

Project Fiche – IPA National programmes / Component I

1 IDENTIFICATION

Project Title	Multi-donor trust fund (MDTF) to support the implementation of the Integrated Planning System (IPS) – phase II
CRIS Decision number	2013 / 024-190
Project no.	03
MIPD Sector Code	Public Administration Reform
ELARG Statistical code	02.32 – Financial control
DAC Sector code	15111 – Public Financial Management
Total cost (VAT excluded) ¹	EUR 3 800 000
EU contribution	EUR 1 100 000
Management mode	Joint Management
Implementing Agency	World Bank
Implementation management	The CFCU within the Albanian Ministry of Finance will ensure the fiduciary management of the project in accordance with World Bank procurement guidelines and financial management, accounting, reporting, and audit procedures acceptable to the World Bank. Procurement will be conducted by the CFCU in accordance with the World Bank procurement guidelines.
Implementing modality	Project
Project implementation type	Trust Fund Administrative Agreement with the World Bank
Zone benefiting from the action(s)	Albania

2 RATIONALE

2.1 PROJECT CONTEXT: ISSUES TO BE TACKLED AND NEEDS ADDRESSED

The Integrated Planning System (IPS) is the main tool of the Albanian Government for economic and development policy planning. It has been used since 2007, and is based on a comprehensive 7-year development strategy - the National Strategy for Development and Integration (NSDI) –as well as 38 sectoral and cross-sectoral development strategies. The IPS is coordinated by the Department of Strategy and Donor Co-ordination in the Council of

¹ The total project cost should be net of VAT and/or of other taxes. Should this not be the case, clearly indicate the amount of VAT and the reasons why it is considered eligible.

Ministers. It serves as basis for the budgetary planning – undertaken in a 3-year rolling exercise producing “Medium-Term Budget Programmes” (MTBP) as well as the annual budget.

The IPS is about to enter its second planning cycle (2014-2020). In this context, this project has been designed to further develop this system, strengthen the government agencies ability for its use and contribution, making its application more systematic and relevant to the Government’s everyday operation. Furthermore, it seeks to strengthen the result-orientation of public financial management – the planning, monitoring and evaluation of public and foreign aid funds. This project will build on the results of the first IPS project under the Multi-Donor Trust Fund².

The projects’ aims will be achieved through consolidating and further developing the Integrated Planning System and the NSDI framework notably in terms of a more systematic application, stronger coordination, and a reinforced medium-term perspective of the policy planning and budget formulation processes. It is expected to increase the Government’s effectiveness in tracking the implementation status of policies and strategies through a hierarchy of key results indicators at the strategy and policy levels, supported by appropriate data collection and reporting mechanism. The project is also expected to raise the transparency and reliability of Public Finance Management (PFM) controls by establishing an integrated Albanian Financial Management Information System (AFMIS), which will facilitate the regular monitoring of budget execution and tracking of program results based on data from the automated Treasury with reference to the Medium Term Budget Program, the annual budget, and approved targets for program-level indicators.

The IPS function as basis for the government’s planning and co-ordination of foreign assistance in Albania. Accordingly, the IPS – which is also connected to the National Plan for the Implementation of the SAA (NPISAA) – is highly important for the effective utilization of EU funds in Albania. It should be noted that the next planning cycle of the IPS (2014-2020) coincides with the timing of the EU’s budget perspective, and also IPA’s next planning period.

To conclude, the proposed new project will support the Government of Albania in further strengthening the implementation of the Integrated Planning System, which links strategic policy planning with the budget planning and public financial management more broadly. More specifically, it will assist the Government's reform efforts in addressing the weaknesses in: the budget and policy planning processes; institutional ownership and capacity to implement the IPS with a focus on selected line ministries; the refinement and implementation of the overall IPS framework, NSDI 2013-2020 preparation with a focus on sector and cross-cutting sector strategies, Policy Impact Assessment System; External assistance coordination, especially EU assistance implementation/decentralized management; monitoring and evaluation system in particular the results monitoring mechanism so that every line ministry produces a Performance Assessment Matrix (PAM) report for each of its own strategies, every year.

2 Multi-Donor Trust Fund for Capacity Building Support to the Implementation of the Integrated Planning System (First IPS MDTF Project) (January 2008-September 2011)

2.2 LINK WITH MIPD AND NATIONAL SECTOR STRATEGIES

The **MIPD** 2011-2013³ targets aim to horizontally support the administration responsible for the SAA provisions implementation and those involved in the EU financial assistance implementation, including preparation for Decentralised Implementation System (DIS).

In addition the MIPD priorities are to: improve policy coordination/strategic planning; better align the policy framework with the European Integration Agenda and medium term budget planning at the central and line ministries level; strengthen internal audit functions; strengthen sound financial management and develop and enhance the implementation and coordination of effective national preventive anti-corruption policies and strategies; enhance the cooperation between relevant bodies and government institutions responsible for economic and fiscal policies as well as improve the reporting of these institutions.

The strategic priorities of the **NSDI**⁴ aim at improving Public Financial Management in line with international standards, including the areas of: macro-economic forecasting, multiannual budget programming, fiscal discipline, public expenditure management, efficiency and effectiveness, policy costing, public financial investment planning, transparency, efficiency and financial autonomy of local government units, the quality of reporting on, and the transparency of execution of the state budget , as well as fighting illegal transactions.

2.3 LINK WITH ACCESSION PARTNERSHIP (AP) / EUROPEAN PARTNERSHIP (EP) / STABILISATION AND ASSOCIATION AGREEMENT (SAA) / ANNUAL PROGRESS REPORT

The project aims to contribute to the key priorities of the European Partnership, Stabilisation and Association Agreement and the Annual Progress Report of the year 2012. The priorities related to this project are as following:

European Partnership with Albania:

- Further strengthening public-sector governance by improving the quality and impartiality of the public administration staff and strengthening the Department of Public Administration;
- Making full and effective use of the integrated planning system for strengthening links between policy objectives and budget planning and execution.
- Ensuring effective implementation and monitoring of the national strategy for development and integration;
- Broader government coordination of EU integration work by means of a broader and more consistent consultation of ministries, including stakeholders and EU experts on the related legislation;
- Improving the debt management capacity.

Article 111 of the **SAA** (on Public Administration) stipulates that: “Cooperation shall aim at ensuring the development of an **efficient and accountable** public administration in Albania, notably to support rule of law implementation, the proper functioning of the state institutions for the benefit of the Albanian population (...)”

³ Ref: MIPD 2011-2013, Section 3.2.3 “Sector Objectives for EU support over next three years”

⁴ Ref: National Strategy for Development and Integration 2017-2013, Section Market economy/Public finance/ Strategic priorities and policies. Pg 55

The **2012 Progress Report** on Albania identifies some progress made on development policy **programming**. Preparations for drafting the National Strategy for Development and Integration (NSDI) for 2013-2020 started in February; its adoption is planned by March 2013. The NSDI will be a synthesis of all government strategies and policies, including regional policy, and will guide the medium-term budget programme. The revised draft operational programmes for IPA components III and IV were submitted to the European Commission for comments in September 2011. Significant strengthening of administrative capacity in the areas of programming and project preparation is needed. Development of a project pipeline remains a major issue. Some progress can be reported in **financial management, control and audit**. *Overall*, the budgetary framework remains weak at the planning stage, reflecting optimistic revenue projections, and also at the execution stage.

2.4 PROBLEM ANALYSIS

Government capacities in financial management, policy planning, and performance monitoring vary significantly. Whereas line ministries are now familiar with the IPS process, their ownership of the close linkage between policy, budgeting and performance monitoring generally lags behind, while the quality of their inputs into the IPS (sector strategies, MTBP and budget submissions, reporting on performance indicators) still need to improve.

More specifically, the quality and inter-linkage of the key elements of the IPS need to be further improved. Sectoral and cross-sectoral strategies are not sufficiently aligned with the MTBP and lack systematic costing. Expenditure planning has been transferred to a program basis, but the definition of result based programs is yet to be fully developed. Likewise, the monitoring process of the implementation and results at the NSDI, sectoral/cross-sectoral strategies, and budget programs levels needs to be strengthened, especially by developing relevant capacities in line ministries.

Some significant challenges are yet to be overcome in order to allow DSDC to carry out its aid management functions at an optimal level. First, ownership is critical to aid management, donor coordination and DSDC's role in the context of the Paris Declaration on Aid Effectiveness. For this purpose further technical assistance and training are needed.

Decreasing or substituting the use of internal donor rules and further improving the alignment and reinforcing the inter-donor operational dialogue, remain as challenges for the future.

Overall, the capacity of line ministries with regard to development policy planning, as well as the multiannual planning of the state budget, as regulated by the IPS framework, is not sufficient. There is a need for further strengthening the capacities of the DSDC for coordination, and the ministries' capacity to properly implement the IPS process of policy and budgetary planning / execution.

IPS management information systems (IPSI), which are crucial to effectively support policy analysis, planning, reporting, monitoring & evaluation are currently missing, - focus on the Albanian Financial Management Information System (AFMIS) designed as an expansion of the existing Albanian Treasury System (AMoFTS) with additional functional modules to support Medium Term Budget Planning, Public Investment Management and integration of the additional components with the existing Treasury System. External Assistance Management Information System (EAMIS) intended to support the strategic management of external assistance by focusing on: - Policy analysis and development on external assistance management, - The development of annual government EA priorities or strategies indicating where donor assistance could best support Albania's priorities over the next 1-3 years, -

Participation in reviews of proposed EA projects, - Monitoring or tracking of progress of approved EA projects; ICT infrastructure, which brings in National Agency for Information Society and Ministry for Innovation.

Additional need is identified in the development of an adequate supporting information system (External Assistance MIS). Another major challenge remains the further strengthening of SWG's functioning as aid coordination tool.

In conclusion, there is not sufficient developing and implementing capacity at the line ministry level, as well as in relation to EU's and SAA's agendas in the Public financial management areas. Moreover it is identified that more emphasis should be given to strengthening MoF's coordination and communication policies, in areas such as MTBP/budget, macro, debt, inter-operability-with Human Resources Management Information System (HRMIS) in order to enable its full functionality for all modules (HR and payroll modules) with the Treasury Interface with the MoF for all Public Institutions , as well as additional priority areas noted by MoF.

Regarding stakeholders:

- The line ministries – with special regard to the Ministry of European Integration, Ministry of Education, Ministry of Transport, Ministry of Agriculture, Ministry of Justice – as users of the IPS system will be beneficiaries (targets) of project activities;
- The Training Institute for Public Administration (TIPA) will be involved in the trainings delivery under the project;
- The National Agency for Information Society will be involved in the AFMIS computer system development by providing technical expertise to effectively interface with existing/under development MIS;
- The IPS serves, in addition, as a programming basis for foreign donor funding and IFI development loans. Accordingly, its design and implementation will be the subject of regular discussions with international donors;
- The IPS institutional framework – the members of which will be consulted during the implementation of the project – includes the IPS-Support Group. This group (co-chaired by the Deputy Minister of MoF and the Director of DSDC) oversees all IPS activities, including the IPS II project implementation. Its membership includes the project's key government beneficiaries, the funding donors and the World Bank.

2.5 LINKED ACTIVITIES AND DONOR COORDINATION

The project is linked to another international donor project:

The first IPS Multi Donor Trust Fund

The first IPS project (January 2008-September 2011) had the development objective of ensuring that the Government of Albania's core policy and financial processes functioned in a coherent, efficient and integrated manner. This project was implemented by the World Bank, and financed by several bilateral donors and EU under CARDS 2004 funds.

The objectives of that project were largely achieved. Key results achieved included the following:

- A well-synchronized, orderly process of linking policy planning to budget preparation (annual updating of the NSDI, sector strategies, the MTBP, and the annual budget), as

noted by Public Expenditure and Financial Accountability (PEFA) assessment report 2011 and SIGMA reports (2010, 2011);

- The development of a result based monitoring system and ministries' PAM (Performance Assessment Matrix) Reports, which substituted the Integrated Plans, and which set policy goals, program objectives, and serves as basis for line ministries MTBP related requests;
- Increased budget credibility, as indicated by the growing convergence between MTBP ceilings and annual budget appropriations for line ministries (from 17.6% average deviation in 2008; to 9.3% in 2009; 7.4% in 2010; and 0 in 2011);
- Stronger institutional capacity in macro-economic forecasting based on the adoption of advanced models and techniques in line with international good practices;
- All expenditure and revenue transactions are being registered in the automated Treasury since April 2010 (result supported by technical assistance from the Bank-executed project supervision part of the MDTF);
- Capacity building was focused on developing the external assistance management internal procedures, aid coordination (internally and externally), strategy, monitoring and reporting, public relations, and communications;
- Several significant outputs were published, including the Harmonization Action Plan, annual progress reports, guidelines, procedures and a series of technical notes. All these, with supporting processes, have led to better aid management and donor coordination.

Support to the Expansion of the Treasury System (SETS)

The IPA 2008 project implemented by the Austrian Development Agency is financing the expansion of the automated Treasury System. Main purpose is to substantially strengthen the capacities of the Ministry of Finance (MoF), Line Ministries, Spending Units and large Municipalities to assure an optimal financial management of government resources and the expansion of the network between the MoF, Treasury District Offices, Line Ministries, Spending Units and large Municipalities. The project is currently ongoing and key expected results are as following:

- Effective business processes and information flows established and respective functional staff trained.
- Improved cash management and forecasting and treasury staff trained.
- Good quality technical specifications developed for i) software design and expansion and ii) supply of network and IT equipment
- Treasury System expanded through new system developments configurations, piloted in selected spending institutions and MoF IT and functional staff capable to monitor and maintain the system.
- Network (hardware/software) and IT equipment for treasury expansion functioning.

2.6 LESSONS LEARNED

The first IPS MDTF project demonstrated that the needed IPS capacities are multi-dimensional and system wide in nature and that building these capacities requires a longer-term and strategic planning perspective, a better understanding of capacity development, and sustained support. A key indicator of sustainability of results by far is a high degree of

government ownership of the IPS and the MDTF. Another factor for attaining sustainability is the ongoing availability of funds from the government side and the development partners.

The project was ambitious in terms of the expected time of completion, deriving from overly high expectations and an inadequate understanding of (1) the nature of the project as a long-term development programme and process of complex change, and (2) the initial “start-up” nature of the key implementing institutions where capacity first needed to be developed.

Overall, the first IPS MDTF project might have been more focussed, by achieving a higher synergy among some of the project’s components (e.g. those dealing with capacity development support to the DSDC, and those dealing with overall public financial management). Nonetheless, the design has been flexible in terms of adjusting to changing priorities and needs, which was a necessary feature in the dynamic IPS environment. Based on this lesson, it is recommended that future project coordination be strengthened and made more transparent to include the production of annual work plans and regular performance reports for the programme as a whole, and possibly for each major component.

Another important lesson is related to the development of the future IPS management information systems in support to the decision making, policy analysis, monitoring, reporting and evaluation functions associated to IPS implementation. Some negative experience related to the development of the computerised treasury management system AMoFTS underscores the need to establish, in advance of actual systems development activities, a clear agreement regarding overall systems strategy and architecture, and to prepare a reliable cost/benefit analysis of possible solutions, using all capacity-related criteria (technical, organizational, financial, ongoing operational, absorption, etc) to evaluate and select the most cost-effective and affordable alternatives. These will be necessary to avoid delays in implementation, as well as cost-overruns.

The implementation of the SETS project indicates that the Coordination across the board of SETS project stakeholders remains a challenge, and therefore a re-evaluation of existing coordination mechanisms appeared as appropriate measure. It is expected that specific ad-hoc thematic working groups function better as regards organisational setting.

Moreover, due to the complexity of the AMoFTS system supplier/GoA contracting Framework agreement, there is a risk that the project delays its implementation. So that possible alternative action might be considered, i.e starting tender procedures for project related IT licenses would be initiated if by end of 2013 the framework agreement has not produced substantial results.

3 DESCRIPTION

3.1 OVERALL OBJECTIVE OF THE PROJECT

To contribute to the development of an efficient and accountable public administration in Albania according to the EU standards.

3.2 SPECIFIC OBJECTIVE(S) OF THE PROJECT

The specific objective of this project is to improve the Government's strategic planning through the application of a reinforced medium-term budget perspective concerning policies designed at line-ministries level.

3.3 RESULTS

Result 1: Improved public financial management – more result-oriented planning and use of public funds.

Result 2: Improved consistency and co-ordination in planning and use domestic public funds and foreign assistance resources with long-term strategic development objectives.

Result 3: Integrated IT systems (EAMIS,AFMIS,IPSIS,HRMIS) to support strategic economic planning as well as medium-term budget programmes and annual budgets planning and execution.

3.4 MAIN ACTIVITIES

Consolidation of the achievements in terms of improved orderliness, coordination and medium-term perspective of the policy planning and budget formulation processes, which make up the IPS.

Activity related to Result 1

Technical assistance and training for strengthening Public Financial Management (PFM) performance. A key measure in this regard will be the development of a comprehensive training and certification program in public financial management for budget and finance officers across the public administration (including municipalities) to ensure the on-going updating of PFM skills.

Activity related to Result 2

Technical assistance and training for Policy Coordination and Aid Management both in central government and line ministries. Among other TA activities, dedicated workshops led by the Ministry of Finance and Department of Strategy and Donor Coordination combined with coaching will be held to increase senior line ministry officials' understanding and ownership of results-oriented budgeting/planning and its practical usefulness in the respective sectors. A similar approach will be applied for strengthening line ministries' ownership in developing M&E capacity for tracking the implementation of sector strategies

Activity related to Result 3

Developing and implementing IPS Management Information Systems - the ICT tenders will be accompanied whenever necessary by TA measures that will provide systems architecture and strategy, cost-benefit analysis and the preparation of technical specifications, as well as complete tender documents.

Contract 1.1- Administration Agreement

The IPA 2013 contribution of EUR 1,100,000 will be provided through one administration agreement with the World Bank (WB).

3.5 ASSESSMENT OF PROJECT IMPACT, CATALYTIC EFFECT AND CROSS BORDER IMPACT (WHERE APPLICABLE)

As the Integrated Planning System serves as basis for the use of all public funds in Albania, the IPS system and the strategic strengthening, the domestic and foreign aid resources result oriented management will impact positively to all sectoral reforms and overall to the EU accession process.

The IPS system is also connected to the NPI SAA process, and is responsible for ensuring the timely availability of funds for integration efforts, including IPA co-financing.

3.6 SUSTAINABILITY

The Government of Albania is fully aware that the IPS implementation (as coherent interoperability between planning – budgeting) is an important dimension of the governance reforms, and it requires a considerable period of time to produce sustainable results and outcomes.

In support to the potential for sustainability of results is the high degree of government ownership of the IPS. A key factor to ensure the sustainability will be the ongoing availability for funding from the government side, supplemented by development partner support in order to address further capacity development needed and to the areas of unfinished business.

As positive point, remains the good working and coordination among central institutions and line ministries as well as the good relationship with funding donors, ensured by keeping continuous attention to the EU relationship.

The overall IPS implementation consolidates on the results achieved under the first IPS project, which are founded on a strong legal basis from the 2008 Budgetary System Management law. Over the last four years this legal framework has proven to be workable and significant capacity has been developed in the government central level (Ministry of Finance and DSDC) to ensure leadership and high level-ownership of the process over a long term prospectus. A further investment in the line ministries' ownership of the IPS process (both in terms of budget planning and monitoring of program outputs and policy outcomes) over the next years can be expected to consolidate the IPS as a process and raise its effectiveness in terms of public spending efficiency (operational efficiency) as well as strategic, policy-based allocation of resources. Indeed, this would form a necessary foundation for the emergence of a performance orientation in Albania's public administration that would ensure the longer-term sustainability of the IPS.

3.7 ASSUMPTIONS AND PRE-CONDITIONS⁵

- **Project co-financing available from all donors**

Three donors (Austria, Switzerland and Sweden) have already committed 2.7 million euro to the IPS TF II (to the World Bank as implementer). With the expected EU contribution of 1.1 million euro under IPA 2013 (under programming), the total amount of IPS TF II will be 3.7 million euro.

⁵ Assumptions are external factors that have the potential to influence (or even determine) the success of a project but lie outside the control of the implementation managers. Such factors are sometimes referred to as risks or assumptions but the Commission requires that all risks shall be expressed as assumptions. Pre-conditions are requirements that must be met before the sector support can start.

- **Proper co-operation and feeling of ownership by line ministries targeted by the project**

The co-operation of ministries will be strengthened by designating senior officials as project contact persons in each ministry.

- **Availability of TA to prepare the ICT tenders**

The lack of experience of the beneficiaries in preparing complex IT tenders will be addressed by the IPS technical assistance delivered under activity 3.

- **Sufficient and sustainable capacity of line ministries for strategic planning and programme implementation and making the IPS system function.**

The capacity of line ministries to effectively monitor implementation and results at the NSDI, sectoral/cross-sectoral strategies and budget programs levels still appears to be limited. Their capacity to prepare high-quality sectoral strategies (with clear priorities and costing), budget/MTBP submissions with clear linkage to strategies and programs of realistic output and outcome indicators is at times insufficient.

4 IMPLEMENTATION ISSUES

The proposed project will use the same implementation arrangements as the first IPS MDTF (WB trust fund). The project will be jointly management with the World Bank through an administrative agreement following Article 53 (d) of the Financial Regulation and the corresponding provisions of the Implementing Rules.

The Ministry of Finance and the DSDC will act as the main implementing agencies with the MoF leading components one, three, and four, while the DSDC leading component two.

The CFCU in the MoF will ensure the fiduciary management of the project in accordance with World Bank procurement guidelines and financial management, accounting, reporting, and audit procedures. The above implementation arrangements were assessed by regular World Bank supervision missions under the first IPS project and were found satisfactory from a fiduciary and operational point of view.

The Bank Task Teams will produce six-monthly reports on project implementation status and interim results (ISRs), which will be reviewed by World Bank management and quality assurance experts and will be disseminated to the Government and the donors. At the end of the project, the World Bank will prepare an analytical Implementation Completion Report.

4.1 INDICATIVE BUDGET

PROJECT TITLE			SOURCES OF FUNDING									
			TOTAL EXPENDITURE	IPA CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	% (2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/Local EUR (y)	IFIs/Other Donors EUR (z)	EUR (d)	% (2)	
Activities 1.,2,3												
X		1,100,000	1,100,000	27%								
X		2,700,000			2,700,000	73%			2,700,000			
TOTAL IB			3,800,000									
TOTAL INV												
TOTAL PROJECT			3,800,000	1,100,000	27 %	2,700,000	73%		2,700,000			

Indicative Project budget (amounts in EUR) *(for centralised management)*

NOTE: DO NOT MIX IB AND INV IN THE SAME ACTIVITY ROW. USE SEPARATE ROW

Amounts net of VAT

- (1) In the Activity row, use "X" to identify whether IB or INV
- (2) Expressed in % of the **Total** Expenditure (column (a))

4.2 INDICATIVE IMPLEMENTATION SCHEDULE (PERIODS BROKEN DOWN BY QUARTER)

Contracts	Start of Tendering/ Call for proposals	Signature of contract	Project Completion
Contract 1.1 - Administrative Agreement with the World Bank	N/A	2 nd Quarter 2014	4 th Quarter 2016

4.3 CROSS CUTTING ISSUES

4.3.1 *Equal Opportunities and non-discrimination*

The beneficiary institutions are equal opportunity employers. In all human resource development measures, equal access will be ensured for men and women.

4.3.2 *Environment and climate change*

The project has no discernible effect on the environment.

At the same time, the IPS significantly contributes to the development and implementation of strategic environmental policies and the efficient use of resources available for the sector.

4.3.3 *Minorities and vulnerable groups*

The beneficiary institutions all maintain non-discriminatory recruitment, Human Resource management and promotion regimes.

4.3.4 *Civil Society/Stakeholders involvement*

.The IPS Support Group will continue to ensure coordination and consultation among all project stakeholders

5. ANNEXES

Annex 1. Logframe

LOGFRAME PLANNING MATRIX FOR Project Fiche		Project title and number	
		Contracting period expires no later than three years from the date of conclusion of Financial Agreement	Execution period expires within a maximum of two years from the end date of contracting
	Total budget	€ 3.7 million	
	IPA budget:	€ 1.1 million	
Overall objective	Objectively verifiable indicators (OVI)	Sources of Verification	
Contribute to the development of an efficient and accountable public administration in Albania according to the EU standards.	<ul style="list-style-type: none"> Steady progress towards implementing AP and NPI SAA priorities in the sector 	<ul style="list-style-type: none"> Contributions of the Albanian Government to the EU Commission's progress report Annual progress reports of the EU Commission on Albania 	
Specific objective	Objectively verifiable indicators (OVI)	Sources of Verification	Assumptions
Improve policy coordination/strategic planning and better aligning policy framework with European Integration Agenda and medium term budget planning at the central and line ministries level.	<ul style="list-style-type: none"> Planning and implementation of the national budget continuously in line with all IPS requirements 	<ul style="list-style-type: none"> Reports of the Government to Parliament on the execution of the state Budget 	<ul style="list-style-type: none"> Sufficient and sustainable capacity by line ministries in strategic planning and programme implementation to make the IPS system function.
Results	Objectively verifiable indicators (OVI)	Sources of Verification	Assumptions
<ol style="list-style-type: none"> Improved public financial management – more result-oriented planning and use of public funds; Improved consistency and co-ordination of the planning and use of domestic public funds and foreign assistance resources with long-term strategic development objectives Integrated IT systems (EAMIS, AFMIS, IPSIS, HRMIS) to support strategic economic planning as well as the planning and execution of medium-term budget programmes, annual budgets and External Assistance Management. 	<ul style="list-style-type: none"> Regular result-based monitoring reports available on the execution of the national budget Actual spending of public development resources (overall amount and sectoral breakdown) in line with NSDI and MIPD targets. AFMIS Computer system established and fully functional on time. 	<ul style="list-style-type: none"> MoF/DSDC reports to the government MoF/DSDC/MEI reports to the government Project reports 	<ul style="list-style-type: none"> Proper co-operation and feeling of ownership by line ministries targeted by the project Availability of TA to prepare the ICT tender
Activities to achieve results	Means / contracts	Costs	Assumptions
<p>Technical assistance to consolidate the achievements in terms of improved orderliness, coordination, and medium-term perspective of the policy planning and budget formulation processes, which make up the IPS.</p> <p>activity .1: Technical assistance and training for strengthening Public Financial Management (PFM) performance</p> <p>activity .2: Technical assistance and training for Policy Coordination and Aid Management both in central government and line ministries.</p> <p>activity .3: Developing IPS Management Information Systems</p>	<ul style="list-style-type: none"> 1 Administrative Agreement with the WB 	<ul style="list-style-type: none"> EU € 1.1 million Total: € 3.7 million 	<ul style="list-style-type: none"> Project co-financing available from all donors

Annex 2. Description of Institutional Framework

The proposed project will use the same implementation arrangements as the first IPS MDTF. Notably the MoF and the DSDC will act as the main implementing agencies.

The CFCU in the MoF will ensure the fiduciary management of the project in accordance with World Bank procurement guidelines and financial management, accounting, reporting, and audit procedures acceptable to the Bank. As per Financial Management the CFCU will be required to submit interim financial reports (IFRs) to the Bank on a quarterly basis. The project financial reports will be subject to an annual audit by an independent audit firm based on terms of reference approved by the World Bank. The audit of Bank- and donor-funded projects and operations is normally coordinated by the Ministry of Finance which contracts the auditors after the Bank's clearance of the audit terms of reference and the independent auditors. As regards Procurement, MoF/CFCU and DSDC coordinate Project Procurement Plans preparation based on inputs of all beneficiaries and update these regularly.

In addition to DSDC and MoF, the line ministries – with special regard to the Ministry of European Integration, Ministry of Education, Ministry of Transport, Ministry of Agriculture, Ministry of Justice - will be also beneficiaries (targets) of project activities.

The Training Institute for Public Administration (TIPA) will be involved in the delivery of trainings under the project.

National Agency for Information Society will be involved in the development of the AFMIS computer system by providing technical expertise to effectively interface with existing/under development MIS.

Monitoring and evaluation of project results will be the shared responsibility of the MoF/CFCU and the DSDC based on data received by the beneficiaries and official documents (e.g. budget submissions, sector strategies). Project implementation status and intermediate results will be reported by CFCU to the World Bank and to the IPS-Coordination Group on a six-monthly basis with reference to the procurement plan and the project results framework.

The IPS-Coordination Group will act as the project steering committee and is (co-chaired by the Deputy Minister of MoF and the Director of DSDC). This group will be entitled to oversee **IPS II project implementation**. Its membership includes the key government beneficiaries of the project (representatives from LM) and the representatives from funding donors (EU Delegation to Albania, ADA Country Office, Sida Office, Swiss Corporation Office) plus the World Bank.

It will provide inter alia strategic direction and oversight on the implementation of the IPS II project in terms of reviewing annual work plans and budget allocations, ensuring consistency of decisions, reviewing programme performance against plans.

Annex 3. Political, legal and institutional framework:

Existing legislation that the project seeks to implement includes:

- Decision of the Council of Ministers No 692 of 10 November 2005 “On the approval of the revised Strategy ‘Consolidation of an Integrated Planning System in Albania’”;
- Prime Minister Order No.12, Date 02.02.2012 “On the Preparation of the National Strategy for Development and Integration 2013-2020”;
- The budget law No 9936 dated 26.06.2008 “On Management of Budget System in RoA”⁶;
- Prime Minister’s Order, Nr.139, date 01/07/2010, “On the implementation of monitoring process of the sector and cross-cutting strategies”;
- Decision of the Council of Ministers no. 775, date 24.9.2010 “On the management of foreign financing in the Republic of Albania;
- Decision of Council of Ministers No. 23, Dated 12.01.2011 “On designation of functions, responsibilities and relationships among the authorities and the structures of decentralised management of the EU Instrument For Pre-Accession Assistance (Ipa), Component I;
- Decision of the Council of Ministers No 505 of 30.06.2010, “On designation of authorities and their responsibilities for the decentralised management of European Union assistance under the Instrument for Pre-accession Assistance (IPA), Component III: Regional Development and Component IV: Human Resources Development”.

Annex 4. Details per EU funded operation (*) where applicable:

The IPA 2013 contribution of EUR 1,100,000 will be provided through one administration agreement with World Bank (WB), namely Contract 1.1. The indicative date of signature of contract will be during 2nd Quarter 2014. The execution of contract (Administrative Agreement) is in principle at the latest 30 months following the date of contracting (until the project completion, 4th Quarter 2016). Through the implementation of this contract it is expected the strengthening of public financial management and coordination. An integrated IT system (AFMIS) to support strategic economic planning as well as medium-term budget programmes and annual budgets planning and execution will be in place also.

Annex 5. Possible visibility activities

The EU rules for visibility will be implemented.

⁶ It sanctions the implementation of steps determining the multi-annual planning (3- annual) of the budget resources.