



REPUBLIC OF ALBANIA
Council of Ministers
Department of Strategy and Donor Coordination

The importance of strategic planning in budget programming and prioritarization

PEMPAL Budgeting Community of Practice
Minsk, June 14-16 2011

Florensa Haxhi

Albanian Context

Integrated Planning System (IPS)

MTBP and PIM

Policy Priority Note (PPN)

IPS Communication Strategy

Albanian Context

Albanian Context



Location: South East Europe

Area: 28,000 sq.m

Population: 3.2 million

Language: Albanian

Climate:

Mediterranean&Continental

Temp Avg 6.80°C-23.90°C

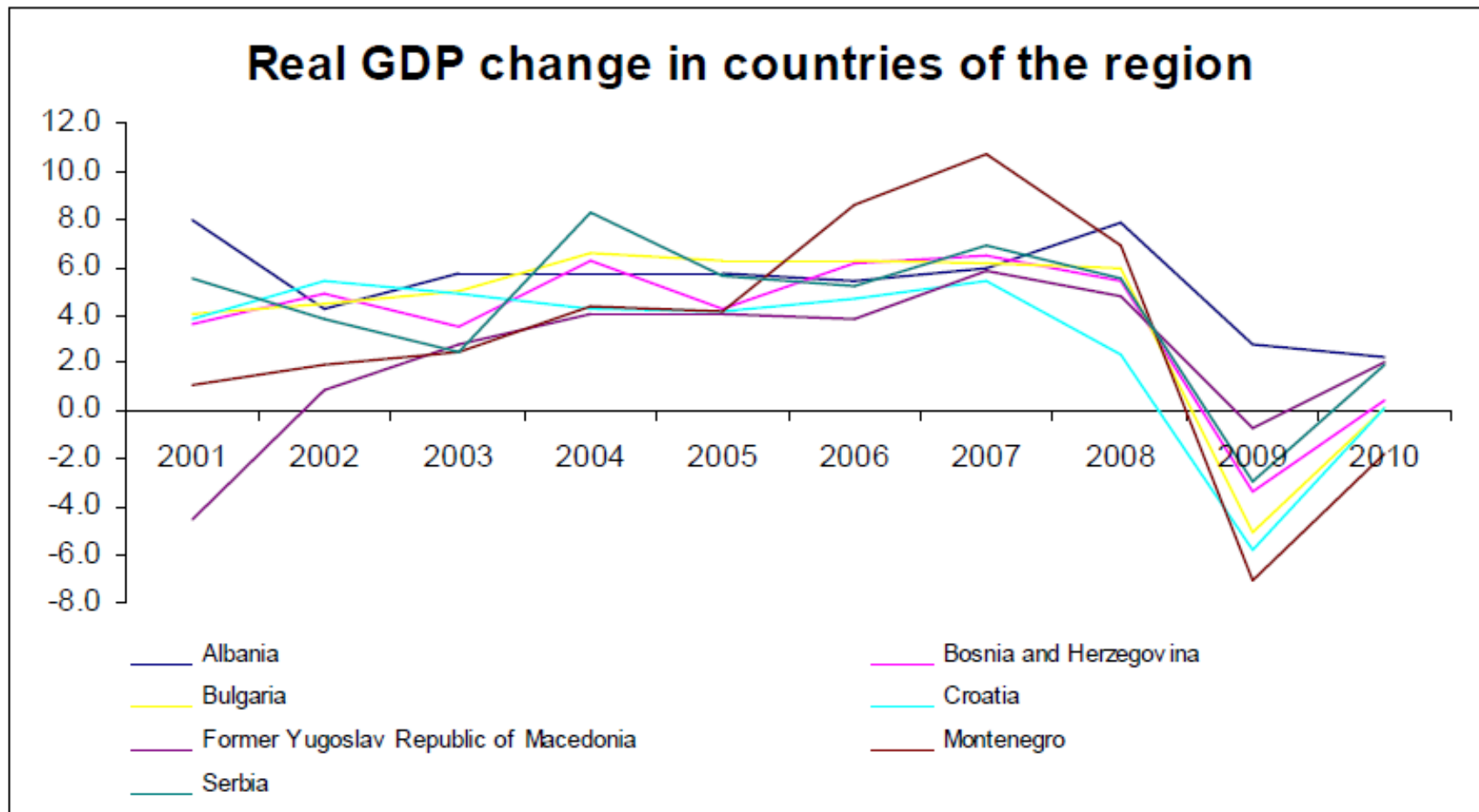


Town of Berat

Albanian Context: Macroeconomic Indicators

- ▶ GDP = 12.0 USD billion
- ▶ Real GDP growth rate = 3.3 per cent
- ▶ GNI = 12.6 US billion
- ▶ National Income per capita = USD 4,000 (year 2009)
- ▶ Population annual growth = 0.4 per cent
- ▶ Inflation 3.5%
- ▶ Exports of goods and services/GDP 28.7
- ▶ Direct foreign investments have reached USD 700 million
- ▶ Budget Deficit: 7.1% (2009)

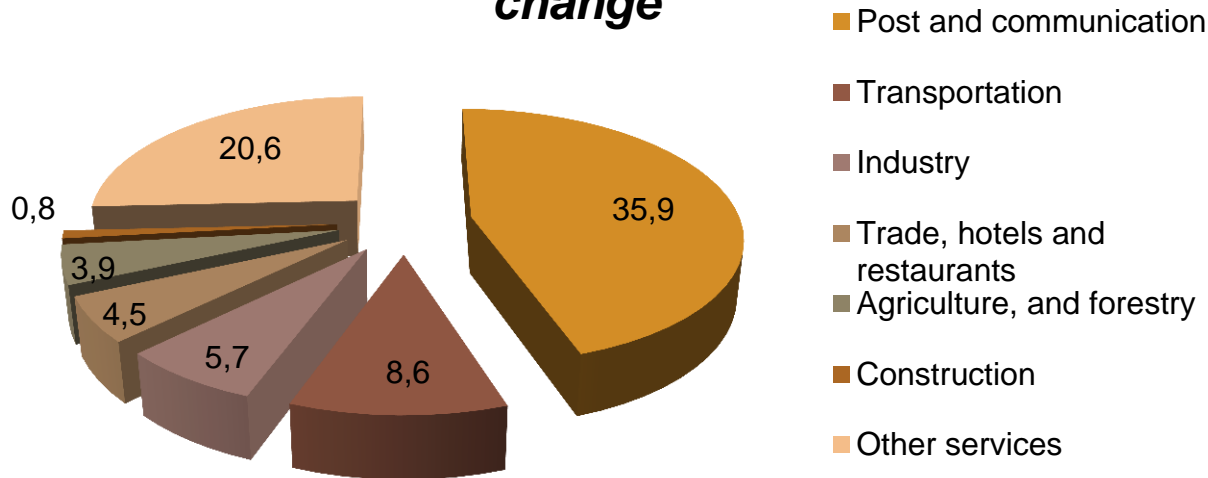
Macroeconomic Stability



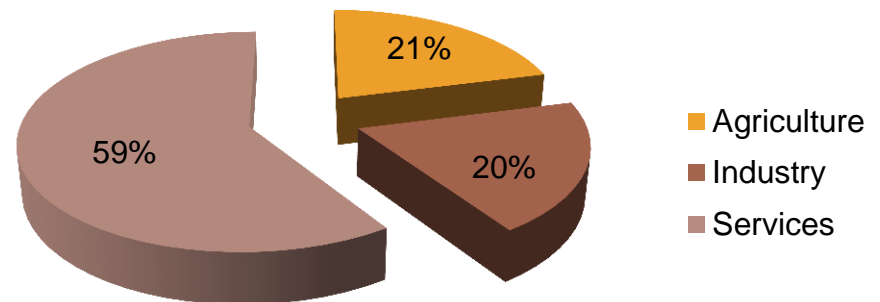
Source: IMF

Macroeconomic Stability

GDP by economic activity, annual percentage change



GDP Composition by Sector

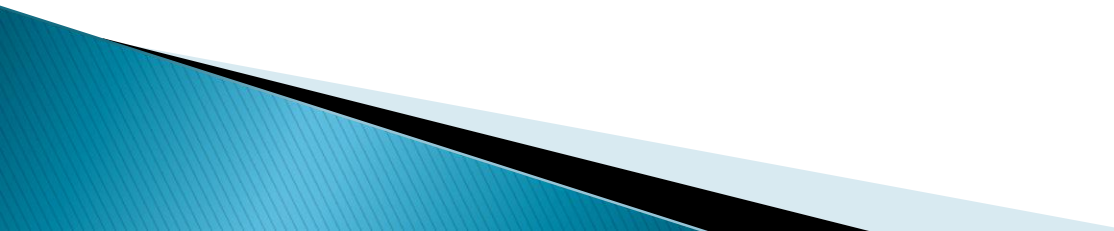


Impact of Economic Crisis in Albania

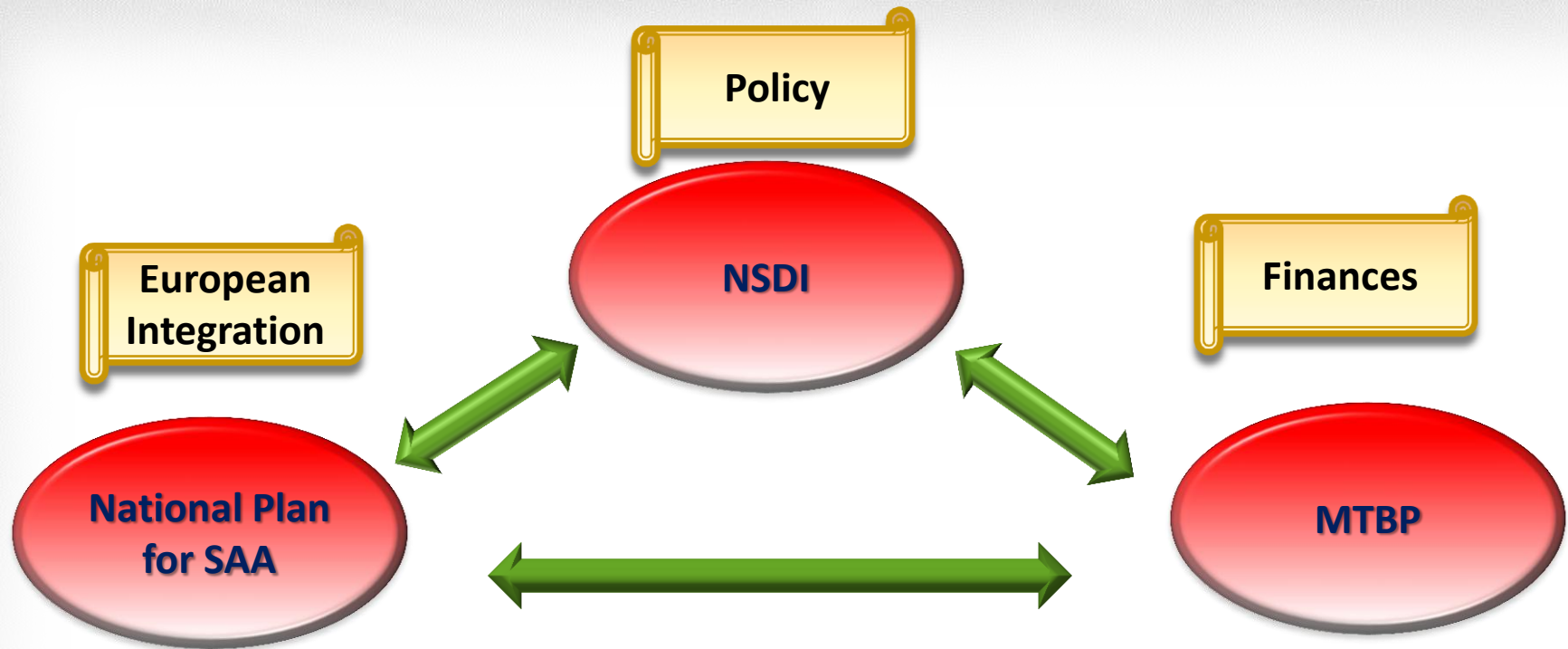
- ✖ The Albanian economy was not as adversely affected by the 2008–2009 global financial and economic crises as were other economies in Europe because of:
 - ✖ *Low level of integration with the global financial markets*
 - ✖ *Recent structural, fiscal and economic reforms*
- ✖ Withdrawal of deposits beginning in late 2008 until early 2009
 - ✖ *Law on Deposit Insurance revised to increase the insured amount of deposits, as important measure in restoring confidence in the financial system.*
- ✖ A drop in GDP growth to 3.3% in 2009 (from 6% in 2002–2008)
- ✖ Lower remittances from Albanian emigrants, decreased by 6.2% , lower exports decreased by 18.2%, imports decreased by 8.8% (in 2009 as compared to 2008)
- ✖ Recent data show a return to positive territory in early 2010 though with less strong growth.

Integrated Planning System

Integrated Planning System (IPS)

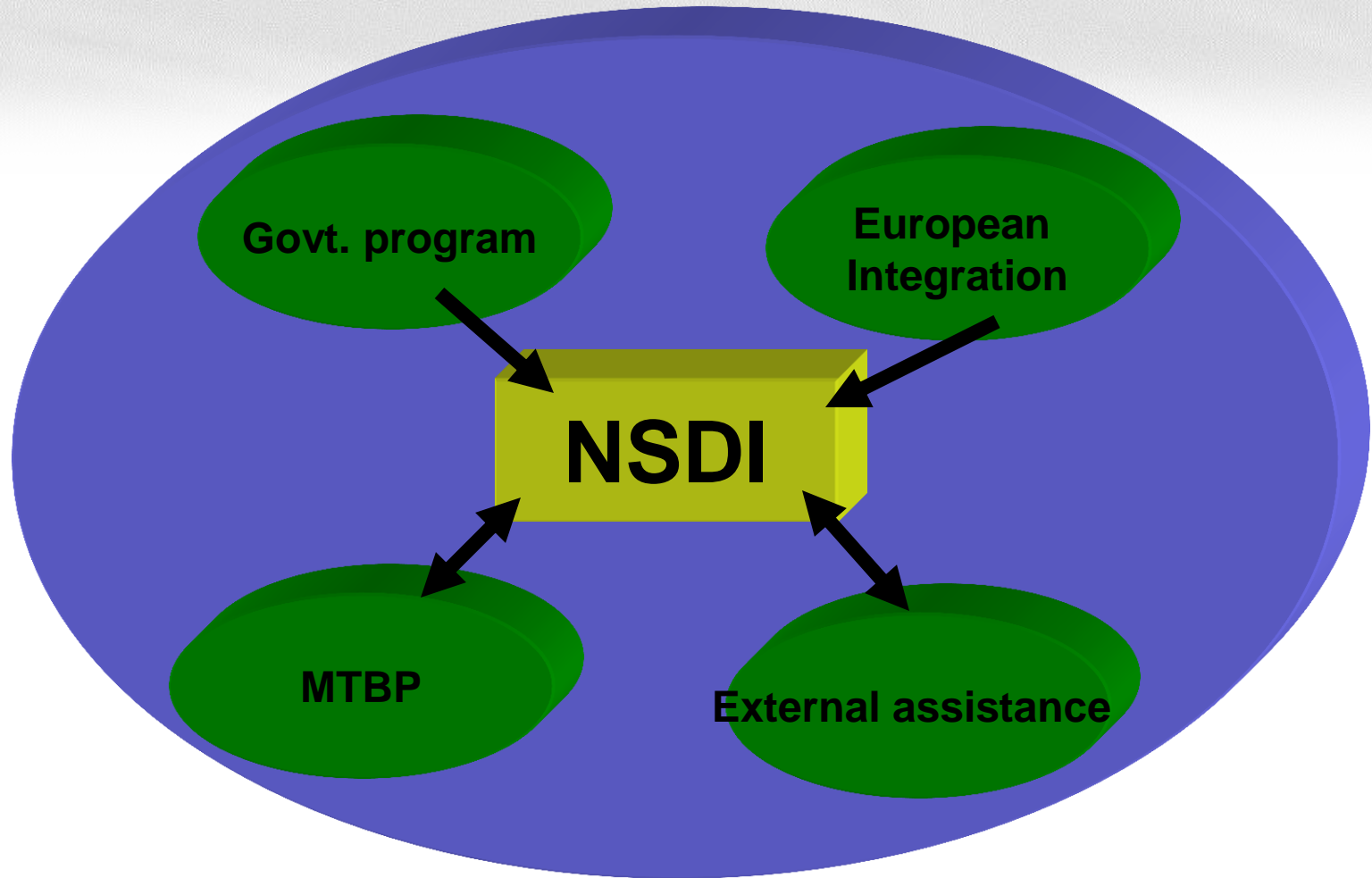
- ✦ Set of operating principles and supporting structures to ensure that government planning and monitoring as a whole takes place in an efficient and harmonized way as possible.
 - ✦ **Primary purpose:** Avoid fragmentation and duplication between the government's core policy and financial planning processes.
- 

Integrated Policy, Budget and Monitoring Cycle



MONITORING AND REPORTING

Integrated Planning System (IPS)



National Strategy for Development and Integration

Sector Strategies

- **38 Strategies:** 21 sector strategies and 17 cross-cutting strategies

NSDI

- **Approved in March 2008**
- **Three main pillars:** (i) Integration into the EU and NATO; (ii) Democratization and (iii) Economic and Social Development.
- Synthesises the strategic priorities defined in **38 sector and cross-cutting strategies**

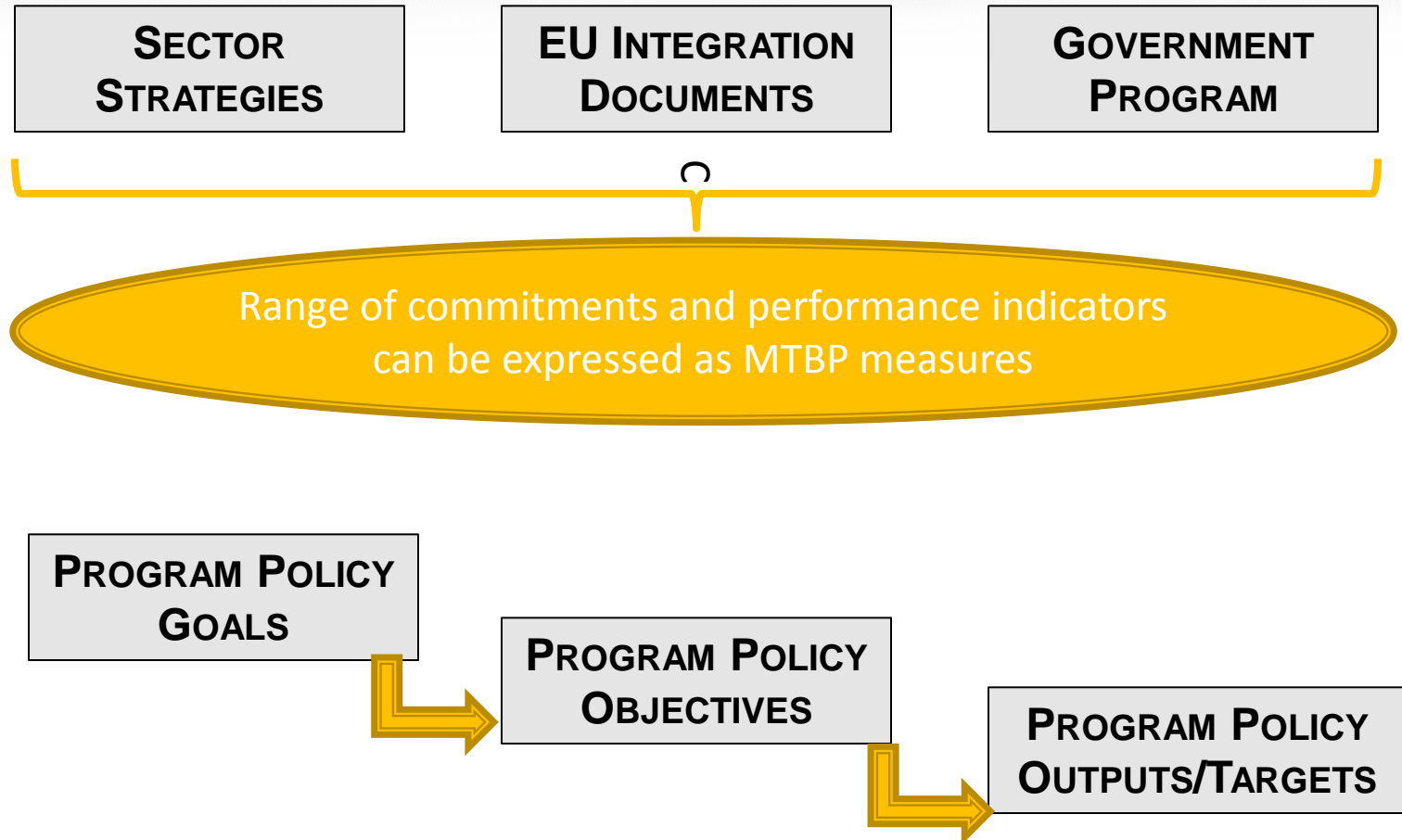
NSDI Monitoring

- A new **performance-based monitoring** mechanism for sector and cross-cutting strategies, implemented for the first time in 2010;
- A mechanism that is **part of the IPS process**;
- Monitors performance with respect to policy objectives at outcome level, supporting the planning of SMART outcomes.

The Medium Term Budget Planning (MTBP)

- ▶ Requires each ministry to develop a 3-year plan that specifies the program activities and outputs required to deliver program policy goals and objectives within the ministry's expenditure ceiling
- ▶ **2001**: Piloted on the main priority' sectors in 4 line ministries (transport, agriculture, education, social protection and inclusion).
- ▶ **2006**: Process expanded in all line ministries & operated through a web-based Oracle platform.
- ▶ **2007**: National Treasury starts operating on a web-based platform;
- ▶ **2008**: The law "On Management of Budget System in RoA" includes steps for implementation of the multi-annual (3- year) planning of budget resources (MTBP).
- ▶ **2010**: MTBP and Treasury are interfacing with each-other.

Reflecting Indicators in MTBP



Link of NSDI mid-term evaluation & review with the Performance-based monitoring

MID-TERM REVIEW OF NSDI 2007-2013 45 core indicators of performance

**NSDI
2013-2020**
45 core indicators;
200 sector
indicators

Monitoring
Sector Strategy
1

*Max 10
indicators of
performance*

Program Policy
Reviews under
MTBP 2012-
2014

Monitoring
Sector Strategy
2

*Max 10
indicators of
performance*

Program Policy
Reviews under
MTBP 2012-
2014

Monitoring
Sector Strategy
3

*Max 10
indicators of
performance*

Program Policy
Reviews under
MTBP 2012-
2014

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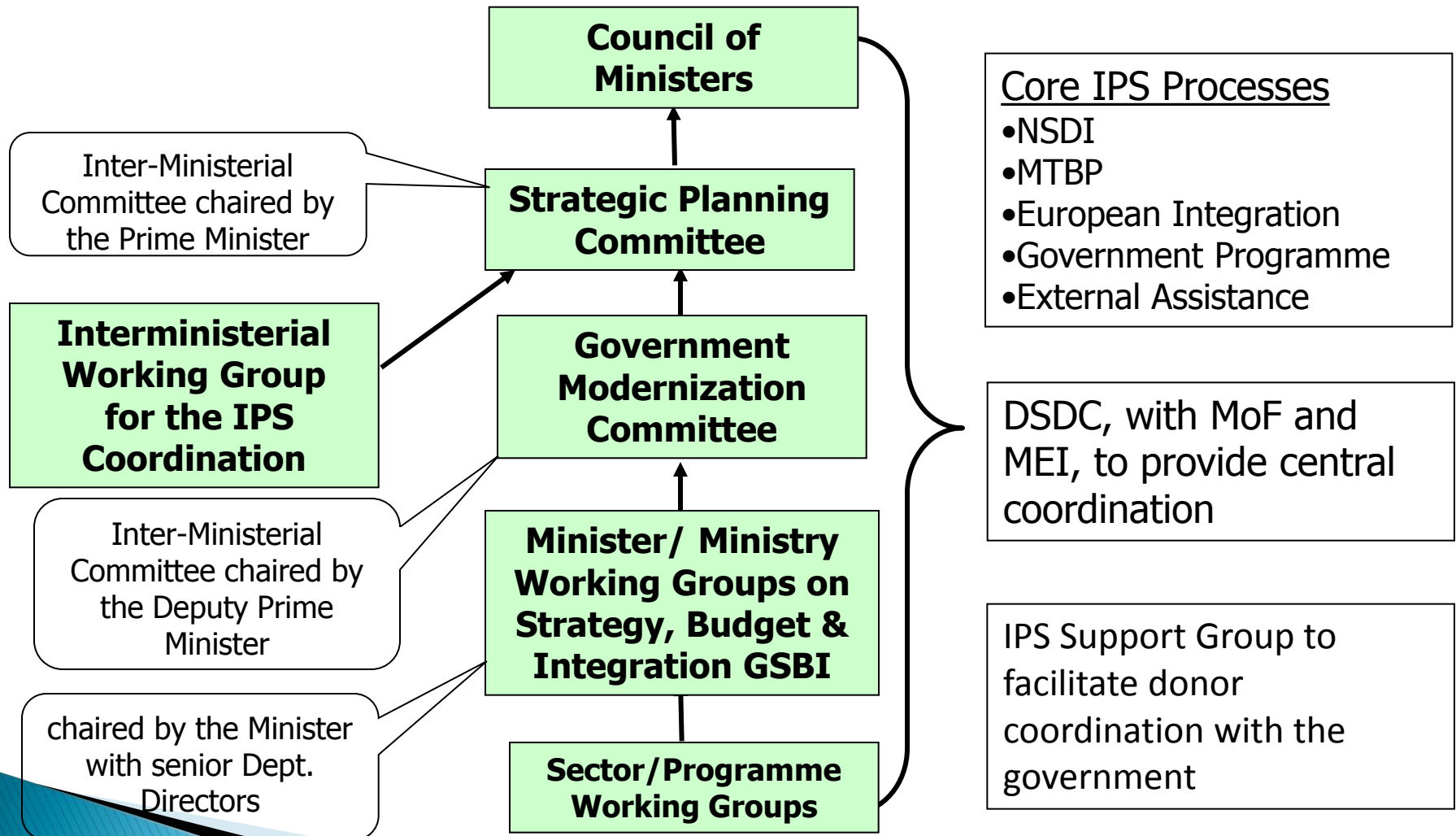
*Max 10
indicators of
performance*

Program Policy
Reviews under
MTBP 2012-
2014

Reference
Framework for
PAM twice a year
from 2011
onward

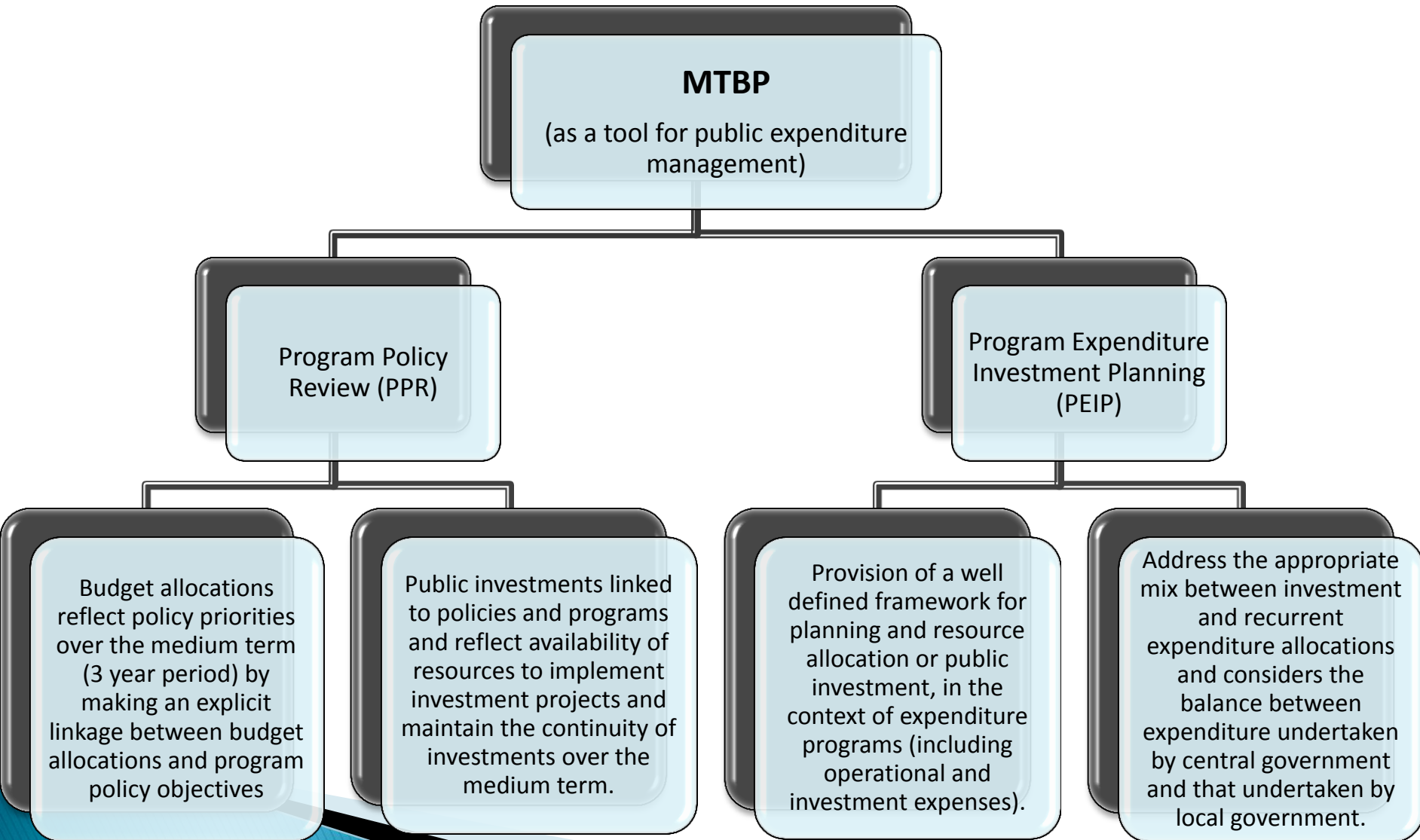
Performance
Hearings of
individual Line
Ministries at
DSDC

Accountability IPS Structures

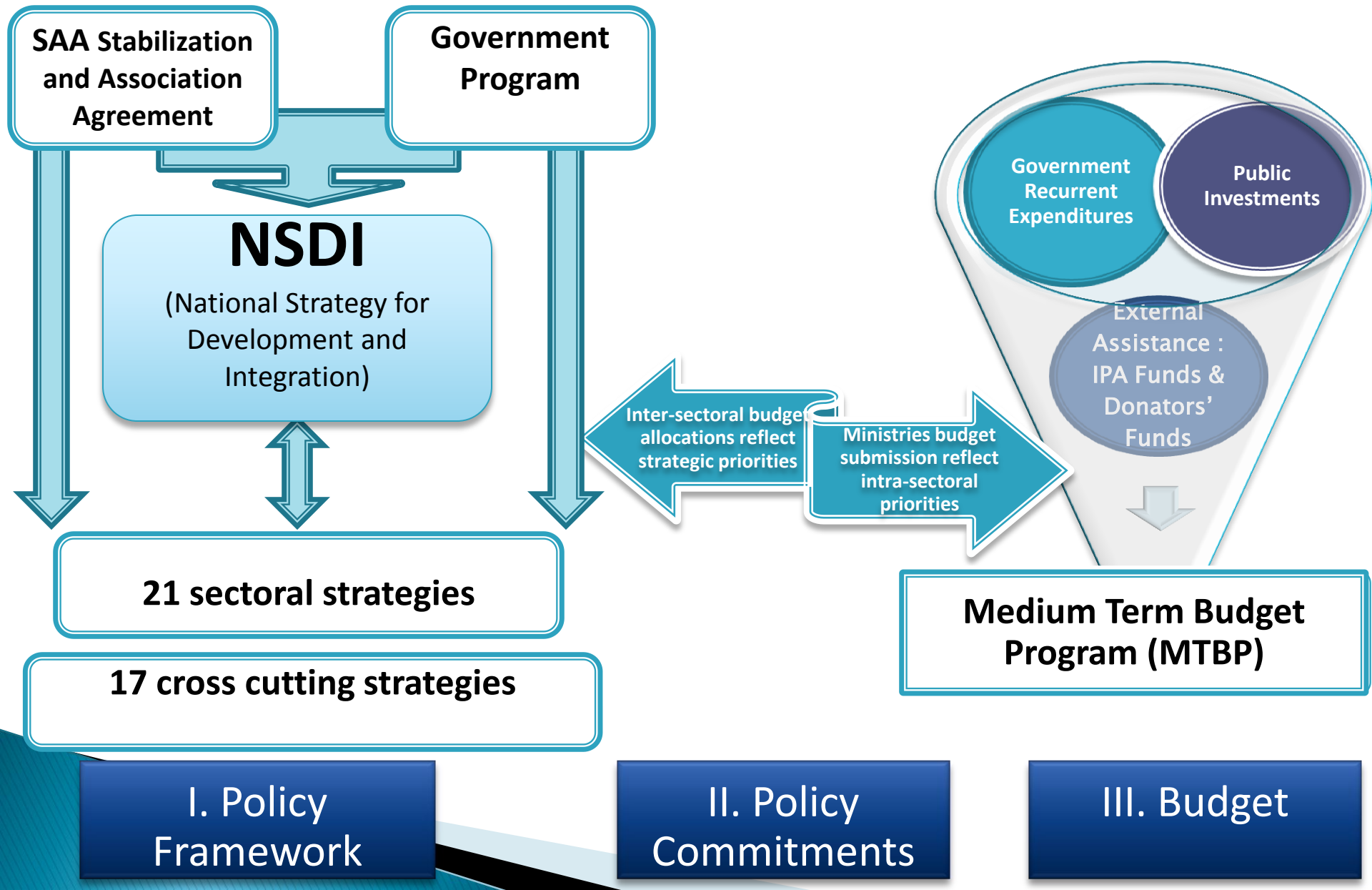


MTBP & Public Investment Management Program

MTBP & Public Investment Managing Program (PIMP)



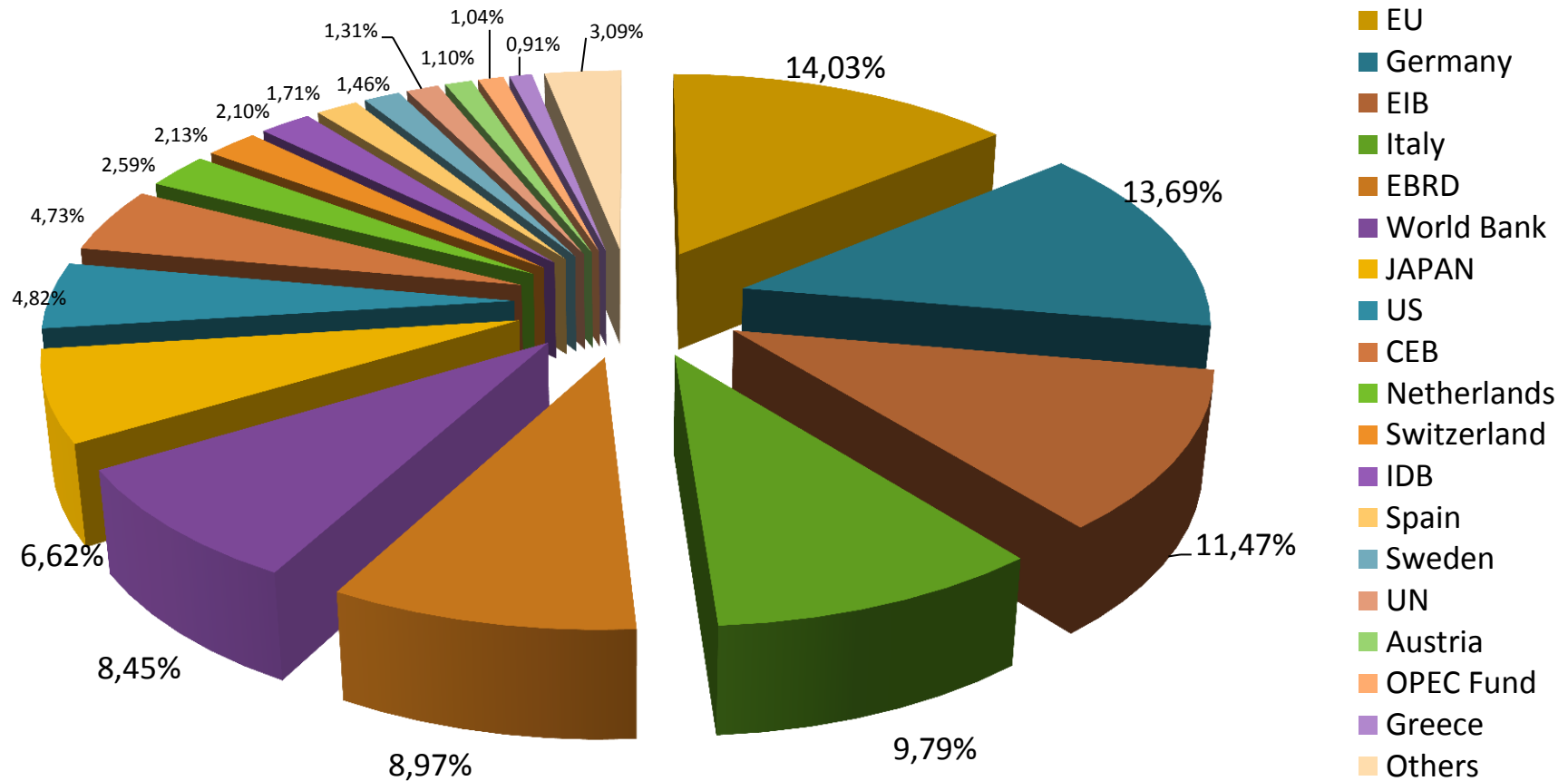
NSDI - MTBP - PIM



Donor Assistance & MTBP

Donor assistance in Albania

2000-2010



Donor Funds:

- ▶ Are directed towards government policy priorities (pipeline projects in each sector)
- ▶ Are considered as supplementary funds to the overall government budget (even though not being part of the treasury)
- ▶ Are coordinated with public investments in order to avoid duplications
- ▶ Are an integral part of MTBP
 - Donor assistance is reflected in each line ministry's medium term budget planning

Policy Priority Notes

Policy Priority Notes (PPN)

- ▶ **Aim:** Improve the process of resource allocation across sectors.
- ▶ **Can be:**
 - New initiatives
 - Existing initiatives not fully implemented (e.g., laws approved by Parliament that cannot be fully implemented at existing funding levels; initiatives supported by time-limited foreign financing)
 - Existing initiatives that constitute strategic priority (for which a planned expansion or acceleration is set out in a strategic document).
- ▶ Support a commitment set out in the NSDI, sector/cross-cutting strategies, National Plan for Implementation of SAA/other EU integration commitments, or the Government Program.
- ▶ Prepared by DSDC (based on the proposals received by line ministries) and presented to the Ministry of Finance to ensure that MTBP ceilings are closely linked to policy priorities.
- ▶ Are advisory → the responsibility for the MTBP ceilings proposal lies with the Ministry of Finance and the decision is taken by the Strategic Planning Committee (SPC).

IPS Communication Strategy

IPS Communication Strategy

E-communication

- Website
- E-newsletter
- Press releases
- E-mail groups
- Polls, surveys




Conclusions from the Regular Government-Donor Roundtable

On 3 December 2010 the Government of Albania held the regular Government-Donor Roundtable, co-chaired by the Minister of Investment and ICT, Genc Polo and the Ambassador of the Swiss Federal Confederation, Yves Ruster, as rotating chair of the Donor Technical Secretariat. The event gathered senior officials from the Government and the donor community in Albania. On behalf of the Government of Albania, the Minister for Investment and ICT summarized the major achievements and reforms the Government had undertaken within the last six months and their impact on development and the EU integration process. He presented the European Commission's 6 November 2010 decision on lifting the visa regime for Albania as a historical event and pointed out that the visa-free regime is a matter of freedom and dignity for every Albanian, not discounting big responsibilities it entails. Concerning the EU's opinion and recommendations, Minister Polo said that European integration is a major priority for the Albanian Government. The next milestone in the Albanian EU integration process is achieving candidate status.

As objective Mr. Polo was confident that government could meet within its current mandate. To that end, he explained that the latest European Commission report will set the working programme for the next months and year to come. Addressing the priorities and shortcomings identified in the report have become the Government's priority. Minister Polo also stated that considerable progress has been made in implementing Agenda of the Paris Declaration, citing the Harmonization Action Plan and successful completion of the Assessment of Procurement System at endline. Ambassador Ruster addressed the roundtable on behalf of the donor community, and expressed their satisfaction with the considerable progress made towards the implementation of the Integrated Planning System, especially the recent establishment of a new Performance-Based Monitoring mechanism for the National Strategy for Development and Integration 2007-2013, which will also help to better align external assistance with government priorities. He emphasized the need for the donor and Government


to work together towards increased complementarity between the EU financial support to Albania's enlargement and the aid offered by all bilateral and multilateral donors to reach the main goal for Albania, EU integration. "I would like to assure you that all donors are fully committed to further strengthening the partnership with Government, in completing the EU requirements and in furthering the aid harmonization agenda," she said. DDC Director Valbona Rado delivered a detailed presentation of the EU implementation and progress on establishing the new single-based NDC monitoring. She emphasized that Albania has now completed the strategic framework and that the focus needs to shift toward monitoring. Director Rado recognized the achievements of the past work of Government and donor community in strengthening coordination through Sector Working Groups (SWGs), on extracting and adopting new coordination mechanisms along its accountability and managing for results. More information about the roundtable can be found here.




REPUBLIC OF ALBANIA
COUNCIL OF MINISTERS
DEPARTMENT OF STRATEGY
AND DONOR COORDINATION

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Activities



Monitoring the IPS impact and process continuation
• 25 March, 2011
The Integrated Planning System Multi-Donor Trust Fund (IPS MDTF) which has been funded by seven donors (UK, Austria, EU, Italy, the Netherlands, Sweden and Switzerland), in order for the IPS process, its methodology and products to be better understood and implemented across Government, will be completed by the end of September.



Senior representatives of the Albanian Government conduct a working visit to Germany
• 09 March, 2011
Invited by German Federal Ministry for Economic Cooperation and Development, a delegation of senior representatives of the Albanian Government conducted a working visit to Germany on 9-2 March 2011. The visit aimed to bilateral discussion on the progress of projects currently in implementation and preparation of technical consultation which is expected to be organized in October.



Annual Review of Swedish Development Programme in Albania
• 23 February, 2011
The Annual Review of Swedish Development Programme in Albania was organised on 23 February 2011. The aim of the meeting was to discuss about the implementation of Sida's on-going projects as well as to define future priorities based on the Swedish Strategy for Development Cooperation 2009-2012 with Albania.


Flash News

- Senior representatives of the Albanian Government conduct a working visit to Germany
09 March, 2011
- Government-Donor Dialogue - February 2011
25 February, 2011
- Annual Review of Swedish Development Programme in Albania
23 February, 2011

[Read more...](#)

Newsletter

Government Donor Dialogue




Donor Database
Updated June 2010

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Links

- Council of Ministers

Recent Publications



Government-Donor Dialogue, No. 48
• 31 March, 2011
ISSUE No. 48, Monthly Newsletter - March 2011
A Joint Effort of the Department of Strategy and Donor

External Assistance

By coordinating the external

IPS Communication Strategy

Printed

- Progress reports NSDI and EA
- IPS manual
- IPS calendar (SWG calendar)
- MTBP



Conclusions

- ✓ IPS is a broad planning and monitoring framework which aims to ensure that core policy and financial processes developed by the GoA function in an integrated way.
- ✓ **IPS has resulted in:**
 - ✓ The development of a sound strategic framework (NSDI) which reflects:
 - ✓ Government program objectives
 - ✓ European Integration approach/steps
 - ✓ The development of structures such as SPC, GMC, GSBI, and IPS Coordination Group which provide political direction
 - ✓ Functional MTBP
 - ✓ Public Investment integrated within MTBP
 - ✓ External Assistance integral part of MTBP
 - ✓ Strategic objectives reflected and budgeted in MTBP

A scenic view of a beach and coastline. In the foreground, there are rocky cliffs with green vegetation. The middle ground shows a sandy beach with many people and umbrellas, bordered by clear blue water. In the background, a hill with several buildings, including a large white one, overlooks the beach. The sky is clear and blue.

Thank you!

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Council of Ministers

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