

Project Sheet

Decentralisation and local development in Albania (in the framework of the dldp project)

<http://www.dldp.al/>)

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The “decentralisation and local development project dldp”, supported by the Swiss Development Cooperation SDC and implemented by Helvetas Swiss Intercooperation, is operating in five regions in the North of Albania covering around 40% of the Albanian territory. One important dldp component is strengthening capacities and improving processes related to local public finance management. This is done in close cooperation with the Ministry of Finance of Albania. The HSLU consultant, Stefan Pfäffli, started to support dldp’s PFM intervention around 6 years ago. His mandate is ongoing.

Major PFM Achievements

- Publication of a manual for “Long and Medium Term Strategic and Financial Planning” in 2012. This publication was prepared by local consultants together with dldp and conceptually supported by the HSLU consultant, Stefan Pfäffli. Based on this manual, a series of trainings for local authorities and administration as well as CSOs were conducted; in addition improved strategic development plans were prepared in a large number of Albanian municipalities.
Online: http://www.dldp.al/dldp/images/dldp_icons/tender/pfm/1_Manual_Long_and_Medium_Term_Planning.pdf
- Publication of a 5 day training course on „Strategic Development Planning and Performance Based Budgeting in the Medium Term” by dldp in 2013. The training material was prepared by local consultants and conceptually supported by the HSLU consultant. Programme-based medium-term budgeting is mandatory by law for Albanian municipalities. The training handbook was edited by Stefan Pfäffli. In particular, the training course shows how to link Medium Term Budget Programmes MTBPs with Strategic Development Plans SDPs in a transparent way, how to monitor SDP implementation via the MTBP, and how to present the MTBP in a concise and understandable way. A number of trainings on medium-term performance-based budgeting were conducted based on this training handbook. In addition, a series of medium term budgets using a programme approach were elaborated based on this methodology. They serve as a role model.
Online: https://assets.helvetas.org/downloads/09sdp_training_curricula.pdf
- Development of an excel-based software for financial planning in Albanian municipalities by the two HSLU consultants Stefan Pfäffli and Alex Lötscher together with dldp. This financial planning tool FPT was made publicly available for all municipalities of Albania in 2013 together with a manual and supported by the Albanian Ministry of Finance. In addition, a number of trainings were conducted for persons responsible for financial planning in Albanian municipalities; furthermore, a series of financial plans were prepared and integrated into the medium-term budget programs. The FPT starts with revenue estimation. Based on this estimation and guided by the development strategy, ceilings have to be determined for each programme area regarding the overall spending, the maximum spending on salaries and on other running costs. By doing so, a minimum requirement for capital investments for each programme area results. Plausibility checks are built in so that no overspending takes place,

neither at programme nor at aggregated level. For each programme area, the expenditure is broken down according to the economic classification. Furthermore, expected revenues must be planned in detail per programme area. Finally, the FPT generates detailed expenditure and revenue tables as well as a series of bar and pie charts.

Source: http://www.shtetiweb.org/wp-content/uploads/2014/01/10mid_term_financial_planning.pdf

- Annual budgeting, the improvement of revenue estimation as well as improved reporting and control will be addressed in 2016/17.
- Local PFM reform and Local Finance Law LFL: The HSLU consultant was asked by MoF for drafting the PFM provisions as part of the new LFL in spring 2016. These provisions were elaborated jointly with an Albanian PFM expert and in close collaboration with MoF specialists. HSLU prepared a first proposal based on good international standards, consultation with local experts and a rapid PFM appraisal of local financial management. The LFL was approved by the National Government in March 2017; it should be adopted by the National Parliament in Spring 2017 and enter into force by 1st January 2018. In addition, the consultant was asked several times by MoF to comment on the methodology for budget instructions for local governments. Different reform issues were brought to the attention of MoF by the consultant such as the problem of lacking predictability of grants, the lacking comprehensiveness of local budgets and the insufficient discretion of local governments to set the rate for local taxes. Dldp, together with the HSLU consultant, were amongst the first to promote the idea of a sub-national PEFA assessment in Albania. A new system of functional and programme classification was prepared, based on COFOG, in order to improve comprehensiveness, transparency and comparability of the budget

Major Decentralisation Achievements:

- Inputs provided for the territorial reform where the number of municipalities was reduced from 308 rural communes and 65 urban municipalities to 61 municipalities in 2015. The concept of “functional area” as the guiding principle for delineating the new municipal borders was demonstrated and successfully promoted by a study. Furthermore, functional area programmes FAP were prepared for a sample of new municipalities; later, a methodology was prepared for the integration of these FAP into the territorial strategies as part of the local territorial plans mandatory for each municipality.
- Inputs provided on the revised fiscal equalization system (and on the decentralization strategy). These ideas were also presented by Stefan Pfäffli at a national conference and explained in working groups.
- Inputs provided on the planned Law on Local Finances at a National Conference in Tirana, organized by USAID and NALAS together with the Ministry of Finance of Albania, February 2016