

PROJECT DOCUMENT

FOR A

PROPOSED GRANT

IN THE AMOUNT OF US\$ 7.19 MILLION

TO

ALBANIA

**FOR CAPACITY BUILDING
SUPPORT TO IMPLEMENT THE INTEGRATED PLANNING
SYSTEM**

20 January 2007

CURRENCY EQUIVALENTS

(Exchange Rates Effective Dec. 31st, 2006)

| | | |
|---------------|---|---------------|
| Currency Unit | = | Lek |
| 98.50 Lek | = | US\$1 |
| 1.3203 US\$ | = | Euro 1 |
| 1.9591 US\$ | = | UK1 |
| 0.1461 US\$ | = | Swedish Kr. 1 |

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

| | |
|---------------|--|
| AWP | Annual Work Plan |
| BMZ | German Federal Ministry for Economic Cooperation and Development |
| CM | Component Manager |
| COM | Council of Ministers |
| DFID | UK Department for International Development |
| DMD | Debt Management Department |
| DSDC | Department for Strategy and Donor Co-ordination |
| DTS | Donor Technical Secretariat |
| DP | Development Partner |
| EU | European Union |
| GMC | Government Modernization Committee |
| GoA | Government of Albania |
| INSTAT | Albanian Statistical Institute |
| IPS | Integrated Planning System |
| IPSIS | IPS Information System |
| MDTF | Multi-donor trust fund |
| MoI | Ministry of Integration |
| MIS | Management information system |
| MoF | Ministry of Finance |
| MTBP | Medium-Term Budget Programme |
| NOBL | New Organic Budget Law |
| NSDI | National Strategy for Development and Integration |
| OSCE | The Organization for Security and Co-operation in Europe |
| PIC | Public Investment Committee |
| PIT | Project Implementation Team |
| PIU | Project Implementation Unit |
| PMC | Project Management Committee |
| SBI | Working Group for Strategy, Budget & Integration |
| SIDA | Swedish International Development Cooperation Agency |
| SPC | Strategic Planning Committee |
| TA | Technical Assistance |
| TIPA | Training Institute for Public Administration |
| UNDP | United Nations Development Program |
| US\$ | US dollars |

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SUMMARY

TITLE: CAPACITY BUILDING SUPPORT TO IMPLEMENT THE INTEGRATED PLANNING SYSTEM

A. COUNTRY

Albania

B. PROJECT NAME

Capacity building support to implement the Integrated Planning System (IPS)

C. PROJECT DEVELOPMENT OBJECTIVE

The project's development objective is 'To ensure that the Government of Albania's core policy and financial processes function in a coherent, efficient and integrated manner.' This will be accomplished by building sufficient and sustainable capacity in line ministries to participate fully in IPS.

D. PROJECT DESCRIPTION:

The project will help to support effective implementation of the IPS principles across the whole government, as set out in the IPS Implementation plan produced by the Department for Strategy and Donor Coordination (DSDC, Council of Ministers) in April 2006. The focus of activities will be as follows:

- *2007: consolidation of IPS*, to ensure that processes are understood and institutionalized across government, with targeted technical assistance for specific ministry products
- *2008: full implementation* in all ministries, with emphasis placed on securing technical assistance, organizational development and increasing ministry planning and budgeting capacity.
- *2009: quality of implementation*, with emphasis placed on further strengthening accountability mechanisms and increasing ministry service delivery capacity.

E. SUMMARY OF TECHNICAL ASSISTANCE PROPOSAL

The proposed grant of US\$7.19 million will provide assistance to Albania to implement the Integrated Planning System. The grant would support eight components:

- Component 1: Strengthening planning/reporting for EU integration (US\$0.82 mn.)
- Component 2: Implement Medium-Term Budget Programme (MTBP) (US\$1.41 mn.)
- Component 3: Public Investment Management (US\$0.97 mn.)
- Component 4: Macro-economic Forecasting (US\$ 0.80 mn.)
- Component 5: IPS coordination, oversight, communication (US\$0.41 mn.)
- Component 6: NSDI and supporting sector/cross cutting strategies (US\$0.65 mn.)
- Component 7: Aid Coordination (US\$0.49 mn.)
- Component 8: Monitoring and Reporting (US\$1.10 mn.)
- Contingency (US\$0.20) and Administrative Fee (US\$0.34)
- Government Contribution (\$US0.089) – not included in total

F. AMOUNT OF GRANT REQUESTED

| CONTRIBUTING DONORS | AMOUNT (US\$ MILLION) |
|------------------------------|------------------------------|
| Austria | 0.66 |
| European Commission | 1.32 |
| Netherlands | 1.32 |
| Sweden – SIDA | 0.58 |
| United Kingdom – DFID | 2.94 |
| Italy | 0.37 |
| TOTAL Pledges to Date | 7.19 |
| TOTAL Request | 7.19 |

Also note that Germany-GTZ, USAID, OSCE and UNDP may fund specific IPS-related items outside the Trust Fund and that Sweden may supplement its pledge in future.

G. DURATION

1st March 2007 – 31st December 2009.

H. TFO CLEARANCE

Approval date to be determined

PROJECT LOGFRAME

Project Name: **Capacity building support to implement the Integrated Planning System**

Country: **Albania**

Date of Preparation: **January 07**

| Narrative Summary | Objectively Verifiable Indicators | Means Of Verification | Assumptions |
|--|--|--|--|
| <p>Goal: Increased and transparent linkage between NSDI objectives and government policy and budget allocations and expenditures.</p> | <p>1. Ministry programme policy goals and objectives clearly indicate major NSDI (including EI) commitments from 2008.</p> <p>2. Clear link between sector strategies and public investment project selection from 2008 onwards.</p> <p>3. MTBP ceilings respected in ministry budgets (% gap) from 2007 onwards.</p> | <p>MTBP (Ministry Integrated Plans)</p> | |
| <p>Purpose: To ensure that the Government of Albania's core policy and financial processes function in a coherent, efficient and integrated manner.</p> | <p>1. Deadlines in integrated planning calendar met by SPC, GMC and SBI Working Groups from 2008.</p> <p>2. Final NSDI (approved at end 2007) used by COM for setting strategic direction within a sound fiscal framework at the outset of the 2008 MTBP process.</p> <p>3. All ministries included in published MTBP and Annual Reports from 2008.</p> <p>4. Increasing % of domestic and foreign financed projects approved by PI review mechanism from 2008.</p> <p>5. Increasing % of donor-financed projects captured in Treasury system</p> <p>6. Progress achieved against External</p> | <p>2008 NSDI Progress Report</p> <p>MTBP</p> <p>Macroeconomic Assessment and Forecast</p> <p>TF Implementation Status Reports</p> <p>TF Mid-Term Review Implementation Completion Report (ICR)</p> | <p>That there is sufficient political commitment to implement the IPS.</p> <p>New Organic Budget Law enacted in 2007.</p> <p>Government of Albania ensures, predominantly through the SPC and GMC, that the key central institutions critical to the success of IPS: DSDC, MoF, Mol, and INSTAT support each other and work effectively together on a daily basis, as well as support line ministries in order to ensure the success of IPS implementation.</p> <p>No new GoA or donor driven strategy development is undertaken without the express approval of the</p> |

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|--|--|---|---|
| | <p>Assistance indicators (e.g., disbursement rate)</p> <p>7. % of indicators from agreed ministry monitoring plans that are reported against increases year on year.</p> <p>8. All EU integration reporting deadlines met</p> <p>9. 2008 MTBP process based on use of sound fiscal framework.</p> | | <p>SPC from 2007 onwards.</p> <p>That there are sufficient incentives for the line ministries to implement the IPS.</p> <p>GoA has capacity to manage the IPS TF and TA contracted in.</p> |
| Outputs | | | |
| <p>1. EU assistance programming and reporting capacities strengthened</p> | <p>1. EU assistance, is programmed and implemented effectively in line with Government priorities and MTBP.</p> <p>2. The capacities of the MoI and Line ministries for reporting on absorption of EU funds are increased.</p> | <p>TF Implementation Status Reports</p> <p>TF Mid-Term Review Implementation Completion Report (ICR)</p> <p>Periodical progress reports on CARDS funds contracting and disbursement figures</p> | <p>1. Effective implementation of support to MoI and Line Ministries under CARDS programmes.</p> |
| <p>2. All ministries produce MTBPs from 2008 that connect to NSDI and sectoral & cross-cutting strategies.</p> | <p>1. 2007-09 MTBP and related ministry plans published in early 2008.</p> <p>2. 2008-10 MTBP approved by COM by July 2007.</p> | <p>MTBP</p> <p>TF Implementation Status Reports</p> <p>TF Mid-Term Review Implementation Completion Report (ICR)</p> | <p>1. That the Budget Department can build a sustainable capacity to manage the MTBP process.</p> <p>2. That support delivered through SPEM 3 project is effective.</p> |
| <p>3. Public Investment Management processes and procedures established and integrated into MTBP cycle</p> | <p>1. IT system designed/tested to capture public investment project data (foreign and domestic financed) by mid 2008.</p> <p>2. PIM manual produced in 2007.</p> <p>3. All relevant MoF and line ministry staff trained in how to operate the new PIM processes in the PIM manual by March 2008.</p> <p>4. New PIM process fully incorporated in MTBP process from 2008 onwards.</p> <p>5. Training for</p> | <p>TF Implementation Status Reports</p> <p>TF Mid-Term Review Implementation Completion Report (ICR)</p> <p>PIM Manual</p> <p>TIPA Curricula</p> | <p>1. PIM function within MoF fully and competently staffed.</p> <p>2. That the public investment function can be successfully integrated into the MoF and roles and responsibilities of other parts of government in PIM are agreed.</p> |

| | | | |
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| | government staff on PIM incorporated into TIPA program(s) from 2008 onwards. | | |
| 4. Capacity of government to use macro-economic and fiscal forecasting in the MTBP process strengthened. | <p>1.1 Recommendations clarifying the roles and responsibilities of the macro-economic and fiscal department presented to Minister and General Secretary in MoF.</p> <p>1.2 Revised structure of Debt Management Department with modernized functions (front/middle/back office) submitted for approval</p> <p>1.3 Number of training courses/sessions on financial market development, instruments, risk and sustainability analysis, negotiating foreign investments, developing debt data according to international standards</p> <p>1.4 Timetable identifying which macro-economic outputs needed when during the annual planning and budget calendar developed.</p> <p>1.5 Recommendation on appropriate statistical and econometric software needed to strengthen macroeconomic modelling produced.</p> <p>1.6 Macroeconomic and Fiscal Department staff competent in the use of macroeconomic modelling software.</p> <p>1.7 Macroeconomic Committee, consisting of representatives from the Ministry of Finance (Macroeconomic and Budget Departments), the Bank of Albania, INSTAT and DSDC, revived.</p> | <p>TF Implementation Status Reports</p> <p>TF Mid-Term Review Implementation Completion Report (ICR)</p> <p>Debt Management Department Structure proposed document for approval</p> <p>Training Report submitted to Component manager and TF Implementation Status Reports</p> | <p>1. Staff in position in MoF.</p> <p>2. Demand for macro-economic and fiscal forecasting exists among key decision makers.</p> |
| 5. IPS Coordinating Mechanisms in place | 1. SPC/GMC meets at least quarterly. | IPS TF Reports | 1. The UNDP-administered multi- |

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| <p>and operating by mid 2007.</p> | <p>2. SPC/GMC reviews and approves all major IPS-related decisions 3. Decisions communicated to ministries in timely manner 4. Sufficient number of meetings held of each SBI Working Group to ensure effective overall management and review of all key IPS products prior to submission</p> | | <p>donor project achieves its goal to establish fully DSDC's functions 2. DSDC, MoF and MoI fill all key vacancies in IPS areas 3. Action will be taken on review of DSDC's capacity to fulfill its 2007-08 mandate (by mid 2007) 4. DSDC will be able to assume responsibility for functions being delivered through TA by early 2008.</p> |
| <p>6. Revised NSDI produced by March 2008.</p> | <p>1. NSDI Government Order (June '06) for development of the NSDI used in revision during 2007. 2. All 14 ministries fully trained in development of sector strategies by mid 2007. 3. All 14 ministries coached/mentored through one complete strategy refinement cycle by end 2008. 4. Remaining full strategies completed for all approved sectors and cross-cutting areas by end 2007. 5. Baselines for high-level NSDI indicators agreed by March 2007. 6. Interim NSDI published in March 2007. 7. Training for government staff on strategy development provided through TIPA in place from 2008 onwards.</p> | <p>Interim NSDI Document Final NSDI Document NSDI Annual Progress Reports TIPA Curricula</p> | <p>1. That SPEM 3 and NSDI projects can effectively deliver identified products. 2. Remaining full strategies completed for all approved sectors and cross-cutting areas by end 2007.</p> |
| <p>7. Policy goals in all sector and cross-cutting strategies are fully consistent with those guiding MTBP preparation from 2007 onwards.</p> | <p>1. All IPS products (sector strategies, 2008-10 MTBP submissions and ministry monitoring plans) reflect EU/NATO integration commitments. 2. Output targets developed for major integration commitments by mid</p> | <p>MTBP NSDI Documents TF Implementation Status Reports TF Mid-Term Review Implementation Completion Report (ICR)</p> | <p>1. That SPEM 3 and NSSED projects can effectively deliver identified products.</p> |

| | | | |
|--|--|---|---|
| | <p>2007.</p> <p>3. Review of sector strategies by the SPC to ensure consistency with those guiding MTBP preparation from 2008 onwards.</p> | | |
| <p>8. External Assistance Strategy developed by Fall 2007.</p> | <p>1. First EA Strategy presented to donors by Fall 2007.</p> <p>2. Agreement on EA indicators; baselines established by Fall 2007.</p> <p>3. Second EA Strategy presented to donors by Fall 2008.</p> | <p>EA progress report</p> | <p>1. That support programmed under UNDP administered support for donor coordination is effective.</p> |
| <p>Monitoring and reporting system that meets GoA and external needs in place by end 2007.</p> | <p>1. IPSIS operational with data entered for key 2007-09 outputs/targets</p> <p>2. IPSIS designed to meet all EU integration requirements by mid 2007.</p> <p>3. Quarterly reporting begins by 2008</p> <p>4. 2008 ministry monitoring plan agreed with each ministry.</p> <p>5. NSDI 2007 Annual Progress Report published, including actual results vs. baselines for high-level indicators by Fall 2008.</p> <p>6. Training for government staff on using IPSIS provided through TIPA from 2008 onwards.</p> | <p>TF Implementation Status Reports</p> <p>TF Mid-Term Review</p> <p>Implementation Completion Report (ICR)</p> <p>TIPA Curricula</p> | <p>1. That the IPSIS system developed under UNDP administered support (09/06-08/07)</p> <ul style="list-style-type: none"> • incorporates data for key 2007-09 outputs/targets defined under ministry level Monitoring Plans. • can meet all EU integration requirements <p>2. That there is commitment from all agencies, currently responsible for related information systems, to adapt their systems as required and once adapted to ensure that data is accurate and entered in a timely manner.</p> |

By the end of 2007, additional indicators should be developed to assess the sustainability of the knowledge transfer/training components of IPS supported under the trust fund.

A. BACKGROUND

1. The IPS framework

Albania has suffered from fragmented, disconnected planning systems, and much work needs to be completed to incorporate European integration, NATO membership, the Government Programme and poverty reduction into a single framework. There has also been no coherent approach that links these long-term goals to medium-term or sector strategies which would then inform the Medium Term Expenditure Framework (called Medium Term Budget Planning (MTBP) in Albania) process. Furthermore, none of these planning levels is linked through to a macroeconomic framework or costing scenarios.

For the Prime Minister and Ministers, this makes it extremely difficult to provide coherent strategic direction as policies are developed and presented for approval in a piecemeal fashion. For line ministries, overload occurs as limited resources are stretched trying to accommodate excessive, overlapping demands from different central institutions. In short, strong linkages between policy, planning and budgeting remain weak and need to be significantly strengthened if the GoA is to deliver against its policy commitments.

However, in recent years the Government of Albania (GoA) has taken a number of steps to strengthen its planning and budgeting systems. An MTBP was introduced in 2001, and both the previous, and present, governments approved the introduction of an integrated planning system.

The Integrated Planning System (IPS) is a broad planning and monitoring framework which aims to ensure that the core policy and financial processes developed by the GoA function in an integrated manner. These core processes are:

- The National Strategy for Development and Integration (NSDI), which establishes the GoA's medium to longer term goals and strategies for all sectors.
- The Medium-Term Budget Programme (MTBP), which requires each ministry to develop a 3-year plan to deliver programme outputs to achieve its policy objectives and goals within the ministry's expenditure ceiling - as set out in the government's fiscal plan.

The IPS aims to provide a set of operating principles and supporting structures to ensure that government planning and monitoring takes place in as efficient and harmonized a way as possible. In sum, *IPS is neither a new nor separate planning system*. Nor is it an attempt to amalgamate existing processes within a single process. What the IPS provides is *a set of operating principles and supporting structures to ensure that government planning and monitoring as a whole takes place in as efficient and harmonized way as possible*.

Given the overriding importance of the European integration agenda, the IPS is seen as a significant contributor to enhancing the government's ability to deliver this agenda. First, because European Integration will be at the centre of the NSDI and properly reflected in every sectoral and cross-cutting strategy amended or developed as part of the NSDI process in 2006 and 2007. Second, because the IPS process will highlight for the key decision makers in the two key inter-ministerial committees where priorities need to be set and implementation monitored. Third, because policy

- including commitments made within the Interim Agreement (Albania), SAA and Plan for Implementing the Acquis - have not been adequately linked into the budget development process. This link between policy and budget needs to be strengthened and this is what the IPS will deliver. It will do so by ensuring that the MTBP process is informed by the sector strategies developed through the NSDI (which in turns reflect European Integration commitments) through the working groups on Strategy, Budget and Integration that are now operating in all ministries of the government. In other words, the IPS aims to allow the Government of Albania to prioritise its expenditures based on a national strategy that focuses strongly on the European Integration agenda.

2. Core products of IPS

There are 7 core products of the IPS:

- An *Integrated Planning Calendar* will be issued to ministries at the beginning of each year covering the major requirements and deadlines for all core policy and financial processes;
- combined *training programmes* will be delivered wherever feasible;
- each year, a *Ministry Integrated Plan* will be produced containing the major commitments for the core policy and financial processes;
- a single *External Assistance Strategy* document will be produced annually that identifies all priority areas where external assistance is needed;
- a single *Ministry Monitoring Plan* will be negotiated annually with each ministry encompassing all key outputs and indicators to be monitored by the centre;
- an *IPS Information System (IPSIS)* will serve as the primary system for integrated reporting on progress towards achieving the outputs and indicators contained in the Ministry Monitoring Plan; and
- *Ministry Annual Reports* will present the results achieved vs. the targets set for all processes.

3. IPS implementation structures

At central level the GoA affirmed its commitment to the IPS in November 2005 and created three structures to oversee its implementation:

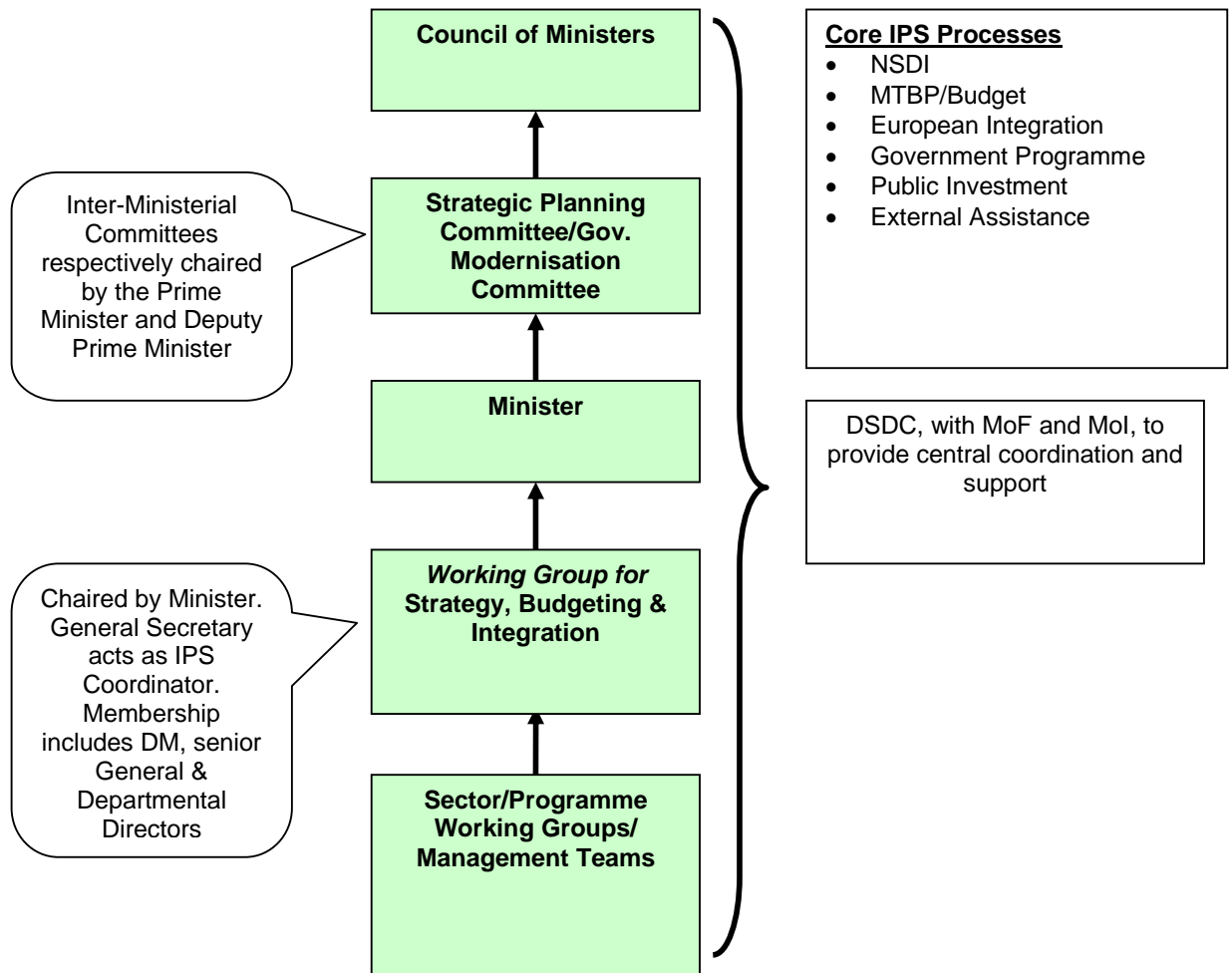
- The *Strategic Planning Committee (SPC)* – an inter-ministerial committee chaired by the Prime Minister to determine the government's policy and fiscal priorities and review ministry plans to deliver these priorities.
- The *Government Modernization Committee (GMC)* – an inter-ministerial committee chaired by the Deputy Prime Minister to approve IPS methodologies and monitor IPS implementation.
- The *Department for Strategy and Donor Co-ordination (DSDC)* – a new Department within the Council of Ministers to co-ordinate introduction of the IPS across government.

In addition, the Ministry of Economy's public investment and related external assistance functions were transferred to the Ministry of Finance. A new Directorate

of Public Investment Management within the General Directorate of the Budget has been established to assume these responsibilities.

At ministry/agency level, IPS implementation will be the responsibility of each Minister and/or independent Agency Head. Working Groups for Strategy, Budgeting and Integration have recently been established in all ministries and agencies and these include the ministries' senior management – They are chaired by a Deputy Minister and include the General Secretary and key Departmental Directors within each ministry. These committees will monitor the implementation of the ministry's NSDI, MTBP, European integration, Government Programme, public investment and external assistance plans.

**POLITICAL AND ADMINISTRATIVE BODIES:
OVERSIGHT OF IPS**



4. The challenge

Creation of these new structures are important first steps in IPS implementation. The challenge over the next three years will be to support effective implementation of the IPS principles across the whole government, as set out in the current IPS Implementation plan produced by the Department for Strategy and Donor Coordination (DSDC, Council of Ministers) in October 2006. The focus of activities will be as follows:

- *2006: design process*, establishing central IPS structures, and capacity building of central institutions. Within ministries, the emphasis will be placed on creating oversight structures, expanding awareness of IPS, extending the IPS methodologies across all ministries and assessing each ministry's needs
- *2007: consolidation of IPS*, to ensure that processes are understood and institutionalized across government, with targeted technical assistance for specific ministry products
- *2008: full implementation* in all ministries, with emphasis placed on securing technical assistance, organizational development and increasing ministry planning capacity.
- *2009: quality of implementation*, with emphasis placed on further strengthening accountability mechanisms and increasing ministry service delivery capacity.

5. Donor's present support to IPS implementation

IPS related central institutions receiving technical assistance include:

- World Bank support to the Council of Ministers for IPS coordination and policy formulation, which is scheduled to finish in December 2006;
- DFID support to DSDC and, selectively, to line ministries to develop a new NSDI and strengthen sector level planning capacity in all line ministries (scheduled to finish in 2007);
- Joint British, Dutch and Swedish support to the Ministry of Finance and, selectively, to line ministries for strengthening public expenditure management, in particular through MTBP implementation, including the new project management cycle for public investment (scheduled to finish December 2008); and
- DFID support provided to the DTS and DTS Office, which delivers donor coordination and aid harmonization functions; the members of the DTS are the European Commission, OSCE, UNDP and the World Bank.
- Economic Management Strengthening- Past support to strengthen the Government's action plan implementation and monitoring through the establishment of a management information system and policy cycle and management training. Supported by UNDP and the Government of the Netherlands.
- Support to MoI under CARDS 2005 aimed at providing support to the Government of Albania's European integration efforts with special emphasis

on strengthening coordination and monitoring of the different aspects of the integration process and effective management of Community Assistance Programs.

Additional TA support required for 2006 and early 2007 will be provided through a multi-donor funded project administered by UNDP. Thus far, contributions from the Netherlands, OSCE and UNDP have initiated the fund. This support focuses on:

- full establishment of DSDC's donor coordination function and its linkages with the Ministries of Finance, European Integration, and line ministries; this will include:
 - developing the related processes, protocols and procedures for donor coordination and determining DSDC's roles/responsibilities, in particular with the DTS, DTS Office, and donors generally; and
 - establishing DSDC's joint role with the Ministry of Finance in overseeing the external assistance component of the new public investment project management cycle.
- determining the optimum solution for an IPS MIS (IPSIS); this will include an assessment of at least three existing or planned systems and the development of options and recommendations on how best to proceed; once this decision is taken by the government, the project will proceed through programming, documentation, ministry training and ministry implementation phases; the systems include:
 - the dormant Government Action Plan MIS;
 - the European Integration MIS; and
 - an MIS supporting the budget preparation and output reporting process between line ministries and the Ministry of Finance.
- developing a 3-year training and communications strategy for IPS, including potential delivery of generic IPS training through the Training Institute for Public Administration (TIPA).

It should also be mentioned that TA is being provided in a number of related areas that will assist IPS. For example, support to establishing a modern treasury system will improve the quality of budget execution and the linkage between approved and actual budget expenditures, a critical success factor for the MTBP.

In establishing the IPS Trust Fund, a vehicle will be established through which line ministries can access TA to assist with IPS implementation and central institutions can access TA to fill any gaps. The clear intention, though, is that a significant majority of the funding will be directed at line ministries.

B. PROJECT DESCRIPTION

1. Financing instrument

The proposed operation is a technical assistance grant with a focus on institution and capacity building in line ministries. The use of a TA operation is most appropriate given the need to strengthen the government agencies that will be directly responsible for implementation of the IPS. The estimated cost of the project over 3 years is US\$ 7.19 million, including World Bank administration costs.

Of this amount, the below organizations have already indicated potential contributions of US\$7.19 mn:

| CONTRIBUTING DONORS | AMOUNT (US\$ MILLION) |
|------------------------------|------------------------------|
| Austria | 0.66 |
| European Commission | 1.32 |
| Netherlands | 1.32 |
| Sweden – SIDA | 0.58 |
| United Kingdom – DFID | 2.94 |
| Italy | 0.37 |
| TOTAL Pledges to Date | 7.19 |
| TOTAL Request | 7.19 |

Also note that Germany-GTZ, USAID, OSCE and UNDP may fund specific IPS-related items outside the Trust Fund and that Sweden may supplement its pledge in future.

Donor funds will be administered through a government executed multi-donor trust fund (MDTF). It is the Government's intention to encourage other donors to join the pooled funding arrangement once it is successfully established so that support can over time be extended to other key areas of its reform agenda.

The Government will be responsible for execution of the Trust Fund, including: preparation of terms of reference, procurement of services and goods, contract administration, making payments, and submission of progress implementation reports and audited financial reports on TF activities and resources.

The World Bank will act as the trustee of the trust fund and therefore assume responsibility to ensure that the trust funds are used for the purposes specified in the Administration Agreement between the World Bank and funding donors, and in accordance with applicable World Bank policies and procedures.

As outlined later in the document, the performance of the Trust Fund will be overseen by a joint government-donor body (IPS Support Group) and, when requested, by the Government Modernization Committee.

A multi-donor trust fund arrangement was selected as the most appropriate in the present environment for the following reasons: (i) the proposed alignment of donor funding contributes to strengthening Government systems and reinforces good PFM in the process; (ii) trust fund arrangements reduce risks as they strengthen the dialogue between government and development partners; (iii) participating in the trust fund helps contributing partners to share risks; and (iv) a single trust fund arrangement can be expected to reduce transaction costs for the Government. The option of establishing a multi-donor basket fund, based on the use of Government's

present financial and procurement systems and procedures, was considered but rejected at this point, since the government's systems are considered insufficiently robust and transparent at this point in time.

2. *Project Development Objectives and Key Indicators*

The project's objective is 'Increased and transparent linkage between NSDI objectives and government policy and budget allocations and expenditures.' This will be accomplished by building sufficient and sustainable capacity in line ministries to participate fully in IPS. This goal is appropriately broad, given the focus of the project within the Government's broader reform approach and the need to accommodate plans being further developed by the Government, such as under European Integration.

Key performance indicators include:

- i. Deadlines in integrated planning calendar (some will be prescribed under the NOBL - not yet passed) met by SPC, GMC and SBI Working Groups.
- ii. NSDI updated by March 2008 to reflect full sector strategies.
- iii. Final NSDI Document (approved by early 2008) used by COM for setting strategic direction within a sound fiscal framework at the outset of the 2008 MTBP process.
- iv. All ministries included in published MTBP and Annual Reports from 2008.
- v. Increasing % of domestic and foreign financed projects approved by PI review mechanism
- vi. Increasing % of donor-financed projects captured in Treasury system
- vii. Progress achieved against External Assistance Strategy indicators (e.g., disbursement rate)
- viii. % of indicators from agreed ministry monitoring plans that are reported against increases year on year.
- ix. All EU integration reporting deadlines met

3. Project Components

Note that the project components are organized under the responsible central institution. However, in application, the majority of the funding will be directed to line ministries.

| TF Output | TF Activities | Timeframe | Component Manager | Involved Government agencies | Key Outcome |
|--|---|-----------|---|--|--|
| Component 1: SAA Implementation and EU assistance programming and reporting capacities strengthened | | | | | |
| Administrative capacities of the central public administration to implement the SAA assessed by 2007 | <ol style="list-style-type: none"> 1. Evaluation of the situation in line Ministries and central institutions as regards their administrative capacities to deliver SAA requirements. 2. Identification/ recommendation of fields where urgent steps should be taken to increase capacities or the need to set up new structures. | 2007-2009 | Ministry of Integration and Department of Public Administration - | All Line Ministries and central State Institutions | Effective and timely implementation of the European Integration obligations in line with the commitments foreseen in the National Plan for the Implementation of the SAA |
| Training programme to strengthen capacity within GoA to implement European Integration agenda in line with the Overall Training Strategy of the IPS Implementation | <ol style="list-style-type: none"> 2.1 Support for preparation of the Training Strategy, through: <ul style="list-style-type: none"> • Gap analyses • Workshops-inputs to design the strategy 2.2 Support implementation of the Training Strategy and training programmes delivered through TIPA. | 2007-2009 | Ministry of Integration, Department of Public Administration and TIPA | All Line Ministries and central State Institutions | The capacities of the central State administration to implement the SAA obligations are increased |
| Component 2: Implement Medium-Term Budget Programme | | | | | |
| All ministries produce MTBPs from 2008 that connect to NSDI and sectoral and cross-cutting strategies. | Additional support to Working Group on Strategy, Budgeting and Integration and programme teams in line ministries to build their capacity to implement effectively MoF's Budget Instructions when preparing MTBP submissions. | 2007-09 | Director, Budget Department, Ministry of Finance | <p>Managed through Heads of Section (X2) and Specialists (X5) in Budget Department</p> <p>Work through Deputy Ministers/General Secretaries on Working Groups for Strategy, Budgeting and Integration (X14) & with</p> | All ministries included in published MTBP and Annual Reports from 2008 |

| TF Output | TF Activities | Timeframe | Component Manager | Involved Government agencies | Key Outcome |
|---|--|-----------|--|--|---|
| | | | | ministry level programme teams. | |
| Component 3: Public Investment Management | | | | | |
| Public Investment Management processes and procedures established and integrated into MTBP cycle | 1.1 Support MoF develop new PIM processes and procedures and draft the PIM manual. 1.2 Develop and test an IT to capture public investment project data (foreign and domestic financed). 1.3 Support and train MoF and line ministry staff in how to operate the new PIM processes in the PIM manual. 1.4 Train MoF and ministry staff in cost/benefit analysis for PIs. 1.5 Support appropriate linkages between PIM IT system and budget/treasury/external assistance IT systems. 1.6 Support to ensure that capacity in place to ensure on-going (post 2008) training in operation of the PIM IT delivered through TIPA. | 2007-09 | Director, Public Investment Management Department, Ministry of Finance | Managed through Heads of Section (X2) and Specialists (X5) in PIM Department Work through Deputy Ministers/General Secretaries on Working Groups for Strategy, Budgeting and Integration (X14) & with ministry level Directors of Budget and Economic Policy. | Increasing % of domestic and foreign financed projects approved by PI review mechanism Increasing % of donor-financed projects captured in Treasury system |
| Component 4: Macro-economic Forecasting | | | | | |
| Capacity of government to use macro-economic and fiscal forecasting in the MTBP process strengthened. | 1.1 Support development of recommendations clarifying the roles and responsibilities of the macro-economic and fiscal department. 1.2 Support revision of Debt Management Department structure to reflect modernized functions (front/middle/back office) 1.3 Support DMD capacity building in financial market development, instruments, risk and sustainability analysis, negotiating foreign investments, developing debt data according to international standards 1.4 Support identification of what outputs need to be produced by the | 2007-09 | Director, Macroeconomic Forecasting and Fiscal Department, Ministry of Finance | Budget Department, Debt Management Department, Ministry of Finance INSTAT Bank of Albania COM/SPC | 2008 MTBP process based on use of sound fiscal framework. |

| TF Output | TF Activities | Timeframe | Component Manager | Involved Government agencies | Key Outcome |
|---|--|-----------|-----------------------|--|---|
| | <p>annual planning and budget calendar.</p> <p>1.5 Support selection of appropriate statistical and econometric software needed to strengthen macroeconomic modelling.</p> <p>1.6 Coach Macroeconomic and Fiscal Department in the use of macroeconomic modelling software.</p> <p>1.7 Support revival of Macroeconomic Committee, consisting of representatives from the Ministry of Finance (Macroeconomic and Budget Departments), the Bank of Albania, INSTAT and DSDC, to strengthen challenge role of Macro-economic Department.</p> | | | | |
| Component 5: IPS coordination, oversight, awareness, communication | | | | | |
| IPS Coordinating Mechanisms in place and operating by mid 2008. | <p>1.1 Support to establish and operationalise IPS coordination functions at DSDC by mid 2007.</p> <p>1.2 Establish a project management system to track IPS related responsibilities</p> <p>1.3 Support development of effective operating procedures for the Strategy, Budget & Integration Working Groups in line ministries</p> | 2007-09 | IPS Coordinator, DSDC | Working Groups for Strategy, Budgeting and Integration | Deadlines in integrated planning calendar met by SPC, GMC and SBI Working Groups. |
| | <p>2.1 Launch and implement IPS communications strategy</p> <p>2.2 Permanent round tables on IPS implementation - organization of Annual Conference on IPS performance feedback</p> | 2007-09 | IPS Coordinator, DSDC | <p>Directors, Budget and Public Investment Management Departments, MoF</p> <p>Secretary General of the MoI</p> <p>Working Groups for Strategy, Budgeting and Integration</p> | |
| Component 6: NSDI and supporting sector and cross cutting strategies | | | | | |

| TF Output | TF Activities | Timeframe | Component Manager | Involved Government agencies | Key Outcome |
|---|--|-----------|----------------------------|--|---|
| Interim NSDI produced by Feb. 2007; Final NSDI Document by Feb. 2008. | <p>1.1 Support NSDI Unit within the DSDC to oversee and quality assure implementation of procedures outlined under NSDI Government Order (June '06) for development of the NSDI.</p> <p>1.2 Support alignment of sector and cross-cutting strategies produced by ministries with the NSDI.</p> <p>1.3 Support development of approach to ensure that all IPS products (sector strategies, 2008-10 MTBP submissions and ministry monitoring plans) reflect GoA's EU/NATO integration commitments.</p> | 2007 | Strategy Coordinator, DSDC | <p>Directors, Budget and Public Investment Management Departments, MoF</p> <p>Secretary General of MoI</p> <p>Department of Public Administration/TIPA</p> <p>Working Groups for Strategy, Budgeting and Integration</p> | NSDI updated by March 2008 to reflect full sector strategies. |
| Policy goals in all sector and cross-cutting strategies are fully consistent with those guiding MTBP preparation from 2007 onwards. | <p>2.1 Develop expertise and capacity across all 14 ministries to develop and improve their sector strategies.</p> <p>2.2 Increase capacity of DSDC staff to support review of sector strategies by the SPC.</p> <p>2.3 Support to ensure that capacity in place to ensure on-going (post 2008) training in strategy development delivered through TIPA.</p> | 2007-09 | Strategy Coordinator, DSDC | <p>Directors, Budget and Public Investment Management Departments, MoF</p> <p>Secretary General of MoI</p> <p>Department of Public Administration/TIPA</p> <p>Working Groups for Strategy, Budgeting and Integration</p> | Policy goals in all sector and cross-cutting strategies are fully consistent with those guiding MTBP preparation from 2008 onwards. |
| Component 7: Aid Coordination | | | | | |
| External Assistance Strategy developed by July 2007. | <p>1.1 Develop a methodology for External Assistance Programming</p> <p>1.2 Support process for production of 2nd External Assistance Strategy by June 2008 and an annual report in 2009.</p> | 2007-09 | DSDC | <p>Directors, Budget and Public Investment Management Departments, MoF</p> <p>Ministry for Foreign Affairs</p> <p>Ministry for Economy</p> | Progress achieved against External Assistance Strategy indicators (e.g., disbursement rate) |
| Component 8: Monitoring and Reporting | | | | | |
| Design for monitoring and reporting system | 1.1 Support GoA to ensure that the IPSIS system developed under UNDP | 2007-09 | Depends on needs | Directors, Budget and Public Investment | % of indicators from agreed ministry |

| TF Output | TF Activities | Timeframe | Component Manager | Involved Government agencies | Key Outcome |
|---|---|-----------|--|--|---|
| <p>that meets GoA and external needs in place by end 2007; fully functional by 2008</p> | <p>administered support (09/06-08/07)</p> <ul style="list-style-type: none"> • incorporates data for key 2007-09 outputs/targets defined under ministry level Monitoring Plans. • can meet all EU integration requirements <p>1.2 Support line ministries to build ability to:</p> <ul style="list-style-type: none"> • deliver their quarterly reports on a timely basis. • develop ministry monitoring plans of the required quality. <p>1.3 Provision of additional IT hardware and programming required to implement the IPSIS across all ministries.</p> <p>1.4 Support to ensure that capacity in place to ensure on-going (post 2008) training in operating the IPSIS system delivered through TIPA.</p> <p>1.5 Ensure adequate hardware/software in place to facilitate exchange of all key IPS data (including MTBP, PI, EA) between line ministries and DSDC, MoI and MoF</p> | | <p>assessment will address this issue, which affects DSDC, MoI and MoF. Responsibility will also depend on government decision on roles/responsibilities for monitoring and reporting.</p> | <p>Management Departments, MoF</p> <p>General secretary of MoI</p> <p>DSDC</p> <p>Working Groups for Strategy, Budgeting and Integration and EI contact points</p> | <p>monitoring plans that reported against increases year on year.</p> |

C. IMPLEMENTATION

1. Governance Structure

The *Government Modernization Committee (GMC)* – an inter-ministerial committee chaired by the Deputy Prime Minister - approves IPS methodologies and monitors IPS implementation.

The IPS Support Group provides strategic directions and oversight for the implementation of the IPS Trust Fund. The IPS Support Group has the following responsibilities:

- (i) reviewing the IPS Trust Fund's annual work plan (AWP) and budget allocations across components to ensure consistency with both decisions made by the SPC and GMC and the broad commitments outlined in this project document;
- (ii) reviewing performance against the AWP's objectives;
- (iii) Agreement by funding donors of activities planned for the coming year.

The IPS Support Group is chaired by the Director of the DSDC and includes the Deputy Minister, Ministry of Integration (MoI), Deputy Minister of Finance (MoF), Director, Department of Public Administration (DoPA), one Prime Ministerial Adviser and representatives of the Donors Technical Secretariat as well as those donors that have made financial contributions to the TF. The IPS Support Group will meet at least twice a year: in early November, to review the AWP and then in June to review progress against the Annual Work Plan.

2. Implementation Arrangements

Model for the Delivery of Technical Assistance.

Under the general oversight of the IPS Support Group, the TA program will be implemented by the Director of DSDC assisted by the project implementation team (PIT) in the Council of Ministers (CoM). A dual accountability mode of delivery has been agreed upon (against other options of centrally driven and ministry driven modes). The Dual Accountability model would apply as follows:

- for projects that will be located in ministries, central institutions will co-develop the terms of reference and participate in consultant selection; on a regular basis, the project will report on its performance to the project implementation team, comprising representatives from central institutions and select ministries; and
- for projects that will be managed by central institutions, but are delivered primarily in ministries, the ministry representatives on the project implementation team will provide feedback regularly on the effectiveness of the intervention.

This model will apply generally to all projects. However, the specific accountability arrangements for each project will be detailed in each project's terms of reference.

Responsibilities of Component Managers

Component Managers (CMs) will be the managers within beneficiary agencies (DSDC, MoF and MoI) responsible for the implementation of the various components of the project. In addition, select ministries with major projects may participate. Component managers would assess whether ministries have met the standards required to be eligible for TA. In a dual accountability model, they would ensure consistency of implementation. Component Managers will be identified on the basis of their line management function. Component Managers will report along their normal lines of accountability within their respective organizations.

A Project Implementation Team (PIT), including all Component Managers, the Director of the Council of Ministers' PIU, and chaired by the IPS Coordinator within the DSDC, will be formed. The PIT will meet on a regular basis to oversee implementation of activities and to monitor progress of the project, including procurement and disbursements. The PIT will prepare the AWP, based on inputs from Component Managers. The COM PIU will provide support to the CMs and ministries on the procurement and administration of TF inputs. DSDC will act as the secretariat for the IPS Support Group to whom the IPS Trust Fund reports.

Standards and Eligibility Criteria for Ministries to Benefit from the support of the IPS TF:

To be eligible for TA from the IPS Trust Fund, ministries would have to demonstrate that they have the basic capacity in place to benefit from external assistance. Standards that would need to be met include:

- the ministry's SBI Working Group is actively engaged in the IPS process;
- a counterpart exists at the administrative level who is actively coordinating IPS within the ministry and named officials are available to work closely with the consultants; and
- the ministry has made demonstrable progress on key IPS products to date; i.e., it did submit an MTBP; it has begun its sector strategy.

Ministries that do not meet these standards would be eligible for TA as soon as the necessary steps have been taken to meet these standards. DSDC and the Ministries of Finance and Integration will be monitoring ministry progress in achieving these standards and reporting to the Strategic Planning Committee on IPS performance on a quarterly basis beginning in mid to late 2007.

Key Considerations on the Work of the Consultants:

There would be two overarching restrictions placed on every consultant:

- Under no circumstance would the consultant depart from the government-approved methodology or attempt to introduce alternative methodologies. This, of course, would not preclude ministries, supported by the consultant, recommending process improvements to be implemented the following year or bringing methodological problems to the attention of central institutions during the year; and
- Under no circumstance would the consultant assume responsibility for drafting actual IPS products. Their role is to facilitate preparation of these documents by ministry staff and to transfer the skills necessary to accomplish these tasks.

3. *GoA Implementation Capacity*

The Government has committed to ensuring that responsibilities for leading aid coordination and in monitoring and reporting will be clarified by mid 2007¹ and that competent staff will be in place to assume leadership in these functions and for macro-economic forecasting.

The table below, provides a breakdown of the current status of components and respective managers:

| Component | Component Manager Status |
|--|--|
| Component 1: EU assistance programming capacities strengthened | Manager in place |
| Component 2: Implement Medium-Term Budget Programme | Manager in place |
| Component 3: Public Investment Management | Manager in place |
| Component 4: Macro-economic Forecasting | Manager in place |
| Component 5: IPS coordination, oversight, awareness, communication | Director DSDC will assume this role, supported by DTS Office |
| Component 6: NSDI and supporting sector and cross cutting strategies | Manager in place; Director DSDC may delegate to an official from NSDI Unit. |
| Component 7: Aid Coordination | Director DSDC may delegate to an official from Donor Coordination Unit once hired |
| Component 8: Monitoring and Reporting | Unclear until needs assessment completed and responsibility for leading on this defined within government. |

Implementation Capacity at Ministry Level

All Strategy, Budget and Integration Working Groups (SBIWG) have been formally established, except in the Ministry of European Integration, where it is not considered necessary. Several Working Groups are actively engaged in preparation of sector and cross-cutting strategies required for completion of the NSDI. It is anticipated that all ministry SBIWG will be fully functional by the end of 2007.

Trust Fund Implementation Arrangements

The COM's PIU has extensive experience in managing both projects and trust funds. The PIU currently has two staff members, both civil servants - the director and one staff respectively responsible for procurement and financial administration. They are already familiar with the World Bank's financial management, disbursement and procurement rules and procedures, and have substantial experience in administering World Bank Trust Funds. However, there will be a need for at least one additional staff to manage the IPS Trust Fund. It is anticipated that the unit will move to the Ministry of Finance and that this will facilitate the necessary additional hiring.

The World Bank will be responsible for the TF administration and supervision in accordance with the standard TF administration procedures.

4. *Monitoring and Evaluation of Outcomes/Results*

¹ In part, this decision will depend on the completion of the IPS MIS needs assessment, which will raise issues affecting which central institution is responsible for and monitors what data.

The target outcomes and results of the Government's program will be monitored on the basis of the agreed performance indicators shown in the project document's log-frame and AWP.

Efficient and effective implementation of the TF demands that there is a robust system for Monitoring and Evaluation (M&E) of the target outcomes and outputs. In particular, an M&E system will support the successful implementation of the project by maintaining easily retrievable records on TF implementation. Component Managers will therefore prepare quarterly reports on implementation progress which will be discussed with the ministry level Working Groups on Strategy, Budgeting and Integration and the PIT.

5. *Budget*

It is recommended that US\$ 7.19 million over 3 years (07-09) be provided. Indicative costs by component are below. Detailed activity costings are attached in Annex 1 of this document.

| Component | Cost (US\$ mn.) |
|---|------------------------|
| 1: SAA Implementation and EU assistance programming and reporting capacities strengthened | 0.82 |
| 2: Implement Medium-Term Budget Programme | 1.41 |
| 3: Public Investment Management | 0.97 |
| 4: Macro-economic Forecasting | 0.80 |
| 5: IPS coordination, oversight, awareness, communication | 0.41 |
| 6: NSDI and supporting sector and cross cutting strategies | 0.65 |
| 7: Aid Coordination | 0.49 |
| 8: Monitoring and Reporting | 1.10 |
| 9: Contingency for the TF | 0.20 |
| TF Administration fee | 0.34 |
| TOTAL | 7.19 |

* In addition, 1% of the total IPS TF allocations (US\$ 71,900) has been allocated to the supervision of the IPS TF over the three years of its implementation. Thus total donor financing is US\$ 7.19 million.

** The above figures do not include government contributions to the project (including cost of annual audits) and the in-kind support by other agencies and donors.

6. *Critical risks*

Overall performance over the past year in starting to put the IPS into place identifies certain risks. These risks fall broadly into two categories. First, risks associated with supporting the introduction of the IPS across government through TA provided under a trust fund. Second, risks in the wider environment that might prevent the envisaged reforms from having the anticipated impact.

Risks associated with introducing the IPS across GoA supported by the TF

Risk 1: That TF support can be delivered in a timely manner and allow completion of all identified activities within three years

Timing of the various components depends upon being able to deliver support while also respecting the annual planning and budgeting calendar. In general, timely delivery is dependent upon the Component Managers being in place to draft the initial ToRs and manage the procurement process, with support from the PIU, in good time. GoA has committed to ensuring that all component managers are in place by December 2006 while staff in the PIU are already experienced in administering procurement using World Bank procedures, and therefore have proven competence. However, the staffing shortfall in the PIU (at least one staff) could result in procurement delays. It is hoped that the shift of the unit to the Ministry of Finance will facilitate the necessary additional hiring.

The greatest risk is with Component 6, where it is important to mobilise support in time to participate meaningfully to the finalization of sector and cross-cutting strategies, to be completed and approved by October 2007. Given that procurement of support under these components could take three to four months, this implies that the TF would need to be active by early 2007 at the latest. For Component 2, the impact of beginning the TA after commencement of the MTBP planning cycle may be mitigated through reallocation of support under the present SPEM 3 project and through a more phased approach (e.g., in year one, TA focuses on improving MTBP outputs; in year 2 on the entire process). For Component 6, risk mitigation is more difficult.

Given the potential delays in operationalizing the trust fund, either through administrative delays or absorptive capacity issues, the time frame for the trust fund was extended to three from the original recommendation of two years and the costing and project design are completed on the basis of TA being operational by mid rather than early 2007.

Risk 2: That there are enough government staff with the correct competencies to manage the technical assistance and for the TA to work with.

Experience in 2006 from the SPEM 3 and NSDI projects suggests that, in most cases, there are enough competent staff at line ministry level to work with, although there is a wide variance between ministries.

In central institutions, key posts remain unfilled in both the DSDC and MoF, or, in the case of the Macroeconomic and Fiscal Department, require skills upgrading. This applies to the Budget Policy Department, MoF, Macro-economic and Fiscal Department, MOF Public Investment Management Department, MoF, and DSDC.

Not filling the vacant posts means that effectiveness and sustainability would be threatened for several reasons. First, the low number of staff means that if any of them leave the unit, it will have a disproportionate impact on capacity to manage the new processes across government. Second, the low number of staff means that capacity would need to mainly through on-the-job training, since the over-stretched staff would not have time to participate in other forms of capacity building, such as formal structured training or study visits. Third, these central units would remain over-reliant on direct inputs by the international advisers.

GoA has committed to ensuring that:

- i. All vacant positions are filled with competent staff by the time the Trust Fund TA is operational.
- ii. All new hires are filled by regular civil servants by the time the Trust Fund is operational.²
- iii. Provision of support under any component will be contingent upon a competent Component Manager being in post, with a clear government mandate to lead on development of that function across the government.
- iv. By mid 2007, a review of the DSDC will be completed to ascertain whether additional positions/staff appointments are justified by its mandate and then act to fulfil any recommendations on staffing levels resulting from the review.

Risk 3: That lead responsibility for all major functions are clearly designated within the government.

² Staff filling three of the coordinator posts in the DSDC are currently on contract. GoA advertised these positions in July 2006, as the starting step in filling the posts according to the procedures outlined in the Civil Service Law.

Lead responsibility for both aid coordination and monitoring and reporting across the government are currently undefined. Until these responsibilities are defined, it is impossible to designate component managers, even if there is broad agreement among the main involved agencies on what needs to be done and the types of external support required.

The Prime Minister has determined that, at a strategic level, IPA will be programmed through DSDC, although the subsequent clarification of roles and responsibilities is evolving.

It is also the case that the allocation of responsibilities between government departments for public investment management remains to be tested and will need to be carefully monitored by the GMC and Public Investment Committee.

Risk 4: That internal coordination of IPS implementation is effective.

The original proposal for implementing the IPS proposed that an IPS Coordinating Group involving the DSDC, MoF, MoI, and INSTAT be established to manage day to day coordination and management. Government has decided not to accept this proposal and has decided to use a different approach, which avoids the need to create a new committee.

Instead, it has formally managed IPS coordination by channelling all relevant prioritisation, methodological or resourcing recommendations made by the DSDC, MoF and MoI through either the GMC or SPC. The SPC and GMC also require that the relevant agencies report back periodically on implementation of recommendations accepted by these committees. This approach is therefore intended to ensure that the institutional incentives are in place for the three key agencies to work together.

To manage day to day coordination, the DSDC, MoF, MoI agreed at a joint retreat on 22nd June 2006 to develop an informal tri-partite MoU between themselves which will describe how they will work together and clarify roles and responsibilities. This model is now active. Also, their joint participation in the IPS Support Group offers another forum where formal coordination occurs.

Risk 5: That all external support to IPS is effectively coordinated

Section A.5 shows that support for the IPS will come from a number of sources and not just the IPS Trust Fund. To ensure that support from all significant sources is properly coordinated, the involved donors and GoA have committed to ensuring that oversight of IPS related support, where feasible, will be through the IPS Support Group.

Risks associated with the wider institutional environment in Albania

Risks outside the scope of the project can be described as:

Risk 6: Sustaining political support

Reforming the planning and budgeting systems is a demanding and long-term task with few immediate tangible outputs and there is scepticism in parts of the GMC over whether or not the level of TA envisaged is excessive.

The initial 'Needs Assessment' exercise was completed through a review of the 2006 IPS products with MoI, MoF and DSDC. This resulted in a reduction of the overall financial requests and took into account existing TA that could contribute to IPS products such as the NSDI strategies.

Sustained pressure for the government to deliver against the commitments made under the SAA will also serve to maintain support for reforming planning and budget systems, since all agree that

the present systems are incapable of allowing the government to deliver against these commitments.

Risk 7: A stable civil service.

Since much of the support will actually work with the Working Groups for Strategy, Budget and Integration and middle ranking technical staff in each ministry, it is assumed that a critical mass of civil servants would be maintained across the civil service who would be capable of using the new systems and the capacity to train new staff, using TIPAs, would be established. However, the main mitigation strategy will be evidence that the IPS is enhancing the government's ability to deliver its priorities, since this would make any new government more cautious about removing technical the trained manpower required to maintain the IPS.

Risk 8: Managing the European Integration agenda

The proposal for the IPS was encouraged by the donor community in Albania, and in particular the European Commission delegation. It is also apparent that other countries in the region are being encouraged to look for similar solutions to overcome the fragmentation of their planning and budgeting activities. Core aims of the IPS with respect to the European integration agenda include:

- that European integration be the centrepiece of the NSDI
- that the Ministry of European Integration work closely with the Department of Strategy and Donor Coordination and the Budget Department of the Ministry of Finance to align regular activities into an integrated planning calendar
- that the explicit policy and legislative commitments of the European integration process, as expressed in the SAA and the European Partnership, be fully reflected in sector strategies
- that the measures of the National Plan for the Implementation of SAA be translated into MTBP outputs and financed accordingly
- that an assessment of priorities through NSDI and the MTBP process provides the basis for the programming of the Instrument for Pre-Accession Assistance

In the shorter term, the main two mitigation strategies will be (i) development and implementation of a communication strategy, which ensures that all stakeholders understand what the IPS is and (ii) closer cooperation between the DSDC, MoF and Mol to ensure effective programming of IPA in 2007.

Risk 9: Recurrence of unsolicited bids and non-priority project proposals

This practice continues and threatens to weaken the IPS and MTBP processes. It is anticipated that a number of measures under consideration, such as new Organic Budget Law, Concessions and Procurement legislation and new public investment management procedures will mitigate this risk.

Impact upon achieving project goal of risks identified above are shown below.

| Impact of risks on achieving increased and transparent linkage between NSDI objectives and government policy and budget allocations and expenditures. | Probability of risk occurring | | |
|---|-------------------------------|---------|------|
| | Low | Medium | High |
| Low | | | |
| Medium | 3 | 4 | 1 |
| High | 5 | 6,7,8,9 | 2 |

7. Audit Arrangements

The Bank's standard internal controls will be applied and reported to the donors. Audit arrangements for recipient activities will be provided in the Grant Agreement between the World Bank and Government of Albania.

ANNEX 1 – DETAILED COSTING SUMMARY**IPS TRUST FUND TECHNICAL ASSISTANCE - UNIT COSTS**

| Item | Unit | \$US Cost |
|-----------------------------------|--------------|-----------|
| Foreign Consultant | person month | 30.000 |
| National Consultant | person month | 6.500 |
| Workshop | per event | 4.000 |
| University Courses | per event | 10.000 |
| International Resident Consultant | person year | 250.000 |
| Publication | per product | 4.000 |
| Computer | per product | varies |
| Auditing | per audit | 3.000 |

| Component | Type of Support | Level of Inputs | Units | Cost in US\$ |
|-------------------------------------|--------------------------------|-----------------|---------------|------------------|
| 1. European Integration | | | | |
| | International TA | 19 | person-months | 540.000 |
| | National TA | 34 | person-months | 221.000 |
| | Workshops / Conferences | 10 | events | 40.000 |
| | Publications | 4 | products | 16.000 |
| | Equipment / Computer Products | 0 | | |
| Sub-total | | | | 817.000 |
| 2. MTBP | | | | |
| | International TA | 20 | person-months | 600.000 |
| | National TA | 40 | person-months | 260.000 |
| | Workshops / Conferences | 9 | events | 36.000 |
| | Publications | 3 | products | 12.000 |
| | Equipment / Computer Products* | 0 | | 500.000 |
| Sub-total | | | | 1.408.000 |
| 3. PIM | | | | |
| | International TA | 10 | person-months | 300.000 |
| | National TA | 20 | person-months | 130.000 |
| | Workshops / Conferences | 6 | events | 24.000 |
| | International TA - resident | 2 | man-year | 500.000 |
| | Publications | 3 | products | 12.000 |
| | Equipment / Computer Products* | 0 | | |
| Sub-total | | | | 966.000 |
| 4. Macroeconomic Forecasting | | | | |
| | International TA | 9 | person-months | 270.000 |

| | | | |
|---|----|---------------------|----------------|
| National TA | 4 | person-months | 26.000 |
| Workshops / Conferences | 2 | events | 8.000 |
| University courses / events | 10 | Courses / events | 100.000 |
| International TA - resident (foreign debt) | 1 | man-year | 250.000 |
| Publications | 0 | products | - |
| Equipment / Computer Products | 0 | | 150.000 |
| Sub-total | | | 804.000 |
| 5. IPS Coordination | | | |
| International TA | 10 | person-months | 300.000 |
| National TA | 10 | person-months | 65.000 |
| Workshops / Conferences | 5 | events | 20.000 |
| Publications | 6 | products | 24.000 |
| Equipment / Computer Products | 0 | | |
| Sub-total | | | 409.000 |
| 6. NSDI | | | |
| International TA | 15 | person-months | 450.000 |
| National TA | 28 | person-months | 182.000 |
| Workshops / Conferences | 2 | events | 8.000 |
| Publications | 3 | products | 12.000 |
| Equipment / Computer Products | 0 | | - |
| Sub-total | | | 652.000 |
| 7. Aid Coordination | | | |
| International TA | 12 | person-months | 360.000 |
| National TA | 10 | person-months | 65.000 |
| Workshops / Conferences | 10 | events | 40.000 |
| Publications | 6 | products | 24.000 |
| Equipment / Computer Products | 0 | | |
| Sub-total | | | 489.000 |
| 8. Monitoring and Reporting | | | |
| International TA | 12 | person-months | 360.000 |
| National TA | 30 | person-months | 195.000 |
| Workshops / Conferences | 5 | events | 20.000 |
| Publications | 6 | products | 24.000 |

| | | |
|----------------------------------|-----------|------------------|
| Equipment / Computer Products | 0 | 500.000 |
| Sub-total | | 1.099.000 |
| Total | | 6.644.000 |
| 9. Contingency for the TF | | 203.619 |
| Total | | 6.847.619 |
| Admin fee | 5% | 342.381 |
| Total Project Cost | | 7,190,000 |

| | | |
|--------------------------------------|---------|---------------|
| Government Contribution | | |
| Auditing | 3 audit | 9.000 |
| office space and equipment | | 50.000 |
| PIU cost | | 30.000 |
| Total government contribution | | 89.000 |

Note: this sum will cover the needs of PIM component as well. Also the last component will cover the cross component needs for equipment / computer products

ANNEX 2

MODELS FOR SECURING TECHNICAL ASSISTANCE IN MINISTRIES

| Model | Terms of Reference | Hiring | Accountability | TA Structure |
|---|--|---|---|--|
| Centrally-Driven | prepared by responsible central institution | interviews/selection by central institution in charge of each TA component | consultants report to responsible central institution | 8 projects (one for each project component) consultants deliver a single component only (e.g., NSDI or MTBP or European Integration), although some packaging may be possible consultants assigned to ministries as determined by central institution in consultation with ministries |
| Dual Accountability (recommended) | prepared jointly by ministry and responsible central institution | joint interviews; or interviews/selection by ministry but with “no objection” review by central institution | consultants report to ministry for day-to-day responsibilities consultants are accountable to steering committee with central institution and ministry representatives to ensure conformity with IPS methodology | 4-6 projects (for ministries requiring extensive TA) when appropriate, central institution may establish multi-ministry TA for a specific component (IPSIS; EA) to deliver a specific product within a set time period; or organize a cluster approach (i.e., one TA project supports 2-4 ministries) consultant teams would be responsible for all IPS components |
| Ministry-Driven | prepared by ministry | interviews/selection by ministry | consultants report to ministry | up to 13 projects, each reporting to ministry consultant teams would be responsible for all IPS components |

Note: Trust Fund Administrator (World Bank) will have “no objection” role for all consultant hires

Note: the number of projects is based on the number of ministries, but there may be a case for a large independent agency to secure TA

PROS/CONS FOR EACH MODEL

| Model | Ministry Ownership | Ministry Capacity-Building | Demands on Centre | Compliance with IPS Methodology | Cost-Efficiency, Flexibility | TA Take Up |
|---------------------|--------------------|----------------------------|-------------------|---------------------------------|------------------------------|------------|
| Centrally-Driven | very low | low | very high | very high | high | very high |
| Dual Accountability | high | high | medium | high | medium | high |
| Ministry-Driven | very high | high | low | low | low | low |

ANNEX 3 – INDIVIDUAL COMPONENT DESCRIPTIONS

The following annex describes the assumptions and basis for the financial request under the IPS Trust Fund for each of the eight components. These include:

1. European Integration
2. MTBP/Budget
3. Public Investment
4. Macroeconomic Forecasting
5. IPS Coordination
6. NSDI/Policy Analysis
7. Aid Coordination
8. Monitoring/IPS MIS

COMPONENT 1 – EUROPEAN INTEGRATION

Two projects are included. Although the majority of EI-related technical assistance is provided through CARDS and, in future, IPA, these two projects support IPS and are not specifically covered by the current CARDS program.

Project Descriptions

Project 1 involves a needs assessment of administrative capacity to implement the SAA. Current CARDS capacity-building projects will address legislative approximation and IPA coordination needs, but not, outside these, the necessary administrative capacity to implement each ministry's SAA requirements. In many cases, ministries will be establishing new organizational structures with new skill requirements. It is important to anticipate the degree to which the current Albanian public administration can address these emerging skill requirements and, where gaps arise, the best way to meet these new demands.

This project, which would likely be jointly managed by the Ministry of Integration and DoPA, would be initiated by mid-2007. The needs assessment would be completed no later than mid-2008. Implementation of the recommendations would begin in 2008 and continue into 2009. Although the consulting resources would likely be deployed in the Ministry of Integration, by mid-2008 they would be working primarily with individual ministries or groups of ministries. Workshops are planned to bring ministries together to explain the needs assessment, share experiences and identify best practices.

A sub-component under this project will include a gaps assessment for the establishment of a Central Financial Contracting Unit (CFCU) in the Ministry of Finance. This will serve as the first phase aiming at full implementation of the decentralized system for IPA. The second phase will be supported with a full project financed under IPA 2007 which will be start implementation by Spring 2008.

Project 2 involves the design of a long-term training strategy (4-5 years) to address SAA needs. CARDS 2005 does include projects with a 2-year time horizon to support legal approximation and IPA coordination needs, but not a high-level, longer-term strategy. Ultimately, the resulting training courses identified through the long term training strategy would be delivered through the Training Institute for Public Administration on an ongoing basis. It is hoped that a tailored approach will be possible to meet differing ministry needs. Such a strategy would need to be coordinated carefully with the overall IPS training/communications strategy which will also involve work with DoPA and TIPPA.

The project would be initiated by mid-2007. The strategy would be completed no later than mid-2008. Detailed design work would begin in 2008 with delivery underway by 2009. Although the consulting resources would initially be deployed in the Ministry of Integration, by mid-2008 they would be working primarily with individual ministries or groups of ministries. In 2009, all work

would be directed towards ministries. Workshops are planned to bring ministries together to explain the strategy, identify specific needs, and test the products.

In general, the linkage between the Trust Fund TA and CARDS/IPA projects will need to be carefully managed by the Ministry of Integration to ensure synergy and avoid duplication.

Notes

DoPA will need to be closely involved in both of these projects as they relate to DoPA's broader mandate to support training and development across the public administration.

Project 1 might be jointly managed by the Ministry of Integration and DoPA, although the primary clients, once the needs assessment and training strategy are completed, would be the ministries.

There are two scenarios for project 2. It could be initiated and managed by the Ministry of Integration, with the close involvement from the outset of the Department of Public Administration, the Training Institute for Public Administration and DSDC. Alternatively, the project could be combined with the overall IPS training/ communications strategy project.

In the former scenario, given the similarity of timelines and related subject matter, it may be possible to deliver the two projects through one contract with the Ministry of Integration.

In terms of specific beneficiaries, it is anticipated that the high-needs ministries; i.e., those most affected by SAA implementation, will be the primary clients. For example, the Ministries of Justice and Interior would be high-needs ministries while the Ministry of Defence would be a low-needs ministry. The precise ministry requirements will be established through the needs assessment but estimates of high-medium-low needs ministries/major agencies were used in the determination of person-month requirements.

The Ministry of Integration will need full access and connectivity to any IPS MIS system that is developed. A condition of such a system is that it would fully meet EI monitoring and reporting requirements. A placeholder amount of funding is included in the IPS MIS component for this purpose.

COMPONENT 2 – MTBP/BUDGET CAPACITY

Two projects are included. Both projects relate closely to the current Strengthening Public Expenditure Management (SPEM) project, which runs until December 2008, and is currently funded jointly by the UK/Sweden/Netherlands. In addition, funding related to the broader Monitoring/MIS component is included here to ensure that the electronic communication between line ministries and the Ministry of Finance required to support the MTBP process is enabled. The ministry views this as a precondition of effective TA.

Project Descriptions

Project 1, MTBP Program Coordination, represents a continuation in 2009 of the type of support provided through the SPEM project. Given current ministry MTBP and MoF capacity, it is anticipated that international TA will continue to be required, but at a diminished level, beyond the SPEM end date of 2008.

Project 2, Improve Ministry MTBP Capacity, represents a major IPS initiative that will involve working directly in several key line ministries to improve their MTBP capacity. This project will complement the SPEM project which focuses on MTBP methodology development (including public investment), building capacity in the Ministry of Finance, and providing general MTBP training/information to ministries. Project 2 will aim to provide intensive, direct MTBP support to 4-5 key ministries through TA over a 2-3 year period. To further support this project, the automated systems supporting MTBP will be reviewed within the context of IPS MIS needs and effective

connectivity between line ministries and the Ministry of Finance. This project will also be supported by the dedicated support provided through the PIM project.

Notes

Timing is critical in terms of project start-up because it must be linked to the MTBP cycle. It is anticipated in 2007 that TA for ministries will not be in place until mid-year. Accordingly, the 2007 TA will focus on improving the quality of programme outputs and the related costing, as draft ministry MTBP submissions will already have been completed. In 2008 and 2009, the TA would engage in the full MTBP cycle.

Among high and medium needs ministries (9 identified), it is anticipated that 4-5 projects located in individual ministries will need to be established. For some other ministries, it is hoped to mobilize existing/planned TA that deals with related subject areas to support the MTBP preparation process. Depending on the progress made by the initial 4-5 ministries in 2008, it may be possible to shift TA resources to 1-2 additional ministries in 2009. The Public Investment resident consultants would likely contribute to those ministries' MTBP requests.

Strong consideration should be given towards incorporating the resource requirements identified for improving ministry policy analysis capacity under the NSDI's policy analysis component in 2008 and 2009 as part of these projects. This will avoid a proliferation of ministry projects and underscore the importance of linking future MTBP development to NSDI sector strategies.

Although primary accountability for the projects would rest with the individual ministries, a pre-eminent role during the project design and consultant recruitment phases would be maintained by the Ministry of Finance.

The Ministry of Finance will need full access and connectivity to any IPS MIS system that is developed. In addition, the current hardware/server capacity in the Ministry of Finance to enable connectivity with ministries for MTBP preparation needs to be assessed. A placeholder amount of funding is included in this component for this purpose.

COMPONENT 3 – PUBLIC INVESTMENT

This project will supplement the SPEM project's work with the Public Investment Department in the Ministry of Finance to communicate and train ministries on the new Public Investment Management (PIM) procedures and to build capacity in high-needs ministries with significant public investment (both domestically and externally financed) demands.

Project Description

The project will be initiated as soon as possible in 2007 following approval of the PIM procedures, anticipated in late 2006. While the SPEM project is focusing on developing the PIM procedures, incorporating these within the MTBP methodology, identifying MIS requirements, and launching the review process, this project would focus exclusively on communicating and training ministries in the new procedures. The project will therefore need to link very closely with the SPEM project and with the proposed MTBP ministry/training support project. The project would be delivered through a combination of international and national TA, with the national TA component increasing to 2009. The support would be focused on ministries with high levels of public investment expenditures and high to medium TA requirements.

The project would run from 2007 to mid 2009, concluding with completion of the 2010-12 MTBP. The majority of funding will be allocated to 2007 and 2008 to ensure that the new procedures are fully explained and understood from the outset. Funding for several workshops is included to communicate the new procedures and enable ministries to share experiences and best practices.

In addition, dedicated TA support involving resident consultants will be provided to at least two high-needs ministries with significant public investment requirements. This will follow the MTBP model of locating international and national consultants in the ministries.

Notes

Some funding for hardware/software needs not covered through the SPEM project is included in MTBP and IPS MIS/EAMIS components.

It is anticipated that this project will be initiated and managed by the Public Investment Department in the General Department of the Budget, although the deployment of resources would be exclusively directed to ministry support.

The dedicated TA projects will follow the MTBP dual accountability model. If, however, the same ministries are identified for both MTBP and dedicated PI support, the projects would be combined.

Because of the strong external assistance component, DSDC would coordinate closely with the Public Investment Department with project design and supervision.

COMPONENT 4 – MACROECONOMIC/DEBT MANAGEMENT ANALYSIS

This project will focus on building technical capacity in macroeconomic forecasting in the Ministry of Finance and strengthening capacity in the Debt Management Department. Modest technical assistance has been provided in the past to the Macroeconomic Department through the NSDI project and a World Bank project.

Given Albania's current standing with the IMF, the next two years will be crucial for the macroeconomic department. A key aim of the PRGF/EFF program is to prepare Albania for graduation from IMF-supported programs. This requires the type of capacity building identified above both in macroeconomic and debt management analysis (under this project).

While a strong need exists for focused TA to support macroeconomic forecasting and debt management analysis over the next 2 years, this must be accompanied by a developmental program to upgrade the knowledge/skills of staff, to ensure effective absorption of the TA.

Project Description

For the Macroeconomic Department, the project will begin in 2007 and involve a mix of international and national TA. The initial emphasis will be improving staff capacity through a series of short courses on macro analysis/forecasting at the post-graduate level. These courses will contribute to better utilizing the TA and improving overall academic qualifications (e.g., obtaining masters degrees in economics). The emphasis on international TA will shift to national TA in 2008. The project would conclude with the finalization of the macroeconomic forecast in early 2009.

In 2007, the project will focus on building capacity in the Macroeconomic Department and determining the forecasting methodology/model most appropriate for Albania. In 2008, while work will continue with the Macroeconomic Department, more effort will be made to work with ministries who provide key data used in the forecast.

For the debt management department, a resident consultant will work directly with staff to improve analytic capacity.

Notes

Ideally, this TA would be in place in early 2007 to coincide with the preparation of the initial macroeconomic forecast that will guide the 2008-10 MTBP process. However, it is anticipated that

this will not be possible, so the project will likely begin in time to assess this forecast and participate in the Fall update prior to finalization of the MTBP/Budget.

Provision is also made for some modelling software, although the actual funding requirements will need to be confirmed through a more in-depth analysis on the type of software required.

The two project components will be managed respectively by the Macroeconomic and Debt Management Departments in the Ministry of Finance.

COMPONENT 5 – IPS COORDINATION

This component comprises two projects: provision of policy advice to the department and implementation of the training/communications strategy. The first project will continue the TA provided through the World Bank's PRS Trust fund, concluding December 31, 2006. The second project will support implementation of the IPS training/communications strategy developed under the UNDP-managed multi-donor trust fund.

Project Descriptions

The first project will focus on the provision of policy advice to DSDC regarding its IPS coordination role. The project will begin as soon as possible in 2007 and conclude in early to mid 2008, coinciding with the completion of the NSDI and the priority-setting phase for the 2009-11 MTBP. The project will comprise the hiring of an international consultant and include an annual workshop for ministries to exchange IPS experience and share best practices.

The second project on implementing the IPS training/communications strategy will have two key components: producing IPS-related communications materials to distribute across the public administration; and to work with DoPA and TIPA to incorporate IPS into existing training courses wherever applicable. Both components would utilize national TA.

Notes

Both projects would be initiated and managed by DSDC.

COMPONENT 6 – NSDI

This component comprises one key project: implementing NSDI. The project will supplement or ensure continuity of the current NSDI project funded by DFID which concludes in 2007.

Project Descriptions

The project, implementing NSDI by building policy analysis capacity, will ensure that the goals/objectives of NSDI strategies are effectively translated into concrete policies and programs at the ministry level and that cross-government standards/procedures are established to guide this work. Two components will be involved: a central component, with international TA working inside the Council of Ministers, to develop the cross-government standards/procedures; and a ministry component, where both international and national TA would work primarily in high-need ministries. The project would begin in 2008, following completion of the revised NSDI document.

Notes

The central component of the project would be initiated and managed by DSDC and involve a single contract for an international consultant.

The ministry policy analysis component should, wherever feasible, be combined with the MTBP ministry support project. DSDC and the Ministry of Finance would need to determine the specific

ministries involved and the tailored requirements --note that the MTBP project anticipates projects in 4-5 individual ministries with high TA needs.

7. AID COORDINATION

This component comprises three projects: preparation of the annual external assistance strategy, preparation of the annual report on external assistance performance, and ministry training/support. This project will implement the design work completed under the UNDP-managed multi-donor trust fund which will be completed by mid to late 2007.

Project Descriptions

The first two projects are closely related in that the annual report will be reporting against the plan set out in the previous year's external assistance strategy. In fact, the first external assistance strategy will be prepared in mid 2007 for 2008-10 under the UNDP-managed multi-donor trust fund.

The external assistance strategy project will begin in early 2008 to fit in with the MTBP cycle and prepare the gaps analysis that will ultimately inform the 2009-11 strategy and continue until mid 2009. Two strategies will be prepared for approval in mid 2008 and mid 2009. Workshops will be held in 2008 and 2009.

The annual report on external assistance performance project will begin in late 2008 to report on the 2008 results by early to mid 2009. The project should continue until early to mid 2010 to accommodate the second annual report --funding here only continues until the end of 2009. A workshop will be held in 2009.

The ministry training/support project will begin in late 2007 and continue until 2009. Each year, training sessions/workshops will be convened for ministries to explain procedures, assess experiences and share best practices.

Notes

The external assistance MIS project is included under the Monitoring and IPS MIS component.

All projects will be initiated and managed by DSDC and should be bundled into a single contract with one firm.

8. MONITORING AND IPS MIS

The scope and content of this project will ultimately depend on the IPS MIS needs assessment being undertaken through the UNDP-managed multi-donor fund. The needs assessment will be completed in early 2007, but the design and start up work will continue under this project through mid 2007. The IPS Trust Fund project will therefore begin in late 2007 and focus on implementing the new system. This costing is therefore notional and will need to be revised once the needs assessment is completed. These costs may include funding for hardware/software/technical support to ensure connectivity and effective data sharing exists between line ministries and central institutions for all IPS-related components. In parallel with the IPS MIS project, a needs assessment will be completed for an external assistance MIS. Again, funding included for this project is notional and will be linked to public investment needs. Finally, a ministry training support component is included to cover the extensive training that will be required, whatever the systems solution that is proposed.

Project Descriptions

The IPS MIS implementation (IPSIS) project will continue the work begun under the needs assessment/IPSIS design project to ensure effective implementation across government. In addition to international and national TA, this project would fund the purchase of any necessary software/hardware in ministries and central institutions and provide for any subsequent programming beyond that delivered through the earlier project. \$500,000 is notionally allocated to hardware/software generally and \$650,000 to the Ministry of Finance, although actual needs will be identified through the needs assessment. In addition, a contingency fund also exists that could be applied to hardware/software needs. For DSDC, the Ministry of Finance and the Ministry of Integration, the capacity to exchange information and data with ministries for IPSIS and other IPS-related systems (e.g., MTBP preparation, public investment, European integration) will be essential. Attention should also be paid to computer availability among key staff within these institutions.

The scope of the External Assistance MIS (EAMIS) project will also depend on the results of the needs assessment. In this instance, the focus will be on information collected from donors and ministries that supports the delivery of DSDC's donor coordination function and the aid harmonization agenda. EAMIS will also have to co-ordinate closely with any MIS planned for public investment, given the importance of donor funding to public investment in Albania. In addition to international and national TA, some of the funding identified in the IPSIS component will need to be allocated to this project for software/hardware.

Whatever system solution is ultimately proposed, a major effort will be needed to ensure ministries understand and deliver their responsibilities. Data quality will be largely dependent on the timely, accurate completion of reporting requirements by ministries. This, in turn, will depend on ministries understanding the contribution that such information can make to the effective internal management of the ministry. The ministry IPSIS training/support project will begin in late 2007 and run through to 2009.

Notes

The coordinating responsibilities for IPSIS and the related training will depend on the results of the needs analysis and will need to involve all three central institutions.

DSDC will initiate and coordinate the EAMIS project, in close consultation with the Ministries of Finance (public investment in particular) and Integration.

FUTURE NEEDS AND ADDITIONAL DONOR PARTICIPATION

The IPS Fund was designed to permit additional donor participation and pledges after the commencement of the fund. For example, one donor was able to pledge funding for 2 of the 3 years, but expects to be able to make a later pledge for the third year. In addition, some donors who are not contributing directly to the fund, have agreed to provide specific contributions to IPS related activities that are not explicitly covered by the IPS Trust Fund to cover special, one-time needs such as publications, workshops, etc.

It is also important to note that the original needs analysis identified a larger amount (\$7.6 million) than was ultimately pledged (\$7.19 million). It is anticipated that, as additional funding becomes available, the following areas would be potential candidates for such support:

- additional special, one-time events/requirements such as publications, workshops, conferences, consultations;
- additional hardware/software (although the scope and need for this will not be known until completion of the IPSIS needs assessment);

- additional policy support to ministries encountering difficulties or challenges with some of the policy formulation work that arises following the approval of NSDI sector strategies; and
- additional support for strengthening monitoring and accountability within ministries and across government as the new monitoring and reporting systems are implemented.

The IPS Trust Fund has been designed to respond flexibly to emerging needs, albeit based on a sound plan. The monitoring and reporting mechanisms built into the IPS Trust Fund design should allow the IPS Support Group to assess regularly the effectiveness of existing projects and the need for any future additional funding once the Trust Fund is operational.