--	--	--
GAVI Alliance	0.00	0.10	--	--	--
Germany	0.00	21.60	--	--	--
Global Fund	0.00	1.78	--	--	--
Greece	0.00	0.95	--	--	--
Hungary	0.00	--	--	--	--
IFAD	0.00	1.12	--	--	--
IMF	0.00	--	--	--	--
Isl.Dev Bank	0.00	7.11	--	--	--
Italy	0.00	11.33	--	--	--
Japan	0.00	1.11	--	--	--
Korea	0.00	--	--	--	--
Kuwait	0.00	--	--	--	--
Netherlands	0.00	4.73	--	--	--
Norway	0.00	--	--	--	--
OPEC Fund	0.00	--	--	--	--
OSCE	0.00	2.05	--	--	--
Spain	0.00	1.59	--	--	--
Sweden	0.00	5.43	--	--	--
Switzerland	0.00	9.78	--	--	--
United Kingdom	0.00	4.25	--	--	--
United Nations	0.00	12.85	--	--	--
United States	0.00	24.20	--	--	--
World Bank	0.00	56.06	--	--	--
Average donor ratio			--		0%
Total	192	262	32%		73%

INDICATOR 4: CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Under the *Paris Declaration*, donors are committed to providing technical assistance in a manner that is co-ordinated with country strategies. This approach helps to strengthen the capacity of partner countries while also responding to their real needs. Indicator 4 measures the degree to which donor technical co-operation aligns with the declared capacity development objectives and strategies of the partner country

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 UNDP 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, the 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 support to Public Expenditure Management, where donors are jointly funding capacity building projects.

Table 2: How much technical co-operation is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	2005 (for reference)	2007 (%) c = a / b
Austria	0.48	1.02	38%	47%
CEB	--	--	--	--
Council Of Europe	--	--	36%	--
Czech Republic	--	--	0%	--
Denmark	--	--	--	--
EBRD	0.04	0.04	0%	100%
EIB	--	--	--	--
European Commission	3.83	28.25	20%	14%
France	--	--	--	--
GAVI Alliance	--	--	--	--
Germany	3.60	3.60	2%	100%
Global Fund	--	--	--	--
Greece	0.73	0.81	31%	90%
Hungary	--	--	--	--
IFAD	0.07	0.11	--	59%
IMF	--	--	--	--
Isl.Dev Bank	0.02	0.02	--	100%
Italy	1.98	5.35	18%	37%
Japan	0.50	1.08	--	46%
Korea	--	--	--	--
Kuwait	--	--	--	--
Netherlands	1.26	3.42	70%	37%
Norway	--	--	0%	--
OPEC Fund	--	--	--	--
OSCE	1.48	2.05	100%	72%
Spain	3.20	3.52	0%	91%
Sweden	4.74	8.00	64%	59%
Switzerland	5.70	9.78	51%	58%
United Kingdom	1.66	4.25	89%	39%
United Nations	3.16	9.41	26%	34%
United States	19.00	31.60	0%	60%
World Bank	11.26	11.45	67%	98%
Total	63	124	28%	51%

USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to make increasing use of country systems, when these are of sufficient quality. Indicator 5 examines donor use of the PFM and procurement systems of partner countries. 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 the country's PFM system at 12%, and a slight improvement to 10% for use of the procurement system. Both figures are far below its 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 significant 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 in Albania need to be demonstrated before donors are inclined to move towards comprehensive use of national PFM systems. The government must continue to improve its PFM and procurement systems. The government will also make the international community more aware and familiar with these systems, in building trust and in harmonising management standards. However, donors should make much greater use of national systems if the 2010 target of 43% for Indicator 5a is to be met.

INDICATOR 5 Table 3: How much aid for the government sector uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management					Procurement		
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	2005 (for reference)	2007 (%) avg(b,c,d) / a	Proc. systems (USD m) e	2005 (for reference)	2007 (%) e / a
Austria	2.65	0.00	0.00	0.00	0%	0%	0.00	0%	0%
CEB	--	--	--	--	--	--	--	--	--
Council Of Europe	--	--	--	--	0%	--	--	0%	--
Czech Republic	--	--	--	--	0%	--	--	100%	--
Denmark	--	--	--	--	--	--	--	--	--
EBRD	20.40	0.00	0.00	0.00	0%	0%	0.00	0%	0%
EIB	--	--	--	--	--	--	--	--	--
European Commission	72.42	0.00	0.00	0.00	7%	0%	0.00	7%	0%
France	--	--	--	--	--	--	--	--	--
GAVI Alliance	0.10	--	--	0.10	--	--	--	--	--
Germany	21.60	12.80	12.80	12.80	23%	59%	0.00	10%	0%
Global Fund	1.78	0.00	0.00	0.00	--	0%	1.78	--	100%
Greece	0.95	0.36	0.36	0.00	25%	25%	0.36	25%	38%
Hungary	--	--	--	--	--	--	--	--	--
IFAD	1.12	0.00	0.00	0.00	--	0%	0.00	--	0%
IMF	--	--	--	--	--	--	--	--	--
Isl.Dev Bank	7.11	7.11	7.11	7.11	--	100%	0.00	--	0%
Italy	11.33	0.00	0.00	0.00	0%	0%	0.00	0%	0%
Japan	1.11	0.00	0.00	0.00	--	0%	0.00	--	0%
Korea	--	--	--	--	--	--	--	--	--
Kuwait	--	--	--	--	--	--	--	--	--
Netherlands	4.73	0.00	0.00	0.00	0%	0%	3.20	0%	68%
Norway	--	--	--	--	0%	--	--	0%	--
OPEC Fund	--	--	--	--	--	--	--	--	--
OSCE	2.05	0.00	0.00	0.00	0%	0%	0.00	0%	0%
Spain	1.59	0.00	0.00	0.00	0%	0%	0.00	0%	0%
Sweden	5.43	0.00	0.00	0.00	0%	0%	0.32	0%	6%
Switzerland	9.78	0.00	0.00	0.00	67%	0%	0.00	100%	0%
United Kingdom	4.25	0.00	0.00	0.00	0%	0%	0.00	0%	0%
United Nations	12.85	0.14	0.03	0.56	4%	2%	0.05	19%	0%
United States	24.20	0.00	0.00	0.00	--	0%	0.00	--	0%
World Bank	56.06	12.01	12.01	10.65	37%	21%	20.96	0%	37%
Total	262	32	32	31	14%	12%	27	6%	10%

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

When providing development assistance some donors establish project implementation units (PIUs) – *i.e.* dedicated management units designed to support development projects or programmes. In general, PIUs that are parallel to country systems tend to undermine national capacity building efforts, distort salaries and confuse accountability for development. To make aid more effective, the Paris Declaration encourages donors to avoid, to the maximum extent possible, creating parallel PIUs. Indicator 6 measures progress towards this target by assessing the stock of parallel PIUs.

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 within reach the 2010 target of reducing the number of PIUs to 18. 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 PIUs. The government has made efforts to address this by improving the existing legal framework and increasing the capacity of public administration to implement 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 the requisite knowledge to ministry staff. These types of initiatives enable the government to capitalise on 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.

INDICATOR 6 **Table 4: How many PIUs are parallel to country structures?**

	Parallel PIUs	
	2005 (for reference)	2007 (units)
Austria	1	5
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

PROVIDING MORE PREDICTABLE AID

If aid is provided in a predictable manner, recipient countries are better able to plan and make effective use of aid. Indicator 7 seeks to assess the in-year predictability of aid, measuring the proportion of planned disbursements (as reported by donors) that are recorded by government in the national accounting system as having been disbursed. Table 5 looks at predictability of aid from two different angles. The first angle is the combined ability of donors and government

to disburse aid on schedule. The second angle is donors' and government's ability to record comprehensively those disbursements scheduled by donors for the government sector.

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 were 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 explained both by different interpretations of this indicator by donors at the country level as well as the very rapid pace of reform and growth in Albania, which has caused major challenges in managing investments in many parts of government. 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 234 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.

INDICATOR 7 Table 5: Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in 2007 (USD m)	Aid scheduled by donors for disbursement in 2007 (USD m)	Aid disbursed by donors for government sector in 2007 (USD m) (for reference)	2005 (for reference)		2007 * (%)	
	a	b	(for reference)			$c = a / b$	$c = b / a$
Austria	--	4.12	2.65	0%		--	--
CEB	--	--	--	73%		--	--
Council Of Europe	--	--	--	0%		--	--
Czech Republic	--	--	--	0%		--	--
Denmark	--	--	--			--	--
EBRD	--	25.00	20.40	36%		--	--
EIB	--	--	--		100%	--	--
European Commission	--	66.80	72.42	37%		--	--
France	--	--	--	0%		--	--
GAVI Alliance	--	0.10	0.10	--		--	--
Germany	--	39.45	21.60	64%		--	--
Global Fund	--	2.07	1.78	--		--	--
Greece	--	1.29	0.95			--	--
Hungary	--	--	--			--	--
IFAD	--	2.42	1.12	94%		--	--
IMF	--	--	--			--	--
Isl.Dev Bank	--	5.99	7.11	79%		--	--
Italy	--	9.31	11.33		0%	--	--
Japan	--	1.11	1.11	6%		--	--
Korea	--	--	--	--		--	--
Kuwait	--	--	--		96%	--	--
Netherlands	--	6.72	4.73	11%		--	--
Norway	--	--	--			--	--
OPEC Fund	--	--	--	20%		--	--
OSCE	--	3.37	2.05	0%		--	--
Spain	--	1.59	1.59			--	--
Sweden	--	6.14	5.43	0%		--	--
Switzerland	--	9.78	9.78	0%		--	--
United Kingdom	--	4.25	4.25	0%		--	--
United Nations	--	17.96	12.85	--		--	--
United States	--	29.60	24.20			--	--
World Bank	--	93.28	56.06	77%		--	--
Average donor ratio				33%		0%	
Total	96	330	262	49%		29%	

UNTYING AID**INDICATOR 8**

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— some donors (such as the European Commission and the World Bank) have increasingly opened up their procurement procedures to local companies.

HARMONISATION

Donor fragmentation imposes transaction costs on recipient countries. Indicators 9 and 10 of the 2006 Baseline Survey seek to assess various elements of harmonisation. 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 coordination process. The DTS has been responsible for logistical and advisory support of many of these coordination efforts/events. Alongside the progress made on harmonisation, donors now need to make substantially more use of programme-based approaches (PBAs).

USING COMMON ARRANGEMENTS

If donors use common arrangements to manage and deliver aid, this can enhance aid effectiveness. Indicator 9 of the Paris Declaration uses the proportion of aid delivered through PBAs as a proxy for use of common arrangements. Programme-based approaches (PBAs) are one effective model for co-ordinating development assistance. At present, only a few donors have used PBAs. 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.

INDICATOR 9 Table 6: How much aid is programme-based?

	Programme-based approaches			Total aid disbursed (USD m) d	2005 (for reference)	2007 (%) e = c / d
	Budget support	Other PBAs	Total			
	(USD m) a	(USD m) b	(USD m) c = a + b			
Austria	0.00	0.74	0.74	3.29	0%	22%
CEB	--	--	--	--	--	--
Council Of Europe	--	--	--	--	0%	--
Czech Republic	--	--	--	--	0%	--
Denmark	--	--	--	--	--	--
EBRD	0.00	0.00	0.00	20.40	0%	0%
EIB	--	--	--	--	0%	--
European Commission	0.00	0.00	0.00	72.42	7%	0%
France	--	--	--	--	0%	--
GAVI Alliance	--	0.10	0.10	0.10	--	100%
Germany	0.00	3.60	3.60	21.60	0%	17%
Global Fund	0.00	1.78	1.78	1.78	--	100%
Greece	0.00	0.00	0.00	4.06	0%	0%
Hungary	--	--	--	--	--	--
IFAD	0.00	0.00	0.00	1.12	0%	0%
IMF	--	--	--	--	--	--
Isl.Dev Bank	0.00	0.00	0.00	7.11	0%	0%
Italy	0.00	0.00	0.00	15.79	0%	0%
Japan	0.00	0.00	0.00	1.11	0%	0%
Korea	--	--	--	--	0%	--
Kuwait	--	--	--	--	0%	--
Netherlands	0.00	1.25	1.25	6.72	0%	19%
Norway	--	--	--	--	--	--
OPEC Fund	--	--	--	--	--	--
OSCE	0.00	0.00	0.00	2.05	0%	0%
Spain	1.59	1.81	3.41	3.52	0%	97%
Sweden	0.00	0.00	0.00	10.09	10%	0%
Switzerland	0.00	5.80	5.80	10.40	31%	56%
United Kingdom	0.00	0.00	0.00	4.25	0%	0%
United Nations	0.77	1.70	2.47	16.95	26%	15%
United States	0.00	8.00	8.00	31.60	0%	25%
World Bank	10.65	3.98	14.63	58.39	12%	25%
Total	13	29	42	293	5%	14%

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

One of the most frequent complaints made by partner authorities is that too much time is spent with donor officials and responding to donor needs. The Paris Declaration recognises that donors have a responsibility to ensure that, as much as possible, the missions and analytic work they commission are undertaken jointly. Indicator 10 calculates the proportion of missions to the country undertaken jointly, and the share of country-analysis exercises undertaken on a joint or co-ordinated basis. The data has been adjusted to compensate for double counting.

In 2005, only 9% of donor missions in Albania were conducted jointly. The 2008 Survey shows good progress on Indicator 10a. In 2007, 33% 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.

Albania improved slightly in the extent to which aspects of analytic 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 works. 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 10A Table 7: How many donor missions are co-ordinated?

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2005* (for reference)	2007* (%) c = a / b
Austria	0	2	25%	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	96	291	9%	33%

* The total of coordinated missions has been adjusted to avoid double counting.

A discount factor of 25% is applied.

INDICATOR 10B Table 8: How much country-analysis is co-ordinated?

	Co-ordinated donor analytic work* (units) a	Total donor analytic work (units) b	2005* (for reference)	2007* (%) c = a / b
Austria	0	2	--	0%
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 coordinated missions has been adjusted to avoid double counting.
A discount factor of 25% is applied.

MANAGING FOR RESULTS

INDICATOR 11 The Paris Declaration recommends that donors work alongside partner countries to manage resources based on desired results, and to use information effectively to improve decision making. Indicator 11 focuses on one component of managing for results: the establishment, by the partner country, of a results-based monitoring and evaluation system that is high quality, accessible by stakeholders and co-ordinated at the country level. Albania maintained the same D rating in the *Results-Based National Development Strategies: Assessment and Challenges*

Ahead report as in the previous Comprehensive Development Framework assessment indicating that relevant elements exist and provide some basis for making progress.

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

The Paris Declaration calls for donors and partner countries to be accountable to each other for the use of development resources. This should be achieved in a way that strengthens public support for national policies and development assistance. Attaining mutual accountability requires governments to take steps to improve national accountability systems and donors to be more transparent about their contributions. Indicator 12 measures one important aspect of mutual accountability: whether governments and donors undertake country-level mutual assessments of progress in implementing agreed commitments.

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 three indicators: Indicator 4 on co-ordinated technical co-operation; Indicator 8 on untying aid; and Indicator 10a on joint missions. 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-oriented frameworks. It must be noted that 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.

The survey was undertaken by the national coordinator Albana Vokshi and Nezir Haldeda, with support from the donor focal point, Greta Minxhozi (World Bank) and Nevila Como (Donor Technical Secretariat).

Table 9: SUMMARY TABLE

	Indicators	2005 Reference	2007	2010 Target
1	Operational Development Strategies	C	C	B or A
2a	Reliable Public Financial Management (PFM) systems	4.0	#N/A	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%	33%	40%
10b	Joint country analytic work	22%	34%	66%
11	Results-oriented frameworks	D	D	B or A
12	Mutual accountability	No	No	Yes

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