

ACRONYMS AND ABBREVIATIONS

DPDC	Department for Policy Development and Coordination (Council of Ministers)
GNAP	Government National Action Plan
IMWG	interministerial working group
INSTAT	National Institute of Statistics
LSMS	Living Standards Measurement Survey
MTBF	medium-term budget framework
NSSD	national strategy for socioeconomic development
SAP	Stabilization and Association process (European Union)
TSWG	technical sector working group

This chapter is based on a background country report by Ivy Papps and Shkelzen Marku (2004) and on extensive inputs by Alia Moubayed and Andrew Dabalén. The study was undertaken in the second half of 2004 and has been partially updated to reflect conditions in the summer of 2005. Substantial changes may have occurred that are not reflected in this chapter, and readers are encouraged to seek additional information if they wish to focus on the system of this particular country.

History and Context

The national strategy for socioeconomic development (NSSED) is the main strategy document of the government of Albania. It emerged from a process initiated in June 2000, when the interim Poverty Reduction Strategy Paper was presented to the Board of Executive Directors of the World Bank and the Board of the International Monetary Fund. In November 2000, the full poverty reduction strategy (PRS) process was launched with the creation of sectoral working groups (led by line ministries) and civil society advisory groups. A technical secretariat was established to support the minister of finance in coordinating the PRS process. The final version of the strategy, the NSSED, was launched in November 2001. In June 2002, the NSSED was transmitted to the boards of the World Bank and the International Monetary Fund.

The incorporation of Albania's PRS in the NSSED aims to make the PRS part of the overall development agenda and to increase ownership of the PRS. In practice, however, there are three separate monitoring frameworks, and the NSSED has not fully become the single national strategic framework.

First, there is considerable overlap with the Government National Action Plan (GNAP), which is used to evaluate ministry performance. The government operates on the basis of a three-year GNAP. Ideally, the GNAP should incorporate all priority actions in the NSSED. In fact, there is considerable overlap and incomplete consistency, and the monitoring arrangements differ.

Albania has also signed on to the Stabilization and Association process (SAP), which sets out the principles according to which the western Balkan countries may eventually join the European Union. The SAP offers strong incentives to Albania to undertake policy reform, but places demands on the country's resources that compete with the goal of poverty reduction. Although there are relatively fewer areas of overlap between the NSSED and the SAP, these are still substantial and would justify coordinated monitoring mechanisms that currently do not exist.

Despite these caveats, the NSSED has gained a national character, not least because of the participatory approach it embodies. Still, though sectoral strategies have been aligning with the NSSED, there are no standards for assessing how functional this alignment is. The fact that sectoral and cross-cutting strategies are still being submitted without a costed

implementation plan suggests that policy prioritization is limited. This could be an obstacle in achieving PRS objectives and does not make the case for an efficient monitoring system sufficiently pressing.

Description of the PRS Monitoring System

Origins of the system

In early 2002, the government reviewed the institutional location, status, and functions of the technical secretariat for growth and the PRS in the Ministry of Finance, and the secretariat was upgraded to a directorate in the ministry. In September 2002, the institutional structures for NSSED monitoring were set up. The Council of Ministers established the NSSED steering committee and mandated the creation of an interministerial working group (IMWG), as well as technical sector working groups (TSWGs) and monitoring and evaluation (M&E) units in line ministries. This structure was developed partly to emphasize that the NSSED is the key national poverty policy framework and combat the perception that it is a separate, externally driven poverty strategy. The changes were also designed to give the Ministry of Finance a greater role in coordinating national policy planning and more resource control.

The NSSED monitoring system exists in parallel with other monitoring systems. Some of the M&E units are responsible for monitoring the GNAP and the SAP. Despite the intention to synthesize reporting requirements, each of the three principal strategies has a separate monitoring framework with a distinct reporting mechanism. In the case of the GNAP, the Department for Policy Development and Coordination (DPDC) at the Council of Ministers maintains a management information system database based on semiannual reports of the line ministries. This system was piloted in the Ministry of Agriculture and Food through a project financed by the United Nations Development Program and has been rolled out to other line ministries. In the case of the SAP, line ministries report to the Ministry of European Integration.

Main institutional actors

The *steering committee* is chaired by the prime minister and represents the highest level of decision making in the NSSED monitoring process. It is

in charge of guiding NSSED implementation, approving action plans, and assessing results. Representatives of donors, civil society, the business community, and local government may be invited to attend meetings.

The *interministerial working group* was set up by the steering committee. Initially, it included deputy ministers in 12 line ministries, but the Council of Ministers expanded it to all 16 ministries and the National Institute of Statistics (INSTAT) in June 2003. The IMWG is chaired by the minister of finance as national coordinator of the NSSED. It is responsible for coordinating all institutional operations in the implementation of the strategy. The IMWG meets several times a year and reports to the NSSED national coordinator on the fulfillment of objectives contained in the NSSED, the fulfillment of obligations that result from the Poverty Reduction Strategy Credit, comments regarding the action plan to be implemented in monitoring, problems in the M&E units, and issues of harmonization of the medium-term budget framework (MTBF) and the NSSED.

The *NSSED Department* in the Ministry of Finance has a director and four staff members and is responsible for supporting the development and review of the NSSED, coordinating the NSSED monitoring system, providing general guidance to the M&E units, and preparing reports to the government, civil society, and donors. It is accountable for an annual progress report on the achievement of NSSED objectives. This includes coordinating the contributions of the line ministries, checking the quality of the contributions, ensuring adequate civil society consultation and participation, and acting as IMWG secretariat.

The *technical sector working groups* are ad hoc working groups within each ministry that are responsible for contributing to the NSSED. They are chaired by the deputy ministers (or other appointees in the case of central agencies reporting to the Council of Ministers, such as INSTAT). They consist mainly of directors of departments with decision-making influence in the ministries. They deal with sectoral issues, providing information and making proposals on plan implementation and suggesting measures to the ministers. The TSWGs draft the contributions to the NSSED progress report. As part of the consultation process for NSSED development, the TSWGs may include civil society representatives.

Monitoring and evaluation units have been established in all 16 line ministries and INSTAT. They are responsible for reporting on progress and advising on changes in sectoral strategies. They are intended to play a major role in the decision-making process. It is proposed that the units conduct

reviews on quantitative and qualitative data to check progress against sectoral goals specified in the NSSD. The M&E unit in the Ministry of Labor and Social Affairs is especially tasked with monitoring poverty and conducting reviews on the causes of poverty. However, its activities are limited to data collection, reporting on unemployment, and the distribution of economic assistance. The units are responsible for periodic reporting to the NSSD Department on the sectoral reviews they undertake. Indicators have been developed for the action plans of the ministries. In addition, each unit is supposed to cooperate closely with the Budget Department in the Ministry of Finance on the preparation of the MTBF to ensure that allocations match priorities specified in the NSSD. Each unit is also responsible for the following:

- coordinating the development of appropriate indicators and targets
- establishing a data collection system and maintaining a database of indicators
- cooperating with and coordinating the activities of experts in other technical departments for the development of appropriate objectives, indicators, and targets
- improving indicators and proposing appropriate methodologies for data collection
- preparing periodic reports and other specific reports requested by government structures related to policy monitoring or specific indicators
- cooperating with experts of the ministry in formulating and revising policy frameworks, the production of specific studies, and the management of related expenses
- cooperating with institutions outside the ministry in the production of policy analysis
- promoting wider use of M&E results in policy formulation and updating the process

The *National Institute of Statistics* is an important source of information for NSSD and poverty monitoring. It collects and provides data on the gross domestic product, consumption, investment, exports, imports, and prices. Information on poverty, living conditions, and social indicators is generated through the 2001 Population and Housing Census and the three waves (2002–4) of the Living Standards Measurement Survey (LSMS). INSTAT also makes these sources widely available and provides estimates of measures of poverty upon request. INSTAT has led capacity building

efforts. For instance, in preparation for the LSMS, INSTAT coordinated a data users group made up mainly of line ministry representatives who were invited to participate in questionnaire design and introduce questions relevant to policy. It has also trained data users in line ministries, civil society, the media, and interdisciplinary research entities in the context of its dissemination activities. Finally, INSTAT produces research reports.

Challenges recognized by the government and proposed changes

As part of envisaged improvements over the short and medium term, the government will strengthen ownership by promoting the NSSED as a single strategic planning framework that encompasses competing frameworks. A technical secretariat including representatives of central policy-making institutions has been established to formulate a concept for the harmonization of these frameworks. This should assist in enhancing links between the NSSED and the MTBF. Moreover, it would strengthen the lead of the NSSED in demanding explicit information about the expenditure implications of priorities set by line ministries. The integrated planning system adopted by the government in April 2005 aims at improving the overall strategic planning framework through an emphasis on aligning the NSSED with the medium-term budget program and the annual budget and improving the management and coordination of external assistance. The integrated planning system proposes a robust monitoring framework to orient the budget program toward more informed resource allocation. System implementation is a daunting task and will face many challenges. However, if the integrated planning system is implemented at a measured pace over the next three to five years, a more coherent and stable policy environment and a solid framework for monitoring results will emerge.

Donors are directly supporting the NSSED Department. Through the management of a multidonor Poverty Reduction Strategy Trust Fund, the World Bank supports activities to refine indicators and introduce results-based management and qualitative poverty monitoring. The U.K. Department for International Development focuses its support on strengthening the analytical capacity of the NSSED Department to monitor and evaluate and, in general, to mainstream the role of the NSSED in the policy process. Part of this support is channeled toward capacity building in policy analysis in the M&E units of two line ministries.

Based on its five-year action plan, INSTAT has a vision for enhancing its work. A new law on statistics was to be submitted to Parliament in 2005. The law envisages regular labor force and household budget surveys, a five-year cycle for the LSMS, and, most importantly, obtaining the government's commitment to use budget resources to finance these activities.

Overall Status

Though the machinery necessary for the effective functioning of the policy cycle is in place, the actual operation of the system does not reflect the intentions. This is mainly because of gaps in the organizational arrangements and considerable capacity constraints, as follows:

- The TSWGs are loose, ad hoc groups inside each ministry that are not demanding information, and M&E staff do not feel positioned to undertake such tasks. Furthermore, despite identified membership, TSWGs convene rarely and usually only meet deadlines imposed by the NSSD annual reporting timetable.
- The Council of Ministers established a monitoring system through M&E units in all 16 line ministries that displays all the necessary features for the operation of an effective policy cycle. However, despite this legal framework, the system has not yet achieved full capacity.
- The M&E units have relatively low status within the line ministries, and, although they formally report to the TSWGs, the real recipient of the information is the NSSD. As a result, M&E units do not yet have much impact on policy formulation within their ministries.
- The demand for the tasks done by M&E units and their outputs seems limited. If ministries are not required to justify their annual requests through rigorous policy analysis or to analyze the impact their spending has on outcomes, then they do not have the incentive to staff their M&E units nor to use the outputs of the units.
- In most cases, the M&E units do not have adequate resources. For the most part, no resources were diverted to establish the M&E function. Monitoring is often not the only or even the primary task of M&E units. M&E tasks have simply been added to existing staff positions in the ministries. Moreover, the units frequently do not have a fixed location in the ministries.

- Although some staff have received training in aspects of M&E (project management and statistical methods), this has seldom been followed through to the practical level required to boost confidence in the use of these skills. Moreover, no training in policy analysis has taken place, and skills in this area are extremely limited.
- Inputs of civil society organizations to focus monitoring activities are limited. Weaknesses include low participation at the grassroots level, problems in identifying stakeholders, preferential links with specific groups, inadequate participation, and poor use of the media. The rudimentary involvement of Parliament and elected local government leaders is a concern.

Key Topics

Leadership of the system

System leadership resides with the NSSD steering committee, chaired by the prime minister. Despite its high profile, the committee meets only occasionally, mostly for the purpose of discussing progress reports.

The steering committee set up the IMWG, which includes all deputy ministers and INSTAT. The IMWG is chaired by the Minister of Finance and is responsible for piloting and implementing the strategy. It meets several times a year. Weak when first established, the IMWG has recently become more active. For example, it became a forum for assisting the Ministry of European Integration in the formulation of priorities for the 2004 European Union Community Assistance for Reconstruction, Development, and Stabilization Program. The IMWG has also become a forum for advancing issues such as the link between M&E units and SAP negotiators in line ministries.

Coordination

Albania has opted for a decentralized system with M&E units in individual line ministries. An examination of the organization of the M&E units in six line ministries emphasizes two key system features. First, there are a variety of approaches to organization and responsibilities. Second, given the level of responsibilities, coupled with the fact that staff are not allocated

full-time to M&E activities, there is an insufficient number of people engaged in NSSED M&E tasks.

Within each ministry the information flows in a single direction, from technical departments to the M&E unit, to fulfill reporting requirements for central government agencies. The demand from technical departments to their M&E units for information on NSSED progress and the evolution of indicators remains low. The main sources of requests are the deputy minister and, more rarely, the minister. The number of data users inside ministries is limited. M&E units also have to address requests from the NSSED Department and the Budget Department at the Ministry of Finance, the DPDC, and the Ministry of European Integration. These requests are usually similar in coverage, but use different formats, often resulting in a duplication of effort.

The TSWGs are only active during the preparation of the NSSED progress reports. Once reporting obligations are complete, TSWGs dissolve, and contact with the M&E units ceases. This shows that participation is viewed as a bureaucratic obligation and not part of a process to review and improve policies. Formal relations with INSTAT have not yet been established.

Capacity

There is insufficient staff in the M&E units to undertake all tasks. Many of the staff are new; some posts are vacant; and most staff do not have the range of statistical and analytical skills required to fulfill their roles. The use of data is thus limited at best to administrative data, despite an ambitious program led in recent years by INSTAT to collect household survey data. Most of the staff of the M&E units have received training, but this has not been effective partly due to the lack of support in the use of the skills learned.

Participation

The fact that the NSSED process is open and participatory, combined with frequent reference to it by political leaders, has helped to build its appeal nationwide. The NSSED Department is committed to boosting participation, and steps have been taken to formalize participation. Interest groups

were given time to contribute to the 2003 progress report. With support from the Organization for Security and Co-operation in Europe, the department hosted regional meetings. Consultations were held with members of Parliament, and the parliamentary committee on economy, finances, and privatization has become part of the NSSED M&E process.

Certain ministries have amended their progress reports on the basis of comments and suggestions by civil society. These include the Ministry of Health, the Ministry of Labor and Social Affairs, the Ministry of Education and Science, the Ministry of Local Government and Decentralization, the Ministry of Economy, and the Ministry of Environment.

However, weaknesses in the participatory process remain. While there have been attempts to undertake participatory monitoring, the formal monitoring outputs by the M&E units have not triggered wider debates. Participation is weak at the grassroots level, and marginalized groups are not always aware of the NSSED. More effective identification and balancing of the interest groups are also required to reduce the risk that personal agendas will dominate the consultations. Actors are not always provided with adequate, timely information. Finally, discussions are often general, and feedback on draft policies is weak.

Decentralization

Considerable effort has been made to introduce regional socioeconomic development strategies and to align these with the NSSED. Two regions (Kukes, Fier) have completed their strategies, while three others have prepared regional Millennium Development Goal (MDG) reports (Berat, Elbasan, Shkoder). With the support of the United Nations Development Program, the aim is for all regions to submit their regional socioeconomic development strategies by the end of 2005.

Serious obstacles remain, particularly the fragmentation of local government units, the undefined roles of regions, the lack of definition in responsibilities, and an insufficient local revenue base. The region is the weakest link in the ongoing reforms. Regional councils have started to take on their official roles in formulating development strategies, but their role in the budget process, implementation, and monitoring needs strengthening. The role of regional councils in poverty reduction will expand as the implementation of the 1999 national strategy for decentralization and local autonomy advances in education, health, and infrastructure.

Indicators and data sources

Most of the information used by line ministries derives from *administrative data* collection systems, essentially the work of the statistical departments or other technical departments in ministries. The sophistication of these systems varies, and there are concerns about their quality and relevance for policy purposes. Often, the activities of M&E units include responsibilities for project monitoring, which involves the provision of data on inputs and, to a lesser extent, outputs and outcomes. Multiple donor reporting requirements are also a concern, as they divert staff resources.

Until 2001, the ability to analyze social conditions in Albania through *survey data* was limited. Some surveys during the 1990s allowed some poverty analysis, but data limitations (for example, the absence of reliable estimates of the consumption of goods produced by households) and the lack of a solid sampling frame made the results difficult to use for policy purposes.

In 2001, the Population and Housing Census was undertaken. The 2002 LSMS was designed to provide information for the targeting, implementation, and monitoring of the social services delivery project supported by the World Bank and the U.K. Department for International Development. Despite heavy investment, there is still distrust of survey data. In particular, ministry officials criticize the inability of the LSMS to produce estimates at the regional level, which suggests a lack of understanding of the purpose of survey data. This may result from the fact that dissemination seminars are only attended by junior staff, while decision-making authority to invest resources in data analysis resides with more senior staff. It is evident that the information contained in the LSMS has been underutilized despite its accessibility.

Ad hoc household surveys continue to be undertaken. For example, in the context of the Poverty and Social Impact Assessment of water privatization, a household survey component collected data on customer satisfaction, perceptions of changes in water quality, the impact of metering, and willingness to pay. The United States Agency for International Development funded a project on citizen report cards. Households have been surveyed in mountainous areas of southeastern Albania, as well as in Tirana, to assess the provision of public services to urban communities. The United Nations Children's Fund has carried out a survey of knowledge, attitudes, beliefs, and practices on reproductive and family health issues.

A variety of sources have provided *qualitative data*. In some instances, there have been attempts to obtain a more rounded picture of social conditions in Albania, as was the case with the Vulnerability Needs and Institutional Capabilities Assessment Report (2000) and the World Bank Qualitative Poverty Assessment (2002).

The limited understanding of data is also reflected in the choice of *monitoring indicators*. The final and intermediate indicators in the NSSD are relatively clear, but there has been limited guidance as to what the NSSD should actually be reporting. Few processes have been initiated to adjust what is measured to what needs to be monitored. Experience suggests that the emphasis should be on a short list of outcome and impact measures, but the response of line ministries has been erratic. In ministries that are more experienced with M&E activities, such as the Ministry of Agriculture and Food and the Ministry of Labor and Social Affairs, the intermediate indicators selected are more relevant for poverty reduction and more closely related to the final indicators. However, other ministries report on too many indicators (emphasizing input indicators), lack a baseline, and have little control over the accuracy of administrative data. Reporting is often on indicators that are not specific, measurable, attainable, relevant, or time bound.

Analysis and evaluation

Data analysis in ministries is limited. As a rule, administrative data are processed in statistical departments and analyzed in technical departments. M&E units typically collate evidence from various subsectors into consolidated reports. NSSD progress reports should be the main dissemination channel for communicating on goals and policy evaluation. However, though survey data have been used in report preparation, they have been analyzed mainly through donor activities. Line ministries report on input and output indicators, which do not shed much light on the links between policies and outcomes. Indicators are biased toward processes.

Most analysis relevant to policy development is carried out by local consultants on behalf of donors in the context of projects, such as the Human Development Reports in 2000 and 2002. INSTAT has been more successful in involving its own staff in producing analytical reports. This is particularly the case in three significant LSMS-based studies, which

include a substantial attempt to combine census and LSMS data to produce a poverty ranking of municipalities and communes.

The lack of an understanding of the links between policies and outcomes compromises attempts to undertake policy analysis based on the poverty monitoring system. The weak statistical and *analytical capacity* within the line ministries and the NSSED Department means that there is a tendency to report on figures rather than to analyze them. The reports are thus of limited use in gauging recent experience or in guiding future policy. Most M&E units do not fulfill their responsibility for policy analysis. There is thus no firm basis for policy decisions, and target outcomes risk becoming unrealistic, which further undermines meaningful monitoring.

Steps are being taken to align strategic frameworks and incorporate them into the MTBF to foster links between policies and the budget, but the critical link between monitoring and policy formulation does not exist.

Dissemination

The annual progress reports are the main vehicle for reporting and dissemination. Dissemination seminars are typically attended only by junior staff.

Links to the policy process

Government priority actions under the GNAP are monitored by the DPDC. To help monitor GNAP implementation, a Web-based management information system describing each ministry's objectives, activities, and outputs was piloted in the Ministry of Agriculture and Food in 2002, and has since been expanded to all line ministries. Since July 2004, it has been officially approved by the Council of Ministers as the tool for monitoring the GNAP. Although there is an effort to classify priority measures according to the major frameworks to which they belong (NSSED, SAp, MDGs, the North Atlantic Treaty Organization accession, and the anticorruption strategy), the process is not yet complete.

Twice yearly, line ministries must report information to complete the system matrices. The management information system may then be used to create reports on priority measures (policy and program actions), outputs (achieved and planned), activities (implemented or to be implemented), key

factors affecting implementation, and recommendations on actions required by the Council of Ministers. Each report may be presented according to program, sector, group of sectors (for example, social sectors, infrastructure), or policy framework (NSSSED, SAp, MDGs, and so on). In many cases, the responsibility for submitting the reports to the DPDC lies with the M&E units.

Using the management information system, the DPDC could provide inputs to both the NSSSED Department and the Ministry of European Integration, allowing them to focus their efforts on studying the impact of government actions relative to goals. It is hoped that the management information system will eventually become the single monitoring system to which line ministries report outputs. Providing resources for M&E units and the NSSSED Department will assist the focus on monitoring outcomes and the evaluation of the impact of policies.

Budget preparation and policy implementation

NSSSED progress reporting should include consideration of ongoing policies so as to assess whether they contribute to the achievement of long-term goals. Indeed, it should open up a debate on alternative ways to achieve the goals. The ultimate aim is to provide strategic guidance in medium-term budget programming regarding the allocation of resources across sectors.

The MTBF process operationalizes policy priorities over a three-year period on a rolling basis. While the initial years of the MTBF focused on creating a framework for prioritization, the current focus is increasingly on strengthening the link between budget and policy. A key objective is to improve the integration of the NSSSED within the budget process so that the MTBF becomes the tool through which the NSSSED is delivered.

No close link exists yet, and line ministries do not generally consider their NSSSED reporting requirements in relation to the resource allocation process. Policy formulation and budgeting functions remain disjointed in several line ministries. This is an obstacle for monitoring units within ministries.

Lessons

The institutional structure of the poverty monitoring system made considerable progress in 2003 and 2004. A number of key lessons have emerged.

Development of M&E units

The structure of M&E units should be harmonized so as to consolidate planning, budgeting, and monitoring functions. Organizational issues relating to monitoring activities should be clarified. There should be a greater understanding of the roles within units and relative to the entities with which the units interact. The capacity of the M&E units should be raised to ensure that the units are adequately resourced in staff, training, facilities, and equipment. A database of NSSD indicators should be established, and training should be provided on its use. The reporting of monitoring results across line ministries needs to be streamlined. Direct links among the results of M&E, policy formulation, and the budget planning process are required. Two possible actions for achieving this are (1) the hiring of the qualified staff necessary in the M&E units and (2) the requirement by the Ministry of Finance, the Council of Ministers, or Parliament that all line ministries justify expenditure decisions and priorities or that any significant shifts in expenditure allocation within the line ministries be based on sound policy analyses.

Policy cycle

The need to strengthen the link between data and policy analysis is a key lesson. Household survey data are not useful without a capacity for analysis. Although statistical techniques and software training were delivered to staff in INSTAT and key line ministries, this appears to have had little impact. Line ministry staff do not receive support or guidance on using the data for policy analysis. This highlights the need for senior staff training in the line ministries on how to request policy analysis and how to use the results in order to improve the policy formulation process.

Demand for M&E must be created at the policy level, but there are also other dimensions of the role of M&E in the policy cycle. One is the absence of results-based strategic planning in the executive branch. NSSD objectives remain general, which makes the identification and measurement of specific indicators difficult. Another dimension is the lack of accountability in public spending. Low civil society participation in assessing the results of public spending is another important barrier.

Coordination and cooperation

The fragmentation of the system highlights the importance of coordination and cooperation. Actors have different levels of capacity, motivation, and

willingness to participate in M&E activities. There must be stronger leadership to improve relationships among actors in NSSED monitoring, especially the M&E units, statistical departments in line ministries, and INSTAT. There is considerable duplication in monitoring for different strategic frameworks. Monitoring systems and processes should be harmonized.

Finally, the Albanian experience highlights the importance of feedback in the policy cycle and the public expenditure management cycle. Only when data are used systematically to evaluate policies is there likely to be a demand for a high-quality monitoring system.