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DHE EKONOMISË

LONG AND MEDIUM TERM STRATEGIC AND FINANCIAL PLANNING

A MANUAL FOR LOCAL GOVERNMENT UNITS IN ALBANIA

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**Long and Medium Term
Strategic and Financial Planning**
A Manual for Local Government Units in Albania

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Numerous sources were consulted including methodologies applied by various international donors and consulting agencies, as well as local experts.

Acronyms

AB	–	Annual Budget
CIP	–	Capital Investment Plan
CSOs	–	Civil Society Organizations
DCM	–	Decision of the Council of Ministers
DLDP	–	Decentralization and Local Development Program
DSDC	–	Department of Strategy and Donor Coordination
EU	–	European Union
FMC	–	Financial Management Cycle
FS	–	Financial Strategy
GLPT	–	General Local Plan for the Territory
GSBI	–	Group for Strategy Budget and Integration
IPA	–	Instrument for Pre-Accession
LGB	–	Local Government Budget
LGUs	–	Local Government Units
LMs	–	Line ministries
M & E	–	Monitoring and Evaluating
MTB	–	Medium Term Budgeting
MoF	–	Ministry of Finance and Economy
Mol	–	Ministry of Interior
NSDI	–	National Strategy for Integration and Development
PMT	–	Program Management Team
PMU	–	Program Management Unit
R & C	–	Reporting and Controlling
RDS	–	Regional Development Strategies
SAA	–	Stabilization Association Agreement
SDCA	–	Swiss Development Coordination Agency
SDP	–	Strategic Development Plan
SMART	–	Specific, Measurable, Achievable, Realistic and Time Bound
SWOC/T	–	Strengths, Weaknesses, Opportunities and Challenges/Threats

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1

INTRODUCTION

1.1 Development-Oriented Policy Making

Throughout the world, the relationships between central and local governments are changing. One aspect of this change is the movement towards more decentralization, providing local governments with greater autonomy over a wide range of issues. The other aspect of change has to do with a shift in focus from national to regional policy determination with an emphasis on identifying local competitive advantages and making local choices with regards to socio – economic development and quality of life issues. In short, much of the responsibility for local development has now shifted to the local level. This has a direct impact on the functions and operations of local government units (LGUs).

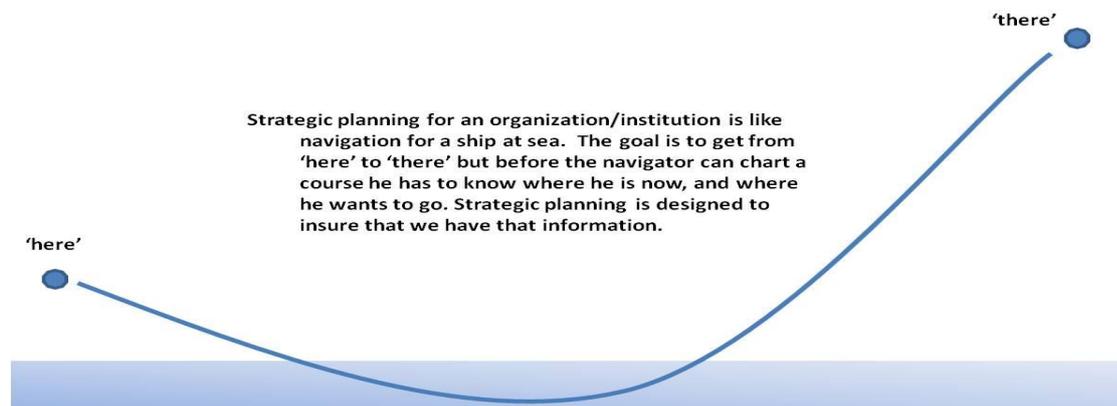
The recent years in Albania have been marked by growing efforts regarding the country's local government development with a focus on how to address priorities, establish partnerships, and develop effective instruments to that effect. Practices have started to change and there has been a shift from the paternalistic concept that channeled all development assistance through donors and governmental services. This has had implications for the planning process.

The improvement of the LGUs' capacities for planning and coordination of the development processes at the local level are considered critical for the success of the decentralization process. They are also key elements for accomplishing the goals defined in the National Strategy for Integration and Development (NSDI) in Albania.

A number of sectoral plans, such as territorial planning, local economic development, the local housing strategy, etc. already may exist in many LGUs. However, these plans need to be coordinated in a master

plan, i.e. the strategic development plan. Decentralization entails more responsibility on the part of LGUs for development within their territorial boundaries. However, resources are scarce and local needs are huge; therefore policy making must be based on strategic planning. Strategic decisions on priority areas for local development are a must. The strategic plan must provide guidance and direction for LGU policy makers: where does the LGU want to go and how will it get there in order to get the most benefits from existing local opportunities?

Figure 1. The concept of strategic planning for an organization/institution, adopted from "The Role of Local Government in Local Economic Development"



In recent years, the creation of a Strategic Development Plan (SDP) in Albania is considered an important instrument for development. The existence of such a document is frequently listed as a precondition for accessing funds from donor organizations that operate in the country and support the strengthening of central and local governments in Albania.

The need for an effective intervention that can contribute to the improvement of public services, improved performance and strengthened capacity on the part of local governments, makes it imperative to create a document that can identify these interventions, prioritize them and put them within a larger regional and national framework. At the same time, as a result of the decentralization process occurring in Albania, goals, objectives and priorities set up by the central government require implementation at the local level. This has introduced the need to translate national and regional strategies for development from the national to the local level. As a result, strategic planning and policy making unquestionably

require the development and implementation of instruments that can bring about the necessary change.

Strategic Development Plan

- Provides strategic policy guidance towards a well balanced development of LGU I
- Contains context, reasons and logic behind Mission, Vision, Objectives
- Formulation for outsiders and a wide range of staff as a communication tool achieving consensus
- Time span: 10 to 15 years
-

MTB Program

- Informs in detail on LGU activities and its fundings for the next three years
- Comprehensive presentation of all LGU activities, i.e. exclusive and delegated functions of SDP
- Information is structured in accordance with annual budget
- Informs on progress in SDP implementation
- Annual budget is equal to first year of MTB

Law No. 139/2015 "On Local Self-Government in the Republic of Albania", introduced a new distribution of tasks and responsibilities for local governments. However, the allocated resources remain still limited restricting the ability of local authorities to meet these new responsibilities. The LGU budgets remain largely underfunded in comparison with the local functions and needs, since budget allocations from the central government are limited and the LGUs are not yet able to gain significant resources of their own through fees and local taxes. In this context, the SDPs need to take into account the potential that exists among all the LGUs. The SDPs, particularly the action plan, needs to be linked to the

existing and potential resources of the LGUs, in order to make the SDPs an effective instrument for realistic planning and implementation of development and service provision. The SDP will also contribute to the introduction of improved and more transparent local governance and management processes, which in turn can lead to accessibility of new resources.

The Strategic Development Plan (SDP) is a strategic document whose implementation timeline can span between a minimum of 4-5 years to maximum of 10-15 years. There are different factors that could influence the timeline of the SDP implementation process. These factors need to be taken into account at the initial stage of drafting the SDP. Factors that can influence the document are: size of the local government unit, specific geographical location of the LGU, and other external factors.

1.2 Overview of Strategic Planning in Albania Today

1.2.1 LGU Level

Decentralization is a relatively new process in Albania when compared with other Central and Eastern European countries. The first phase of the decentralization process started in early 1992, following the 1991 interim constitutional provision on local governance. This provision establishes that: *“Local government in the Republic of Albania is founded upon the basis of the principle of decentralization of power and is exercised according to the principle of local autonomy¹”*. These are the first efforts to have decentralized, political and administrative governance. The first law initiative on planning was the law on urban planning, adopted in 1993. This law was followed by Law No. 8405 "On urban planning" of 1998, but again these two laws didn't address strategic planning. Even law no. 10119 "On Territorial Planning" of 2009, which changed the approach from urban-based planning to territorial spatial planning, failed to become fully functional.

However, during the period 1998 - early 2000, various strategic plans in Albania have been drafted at central level and at both levels of local government, such as the regions and municipalities and municipalities. These strategic plans were developed and supported by various international donors in Albania. These first attempts developed by various actors addressed different approaches to strategic development and served as the first basis for initiating strategic thinking and planning in Albania.

The general legal context for the preparation of the SDP is derived by the Organic Law of 31/07/2000 "On the Organization and Functioning of Local Governments in the Republic of Albania". The law establishes that, starting in 2001, municipalities and communes will be responsible for carrying out their functions. More specifically, they were responsible for (1) preparing local economic development programs, and (2) organizing and providing services, information and infrastructure to support local economic development.

The changes of the government in 2013 reestablished territorial planning into the political agenda. The law was revised and its sub-legal acts were reformulated. The new law no. 107/2014 "On territorial planning and development" maintained the principles of Law no. 10119/2009, but simplified the legislative language and procedures to facilitate understanding and acceptance by users. Moreover, the law promotes the principles of decentralization and subsidiarity, defines the mandatory hierarchy of territorial planning and determines the design of development strategies as a major preliminary step in the territorial planning process. Thus, spatial planning is strategic and statutory / regulatory. Finally, the

¹ Article nr.108 of The Constitution of Albania

law establishes that the General Local Plans (GLP) should be elaborated for the entire administrative area of the local government unit. Sub-legal acts were issued for the implementation of the law, in particular DCM no. 671, which defines the constituent documents of the General Plan of Local Territory, and gives an indication of their structure. The documents are as follows:

1. Integrated GIS database;
2. Territorial Development Strategy;
3. Territorial Development Plan, including the Capital Investment Plan;
4. GLP Regulation;
5. Strategic Environmental Assessment.

The Territorial Development Strategy should contain a comprehensive all-encompassing territorial analysis (social/economic and environmental, together with the metabolism analysis); a strategic vision and subsequent strategic objectives, programs and projects; the related action plan and financial analysis; visualizing maps. The territorial development plan will contain a more in-depth multi-dimensional territorial analysis; the land-use plan; the infrastructures plan; the environmental plan; the capital investment plan; the GLP implementation plan and monitoring indicators; Maps.

The process of elaboration the first generation of General Local Plans, including the territorial strategies of municipalities, highlighted the importance of SDP as a framework that enables local governments to strategically use their resources to achieve well-defined objectives. As such, the strategic planning process cannot be considered closed once PPPs are drafted, since besides a general strategic plan or a territorial strategy, it is normal for LGUs to have a sectorial strategy if the need to devote special attention to a specific sector. However, it is important that all strategies be translated into a thoroughly mid-term budgeting program and capital investment plans.²

Within this framework, the SDP is introduced as an instrument that serves the local government as an overall umbrella: the LGU takes into account the national and regional development as the context under which it defines priority areas for local development in order to guarantee it meets the needs of the citizens in its territorial boundaries.

Other reforms followed and had a major impact on local government units. On July 31, 2014, the Albanian Parliament approved the law 115/2014 "On the administrative-territorial division of the units of local government in the Republic of Albania". The new territorial division ended the extreme administrative fragmentation of the country, by organizing territory and local government in only 61 municipalities. The new territorial organization aims to strengthen the municipalities by increasing their capacity to provide high quality services to citizens and increasing the efficiency of resource management.

Administrative-territorial reform was followed by two essential laws. Law no. 139/2015 On Local Self-Government, which among others gives municipalities responsibility for drafting strategic development plans and programs for local economic development. The clearest definition of the necessity of SDP was given from law no. 68/2017 on Local Self-government Finances, Article 32: "The head of the unit of local self-government is responsible for the preparation of the strategic plan of development of the respective unit, which is approved by decision of the council of the unit of local self-government."

Actually a good part of the municipalities through the GLP elaboration process have developed also the territorial development strategy. However, the definition of strategic development plans varies from one

² Report on dldp impact on strategic planning, 2016

LGU to another. One of the main reasons for various interpretations is the elaboration of these documents by urban development specialists.

It is important to note that there is a lack of comprehensive understanding of the Strategic Development Program as a concept. This somewhat vague or altogether lack of understanding becomes evident when a list of priorities for infrastructure intervention coupled with a municipal profile document are presented as documents for the Strategic Development Plan. Despite developing strategic plans for 5-15 years development, fail to reflect an alignment of priorities with their budgetary and financial resources.

The traditional budgeting process in Albania is based on yearly budget based budgeting. As a result, it is

According to Article 32 (Law No. 68/2017 on Local Finances Finance)

Strategic Development Plan of the Local Self-Government Unit

1. The head of the unit of local self-government is responsible for the preparation of the strategic plan of development of the respective unit, which is approved by the decision of the council of the unit of local self-government.

2. Strategic Development Plan:

a) it contains policies for the sustainable development of the local self-government unit and extends over a period of not less than 5 years;

b) consider the need and potential of local development as well as regional and national strategic development priorities. This plan presents the main goals for each area of responsibility and identifies the actions that the unit should undertake for their realization, including foreseen costs;

c) it is implemented through the MTBP of the local government unit.

3. Calculated costs in the strategic development plan are based on realistic forecasts of funding sources for the same period.

difficult for the strategic objectives set out in the strategic development plans to relate to the sources of revenue set out in the annual budget. This makes it difficult to trace the revenue, funds needed or expenditures used for implementing projects that will ensure the achievement of strategic objectives.

Access to annual budgeting has a limited vision for a strategic orientation of public finances. An integrated multi-year approach to budgeting allows more flexibility to prepare and implement a more strategic approach through the budget. In the short term, budget flexibility is limited. However, driven by mid-term budgeting developed under the strategy, the annual budget may be reoriented towards achieving these strategic goals.

Under the MTB Program, local governments are required to demonstrate that while they are meeting their strategic objectives they are doing so by connecting policies with the financial resources available not only for the upcoming year but in the medium term. For this reason, the “Manual on Strategy and Financial Planning” should be considered as an effort to address the needs of local governments in the area of strategic planning and medium- term budgeting.

1.3 Purpose of the Manual on Strategic and Financial Planning

This manual is prepared for the purpose of assisting local governmental units in their processes of SDP planning, monitoring, evaluating and reporting. The purpose of this document is two fold: (1) provide information on the general methods and processes that need to be undertaken; and (2) provide instruction on how to carry out these processes. The manual draws from many resources, handbooks, and training materials in an attempt to put the most relevant information in one convenient location. Specific attention has been given to the processes of planning, reporting, controlling and evaluating. The

manual focuses on:

- ❖ Using broadly-accepted terms, with the intent of establishing a common understanding of what planning is and why and how it is done;
- ❖ Defining the relationship between MTB Program and Strategic Development Plan for Albanian local authorities and;
- ❖ Integrating MTB Program with the strategic planning process

The Manual is meant to provide guidance to local government authorities on how to prepare strategic development plans (SDPs) incorporating the MTB Program, as well as how to enforce reporting and controlling on them. It also provides a set of instructions and processes on how to better implement directives found in the respective laws regarding the planning and budgeting processes in Albania.

The need to develop this manual stemmed from the need to improve the quality of existing SDPs and to ensure that the newly developed documents meet the quality criteria by following these guidelines:

Use of common language and terminologies. In undertaking planning and budgeting, governmental institutions at the local level should use generally accepted terms and share a common understanding about them.

- ❖ Align the different parts of the plan and provide consistency throughout the document. In the past, there have been instances where an institution's budget does not match the contents described in its strategic plan. This methodology describes a seamless process aimed at ensuring the MTB Program remains informed by the SDP while strategic development plans at the local level are guided by national and regional planning frameworks.

Although the processes of SDP and MTB Program preparation differ somewhat, each is founded upon an articulation of objectives, the selection of indicators (or targets), the reporting of performance, and the analysis and controlling of results.

This document is intended to:

- ❖ Serve as a general comprehensive model of a local plan for development
- ❖ Assist LGUs in setting a balance between planning and implementation by providing suggestions on how to reduce the time spent on planning and eliminating unnecessary duplications.
- ❖ Provide local government authorities with guidance on how to prepare a strategic development plan that is linked with the MTB Program, as well as how to report and control the process.
- ❖ Provide a set of instructions and processes on how to better implement directives provided by the Guideline of MoF no 7/1 of 22/02/2010 "On Local Budget Preparation" focusing on MTB Program.

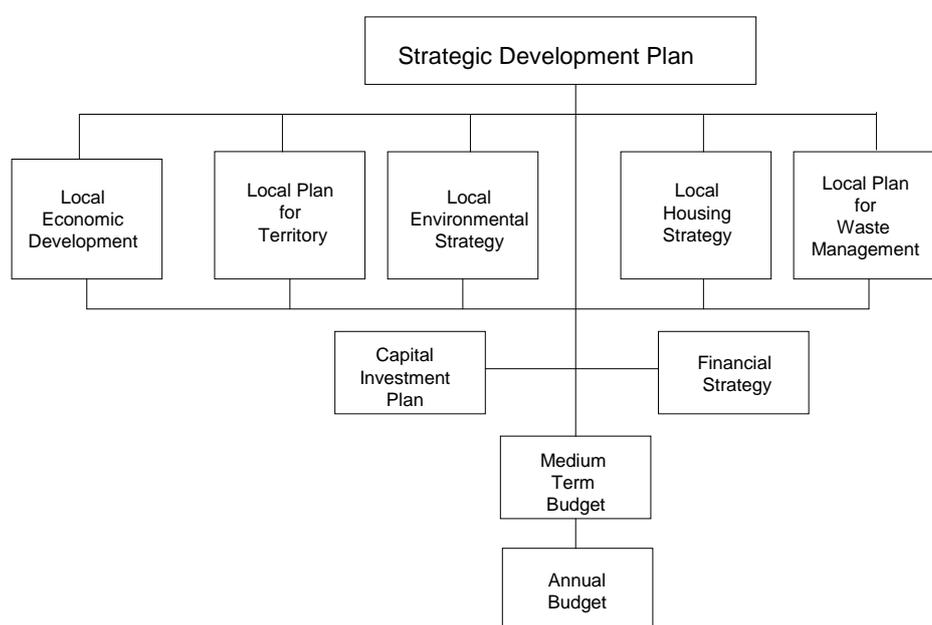
Finally, the aim of this manual is to provide the basis for a coordinated, universal and comprehensive effort for strategic development planning at the local level in Albania. It aims to:

- ❖ Enhance the quality of plans and the planning process
- ❖ Hand over responsibilities for services to local level actors, and
- ❖ Enhance the general empowerment process stemming from decentralization and democratization.

Another important purpose for this manual is to provide some guidelines for local governments units to not only design, elaborate and implement their strategic development plan, but also to ensure that the document prepared takes into account developments at both the national and regional level and ensures that the strategic goals and priority areas identified at the local level are in line with other strategic documents at national and regional levels.

Local authorities need to consider the strategic development plan as the overall umbrella which links national development strategies, sectoral and crosscutting sectoral strategies with the local strategic objectives. It also defines the framework for other strategic instruments that can be developed at the local level, to guarantee the development of priority areas such as, local economic development plans, territorial plans, environmental strategies, housing strategies, etc.

Figure 2. Overview of Planning Documents



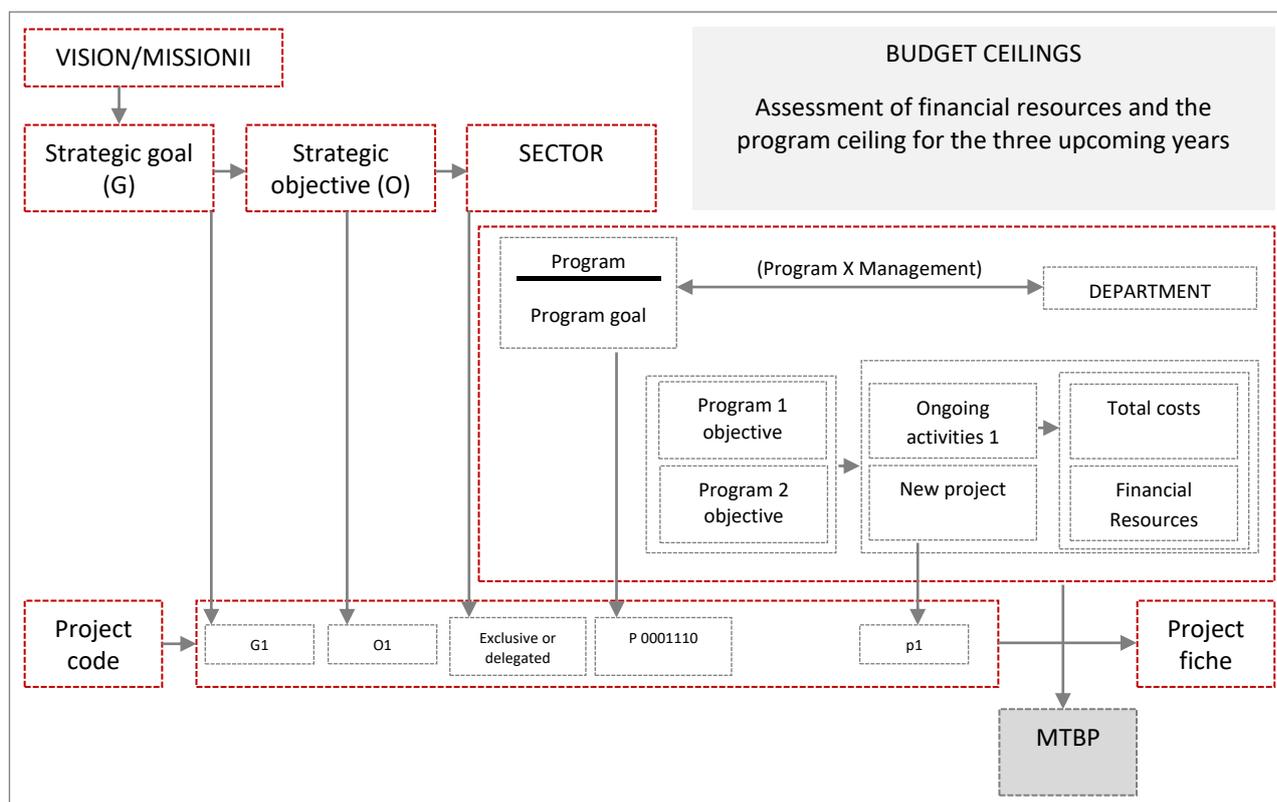
The idea to link the local strategic development plan with a medium term financial instrument, such as medium term budgeting, that this manual is emphasizing, is both innovative and important in the Albanian context. Several advanced LGUs, assisted by donor organizations, have attempted to link the issue of strategic development plan implementation with financial instruments. In many cases, capital investment plans were introduced to ensure this linkage existed, but the predictability of the capital funding for local governments in Albania has proved to be elusive, so the design and implementation of the instrument itself has proved to be difficult.

At times, the annual budget is being used to control and monitor the implementation of the development strategies, but considering the short term perspective of the annual budget, this also has proved to be difficult. The MTB Program, recently introduced at the national level, can be also adapted by the local governments to create a direct link between strategic objectives defined in development strategies and revenues, funding possibilities, and expenditures.

Until today, linking strategic planning with the budgeting process has been uncharted water for many

Albanian municipalities. The requirement to develop a MTB Program in each municipality annually, attempts to address this problem. The link code between SDP and MTB Program is: Goals => Objectives => Projects => Functions³ and Figure 3 below shows where those two components meet as a top – down and bottom – up process under the MTB Program.

Figure 3. Linking SDP with MTB Program



According to Figure 3 above, three important steps⁴ need to be carried out:

- ❖ Projecting total resources available to support local government’s expenditure programs for a three-year period, from own revenues, donor sources, unconditional funds and local borrowing⁵.
- ❖ Sharing available resources between programs on the basis of LGU priorities and policies projected in the Strategic Development Plan.
- ❖ Estimating the costs of implementing policies and strategic objectives and achieving outputs through the preparation of a three-year budget.

³ DLDP, phase II, Report on Prof. Stefan Pfäffli Mission, September 2010

⁴ For more on this topic see chapter 3

⁵ Those categories of revenues will be consider when the LGUs know how much and when they will be presented in the budget structure.

2

2. Key Issues of SDP Preparation and Implementation

(1) Timeline for SDP

This Manual is developed to assist in the preparation of a strategic development plan whose implementation could span over 10-15 years. It is important to realize that when creating a strategic plan, the planning should be based on a given timeframe. So, LGUs need to take the necessary steps in order to achieve the desired objectives or change within that timeframe. The 10-15 year timeline is considered appropriate since it allows for a visionary approach that looks at the future, while at the same time it allows for flexibility and adaptability of the instrument when necessary. The strategic development plan can be organized in a system where planning steps connected to financial indicators are spread out over a 2-5 year period for the purpose of implementation, so reporting and controlling can be easily measured over time.

(2) Challenges and Opportunities for Strategic Planning in a Decentralized System

The process of decentralization is not yet complete in the country. The central government is expected to transfer more and more functions and responsibilities to local authorities. While this delegation of powers may have positive effects in terms of LGU empowerment, it will also create financial and technical constraints for the LGU to execute these additional functions and competences.

The planning, budgeting, and reporting processes presented in this Manual aim to improve the performance of the public sector at the local level by:

- ❖ Focusing local governmental units on the delivery of results
- ❖ Improving internal decision making processes
- ❖ Fostering internal and external accountability
- ❖ Improving the allocation of resources and ensuring their prioritisation

It is during the planning process that strategic decisions are made concerning what problems to address and what service delivery to improve. These decisions have a crucial impact on the day-to-day lives of the average citizen. As such, during the planning process there should be a strong focus on consulting with beneficiary groups and ensuring responsiveness to their needs.

(3) Umbrella Planning Function of SDP

As mentioned previously, local authorities need to consider the strategic development plan as the overall umbrella which links national development strategies, sectoral and crosscutting sectoral strategies with the local strategic objectives. On the other hand, it also defines the framework for other strategic instruments that can be developed at the local level, to guarantee the development of priority areas such as, local economic development plans, territorial plans, environmental strategies, housing strategies, etc. The table 2, below, gives the overview of the main strategic instruments that can be developed at local level, so to better understand the role of the SDP as the overall umbrella.

(4) The Participatory Nature of the Preparation Process

This manual is based on the philosophy that SDP is both a product and a process. As such, it is an institutional mechanism which supports the purpose of promoting welfare for all the inhabitants governed by the local government unit. What is special about this plan is that it is not simply a product; above all, it is a process which continuously intertwines the needs and potentials of the community for achieving their goals.

Public confidence in politics and most public institutions is low in Albania. The development and strengthening of local organizations is key to the vitality of the towns and villages around the country. Local governments have become a focal point for the development of responsible civil society in the country. The authority for providing public services is being continually decentralized in favor of the local government, and citizens are required to be more involved in the decision-making about the development of their communities⁶

(5) SDP Based on Findings and Stakeholder Concerns; Gender Sensitivity as a Special Planning Focus

Identification of key stakeholders is an important step to be taken before the consultative process takes place. Stakeholders operating in different areas within the LGU serve as facilitators to the planning process. This Manual strongly emphasizes the notion that local development planning must be empowering for communities and at the same time lead to improved results. This approach requires the inclusion of many stakeholders in the process of planning and implementation, as well as during the monitoring and reviewing of the document later on.

Although several strategies for local development have been elaborated, in most cases, the issue of women participation has barely been addressed. Gender parity has been more of a “requirement that needed to be met” by local authorities, as enforced by donors or other service providers. The lack of a women’s perspective in projects and programs aimed at improving women’s rights and their condition is mostly due to a lack of defined responsibilities and financial resources allocated to local authorities.

At key stages, it is very important to bring in technical services and representatives of the government (experts from the region, or line ministries) to link the strategic planning at the local level with the general planning processes at higher levels. During these joint meetings, it is important to strike the right balance, so that these individuals provide input into the process, but do not determine its outcomes.

(6) Implementation of SDP via MTB Program and the Annual Budget, Based on Priorities and Available Funding

⁶ Peace Corps – Community Development

The Strategic Development Plan serves as a communication tool. It outlines the reasons why an institution has selected a particular course of action, provides the context for the decisions made. On the other hand, the MTB Program takes the objectives developed in the SDP and prepares activities linked with budgets. The link ensures that resources are allocated according to the SDP reflecting the priorities outlined by the LGU and other stakeholders.

The Organic Law “On the Organization and Functioning of Local Government” establishes two levels of local government: a) municipalities and communes and b) regions. According to this law, there are three types of functions for local governance: (a) exclusive (b) shared and c) delegated functions.

SDP defines development policies from a long-term perspective, explaining the reasons why the LGU has planned those policies, where do they want to be in the future and how to get there. Meanwhile the MTB Program takes the strategic objectives developed in the SDP and prepares activities and budgets for each of them by linking resources allocation to strategic objectives and priorities within the respective Programs. Under this logic, the activities/projects within the MTB Program are considered as “valid tools” related to Goals and Objectives of SDP where the annual budget, as the first year of MTB Program, shall reflect all the activities/projects as they are planned on a yearly basis in SDP.

The annual budget has shown to be problematic in financing projects identified in the SDP’s action plan. The issue of funding will become even more important when SDP is linked with the MTB Program. Although SDP is developed under the definition of the Strategic Objectives in long term projection, another strategy called “financial policies in medium term projection” needs to be carried out simultaneously. This means that it is not possible to execute SDP’s action plan without having a clear vision on how the financial resources will be allocated under the MTB Program formulation⁷.

⁷ More explanations on this argument will be given in Chapter 3.

3

3. SDP Development, Implementation and Control

3.1 SDP Development

a. Who should be Included in the Planning Process?

When approaching the SDP planning process, it is crucial to reflect upon and decide who is going to participate in it. Citizen participation is very important and ensures buy-in at the end of the process. Although full participation may not be attainable, it is important to maximize the number of different interest groups participating. A participatory approach can be achieved through structured consultation meetings. In preparation for these consultation meetings another preliminary meeting can help decide on what concepts need to be discussed, and meeting times with different groups of people or meeting times for community meetings when broader participation is desired. Public participation is not a one time event.

b. Who Can Facilitate the Process of Strategic Development Planning?

While the main actors responsible for taking the initiative and carrying out the planning process as well as the development of the plan are the local authorities as established by law, other facilitators can assist the local government unit in carrying out the planning process. The facilitators can be technical government staff, usually extension officers with some experience in planning, or service providers (NGOs or consultants) sub-contracted by projects/programs to enhance and support governmental extension services. A core facilitation team is required for supporting the establishment of the plan. While one key facilitator assists the LGU throughout the planning process, other experts and representatives of technical services will become involved in certain activities and at certain stages of the planning process.

c. A Checklist for Your Strategic Planning Process

The process for preparing the strategic development plan goes through 3 phases: (1) preparatory phase – invitation, motivation, empowerment, logistics; (2) planning phase – design of methodology, decision making, etc.; (3) follow-up phase – communication/media, finalization, formal decision, scrutiny of implementation, strategy review. Listed below are some key questions to keep in mind as you move through the preparation process of your strategic development plan.

Table 1. Check list for the elaboration process of strategic development plan

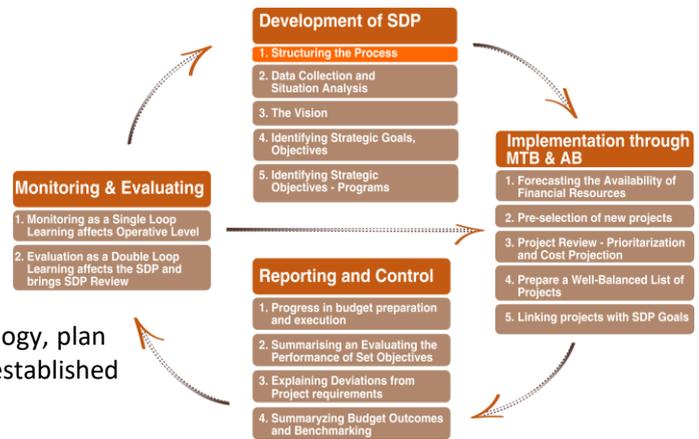
Check list for the elaboration process of strategic development plan

- ❖ Have you identified all of the parties with whom you will have to negotiate, including other stakeholders and constituents?
- ❖ Have you included all of the parties who need to be represented? Is representation clear?
- ❖ Does your representation include established leadership as well as future leaders of the community?
- ❖ Have you decided on an organizational structure for the process?
- ❖ Have you identified all of the issues important to the community? Are the issues clear?
- ❖ Has the party (or parties) responsible for gathering data been identified?
- ❖ Will the data be available to all parties?
- ❖ Have you agreed upon important meeting logistics, such as where to meet, notice requirements, preparation of agenda, development of ground rules, how decisions will be reached (i.e. majority vote vs. consensus)?
- ❖ Have all the problems that need to be solved been identified?
- ❖ Are links established with formal decision makers?
- ❖ Who will be responsible for implementation?
- ❖ Have you decided upon a governance structure that is inclusive yet effective?
- ❖ Are your goals and strategies stated in such a way that performance can be measured?
- ❖ Do your identified programs and projects link back to the goals and strategies you have identified?
- ❖ Do you have a media relations and public outreach strategy?

3.1.1 Structuring the Process

a. Preparatory Phase

This is the first phase of the process. It involves all the preparatory work prior to the development of the SDP. The choice of methodology, plan of activities and other preparatory steps are established during this phase.



- Identifying Key Stakeholders

Identification of key stakeholders is an important step before the consultative process takes place. Stakeholders from different areas within the LGU will serve as facilitators in the planning process. This approach requires that many stakeholders be included in the planning and implementation process, as well as during the monitoring and reviewing of the document later on.

At the local level, categories of representation should include, but not be limited to:

- Citizens
- Neighboring communities (especially in the cases when SDP can have an impact in the neighboring LGU or in the cases when 2 or more LGU-s want to develop a joint SDP)
- Local council (municipal/communal)
- Head of municipal/communal commission
- Private and public service providers or agencies
- Consultants or consulting agencies
- Economic operators
- Non profit organizations
- Business organizations/groups or representatives
- Public institutions (including sports, health and culture)
- Local and national media
- Elderly people (representation of villages in a commune)
- Representatives from all religious communities in the area
- Universities (if present in the area)
- Political representatives for the area
- Regional Agency of Education
- Regional Agency of Health
- Regional Directory of Agriculture
- Regional Directory of Employment
- Regional Directory of Tariffs and Taxes
- Regional Council Representatives
- Representatives of women associations or organizations (if absent the establishment of such organizations may also be encouraged.)
- Representatives of minority groups (if existent)
- Representatives of youth organizations
- Other (e.g. emigrants association, farmers association etc.), if relevant to the planning and implementation

At key stages, it is very important to bring in technical services and representatives of the government (experts from the region, or line ministries) to link the strategic planning at local level with the general planning processes at higher levels. During these joint meetings, it is important to strike the right balance, so that these individuals provide input into the process, but do not determine its outcomes.

- **Citizen Participation**

Strategic Development Plans are about the vision of citizens about the future of their municipality and the responsibility that the local government they have elected has to strive to achieve this vision. As such, the SDP can be a relevant instrument only if it is developed with the active participation of the citizens and if its implementation is followed by the citizens. The ability to exercise this right depends on the awareness and the willingness of the citizens – women and men, elderly people and youth and minorities - to participate in the process of developing the strategy. The LGU has the responsibility to provide opportunities for citizens to get involved in this process

- **Organization of Consultation Meetings**

Consultation meetings are aimed at increasing transparency during the decision making process and obtaining input from stakeholders prior to the preparation of the strategic planning document. For this purpose, a calendar of consultation meetings should be drafted and approved by the local administration.

- **Gender-Sensitivity Built in the Process**

Female representation and participation in the SDP development process is rather low. The objective of addressing gender inequality should be inherent in the project design and clearly specified in the SDP.

b. LGU Commitment to the Strategic Development Plan

The institutional apparatus helps enforce public policies, laws, directives that exist or that need to be developed.

The role of the municipality and commune is to provide standardized quality services for its citizens and to ensure citizens' equal access to services. This helps increase not only their standard of living and quality of life, but also enables the municipality and commune to look towards a future where development is sustainable. Although their roles and responsibilities are stated in the Law for Organization and Functioning of Local Authorities, the execution of these mandates requires a better understanding of the legal guidelines as regards LGU's functions/departments.

- ❖ Identifying Organizational Mandate
- ❖ Developing an Organizational Mission Statement
- ❖ Issuing an Institutional Analysis Report

The commitment of the LGU to enter the process of creating a strategic development plan is crucial both for the preparation stage as well as for the process of how this document is produced. This commitment needs to be stated publicly by the LGU leadership, which is represented by the mayor or head of commune, together with its respective local council, as the highest government representative at the local level.

Experience has demonstrated that during the preparation of the SDP, the enthusiasm and involvement of the leader at the local level plays a decisive role in the entire process. This is indicative of a more top-down leadership style at the local level where the decision making process is still, to a large extent, dominated by the leader. Therefore, a more participatory approach should be emphasized and encouraged among municipal staff, so as to provide a wider institutional involvement. That's the only way that the process will be successful.

In addition to the commitment of the entire political spectrum to engage in the process that will influence the future of area development, the engagement of LGU administration staff and its accountability is crucial to the process. An active response on the part of the LGU administration encourages capacity building, as well as increases the LGU staff ownership of the process. The LGU staff shall see the process of SDP planning as a useful tool that can lead to improved performance of their everyday responsibilities, as well as to a better understanding of LGU new roles and responsibilities involved in SDP development process. The elaboration, implementation, systematic monitoring and evaluation followed by a periodical review of such a document should not be seen as "forced upon", or "additional" work, but rather as an organic endeavor towards the fulfillment of the duties of a public servant. Everyone should remember that they serve the communities whose votes got them elected.

A written Statement of Commitment or a Memorandum of Understanding (MoU), in the case of external facilitators, can be useful in the process. In the later case, clear roles and responsibilities are defined and articulated in the MoU document, together with products that are delivered as expected and planned.

- **Establishing a LGU Working Group**

The establishment of a working group is a direct responsibility of the LGU at the municipal or commune level during the planning stage. This working group will largely be involved in guiding the entire process, which in turn will be lead by the Mayor/Head of LGU. Depending on the size of the LGU and specific organizational conditions, the set up of this working group is based on the representation of all the main departments of the LGU. The working group in charge of SDP preparation should be formalized through a directive of the respective LGU where roles and responsibilities are clearly assigned. The members of the working group should represent, but not be limited to, these units within LGU:

- ❖ Department of Coordination and Strategy Development (if applicable)
- ❖ Department of Urban Planning
- ❖ Department of Finance
- ❖ Department of Public Services
- ❖ Department of Tariffs and Taxes
- ❖ Department of Public Health and Veterinary
- ❖ Other (depending on the size, potential, and resources of each specific LGU other departments may get involved)

The working group is responsible for several duties that involve both process and content oriented components of the Strategic Development Plan.

c. Documentation of SDP

Documentation of the plan is a key issue. Not all the meetings and discussions need to be documented (although the LGU working group may decide to keep minutes of all planning meetings). Rather, the plan should include information concerning how the plan was developed, background information on the community, the future plans, the annual implementation plan, as well as an outline of the monitoring and evaluation system. Detailed project proposals should be included in the annex. The plan should act as the community record keeping book, enabling decisions to be reviewed and information to be updated. It is a

tool for monitoring progress in the implementation of the plan and can be updated as projects move forward and new priorities emerge. On the cover page, the name and administrative location of the LGU, the authority, and date of the final approval and the period covered by the plan should be indicated.

d. Official Approval of the Plan

The SDP needs to be approved by the LGU Council in order to be legitimate. After its approval at the local council, the SDP shall be introduced at the county level (Albanian – Qark) for final approval by the Regional Council. Other instruments with regards to territorial management shall follow the legal criteria and standards in order to be submitted to higher level authorities for necessary approval, as required by law.

3.1.2 Data Collection and Situation Analysis

This section provides guidelines and tools on how to address and guide the data collection process; where to find the necessary information related to strategic planning; and which resources should be available to use and organize. This section attempts to emphasize the need for data organization and processing in a specific method. It also answers the following questions:

- ❖ What information is collected?
- ❖ From whom is it collected?
- ❖ How is it collected?
- ❖ Why is it collected?
- ❖ With whom is the collected information going to be shared?

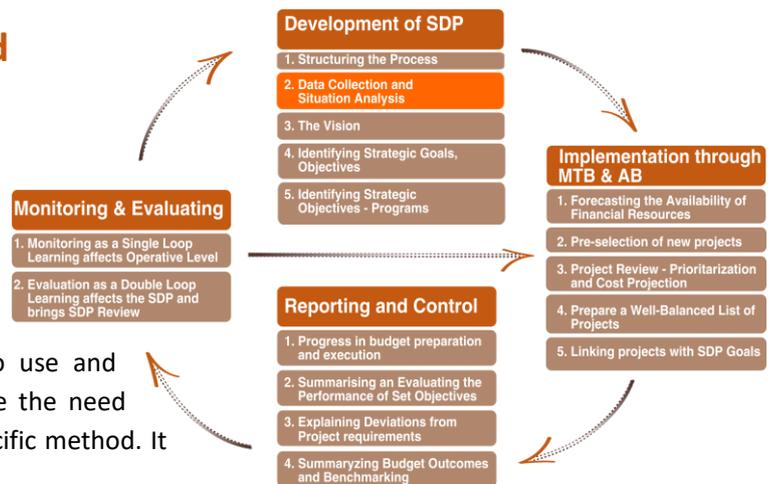


Table 2. The process of information and data collection and situation analysis

Step 1: What Information they collect – A process that involve existing data's under a series of topic headings:

- ❖ population and future housing trends
- ❖ community development, transportation
- ❖ rural areas, infrastructure
- ❖ built and natural heritage
- ❖ enterprise and employment,
- ❖ recreation
- ❖ leisure and tourism
- ❖ public services
- ❖ infrastructure conditions
- ❖ social and health conditions
- ❖ educational situation
- ❖ institutions operating
- ❖ economy and business
- ❖ local finances availability
- ❖ other _____ (to be identified upon specific characteristic of the LGU)

Step 2 and 3: it is very important to identify the sources of your information, availability of information and your access to data required as well as the methodology to apply

a. *Structure of data collection in the LGU*

The structure of LGU consists of several sectors, which can provide the necessary data for drafting the SDP. Input can also be received by other projects funded by various donors.

In order to have an organized and reliable process a person responsible for data provision within the LGU structure should be identified and entitled accordingly, in cases where the LGU structure lacks a data collection specialists and a methodology for such data collection.

b. *Diagram of the collection and use of statistics at local level (LGU)*

▪ *Civil registry*

Data collected by this office on a monthly basis includes resident population, newborns, departed, number of families by sex of family head, and by urban/rural area. This office transfers all data to the INSTAT office at local level.

▪ *Economic Assistance Office*

This office collects data and statistics as defined in the instructions of the Law on Economic Assistance and Social Services. All data is also sent to the Office of State Social Services at the regional office of respective Prefecture and then further-on to the central office of the State Social Services.

The office collects data on families receiving economic assistance according to the number of members and length of inclusion in the scheme (as specified in the instructions of the law); this data was disaggregated by the sex of the head of family. From a gender perspective, this type of data is a very good basis for establishing indicators that have to do with the direct monitoring of the distribution of Economic Assistance in the LGU.

Also data on vulnerable groups such as people with disabilities, minorities, etc can be obtained through this office

▪ *Education Sector*

This sector collects data from directories of schools by number of students, attendance of compulsory education and school drop-out, by sex and age group.

▪ *Tax Office*

This office collects data on the total number of families in the LGU that pay local taxes, not disaggregated by the sex of the head of family. The office also collects data on the total number of tax-paying businesses. All data on businesses provide information about the owner and number of employees, both disaggregated by sex.

▪ *NRC Office*

This office, if located in the LGU operates according to an online data collection system with the Tirana central office. In principle, data collected on the registration of new businesses makes it possible to disaggregate them by the sex of the business owner; however such information is not always filed in all LGUs. Cooperation with the finance or tax offices is done on concrete business cases, when tax payment to the municipality needs to be verified.

▪ *Local INSTAT Office*

The local INSTAT office functions according to its dependence from INSTAT (just like all the 36 offices in the 36 districts of the country). These local INSTAT offices collect economic and social data and implement and supervise field work in relation to all surveys undertaken by INSTAT. The manner of collecting administrative data is regulated by law, and the methodology of data collection is based on a statistical program. The statistical program defines the manner of collecting information according to a given format, establishes the sources for official information, and defines the methodology for its collection. INSTAT produces two types of statistics. The first type is collected by the regional representative offices of state institutions at central level; these are considered administrative data. The second type is produced through surveys undertaken mainly through cooperation between INSTAT, international organizations and the local level; for example, the local INSTAT office within a specific LGU (where applicable) office does engage in such field surveys. However, the office does not possess sex-disaggregated data at the regional level for the surveys they carry out themselves.

- > **Employment statistic:** This office collects employment data from the entire state sector at the LGU. The format that this office fills in every month provides the sex-disaggregated number of those employed in the LGU, the education office, schools, cultural and sports centers, the social insurance office, the tax office, the agriculture office, and employees in the health centers. The employment office also collects sex-disaggregated data on the number of unemployed persons registered with the labor office. It is important to note that the regional employment office in the LGU collects data both on the private and the state sector. The data is then transfers to the INSTAT office.
- > **Health statistics:** On a quarterly basis, the INSTAT office fills out the form at all health institutions in the LGUs. The collected data include number of visits to the health center, days of hospitalization etc.
- > **Education statistics:** These data is collected by all school directories once per year, providing information on enrolment, attendance, and drop-outs, disaggregated by sex and education level. The education sector in the LGU collects the same data
- > **Statistics on social assistance:** These data is collected by the Directorate for Economic Assistance and Social Services in respective LGUs. The format is then transferred to the INSTAT statistics office.

Gender sensitive info and data collection

The institutional mechanism implements gender mainstreaming into all local policies. It functions at different levels of governance and should take into account and articulate clearly women's interests and thus represent the civil society groups before local governmental bodies.

Gender mainstreaming has been facing ebb at local level. Gender sensitivity has demonstrated to be too weak in strategic documents that are provided at the present. Even in the case where this issue has been tackled into a strategic document, the planning of activities or elaboration of strategic objectives and programs to properly address it are lacking. Nevertheless, every sector of the LGU collects data in its specific area of work, without sex-disaggregation being a priority; therefore this should be highly addressed.

One important reason is that LGUs have to start planning having a database of current women situation in various sectors that include access to public and social services. In order to analyze and assess these conditions, a sex disaggregated info and data collection process is required.

Based on the statistics mapping conducted in LGU and other regional offices, recommendations are presented for overcoming the identified systematic deficiencies and improving the status of sex-disaggregated statistics for future decision-making. Firstly, mapping of gender-sensitive statistics include a range of meetings with representatives of every sector or department that is involved with collecting data.

How the data is collected and used should be further investigated. Meetings in every sector aimed at identifying data at the source, i.e. what kind of methodology was used for their collection and to which degree sex disaggregated data was existing. Another aspect of the mapping exercise is the method of using, sharing and distributing this data.

- ❖ Identify sectors and type of Statistics
- ❖ Verify where sex-disaggregated data is missing

Step 4 and 5: Why it is collected and who to share with

- Anatomy of Current Situation - LGU Profile

An overall description of the current situation and profile is based on analysis of data on territory, social, economic and environmental aspects. The principle objective of this component is to identify the general framework of potentials, challenges and trends for the LGU. It is important that considerations to time frame are recommended within the context of shifting regimes (before and after nineties).

- Situation Analysis Elaboration- SWOT Analysis

The most efficient instrument accepted so far that helps a factual analysis of the situation is the SWOT analysis. This instrument has a two folded ambition. First it allows furthering with the process of information and data gathering while transects various sectors analysis.

SWOT stands for: S- Strengths; W- Weakness; O- Opportunity ; T- Threats

Strengths and the Weaknesses are INTERNAL, there provide internal factors analysis that could impact the development or are related to, while Opportunities and Threats are EXTERNAL, so they help assess all the external factors that might be included as well as influence or condition the foreseen development.

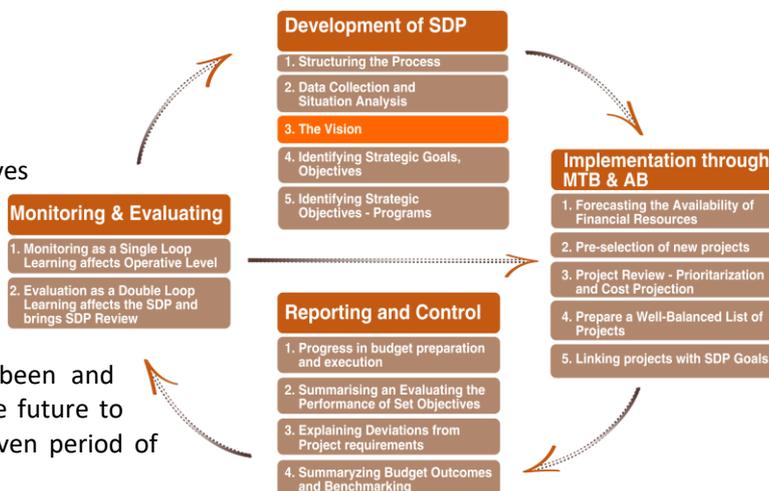
The analysis begins with the LGU's Strengths and Weaknesses and then move out to the external Opportunities and Threats. Identification of SWOT are essential because subsequent steps in the process of planning for achievement of the selected objective may be derived from the SWOT. The working group is advised to be assisted by a facilitator.

- Procedure of SWOT analysis
 - Explain basic rules of brainstorming:
 - ❖ Don't evaluate the idea; defer judgment.
 - ❖ The more enthusiastic the better.
 - ❖ Record each idea verbatim.
 - ❖ Classification or combining ideas is correct to do
 - Begin brainstorming by asking the following questions:
 - What opportunities exist in our external environment?
 - What threats to the LGU exist in our external environment?
 - What are the strengths of our LGU?
 - What are the weaknesses of our LGU?
 - Record all ideas verbatim.
 - After all ideas have been storyboarded and the time limit is up, categorize ideas into thematic groupings.
 -

Prioritization is a key factor in obtaining useful SWOT data, as the output from brainstorming will be significant. At the end of the small group reports, reduce the list of strengths and weaknesses to no more than five distinctive competencies and debilitating weaknesses.

3.1.3 The Vision

A vision-and strengths-based approach moves away from problem-based planning, which focuses on constraints. Instead, this approach looks at where a community desires to be and how to get there. It is important however for the community to look back and see where they they have been and where they are today before looking into the future to see how and where they want to be in a given period of time.



Although vision is a little but like dreaming, the vision should be realistic about what the community can achieve in the time period stated. It is important to link the vision to the resources available. It is also important to carefully plan the timing of when the resource allocation issue is brought into the process – too early and people’s creative ideas may be constrained by their limited financial resources; too late and the plans can be unrealistic.

The vision creation process is the most important step to follow during the preparation stage of the strategic development plan. The vision is a determination of the future - how we want it to be. It can span over 10-15 years. There are cases where a vision can involve a longer time frame, but given the current developments in Albania and its decentralization process, a shorter time span will help the vision be more realistic in what it wants to achieve within that time frame.

The vision is expressed through a statement of the city, municipality or commune. This statement is formulated by all actors within the LGU and is presented as a joint, common perspective for the future development of that community.

The process of designing the vision takes a primary role in the preparation process. Everything else that follows shall be based on how to achieve and reach this desired state of the future that determines a positive change. The vision statement should not exceed 1 page A4 paper size, as it should be a summary of the local aspirations for development articulated in a concise style. Suggestions for future development to be included in the vision should include opportunities already existing in the area or representing potential for future change and development.

The process of establishing a vision should take into account the welfare of the community and the provision of good quality services. At the same time, issues of equality in accessing those services should be open for suggestions from beneficiaries. The design of the vision should involve also discussions on potential areas for development or “themes” that have the most potential for development in a given community, such as tourism, agriculture, industry, etc.

The process of drafting a strategic plan for development can not start until the “bigger picture” for the desired change i.e. the vision for that development, is established. It is crucial that this step is achieved through a participatory process, because it takes into account the community’s vision for the future. Thinking ‘BIG’ also helps unite all actors working towards the same aspiration and vision. Once that vision is established it is much easier to build the steps that would lead to the pursuit of that vision. That is why the creation of a vision by the LGU, is the first and the most important step in the process.

The vision does not simply imply that everything will be perfect, but the focus should be on the positive. This certainly is neither a “coincidence” nor an “accident”. The purpose of the vision is to bring out a high level of aspiration and enthusiasm that can lead to an overall positive change and development for an area as well as for the welfare of its citizens.

For example: “ It often occurs that much work and effort is wasted in uncoordinated activities and interventions, creating a fragmented system for development. The strategic vision is the basis for achieving the envisioned plan for development in its entirety.

During the process of designing the vision statement two are the key elements that need to be considered:

1. The Vision Statement should include elements of citizen welfare such as accessing public services, living standards etc., while describing an aspiration for development that the LGU considers to be of the highest potential for its territory. For example: ... the most distinguished agro-tourism in the region, ...the connecting corridor of the North Easter Region, etc.

2. The process of deriving the vision statement is as important as the statement itself. The vision should represent the interests and serve the benefits of a wider segment of the population and the LGU, as the administrative body, should ensure that the vision will lead their community’s development in that direction. To this end, a large group of inhabitants are invited to answer basic questions:

- ❖ Why do I love my town/village?
- ❖ What makes me most proud about it?(cultural and historical values, various potentials it holds, natural resources, traditions and customs etc)?
- ❖ What is the one thing that I would change to make it better?
- ❖ How do I see/ imagine/visualize my town/village in 10-15 years?

The process has two phases:

1. The discovery phase:

- ❖ Establish a positive connection among team members – *usually by starting and ending meetings with each member sharing a positive story from the recent past*
- ❖ Make an effort to find an empowering perspective, regardless of topic
- ❖ Link positive things about the past to the present
- ❖ Affirm the sense of the possible
- ❖ Cultivate team members’ belief in a positive future

2. The DREAM Phase:

- ❖ Create images of possibility
- ❖ Give voice to a preferred future
- ❖ Affirm the best of what could be
- ❖ Describe aspirations rather than “musts”

The main key in this process is asking good questions. These questions should take into account the following:

- ❖ Questions that are inquisitive not judgmental
- ❖ Questions that are framed in a neutral or positive context
- ❖ Questions that encourage new thoughts and ideas
- ❖ Questions that invite multiple perspectives

Table 3. Examples of Vision Statements

The Vision of the Dajç Commune⁸

“Dajç as an important center of agricultural and stockbreeding in the Shkodra Region, where local traditions of cultivating agricultural products and stockbreeding are intertwined with the characteristic features and the potentials of the area. Dajç as a bucolic community nucleus, with good quality social and physical infrastructure and where the inhabitants cooperate with the authorities to resolve their problems and address their concerns. Dajç as a healthy natural environment protected and renewed due to the care and engagement of all inhabitants of the commune as well as from the continuous support and monitoring on part of the local authorities.”

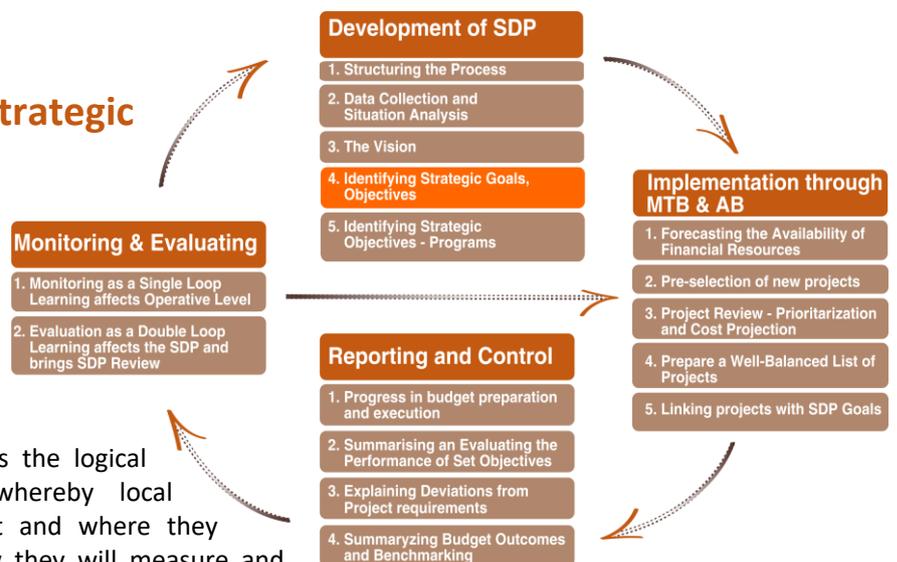
The Vision of Fier City⁹

“Fier is a vital regional junction along the North-South Corridor, an important center of trade and transportation in the heart of a Albania’s agro-industrial zone . Fier is an important center for progress, education and culture that inspires and leads regional development through continual updating of services and amenities in harmony with other cities in the region.”

3.1.4 Identifying Strategic Goals, Objectives and Milestones

Context: “Strategic Planning focuses on the forest - MTB Program focuses on the trees”

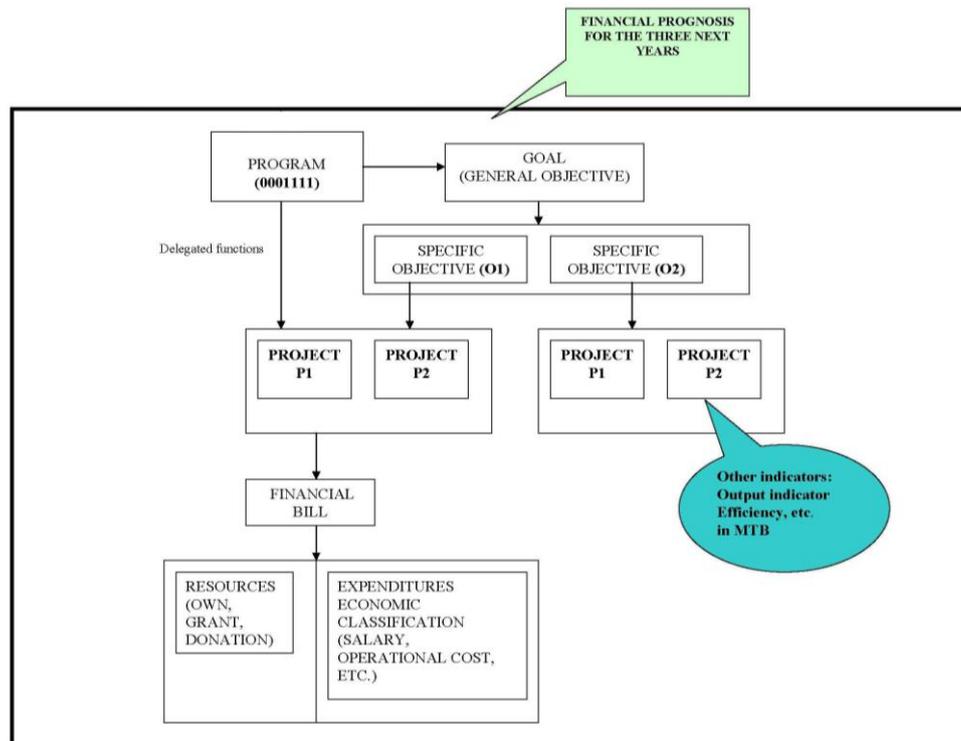
In this context, SDP is regarded as the logical framework for MTB Program whereby local government units determine what and where they want to be in the future and how they will measure and evaluate the progress made. The figures 3 and 4 show the relationship between the SDP and MTB Program as two interconnected top—bottom and bottom-up processes. While figure 3 introduces the outline of the traditional strategic development components and how, where, and when intervention will be needed in order to link it with the structure of MTB Program, as a top- down approach, figure 4 demonstrates in more details how the MTB Program structure and respective components will measure the progress of SDP as a bottom-up process.



⁸ Strategic Development Plan of Dajç Commune, pg, 45

⁹ City of Fier; Development Strategy, pg 158

Figure 4. Structure and Components of MTB Program



- Goals

The Strategic Issues are the statement of the problems for the community to work on. The Goals are actually no more than a transformation of the Strategic Issues from a statement of the problem to a statement of the solution to that problem. Goals set the direction for accomplishing the vision and the mission statement. They can be long term, medium term or short term in nature.

- Defining Priority Areas for Development

The development scenarios foresee the development potentials for the future of the LGU. They should be developed in close dialogue with focus groups established in the community. These focus groups are invited to attend meetings intended to identify areas for development. This ensures that the citizens are represented and are providing input on how the main development areas are defined within the specific priority areas. The following introduces the main priority areas that can serve as guiding areas for further development of content-based scenarios within the LGU.

The identification of these areas is based directly on the LGU functions as determined by law. However, it takes into account the fact that LGU’s strategic development plan covers more issues for development than it’s stipulated in its mandated functions. As such, the SDP is a more comprehensive document, that goes beyond the mandated functions of the LGU.

- PRIORITY AREA 1: ECONOMIC AND SOCIAL DEVELOPMENT**
- PRIORITY AREA 2: LAND MANAGEMENT/ TERRITORIAL PLANNING AND MANAGEMENT**
- PRIORITY AREA 3: GOOD GOVERNANCE**
- PRIORITY AREA 4: RESOURCE MOBILIZATION**
- PRIORITY AREA 5: INFRASTRUCTURE & SERVICES**

The next step that follows the creation of the vision, the selection of potential development scenarios under the priority areas, and data collection is Goal Setting.

A goal is a long-range aim that needs to be achieved within a specific period of time. It must be specific, realistic and also fairly long-term, e.g. for 5 years. Long-range goals set through strategic planning are translated into activities that, in turn, ensure the achievement of those goals through operational planning. Typically, there are several goals which address different elements of the vision and create a realistic picture of what the community wants. Strategic goals are to be articulated as SMART.

SMART stands for:

a. Is the goal SPECIFIC?

- ❖ Does the goal answer the question: “What is the specific end result that will be produced? For whom? and By what date?”
- ❖ Does the goal qualify or quantify so that there is no room for misunderstanding?

b. Is the goal MEASURABLE?
If a goal cannot be measured, it cannot be managed.

- ❖ Does the goal clearly express what will be different once it is achieved?
- ❖ Are the measurements that will determine a successful outcome specified?

c. Is the goal ATTAINABLE?

- ❖ Is this goal one that the team believes is a reachable goal, yet challenging?
- ❖ Are the names of the departments responsible for the goal’s accomplishment listed?

d. Is the goal RELEVANT or REALISTIC?

- ❖ Does the goal directly support a specific aspect of the vision?
- ❖ Will it produce an outcome that will meet LGU performance expectations?
- ❖ Will people be willing and able to work on this goal?

e. Is the goal traceable and TIMEBOUND?

- ❖ Does the goal have a start date and a completion date?
- ❖ Can the goal be broken down into milestones to check the progress along the way?
- ❖ Does the goal enable timely feedback and corrective action, if needed?

And finally, does the goal have the “X” FACTOR?

- ❖ Are the people involved personally committed to accomplishing the goal,
- ❖ Are the local authorities committed to achieving the goal in the set timeframe?

These goals will serve as the framework for more specific projects and programs that will be developed in the next stage of the process. Implementation of the proposed strategies developed by the community should “bend the trend” from the likely future (as determined by the SWOT analysis) toward the desired future (as defined by the vision statement).

- Setting Strategic Development Objectives

The objectives are the main things we need to do to achieve the goal. While goals are aspirations, objectives are targets. In many ways objectives are the core of the strategic plan, because they form the specific accomplishments which lead to the achievement of the goals. Objectives should identify the result to be achieved and a measurable indicator if possible. The objectives provide a way to quantify the goal and establish a target to aim for. Like strategic objectives, a definition of targets is possible. They should be specific but attainable, should focus on results and, through the milestone, provide a time limitation. Any goal can have just one objective, but it is more likely to have a few.

- Milestones

While objectives are the targets, milestones are the steps in the process. Sometimes called strategies or projects, each objective should have a series of milestones with three critical features:

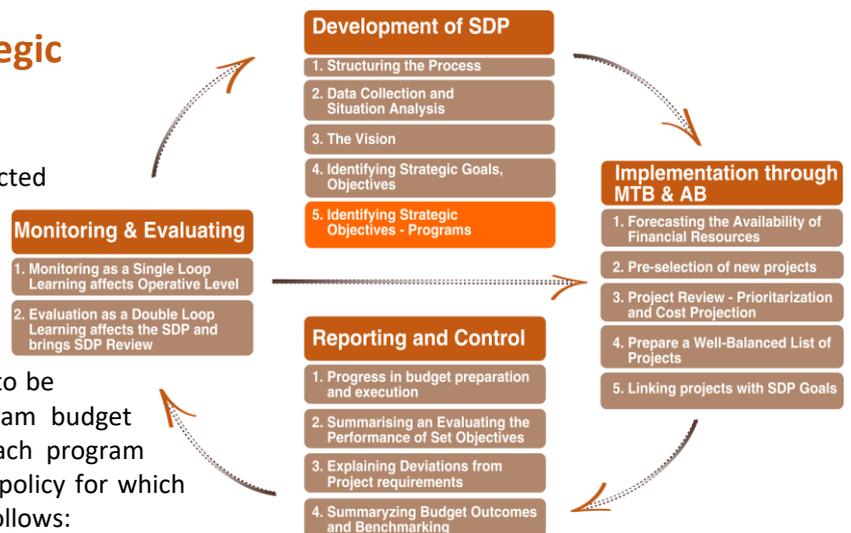
- ❖ The “action item” to be accomplished
- ❖ A timeframe for completion
- ❖ A designated individual or organization responsible for its implementation.

Milestones are activities “used to identify significant events in a schedule, such as the completion of a major phase or event.” They are selected because they are representative of overall progress or because they track progress towards key strategic changes. Oftentimes they mark the completion of a series of key events. They can be considered a very high-level “to do list.” A plan should only identify a few milestones (perhaps 10-15). LGUs should identify milestones and monitor them in quarterly and annual reports.

3.1.5 Identifying Strategic Objectives – Programs

Strategic Objectives reflect outputs expected during a certain time period. They reflect the improvement in qualitative and quantitative indicators of current services. Objectives must always be aimed towards the end-result of a project. An objective defines what needs to be done, how much, and when. The program budget should contain expenditure programs. Each program should have a name, a description and a policy for which the performance indicators can be set as follows:

- ❖ program policy goals
- ❖ program policy objectives
- ❖ program outputs
- ❖ program activities
- ❖ program inputs



An *expenditure program* can be defined as a meaningful and manageable set of activities, with outputs that contribute directly or indirectly (as inputs to other activities) to the achievement of policy objectives and policy goals.

Performance indicators are mutually dependent in both a top-down and bottom-up direction (see Figure 8). From the top-down direction, the program policy objectives are dependent on the program policy goal (and the chosen time and path for achieving this goal). The choice of program outputs depends on the

program policy objectives. The design and scale of activities to deliver program outputs depends on the nature of the outputs and output targets. The inputs depend on activity design and scale. The top-down relationship gives policy guidance to all the performance indicators, both political and technical. From the bottom-up, activities require inputs, even if it is only in the form of a few hours of staff time, but may involve capital expenditure and operational materials. The delivery of outputs depends on successful and timely completion of activities. Timely achievement of the program policy objectives requires the timely delivery of the program outputs. The achievement of the program policy goal will depend in part on the achievement of program policy objectives. The bottom-up relationship gives technical and financial feasibility guidance to both technical and policy performance indicators.

Figure 5. The program description and priorities with resources constraints



This is a top – down and bottom – up component focusing on processes and cost allocation.

Both program policy goals and program policy objectives form part of the presentation of the program. Every program should be reported according to the above elements including the program name, description, policy description and the program goals and objectives. Let’s look a little closer at the program elements:

Program Policy Goals are the desired, measurable results from the program activities that the LGU wishes to achieve in the medium or long term. For example, “To ensure a clean and safe environment within the next three years”

Program Policy Objectives are specific results from program activities that can be measured precisely in terms of time, number and cost, that can be accomplished in the short to medium term and that are intermediate steps in achieving a policy goal. Objectives must always be aimed towards the end-result of a project. An objective defines what needs to be done, how much and when. The program policy objectives should be set in year “n” for year “n+3”. For example, “To increase the waste collection from 2000 tons actually to 5000 tons by the end of 2013”

Program Outputs are the goods and services to be produced to contribute to the achievement of short-to medium-term policy objectives and the medium-to long-term policy goal. Outputs should be specific, measurable, achievable, realistic and time-bound (SMART). There may be one or more outputs contributing to one or more program policy objectives. For example, “an additional 3000 tons of waste collected”

Program Activities are the things (processes) that are done to produce an output. There may be several activities for each output. For example, “Purchase of 20 new containers”.

Program Inputs are the financial, human and physical resources used (by activity) to produce (program) outputs. When inputs are calculated in financial terms they are presented as items of expenditure in the

line item budget. For example, “Number of working days, number of workers, materials, equipments etc.”

Presented in a production-function style, the terms used above can read: inputs used in (activities and processes) produce outputs, which when combined achieve a series of objectives that meet a goal.

3.2 SDP Implementation through MTB Program & Annual Budgets

The MTB Program preparation is a powerful tool for achieving strategic objectives. By setting relative levels of spending for different programs and activities over the medium term in order to meet strategic objectives MTB Program serves both as an instrument for financial planning and a local policy statement. The SDP plays a significant role in the MTB

Program preparation process. It constitutes the logical framework for the MTB Program preparation. Through the SDP, the LGUs develop or update their specific action plans in line with their overall priorities. SDP includes priority objectives as well as ways in which the actions are to be implemented over the medium term. They are incorporated into specific programs in order to enhance strategic Goals and Objectives.

Organizing the expenditures by program helps LGUs focus their thought process regarding local budgets in terms of objectives, outputs and results. It can serve two purposes: (1) identify and clarify objectives and policies; and (2) monitor operational performance through performance indicators as they relate to the inputs, outputs or outcomes of a particular program. The formulation of strategic objectives into SDP is seen closely linked to priority areas and functions of LGUs. Following this train of thought, every LGU competencies will be translated into a program, while at the same time similar functions may be intertwined within the same program (see appendix 1). For example, cleaning service and lighting service which are direct functions of LGU can be included within the “Public Service Program” as sub-programs. The link between SDP and MTB Program and Annual Budgets is based on the relationships portrayed in the strategic framework. Please refer again to figure 6, showed below as figure 9:

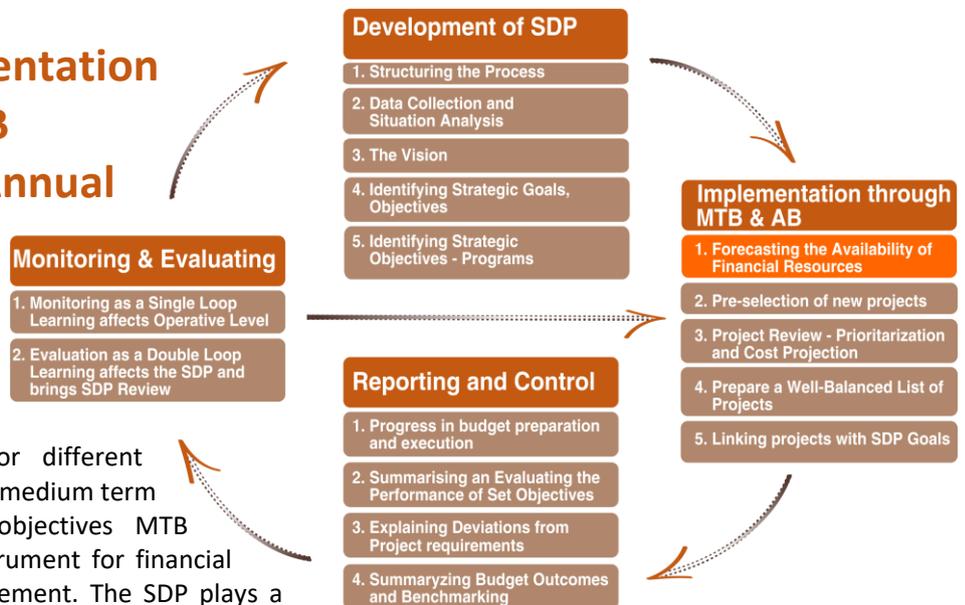
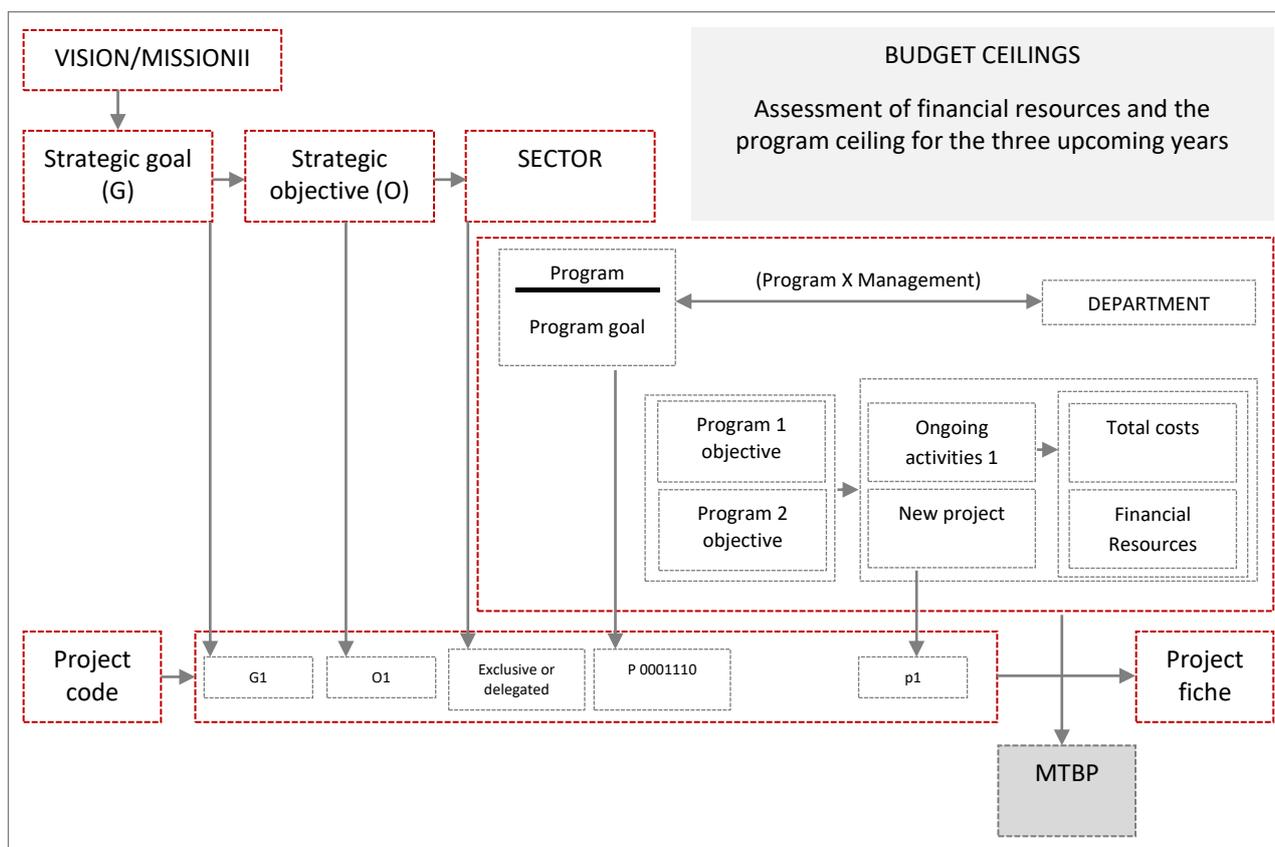


Figure 6. SDP linked to MTB Program



According to figure 6 above, there are two important issues regarding the translation of the SDP objectives into concrete programs: (1) the definition of “priority areas” based on direct LGU functions and (2) organization of programs according to priority areas. However, the priority areas should be connected to direct functions of LGUs. The priority list of interventions (list of existing capital projects) should be reevaluated in order to be categorized within the respective programs. As the figure above shows, the SDP and MTB Program interface at the Program level and it means that the definition of Programs should be done according to their direct and delegated functions. MTB Program starts with the review of performance of the previous year and the current mid-year budget. After the formulation of the SDP, LGUs need to evaluate their budget over a medium term period and to define the program budget ceilings. Moreover, they need to prioritize their activities under each output and estimate their cost within the resource allocations, at the activity level. In order to bridge any gap between strategic objectives and allocation of LGU resources through financial programming, budgeting needs to be infused into the programs.

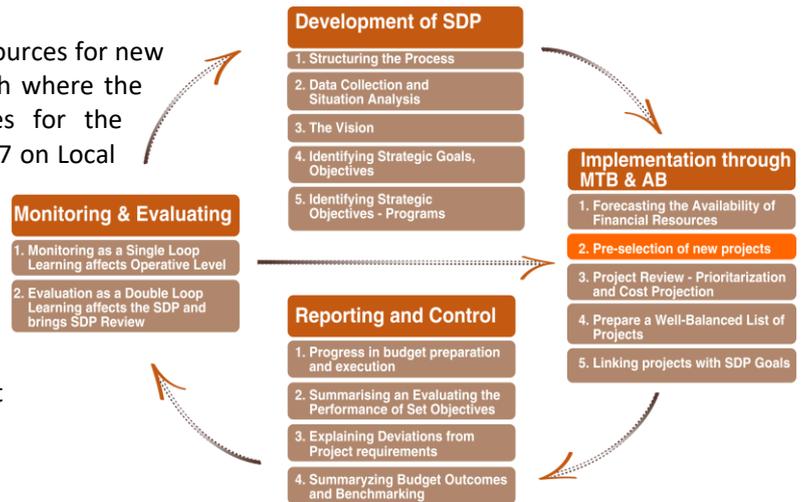
Based on this structure, the performance indicators on program objectives or outputs can be established and it is very easy for LGUs to control and report on SDP progress done through the MTB Program.

The SDP will be co-financed by the central government funds, local budget, donors, local borrowing, local and international organizations, businesses and Public Private Partnership (PPP) collaborations, through the MTB Program and annual budget. In principle, medium-term budget estimates should show: (1) the present level of revenues and expenditures; (2) expenditures needed to provide the same level and quality of service in the future; (3) additional funds to implement new policies. Under this system, there are five steps that establish the link between SDP and the MTB Program:

- **Step 1:** Forecasting the availability of financial resources for new activities

Forecasting the availability of financial resources for new activities requires a step-by-step approach where the first step is the projection of revenues for the planning period. Based on Law Nr. 68/2017 on Local Self-Government Finances, the economic framework should consider revenues from:

- ❖ local revenues (local taxes, tariffs and other local revenues)
- ❖ transfers from central government
- ❖ revenues from shared taxes
- ❖ local borrowing
- ❖ donor contributions
- ❖ other contributions foreseen by law



Revenue projection is an important aspect of MTB Program preparation. It requires LGUs to make a reasonable estimate of how much revenues will be available for spending over the MTB period. The main challenge for LGUs is: how can they implement their development policies using revenues generated locally? Within this framework, the local revenues remain the main financial resource for capital investments generated at the local level and directly controlled by the LGU, given that unconditional grants are transferred from the central government.

Traditionally, the planning of local revenues is seen as a process where the local taxes and fees are considered as local instruments used for operational expenditures for the LGU to maintain basic standard services. However, in most cases, the planning of local revenues doesn't take into consideration future policies. This affects capital projects since they can not be fully financed through the local budget, This also makes the LGUs depended on funds from the central government. The legal framework gives LGUs full authority in evaluating and managing the tax base and tax rates (with some restrictions defined within the law), and full and sole authority to levy and administer local fees on services provided¹⁰. At the same time, LGUs are trying to reduce operating expenditures in order to generate more funds for capital project expenditures. Under this principle the LGUs need to formulate their policies within the fiscal framework by considering¹¹:

- ❖ the evaluation of their revenue sources
- ❖ the evaluation of revenue potential
- ❖ the evaluation of revenue rates in comparison with the previous years and their potential
- ❖ the inflation rate
- ❖ the current level of collection as compared with potential revenues
- ❖ the targets set under MTB Program period for each type of revenue/previous year
- ❖ specific policies for specific groups of taxpayers (e.g. gender issue etc.)

Those are only some fiscal policies under which the LGUs will identify specific targets for specific taxes and fees. Some specific policies may be (these are hypothetical cases):

- ❖ women receiving economic assistance should not pay cleaning fees for the next three years,

¹⁰ The law no 9632 dated 30.10.2006 "On local taxes system"

¹¹ See appendix 2 Economic Framework for LGUs

- ❖ families with 6 – 8 members should pay 50% of local fees, or
- ❖ all new businesses should not pay small business tax for the first year of their activity

Another important issue on this topic is expenditure projections. They are classified in two categories: (1) operational expenditures and (2) capital expenditures. The first category includes expenditures according to their classification: salaries (600), social and health insurances (601), maintenance etc. The operational expenditures comprises all the expenditures made by the LGU for public services that are its own responsibility, such as waste collection and disposal, greening and lighting etc., including the reserve fund.

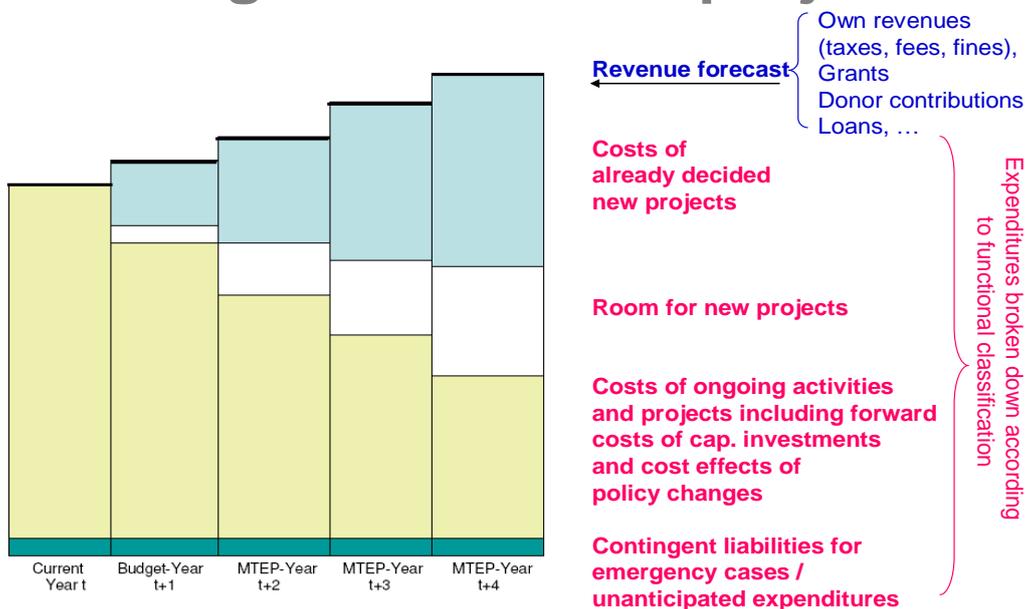
At this stage, prior to decreasing its operational expenditures the LGU needs to first assess its activities. Both operational and capital expenditures are the only components in defining the program’s budget ceilings.

How can LGUs be more effective? Program definition should not be seen only as a political choice but moreover it should be considered as a financial management instrument. Based on budget law, LGUs are free to define how many programs to have in their budgetary structure. Especially in small sized LGUs, similar functions can be included within one program, in order to avoid costs related to staffing each of these programs individually. For example, the cleaning service, lighting service, and greening service may be sub-programs managed under the “Public Service Program”. Furthermore, the

Financial planning:

Figur

Creating room for new projects



See: Schiavo Campo (1999). Managing Government Expenditure.

Capital expenditures (231) are the difference between operational revenues and operational expenditures. Capital expenditures are the “second level” of program expenditures used in financing

¹² Campo, S. (1999), Managing Government Expenditure

priorities objectives (capital projects) in conjunction with some other financial instruments. Other instruments used in financing capital projects include: (1) Inherited from previous year, (2) Local taxes and tariffs, (3) Transfers from central government, (4) Revenues from shared taxes, (5) Local borrowing and (6) other contributions. The table 4 above shows the relationship between revenues, capital expenditures and budget.

Table 4. Relations between revenues and expenditures within the MTB Program

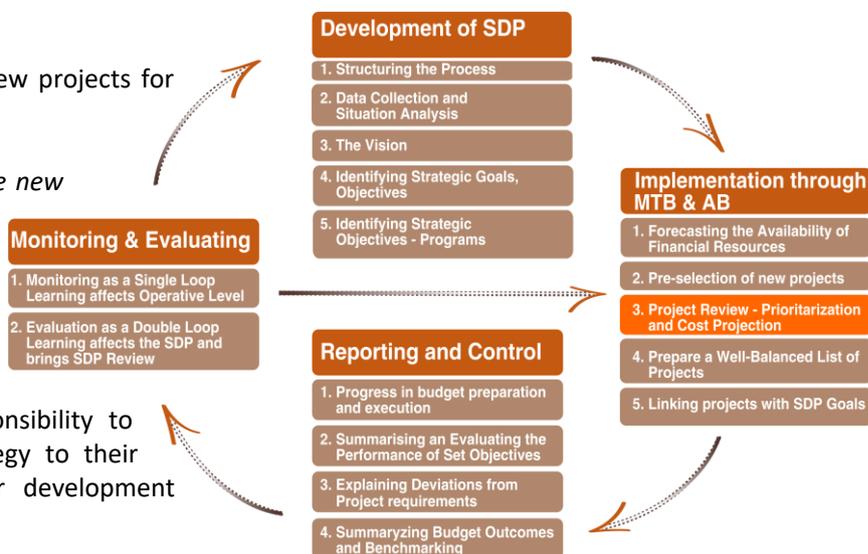
Operative Expenditure:	Revenues
Salaries	Inherited from previous year
Social health insurance	Local taxes and tariffs
Operating and maintenance	Transfers from central government
Use of goods and services	Revenues from shared taxes
Subsidies	Local borrowing
Current domestic transfer	Other contributions
Current international transfer	
Transfer to individuals&families	
Capital investments	
Reserves	
Interest from direct loans or bonds	
Others	
TOTAL	TOTAL

The capital and operating budgets are linked to each other. For example, new assets also require maintenance and generate additional operating costs. These costs must be carefully considered when planning projects. The costs associated with operating and maintaining the assets are regarded as the impact on the operating budget resulting from capital spending.

- **Step 2:** Pre-selection of new projects for the next three years

Who can conduct evaluation of the new projects?

At the local level, the evaluation of new projects on the basis of predetermined criteria should be carried out by the “Group for Strategy Budget and Integration” (GSBI). This group has the responsibility to integrate the Development Strategy to their local budget by translating their development policies into financial terms.



After making projections for their capital budgets, LGUs should prepare a list of new projects that will be carried out in the medium term. This step includes conducting a capital needs assessment. At present, most LGUs in Albania have prepared development strategies, which include a “wish list” of new projects.

How to determine if a project qualifies as a capital project? The MoF definition of capital projects helps

LGUs make that determination. It states:

“A capital project is defined as one that: (a) reflects an increase in assets and their value; (b) has a lifespan of more than one year and (c) covers expenses at a value greater than 1,000,000 lek”

For example: According to the specifications above, LGUs staff can identify if a project is a capital project or not.

Figure 8. Cases when a project is a capital project or not



Although in theory the above mentioned threshold is defined by law, in many instances, depending on the level of revenues and expenditures, the local governments themselves can define the threshold for identifying capital projects.

As shown in figure 8, the same project (the one on the right) can not be considered as a capital project because its cost does not meet one of the criteria (project value) that would qualify it as a capital project.

Based on the definitions above, all the projects identified should be categorized by (1) type and scope of work, (2) rationale (why it is necessary), (3) timeline with milestones (usually for construction projects), (4) costs (capital and maintenance), and (5) outputs (classified by program). In order to make them measurable, the Project Management Team can define the performance indicators related to each output.

The question arises: Are the three criteria listed above enough to evaluate and to prioritize the capital projects? The answer is: it depends. All LGUs are free to establish other criteria related to new projects. The manual on CIP¹³, however, defines some important steps in identifying and selecting new projects that will be part of the MTB Program:

- ❖ Re-evaluation of the projects included in the Strategic Development Plan. Previously approved projects should be reviewed in order to evaluate their status: in progress or completed. All the projects that are in progress should be re-evaluated under the criteria approved.
- ❖ Evaluation of the existing conditions of city infrastructure and future service needs – this means that the LGUs must evaluate their infrastructure conditions and prepare a list of all the projects that will be carried out in the medium term.
- ❖ Assessing other capital investment needs, e.g. urban or development projects should be based on LGUs’ evaluation and in accordance with their development plans and policies.

The Manual on CIP presents some other specific instruments used to select the new projects under medium term perspective such as:

- ❖ the new projects must be related to own or delegated functions of LGUs
- ❖ the new projects must directly contribute to meeting at least one strategic objective
- ❖ project costs
- ❖ costs/number of beneficiaries
- ❖ impact on local/regional economic growth
- ❖ linked to priorities
- ❖ degree of urgency for the project
- ❖ status of the project (new/on going)

¹³ Manual on CIP pg. 31, published by Co-PLAN

- ❖ geographical distribution
- ❖ cost recovery time frame (in some specific cases)

Program Management Teams (PMT) should use these criteria in evaluating all the projects that have been identified as new or existing, and list these projects based on the number of criteria met (see appendix 4) for each program. The guideline of MoF no 7/1 of 22.02.2010 reminds local staff members to keep in mind three possibilities for financing capital projects:

- ❖ the project will not be financed
- ❖ the financing will be minimal
- ❖ the project will be fully financed

During the evaluation of these three alternatives, the cost/benefit analysis should be conducted only for the third alternative.

For example, the project “Improvement of the Electricity Supply within Industrial Zone in Shkodra” has met all the criteria above but electricity supply is not an LGU competency. As such, it cannot be included as a new project under the MTB Program, although it is included in the SDP. Meanwhile, the project “Improvement of Street Lighting within the Industrial Zone in Shkodra” involves the LGU. As such, it will be planned during the medium and annual budget preparation.

- **Step 3: Project Review – Prioritization of and Cost Projection for Pre – Selected Projects**

Despite the fact that LGUs have developed some instruments related to the pre-selection and prioritization of capital projects, there are no standard criteria used in the pre-selection process. Generally speaking, the prioritization of capital projects has been considered as an informal process conducted internally whereby external actors were not involved. LGUs use informal methods of priority setting, based on politics, preferences of the LGU’s head, and the impact on beneficiaries. Informal methods are highly subjective; they do not ensure transparency, consistency, or respect for regulations. This Manual provides some practical steps related to capital project identification and prioritization process. LGUs must evaluate their alternatives for financing new projects based on the list of new projects provided in the Step 2.

Within a program or a subprogram, investment projects must be balanced against current spending. A new construction project should be systematically compared to the cost of rehabilitating existing facilities

Although they are operating within a limited budget, LGUs try to achieve the best result at the lowest cost. This means that LGUs are obliged to decide between an endless list of projects and their financial possibilities. Step 3 is the time when the prioritization of projects takes place. Priority setting is a process whereby the municipality defines which objectives and strategic and annual targets are more important, and which ones need to be financed during the upcoming fiscal years.

The information provided in Step 2 provides some techniques on how to select new projects based on some specific criteria, but does not provide enough information on their prioritization process.

By the end of this stage it may happen that a lot of projects meet the criteria above. This presents the need for further evaluation. LGUs can perform their evaluation using a “point – based”

evaluation method whereby a total number of available points is assigned to each proposed criterion. For example, using a 1-5 scale, where 1 is very poor and 5 is very high, a project may earn 1 point for meeting a specific criteria very poorly or a 5 for meeting that criteria very well. In conclusion, the evaluation of a proposed project will be the result of cumulative points scored from both the criteria-based and point-based evaluations.

The final ranking of capital projects is made based on the total points a project has scored (See Appendix 4). By the end of this process, the projects are grouped by program. In grouping them by program, the LGUs staff needs to compare the nature (what kind of project) and structure related to program policies and objectives. For instance, if a capital project focuses on improving the street lighting service, it will be classified under the “Public Service Program”.

The identification and prioritization process is the first step in the preparation of the MTB Program. Estimating the costs for new projects is another important issue related to the medium term budget execution because of the direct link between strategic objectives and financial resources built in the MTB Program. All capital projects within the MTB Program should be projected. At this stage, this process requires some more detailed steps:

- ❖ Identify all activities necessary for achieving each annual target;
- ❖ Identify the inputs required for each activity (labor force, equipment, maintenance, investment) taking into account:
 - unit of measure of inputs required
 - number of units required
 - unit cost for each input
- ❖ Estimate the total cost for each capital project or meeting each annual target

Table 5 below presents a model for preparing cost estimates for operations related to capital projects that applies the above mentioned principles:

Table 5. Cost projections for activities related to capital projects

Activity:			
	Unit Cost	Quantity	Total Cost
Materials	The unit cost is the cost of a single item, or one unit e.g. Cost per day, per m ² , per km, per person etc	This is the number of units (how many) you will need for the activity e.g. 200 days, 1000 liters etc	Multiply the total number of units by the unit cost
Equipment			
Services			
Transport			
Total cost for activity			The sum of all the costs

The total cost of input is a product of the unit cost, and the quantity or frequency of the inputs. The sum of all such input costs equals the activity cost. These costs are added up to arrive at the output cost, the objective's cost and LGU capital budget estimates. The project cost evaluation is an annual review process of the prices of materials, labour costs, inflation rates etc. The last step related to this process is the completion of the Project Identification Form/Project Fish (see appendix 5). Every project should include this form which identifies all the elements related to a project:

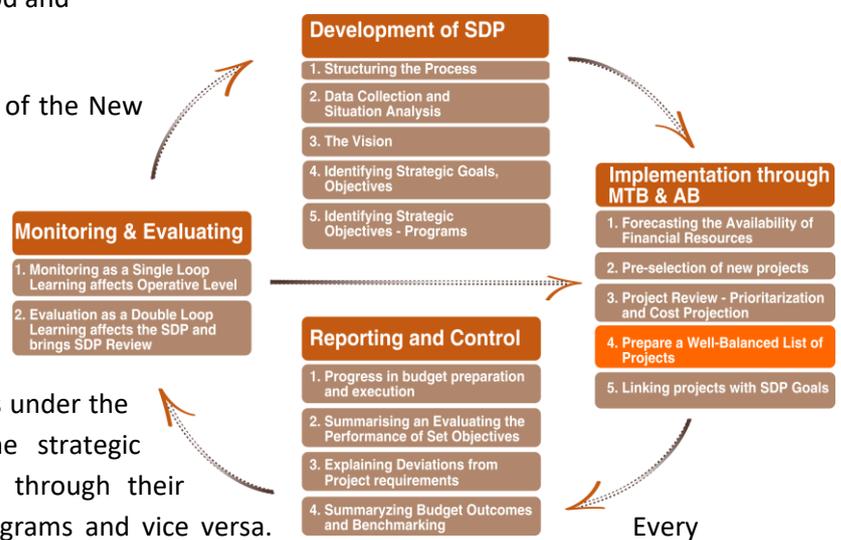
- ❖ project description
- ❖ reasons for intervention
- ❖ relationship between the project and SDP
- ❖ project objectives
- ❖ project indicators
- ❖ project cost
- ❖ project impact
- ❖ project implementation period and
- ❖ funding sources

- **Step 4: Making Sure the List of the New Projects is Well-balanced**

During the evaluation process of new projects, LGUs needs to balance the projects fund allocation into programs. They must be very careful to ensure that all the projects under the MTB Program should meet all the strategic objectives as foreseen in the SDP through their categorization within respective programs and vice versa.

Every strategic objective should be translated into concrete projects (see Appendix 6). This link between strategic objectives and projects provides a valuable instrument in monitoring and reporting of SDP through the MTB Program. This principle makes the Strategic Objectives in the SDP applicable, feasible and measurable. It provides the cost for achieving every strategic objective and the basis for LGUs financial resources allocation in the medium term. In some cases, a project may contribute to the achievement of more than one strategic objective. As such, it provides a reference point not only in the project prioritization process, but more importantly, it can assist decision makers in the program prioritization process. The program prioritization process is an important step in the reporting and controlling process. It allows LGUs to decide what programs they will monitor based on the projects as they relate to strategic objectives.

The other argument has to do with financial resources allocation. LGUs need to balance the list of new and existing projects over the medium term by defining the project targets as “n” for every year and their expenditures within the programs budget ceiling (cost allocation). In the previous chapter we mentioned that there should be no more than 5 goals and not more than 10 strategic objectives (two strategic objectives for each goal), which will be translated into “programs” under MTB Program preparation. It may be possible that funds might not be sufficient to accomplish all the programs/projects within the annual budget. It is necessary to compare the projected budget revenues with the annual target and capital expenditures. In practice, the expenditures (operational



and capital) on annual priorities will be equal to the projected revenues. In this case, it is necessary to adjust the annual breakdown of the last priority strategic targets, if the LGU has co-funded projects or financed it via another financial source. As a result of these adjustments, annual expenditures must be equal to the projected revenues or, capital projects will be planned to be completed during the coming years (n+ 1) or (n+2) or (n+3). This is the stage where the LGUs may have to prioritize the strategic objectives and programs and to estimate the projects' funds over the medium term (See Appendix 6).

As long as MTB Program is an annual process, LGUs can provide full information on their resource allocations, projects/outputs and their progress related to program or strategic objectives.

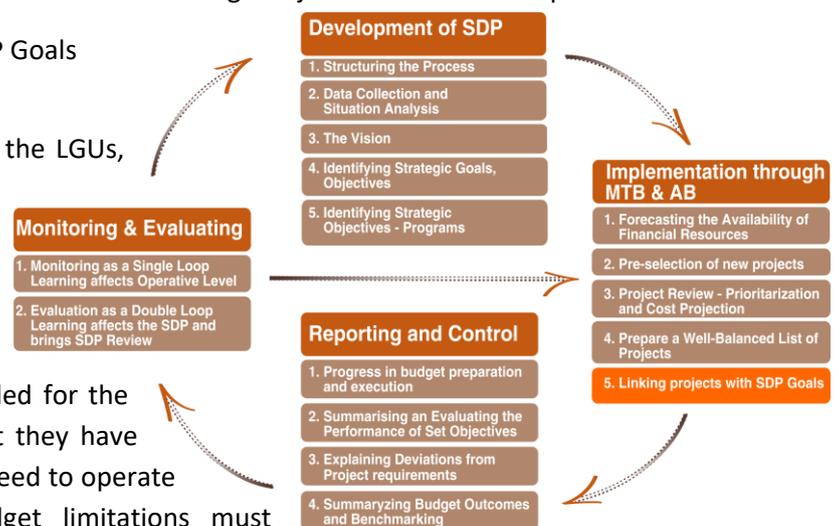
For example, if a strategic objective is translated into 4 capital projects and during the annual budget cycle they have achieved 2 of them, then 50% of that strategic objective has been completed.

- **Step 5: Linking Projects with SDP Goals**

Financing the SDP is a major effort for the LGUs, equal in proportion to the effort made during the plan development stage. Implementing their strategic objectives is not an easy feat for LGUs, not least due to the fact that they are not in a position to generate all the funds needed for the implementation of all the projects that they have planned. What this means is that they need to operate within a limited budget. These budget limitations must therefore prompt LGUs to make more efforts to improve resources management practices and put in place an effective system that can ensure the accomplishment of strategic goals and objectives by choosing alternatives that yield the greatest impact. The LGU will finance the SDP through its own MTB Program and the Local Council will continually include the implementation of SDP programs and projects within LGUs annual and mid term budgets (MTB). In order to include additional new projects four important questions must be asked:

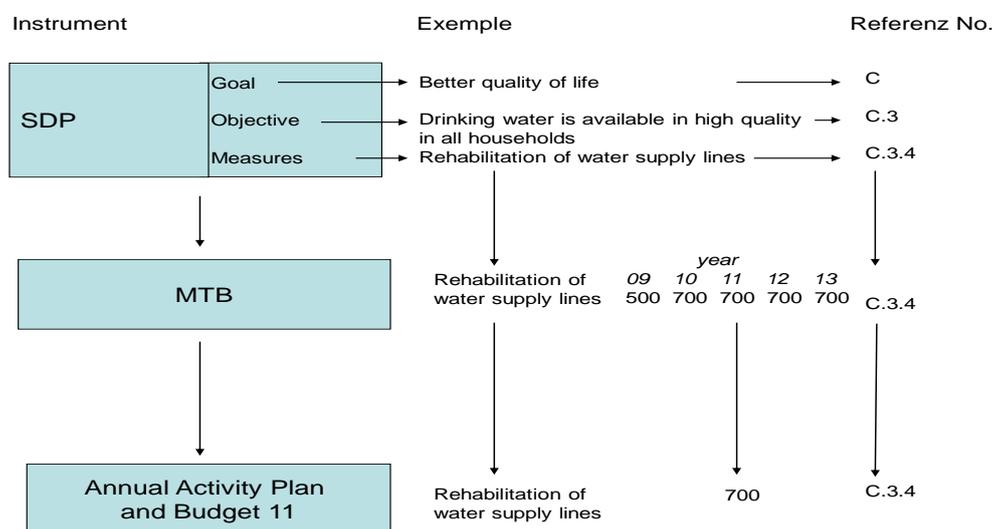
- ❖ How does this project rank in the LGU's priority list?
- ❖ What direct impact will it have on the strategic objectives?
- ❖ What capital costs will be incurred if it were implemented?
- ❖ Capital budget

It could happen that the implementation of a project extends beyond a one-year period. If that is the case, its costs will be planned within the annual budget, for each additional year until its completion. Also, during the pre-selection process of new projects, the technical staff has defined the timeline when the new projects should start and be completed to meet the strategic objectives. To identify the priority projects and their costs, it is necessary to choose the targets which will be financed within the annual budget or under the MTB Program period. There are two categories of outputs: (1) outputs planned to be completed within one year and (2) outputs which may be planned to be completed over a longer period of time. Projects/Outputs during the MTB Program period may be proportionately planned over the three year period depending on their priority, cost and capital budget. For example, if the total cost of a strategic target is known, and 1/3 of this



strategic target needs to be achieved during the current year, then the strategic target will be achieved in three years, with appropriate expenditures in each year (See Appendix 5). Figure 9 below shows the top – down process of linking the goals and strategic objectives to concrete projects within MTB Program and the annual budget.

Figure 9. Linking activities with strategic goals and objectives¹⁴



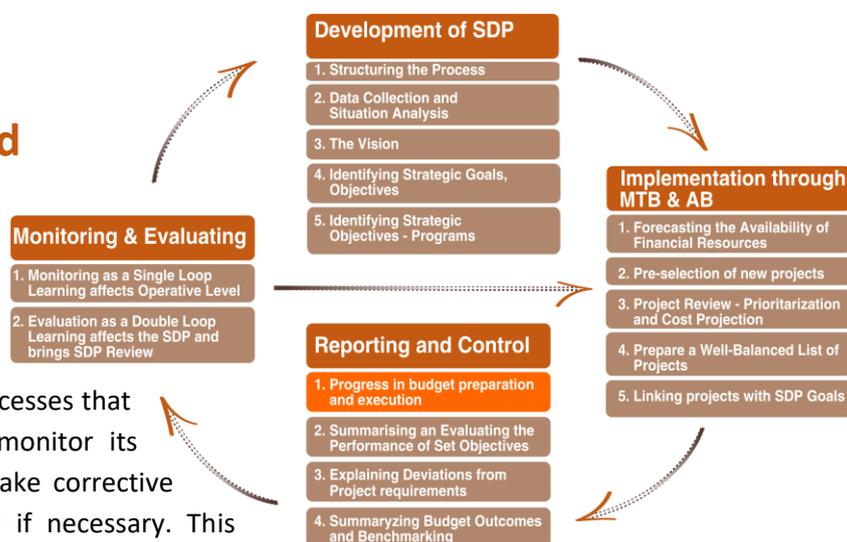
According to figure 9, the MTB Program is a good vehicle for translating policies into programs and ultimately into spending plans. It also shows how the strategic objective “High quality potable water available in all households” is translated into a concrete project under the MTB Program “rehabilitation of water supply lines” where the funds are allocated over the MTB period and annual budget, while the funds required during the first year are planned within the annual budget. As shown in the figure above, the system of codes is another important instrument used in the planning and budgeting process. For each objective, the COFOG classification codes and program codes will be used. These codes are used in reporting to the treasury and are standard for all LGUs systems in Albania. According to the specifications in step 4, every Goal will receive a code from “1-5”, for example “G1”, “G2” etc. Once objectives are classified by Goal (our Manual suggests 2 strategic objectives for each goal, for a total of 10 strategic objectives), a list of objectives is compiled and every objective will receive a code from “1-10” for example G101, G102, G201 etc. The program budgeting code system will be as follows: Goal“X” Objective “X” Program Code P000XXXX which means "GXOXPO00XXXX". For example, if the “Rehabilitation of the water supply lines” is a capital project of the MTB Program it will be categorized under “Water supply sanitation”. It’s program code will be “P0004530” and since it is related to Goal “G1” of strategic objective “O1” it will be recorded under the code: “G1O1P0004530”.

This code system ensures vertical integration of objectives with concrete projects within the respective programs. It means that all expenditures can be classified under annual projects/outputs, and it can identify which strategic objectives have been met through any given set of annual projects.

¹⁴ DLDP, phase II, Link between SDP and MTB - Stepwise Approach, Stefan Pfaeffli – 2010

3.3 SDP Reporting and Control

Now that the strategic document looks almost complete and most of its components have been described and analyzed, it's time to introduce the processes that ensure its implementation and can monitor its progress. This will allow the LGU to take corrective action and make changes, when and if necessary. This means that close attention needs to be paid to how resources are allocated, monitored, reported, and therefore are available for the implementation process.



ensure its implementation and can monitor its progress. This will allow the LGU to take corrective action and make changes, when and if necessary. This means that close attention needs to be paid to how resources are allocated, monitored, reported, and therefore are available for the implementation process.

3.3.1 Budget Control

LGU performance budget controls are a set of activities and procedures used to ensure the performance of Local Government Budget (LGB) Programs. They ensure the appropriate use of resources for defined objectives, outputs, and goals, a safety net in case mistakes and failures, and the provision of timely and accurate information needed for sound decision-making. Through current oversight of financial expenditures, the budgeting process must be harmonized with the LGU policy goals, and deviations must be precluded. Budgetary controls imply:

- ❖ Continuous progress in budget preparation and execution;
- ❖ Summarizing and evaluating the performance of set objectives;
- ❖ Explaining deviations from project requirements;
- ❖ Summarizing budget outcomes and benchmarking against project objectives and expected outputs.

There must be internal and external budget controls.

- ❖ Internal (management) controls are exercised within the LGU in a top-down fashion.
- ❖ External controls are exercised by the central government bodies authorized by law to exercise such controls.
- ❖ External controls is carried out by the local council

The main body for external oversight over the LGU budget is the LGU council. The council should form a commission from among its members to perform effective controls. It can also engage the services of an auditor. Controls within the LGU staff are exercised by staff directors or department heads. Permanent and general controls over LGU budget execution are exercised by the LGU head. He is responsible for the correct and timely performance of both financial transactions and all program objectives. The head of the LGU controls the implementation of the projects.

The external control of LGU budgets is performed by the the State Supreme Audit (Albanian-Kontrolli i Larte i Shtetit) and the respective Prefectures, within the limits of the law. The Government controls the execution of the LGU budget as regards the use of (1) targeted state

budget allocations to the LGU, including subventions, LGU budget allocations from privatization of state-owned assets in accordance with the law, and state financing of functions delegated to local governments, and (2) the use and repayment of loans (if applicable) from the state budget and other sources permitted by law through a government body authorized for this purpose by the national government.

3.3.2 Types of Control

The different kinds of LGU budget control are classified by (1) their timing during the budgeting process and (2) by area.

1. The categories of budget control by their timing during the budgeting process include:

- ❖ Preliminary control, which is exercised at the budget planning phase and is intended to check that the budget planning process is in accordance with the procedures and time lines specified by law and LGB decisions;
- ❖ Current control, which is exercised during the budget execution phase in order to ensure the execution of the budget;
- ❖ Final control, which is exercised during the budget audit and evaluation phase after the end of the fiscal year.

2. The categories of budget control by area include:

- ❖ Accounting and financial reporting controls. (a) Accounting controls include the procedures by which transactions are required to be recorded in the accounting system. Accounting controls also include the internal procedures within the accounting systems that are intended to detect and report to management any irregularities. A mechanism of account classification is created, according to which expenditures are made by areas of activity and programs of community structural units (i.e. by the performance budgeting unit). (b) Financial reports are designed to determine whether or not the financial performance of the local government body was appropriate, whether the legislative requirements were met, and whether reports were prepared in accordance with them.
- ❖ Performance and program controls: These controls ensure the linkage between programs and budgets, as well as expenditures and outputs during program implementation, followed by their evaluation upon completion. From the standpoint of performance budgeting, it is very important for resources to be spent on programs and for the expected results to be achieved. Controls help identify irregularities and enables corrective action.
- ❖ Process controls: These are the procedures designed to ensure that actions are taken only with proper authorization required by the process.
- ❖ Procurement controls: These controls cover the determination of needs for which LGB procurements are made and the incorporation of such needs in programs, the establishment of procurement procedures, the tender process, the transactions, and the documentation.
- ❖ Separation of duties: This is both a control measure and an indispensable element of many control systems. In essence, this control requires the presence of at least two individuals during each transaction in order to minimize the risk of improper action.

Internal audit: Effective controls of the LGU budget require the establishment of appropriate procedures. If special procedures of performance control have not been established, then the budgeting process turns into an accounting procedure. Establishing a formal control procedure consolidates the budget management process. Proper organization and implementation of LGU

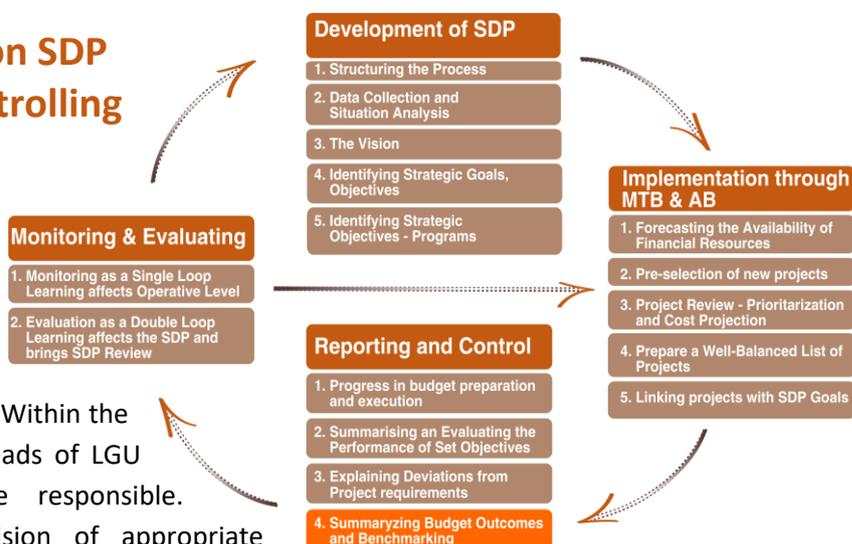
budget controls through checks will have positive results, including the following:

- ❖ Conducting formal checks influences the behavior of staff during the period in-between checks;
- ❖ The participants of the audit acquire mutual understanding on the activities performed;
- ❖ Checks promote cooperation between the representative body (the LGU council) and the executive (the LGU head); and
- ❖ Checks reveal mistakes and create the basis for corrective action.

LGU budget controls and regular checks enable LGU heads and project officers to take corrective action in order to achieve the defined objectives in time. Timely checks are used to identify significant anomalies and the reasons for the irregularities and to develop recommendations for corrective action.

3.3.3 Conclusions on SDP Reporting and Controlling

Planned programs become reality during the budget execution and control stage. The LGU head is generally responsible for budget execution by carrying out the functions vested in him/her by law. Within the limits of their authority, all the heads of LGU staff structural units, too, are responsible. Accountability ensures the provision of appropriate information on the execution of the LGU budget. Internal accountability takes place within the LGU staff from the lower ranks of staff to the LGU head and council, while external accountability is with respect to public administration bodies and the LGU residents. The Albanian legislation regulates accountability in more detail (please refer to respective Laws).



LGU budget control ensures the regular planning (preliminary control), the budget execution (current control), and evaluation (final control). Control allows LGUs to identify the shortcomings and deviations within the budgetary process and to take corrective actions.

Performance budgeting places a very strong emphasis on the final stage of the budget process, i.e. the budget audit and evaluation. Under an expenditure budget, audit is mainly about checking whether the annual financial transactions were in conformity with the established rules. A performance budget is based on strategic planning and budgeting, with a primary focus on performance outputs. The traditional scope of the relevant audit grows in this way. It also reflects accomplishments and outputs.

The LGU should have internal audit designed to improve the performance of the organization and external audit conducted by an organization that is independent from the LGU and is performing the

audit on the basis of a contract. External audit is performed by specialized organizations, which issue a rather objective and precise opinion on the financial transactions and programs carried by the LGU. Financial and performance audits are carried out by a certain process, including a sequence of steps that needs to be maintained in order to reach the right conclusions. A performance audit is carried out from the perspective of the service provider to evaluate efficiency and effectiveness, while project evaluation is performed from the standpoint of the service beneficiary, specifying the project objectives and the impact of outputs on beneficiaries.

When evaluating a project, it is necessary to answer questions as they relate to:

- ❖ the conformity of the project to LGU priorities;
- ❖ activities and outcomes being in line with the project goal;
- ❖ the planned project impact being compatible with the needs of the target population;
- ❖ the sustainability of any positive change anticipated as a result of the project after the project ends;
- ❖ the way in which different revenues can be sparingly and efficiently converted to outputs,
- ❖ the achievement of project objectives;
- ❖ the specific gains of service beneficiaries from project implementation or the broader public gains and;
- ❖ the availability of alternative solutions or projects to achieve the goals and outputs with greater cost effectiveness.

Different methods of project evaluation are known, each of which is characterized by a unique process. It ends with budget summaries that are reflected in each recommendation of the final report and become the basis for performance budgeting. This way, the LGU council members can use the information and move from horizontal decision-making to vertical decision-making based on project execution.

3.4 Monitoring and Evaluating (M&E)¹⁵

“If you don’t measure results, you can’t tell success from failure; - if you can’t see success, you can’t reward it; - if you can’t reward success, you’re probably rewarding failure; - if you can’t see success, you can’t learn from it; - if you can’t recognize failure, you can’t correct it; - if you can demonstrate results, you can win public support; What gets measured gets done!”¹⁶

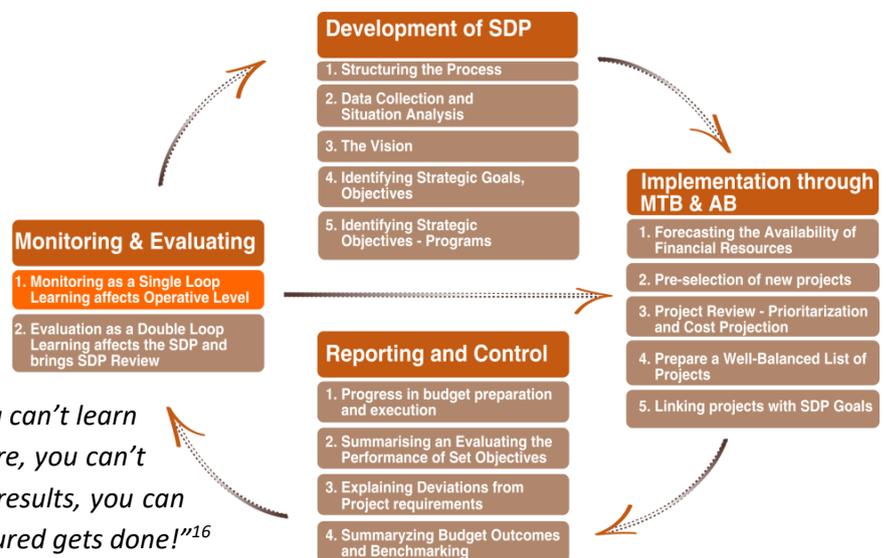


Table 6. What is Monitoring?

¹⁵ Monitoring & Evaluation: Some Tools, Methods & Approaches (World Bank), 2004

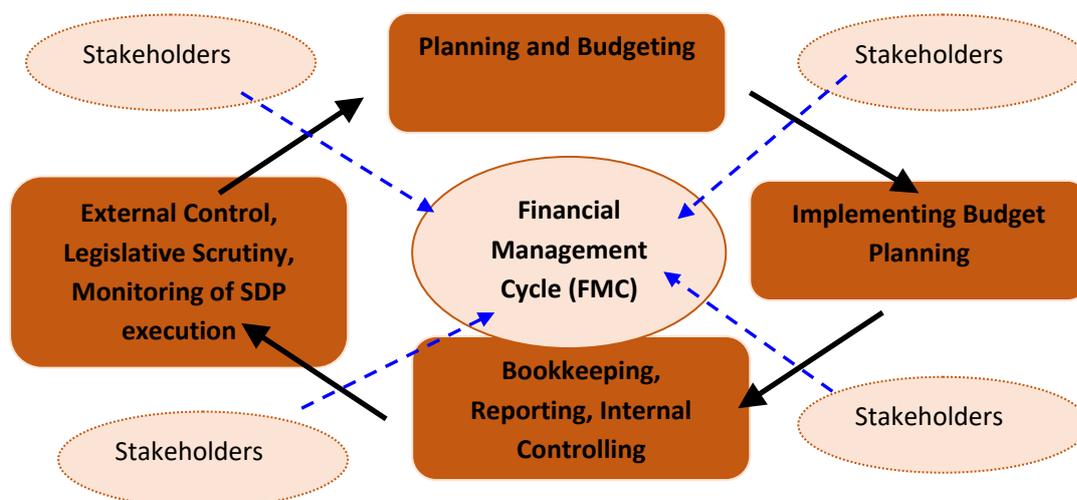
¹⁶ Performance and Financial Management, Supporting Local Community Planning, A manual for Albania Municipalities (see no. 9 to references)

Monitoring is the systematic collection, analysis and use of information about the progress of a project or a program in within a time period. It provides opportunity to find out about the problems and to solve these problems during the implementation. It's based on the objectives set and activities planned during the planning stages of the process by helping to maintain focus and increased management capabilities. If done properly, it is an in-valuable management tool and provides a useful basis for program evaluation. It shows us whether available resources are sufficient, are being used effectively, and if the LGU is doing what they have planned or not. Monitoring is a mechanism which serves to control what the program is achieving according to plan and it is the first step of the evaluation process. It is a continuous process on progress assessing. Monitoring includes indicators related to inputs, outputs and activities that are defined during the planning of programs or activities or during MTB Program preparation. In monitoring process, it is recommended for all the LGUs to define the monitoring indicators at the planning stage of MTB Program. In many cases, it is very difficult for all the local government units to report on SDP monitoring, because they do not have any standardized system in providing reports related to this document. At this point, they are systematic reports contributing on measuring progress on the Outputs of programs / sub-programs and projects and to identify impediments related to them.

Traditionally, the monitoring and evaluating systems are different depending on the specifics of each LGU. However, in most cases the basic form of reporting is the financial analysis of last year or that of the past two years. At present, LGUs which have elaborated a SDP are reporting only on the preparatory phase of the plan. This means that there is a discrepancy in their reporting between what is planned and what is being implemented in practice. In many cases, LGUs report on many capital projects that are not included in SDP, thus not able to report on the SDP progress. In this framework, monitoring & reporting involves the process of assessing performance of LGUs based on performance indicators as defined during the planning process.

According to this logic “Local government performance is the primary concern to every citizen in the community because there is an expectation that all the local government resources are to be used efficiently in providing the highest level of public services. In exchange, the local government has the responsibility to ensure that the programs that SDP provides meet their stated objectives and are cost effective. Performance indicators in at the local level can guide the process of resources allocations and communicate the goals, objectives and effectiveness of programs to their community¹⁷”.

Figure 10. Financial Management Cycle



¹⁷ Local Government Budgeting Toolkit, Michael Schaeffer

Bookkeeping, reporting and internal control are important elements in the financial management cycle. They help increase LGUs performance by determining concrete steps in achieving the strategic goals and objectives, providing control and oversight whether the budget is implemented as planned. Also by identifying achievements and impediments during its execution they allow the LGU to take necessary and effective corrective action. They are considered as successful procedures for learning from past experiences, improving services provided, planning and allocating financial resources according to strategic objectives in order to achieve the best results for all the stakeholders in process.

3.4.1 Relationship between Monitoring and Evaluation - Why Do We Monitor and Evaluate

Even though the terms “Monitoring and Evaluation”

are often seen as interchangeable concepts, they are two separate groups of activities, closely related to each other but not identical. As systematic processes, they operate on the basis of gathering, analyzing, interpreting, and reporting information for two main purposes: (1) making decisions and (2) creating accountability.

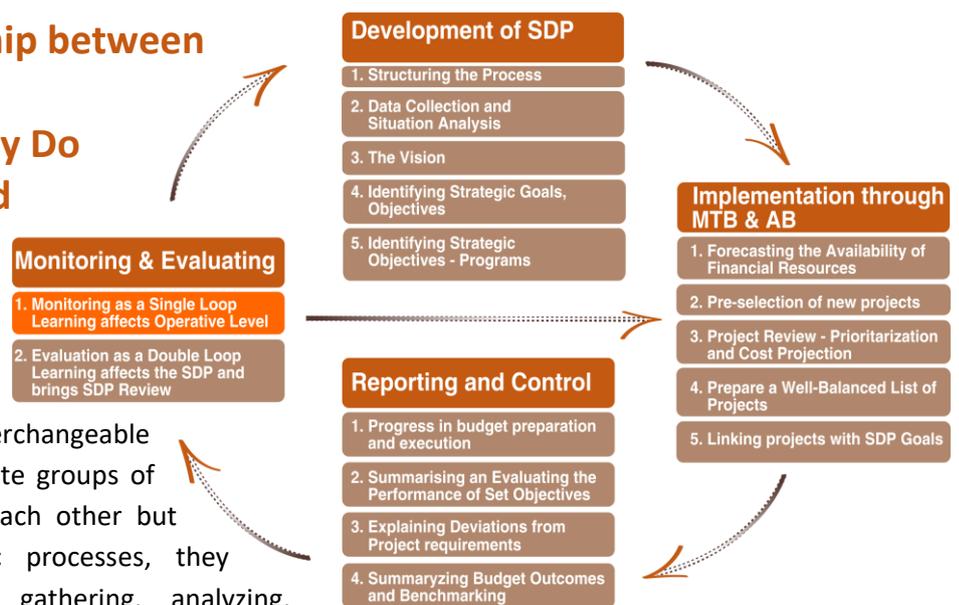


Table 7. What is Evaluation?

Evaluation is an in depth analysis of the performance of a project or program. It provides information about a project whether it has achieved its objectives or not. The main principle of the evaluation process is that it compares the impact of current programs or projects planned in the strategy documents focusing in what is planned to be achieved, how is it done and the differences between the two. Evaluation is an assessment of impact, efficiency, effectiveness and sustainability of a concrete intervention through Outcome and Impact indicators. It takes place in the middle or towards the end of a longer lasting strategic planning period (legislative period, program period, etc.) It is also seen as a strategy review process assessing the LGUs’ direction, where they are going and whether they need to change strategic direction.

Questions: What is the relationship between monitoring and evaluation? When does one finish and the other one begins? Why are these processes important? Why do we monitor and evaluate? Who is responsible for carrying out these processes? To give a correct answer to each of these questions let’s look at Table 10, which lists the main characteristics of both processes.

Table 8. Characteristics of Monitoring and Evaluation

According to:	Monitoring Programs and SDP implementation	Evaluation of Programs and SDP implementation
What	Monitoring is a continuous process of collecting information on programs and projects aspects. It helps decision makers focus on project/program implementation.	Evaluation includes “a review” of the program/project impact or effects. It analyzes and evaluates all the information of the monitoring process.
Goal	Monitoring is comparing achieved SDP and program results with planned results, based on relevant information. The current status of SDP and program implementation is assessed.	Evaluation includes “a review” of the program/project impact or effects. It analyzes whether the broad strategic goals have been reached and whether these goals are still appropriate.
When	Carried out annually, at the end of a fiscal year.	Carried out in the middle or towards the end of a longer lasting strategic planning period (legislative period, multi-year program period, etc.).
How	Monitoring may be carried out from local staff or citizens by direct investigations, and information system of management.	Internal evaluation may be carried out from project manager or local staff. External evaluation may be carried out from external experts, donators or agencies.
Why	It provides managers with all the information on the current situation of the program/ project, and SDP implementation to identify problems, to find solutions and to measure progress towards results provided. It helps the decision makers in their decision making about human, financial and material resources, and minimizing the unnecessary costs of the program.	Evaluation is an official process that documents the achievements as follows: <ul style="list-style-type: none"> - Progress on Action Plan - Implementation of the respective activities - Goal achievement - Program effectively - Program Impact - Program efficiency - Relevance of strategic goals and appropriateness of program approach.
Information types	<ul style="list-style-type: none"> - Is focuses more on quantity - Internal process 	<ul style="list-style-type: none"> - Is focuses more on quality data - External process

3.4.2 Performance Indicators

SDP is linked to performance measurement indicators, which are used for assessing the progress of SDP implementation. If the performance indicators are not defined systematically at the planning stage the LGUs cannot identify their success.

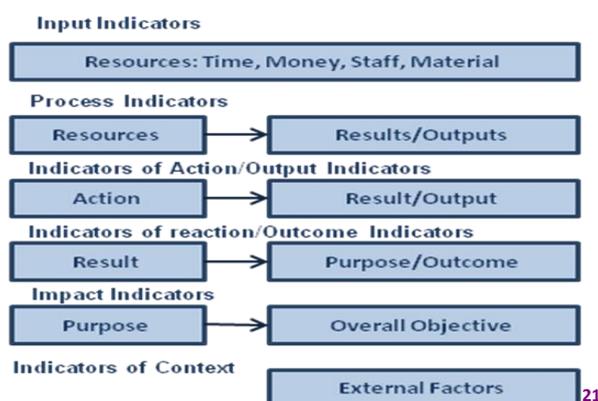
Table 9. What are Performance Indicators

Performance indicators are measures of project impacts, outcomes and outputs that are watched during project implementation to assess progress toward project objectives¹⁸.

Indicators show progress of a predicted situation to change. An indicator can be defined as a pointer that helps us understand where we are, where we are going and how far we are from the goal/objective. Therefore, it can be a sign, a number, a graph and so on. It must be a clue, a symptom, a pointer to something that is changing. Indicators are presentations of measurements. They are bits of information that summarize the characteristics of systems or highlight what is happening in a system. According to a more rigorous definition "An indicator quantifies and simplifies phenomena and helps us understand complex realities. Indicators are aggregates of raw and processed data but they can be further aggregated to form complex indices." Examples of traditional indicators or indices used in measuring the social, economic and environmental welfare are: the Gross National Product, the unemployment rate, the price index, life expectancy etc...¹⁹

During the implementation stage, accounting and reporting provide particular information, for which, again, indicators are used. Obviously, the planned performance indicators, will be the starting point for internal and external control, legislative scrutiny, monitoring and evaluation. However, during implementation, managers will also be interested in other aspects of the intervention, like depletion of funds or specific bottlenecks caused by external factors. In this context, some organizations distinguish input indicators, output indicators, etc. referring basically to the type of overview they are used for.²⁰

Figure 11. Indicators and Focus of Monitoring



¹⁸ Performance Monitoring Indicators Handbook, World Bank 1996 pg.1

¹⁹ International Institute for Sustainable Development (IISD)

²⁰ MDF/tool-Indicators

²¹ MDF/tool- Figure 3, pg 4.

According to the above specifications, Nayyer - Stone²² (1999) considered four primary types of performance indicators: input, output, outcome and efficiency indicators.

When measuring performance we are trying to answer the following questions:

- ❖ Are the services expected being delivered? (output)
- ❖ Are the services being delivered at an acceptable cost? (input)
- ❖ How efficiently are the inputs translated into outputs? (efficiency)
- ❖ How effective are these outputs at producing the desired outcomes? (outcome / impact)

Performance indicators related to outputs describe what is to be measured in terms of:

- | | |
|------------------|---|
| ❖ Quantity: | Outputs in term of how much, how many |
| ❖ Cost: | Cost of producing the planned or the realized output |
| ❖ Quality: | Standard achieved based on customers needs or satisfaction |
| ❖ Efficiency: | Cost per unit |
| ❖ Effectiveness: | The degree to which the program meets its outcome and impact objectives |

Let's give some case by case examples of performance indicators used in the outputs monitoring process:

- ❖ Output indicators
- ❖ Input indicators
- ❖ Outcome indicators
- ❖ Impact indicators
- ❖ Cost indicators: cost/unit, cost/material, cost/article, cost/km clean/build, cost/household served, cost/taxpayer served etc
- ❖ Efficiency indicators: cost of collecting one ton garbage, volume of garbage collected/worker etc
- ❖ Effectiveness indicators % increase in local revenues, % of clean streets etc

Indicators can be presented in a quantitative or in a qualitative way:

- ❖ Quantity indicators: number of health treatments, number of registrations carried out, number of LG staff trained, number of km served, number of new staff, number of families served etc.
- ❖ Quality indicators: % of citizen satisfaction increase; % of citizens who evaluate the cleaning service "good" and "very good"

²² Local Government Budgeting Toolkit Michael Schaeffer, 2003

In the Table below there are some specifications on indicators used in performance measurement:

Table 10. Specifications on Input and Performance Indicators

Type of Indicators	Definition	Example
Input Indicators	Measures costs to achieve the desired outputs. They provide information on the financial, human, material and technical resource used to implement a program or to deliver a service.	<ul style="list-style-type: none"> - budget - staff, employees - equipment needed - supplies used
Output Indicators	Measures whether a set of activities or processes yields the desired products/services/results – essentially effectiveness indicators. They show the volume of the work done representing the product of the program activities.	<ul style="list-style-type: none"> - km of road builds, - km of roads maintained - ton waste collected
Outcome Indicators	Measures the quality as well as the impact of products/services/results in terms of the achievement of overall objectives. They show the program advantages for the direct beneficiaries.	<ul style="list-style-type: none"> - % of roads in good conditions → outcome - % of new business activities generated from the construction of the new road → impact - % of the citizen satisfaction on cleaning service etc. → impact
Efficiency Indicators	Measured by relating outputs to inputs, expressed by cost/unit of output. While effectiveness in itself is measured by the outcome, it is usually combined with cost information to show “cost effectiveness”.	<ul style="list-style-type: none"> - cost/ton waste collected - cost/m² road build - cost/ m² road maintained

It is very important that all the indicators must be defined during the preparation of MTB Program and they must be related to the program outputs. There are a lot of indicators linked to each output or program activities but, at least, two performance indicators with respective targets for each output should be used. There are some key criteria in the selection of performance indicators²³:

Table 11. Criteria’s in Defining Performance Indicators

Relevance	to be relevant for the program implementation goals, objectives and activities
Measurability	to be tangible and easy to calculate; information should be available
Clarity	to be clear and easily understandable for both local staff and the beneficiaries
Simplicity	to be easy to use and analyze
Importance	to provide important information on program outputs and achievement of program goals

An indicator may have several values over time, e.g: the local revenues in the last three years, funds for cleaning service in last three years, unemployment rate, inflation rate etc. A good indicator should provide simple information that both the supplier and the user can easily communicate and understand.

²³ Local Self Governance Manual/Urban Institute Program, 2003 and “Performance Budgeting in Local Self – Government System”/UNDP 2006 Armenia

3.4.3 Gender Indicators - Reporting & Monitoring

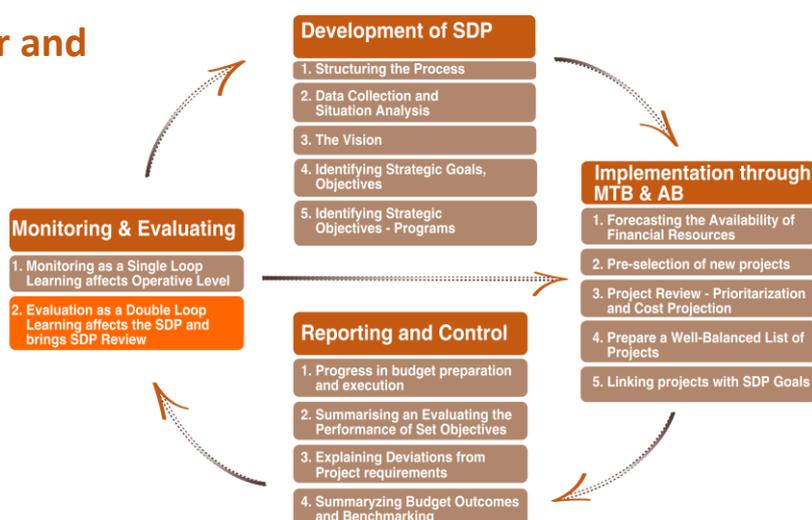
Gender-sensitive indicators have the special function of pointing out gender-related changes in society over time. Their usefulness lies in their ability to point to changes in the status and roles of men and women over time, and therefore to measure whether gender equity is being achieved. Because the use of indicators and other relevant evaluation techniques leads to a better understanding of how results can be achieved, using gender-sensitive indicators will also feed into more effective future planning and program delivery.²⁴

Table 12. Example of Activities, Applicable to SDP Implementation Plan

Concrete activities for the achievement of the objectives should be included in the Gender Action Plan of the LGU, i.e.:
<ol style="list-style-type: none"> 1. Encouraging self-employment in the traditional local handicraft activity, especially for women. 2. Encouraging emigrant investments in the city through offering fiscal incentives and legal aid.
<p>Examples of indicators, applicable to SDP monitoring and evaluation report:</p> <ul style="list-style-type: none"> - Increasing employment opportunities for women and men - Increasing access to the labor market for women and men - Increasing self-employment with special focus on women's needs - Ensuring social services for specific target groups (such as, women heads of household, disabled people, retirees) - Increased percentage of male and female employees in the private and public sector. - Increased number of private businesses directed by women and men. - Started up and expanded new businesses based on the handicraft development to support local tourism. - Increased level of per capita income (sex-disaggregated) compared to national average income - Social services promoting employment and improvement in the quality of life established for and accessible to specific target groups. - New businesses created by emigrant and residents living in the LGU due to the technical, legal and financial assistance provided by the LGU.

3.4.4 How to Monitor and Evaluate a Program?

The table below shows the connection between program goals and objectives with performance indicators, (e.g. sanitation function).



²⁴ Guide to Gender Sensitive Indicators - CIDA (Canadian International Development Agency)

Table 13. How to Monitor and Evaluate a Program Linked to Performance Indicators

Sector	05 ENVIROMENT PROTECTION
Program 10	05101 Waste management
Strategic Goal	Satisfied citizens regarding the waste collection service provided
Strategic Objective	To increase the waste collection from 60% - 90% by the end of 2013
Service Goal	To ensure a clean and safe environment within the next three years by a 30% increase in the volume waste collected and increasing collection frequency
Objectives	To increase waste collection from 2 000 tons currently to 5 000 tons by the end of 2013 (3 000 tons waste collected)
Inputs indicators	Number of trucks used for collection (2) Expenditures for the waste collection service (10 000 \$ / year) Number of containers for service delivery (200) Number of staff
Outputs indicators	Volume of trash collected (100 tons) Number of families served (e.g 2000) Kms of cleaned streets in relation to total (5/7 km) or Surface of the city served (85% of the total surface) Number of sanitation workers (35)
Outcomes indicators	Degree of citizen satisfaction (90%) Decrease in public complaints (100 from 200) Number of deviations from waste collection schedule Volume of uncollected waste
Efficiency indicators	Costs / ton of waste collected (100\$ / ton) Cost of waste / household / year (20\$ / household / year) Volume of waste collected / worker / truck

Performance measures can be used in several ways:

- ❖ Controlling costs – enables program management teams to identify costs that are much higher or lower than the costs approved for specific programs or outputs and analyze the differences between planned and actual costs.
- ❖ Comparing costs – enables program management teams to analyze program performances and compare the cost of one program with another.
- ❖ Resource allocation – controlling and comparing costs will guide the program management teams in defining of the program expenditures and program budget ceilings.

There are two findings which should be considered during the process of preparing, implementing, monitoring & evaluation of a MTB Program linked to SDP:

First: The SDP, as a comprehensive plan, includes all the projects within a local government unit, by sector, while the MTB Program considers only capital projects linked to a municipal function, e.g. the construction of a new hospital can be part of SDP but it is not a municipal function.

Suggested solution linked to this case: *The capital project (output) will be part of SDP, but during the **Monitoring and Evaluation** of this output Local Government Unit needs to exchange information with the other institutions operating (e.g: general education office) under their administrative territory.*

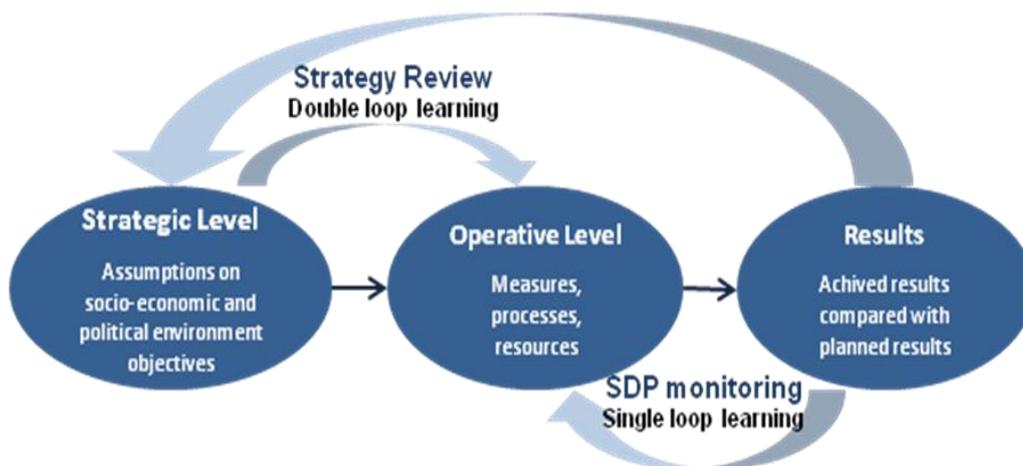
Second: Funds from grants and donations are two other funding sources for capital projects. However, because of their unpredictable nature they can not be included in the preparation of the MTB Program. The LGUs should be aware of this restriction and take it into account when they monitor and evaluate the MTB Program linked to SDP priorities.

Suggested solution linked to this case: *LGUs can provide reports on the output provided based on their resources allocation according to each capital project and they must identify the type of funding (own funds, borrowing, conditional grant, competitive grant, donation).*

Performance monitoring reports serve to inform policy makers, stakeholders and the general public about the program performance in relation to the public services provided. The monitoring and evaluation of the MTB Program should help LGUs in measuring the progress made according to priorities and strategic objectives. While monitoring is the first step in measuring progress, evaluation is the main component in measuring program impact (results) and in re-evaluating or reformulating the strategic goals and objectives of SDP.

The figure below illustrates the difference between SDP monitoring (single loop) and strategy review based on evaluation (double loop). SDP monitoring can take place every year through the annual budget. According to this figure, during SDP monitoring, progress is reported based on the actual allocation of financial resources and is measured through achieved results versus planned results. During the second stage, LGUs will instead re-evaluate the progress made based on results achieved. So, if the inputs are used, then outputs are produced and if outputs are produced then a result is achieved. Based on the results achieved, a new SDP process may be considered from the beginning or partially.

Figure 12. SDP Monitoring and Review²⁵



On the one side, we provide a system that has a single loop learning, which refers to the monitoring report in assessing performance of inputs, outputs and process indicators, measuring processes and resources, and where evaluation is related to results achieved (output). Therefore, the implementation of each SDP should be monitored annually based on indicators, which target the SDP objectives.

On the other side, we have introduced double loop learning which refers to double cycles of the strategy progress at a higher level. The first cycle is introduced when the LGU is going to carry out the evaluation process. It intends to measure the degree to which the goals and objectives of the SDP are being met. Within this framework, the evaluation process may be carried out when LGUs need to reevaluate their action plans or review and reformulate their strategic objectives related to strategic goals from the beginning.

The second cycle is introduced only after a longer period of time, e.g. 10 or more years into the implementation stage, or in exceptional cases, when a review of the SDP is deemed necessary. It is recommended to conduct an evaluation of the impact of the strategy implementation in relation to the goals of the SDP. The findings of the evaluation serve as feedback for the strategy review process.

The monitoring of the SDP implementation can be considered as single loop learning where corrective measures only take place at the operative level, while the strategy remains intact. By contrast, the SDP review is double loop learning. Here, the strategy is scrutinized and only after this step, action is taken at the operative level.

²⁵ Report on September 10 Mission, Prof. Stefan Pfäffli

4. Challenges for LGUs and Steps to be followed

4

Now that we have explained the steps to be followed for designing, implementing, controlling, reporting and monitoring the Strategic Development Plan linked with the Medium Term Budget Program and have provided real-life examples for each of these steps, our attention will focus on the main challenges that Albanian LGUs are facing in the process of preparing their strategic development plans. These challenges are classified into five main categories:

(1) Cooperation and Coordination Horizontally, Vertically and Externally

One of the key challenges Albanian LGUs face in preparing the SDP linked with MTB Program has to do with the changes in the financial management practices at the local level. The design of fiscal strategy and management of the budget at the local level are no longer the sole responsibilities of the finance department. Instead, they are being shared with several structures within the local government, including Program Management Teams as suggested in the relevant MTB Program guidelines. This change requires first of all a good understanding of the process on the part of top LGUs officials, as well as the local staff involved in the process. For this reason, one of the first recommendations for improving the process has to do with the involvement of mayors and LGU senior managers in educating their staff about the whole process and its implications at the local level. It is very important that members of the local councils, who are directly responsible for the approval of the process and the final SDP document, also participate in these training sessions or workshops.

Following the above recommendation and given that the budgeting process has already become a more open process, it is necessary that local governments themselves take measures to ensure that

senior management who will be involved in the MTB Program preparation and management are trained properly.

(2) Predictability of Funds

In principle, to ensure predictability, medium-term budget estimates should be divided into spending units and programs. Economic analysis methods are required for analyzing the local revenue trends, their impact on project implementation and LGUs policy objectives. In practice, the locally generated revenues should increase annually, meanwhile the projections for expenditures should be equal to the budget forecasts for the first year of the planned medium-term. Providing indicative funding levels at program level has the strong advantage of encouraging Program Management Teams over the medium term to adapt their programs within the budget ceilings. Planning in variants becomes a valid tool that enables them to finding different alternatives for financing their program objectives.

Under the decentralization process, additional functions have been delegated from the national government level to the local level increasing not only LGUs' responsibilities but also impacting their budgets, especially "capital budgets". As long as the decentralization process is still on going, those responsibilities and other new responsibilities need to be taken into consideration during the formulation of LGUs' policies and program objectives. On the other hand, both competitive grants and donor funding will be considered as two obstacles in forecasting local budgets. However, to achieve these objectives, medium term expenditure programs must be based on sound revenue forecasts, which can be difficult to prepare in an unstable economic environment.

The forecasting process becomes more difficult when the MoF systematically re-evaluates the macroeconomic framework and inflation rates and the price basis of the estimates. Under these limitations, the future costs of capital projects must be systematically reviewed and priority should be given to improving the preparation of the annual budget.

An explicit "contingency reserve fund" should be included in the multi-year budget estimates. Three types of contingencies can be identified when estimating the required level of this fund: (a) technical contingencies that take into account changes in key economic parameters (for example, the inflation rate, price changes) and the actual implementation of programs (for example, unexpected increases in the costs of a construction project); (b) a policy reserve, for future new programs not yet defined explicitly and (c) cash flow attitudes

(3) Human Resource Requirements

Obviously the process of SDP preparation linked with MTB Program at the local level requires knowledge and skill: first, to understand the importance of the document and second, to design and implement it in such a way that local strategies are coordinated with those at the national level. Although there have been some donor initiatives to organize informational meetings about the SDP process and document preparation, at present little has been done in this regard. The entire process of drafting the document must be preceded by a series of training sessions and workshops with the local government, in which the obligations of the local government are clarified, and the steps for the document preparation and other relevant issues regarding its implementation and monitoring are addressed.

(4) Technical Requirements for SDP

It is necessary that the process of SDP preparation linked with the MTB Program be accompanied by (1) a complete legal framework, (2) establishment and use of generally accepted terms, and (3) specific steps and guidelines for each step in the process. Some guidelines (guideline 20/1, 20/2 and 20/3 associated with the relevant Annexes) are prepared regarding MTB Program preparation for the years 2010 - 2012 at the local level. Explanations about the structure, responsibilities, steps, procedures, deadlines, and transfer functions are given in these guidelines, but the context for multi-year budgeting program introduction at the local level and how this instrument will be integrated with its counterpart at the central level is missing. So, for a better understanding of the overall managing framework of the MTB Program preparation at the local level it is recommended that you refer to Guideline 20/1 of 26/02/2009 which is the relevant framework at the central level. The same is suggested as regards management procedures of public investments. Since one of the main purposes of the SDP preparation linked with MTB Program is the coordination of sectoral and inter-sectoral policies at the central level with other strategic documents at the local level, capital investments are one of the most important elements in which the document should focus. It is therefore necessary that more information is provided regarding public investment management and how the coordination between central and local governments should take place.

5. Appendixes

Appendix 1²⁶: Table showing the relations between Vision, Mission, Goals, Objectives, Programs and Projects

Appendix 2: Table showing Fiscal Policies and Revenues Forecasted from LGU (2011 – 2013)

Appendix 3: Planning Capital Budget²⁷ on MTB Program²⁸ (illustrate model)

Appendix 4: Matrix of Prioritization of new Capital Projects within MTB Program related to SDP²⁹

Appendix 5: Project Identification Form

Appendix 6: Planning new projects over multiple years

Appendix 6.1: Annual budget allocation for new projects

Appendix 7: Schedule on Priority Objectives, Outputs and Performance Indicators

Appendix 8: Performance indicators used in program monitoring - model

Appendix 9: Explanation of important technical terms

²⁶ Reference Strategic Plan for Economic Development 2005 – 2015, Municipality of Shkodra, pg. 51

²⁷ For more information on the Capital Budget and Capital Investment Plan, please refer to Manual on Capital Investment Planning, Co-PLAN 2009

²⁸ The numbers used in this table are unrealistic

²⁹ Example elaborated based on data from Strategic Plan for Economic Development 2005 – 2015, Municipality of Shkodra

Appendix 1³⁰: Table showing the relations between Vision, Mission, Goals, Objectives, Programs and Projects

Local Government Unit: SHKODRA					
VISION:					
Shkodra will be an important economic, educational and regional exchange centre that will develop in harmony with the city's history, culture and people, becoming, with its outstanding natural environment, an attractive place in which to live and work and to visit					
Goals	Objectives	Program related to Strategic Objective (code)	Projects / Outputs	No.	Value (€)
GOAL 1: Shkodra with an attractive local economy and dynamic business environment, where support and encouragement is provided to the production, trade, tourism and service businesses operating successfully within the regional markets	G1: O1: Increase by 20% the total number of businesses operating within the Industrial Zone by 2008	G1:O1:P0010140	G1:O1:PG0010140:p1: Improvement of the electricity supply within Industrial Zone	1	344 000
			G1:O1:PG1:p2: Improvement of street lighting within Industrial Zone	2	139 200
	G1: O2: Increase from 3 to 8 the number of mechanisms that provide services and support for SMEs within the city by 2010	G1:O1:P0004530	G1:O1:PG0004530:p1: Establishment of a 'One-Stop-Shop' in Shkodra City Hall	3	16 000

³⁰ Reference Strategic Plan for Economic Development 2005 – 2015, Municipality of Shkodra, pg. 51

Appendix 2: Table showing estimation of budget resources from FPT (Financial Planning Tool) (E1)

(F1) BUDGET RESOURCES								
			-2	-1	0	1	2	3
			Year t-2 (actuals)	Last year (actuals)	Current year (expected end of year outturn)	Current year (expected end of year outturn)	Year t+1 (expected)	Year t+2 (expected)
A	REVENUES FROM OWN SOURCES		-	-	-	-	-	-
A.1	REVENUES FROM LOCAL TAXES		-	-	-	-	-	-
A.1.1	Local tax on small business		-	-	-	0	0	0
A.1.2	Tax on immovable properties		-	-	-	-	-	-
A.1.2.1	Tax on buildings		-	-	-	0	0	0
A.1.2.2	Tax on agricultural land		-	-	-	0	0	0
A.1.2.3	Tax on urban land		-	-	-	0	0	0
A.1.2.4	Tax on property transactions		-	-	-	0	0	0
A.1.3	Local taxes on hotel service		-	-	-	0	0	0
A.1.4	Tax on infrastructure impact of new buildings		-	-	-	0	0	0
A.1.5	Tax on tables		-	-	-	0	0	0
A.1.6	Local Taxes on revenues derived from donations, inheritances, testaments and local lotteries		-	-	-	0	0	0
A.1.7	Temporary taxes	aaa	-	-	-	0	0	0
A.1.8	Temporary tax 1	bbb	-	-	-	0	0	0
A.1.9	Temporary tax 2	ccc	-	-	-	0	0	0
A.2	REVENUES FROM SHARED TAXES (GRANTS)		-	-	-	-	-	-
A.2.1	Tax on sale of real estate / immovable property		-	-	-	0	0	0
A.2.2	Annual tax on circulation of used vehicles		-	-	-	0	0	0
A.2.3	Tax from mine rent		-	-	-	0	0	0
A.2.4	Personal income tax		-	-	-	0	0	0
A.2.5	Other taxes		-	-	-	0	0	0
A.3	REVENUES FROM LOCAL FEES		-	-	-	-	-	-
A.3.1	Fee on waste management		-	-	-	-	-	-
A.3.1.1	Fee on cleaning for families		-	-	-	0	0	0
A.3.1.2	Fee on cleaning for institutions		-	-	-	0	0	0
A.3.1.3	Fee on cleaning for businesses		-	-	-	0	0	0
A.3.2	Fee for waste collection and disposal		-	-	-	0	0	0
A.3.3	Fee on public lighting		-	-	-	-	-	-
A.3.3.1	Fee on public lighting for families		-	-	-	0	0	0
A.3.3.2	Fee on public lighting for institutions		-	-	-	0	0	0
A.3.3.3	Fee on public lighting for businesses		-	-	-	0	0	0
A.3.4	Fee on greenery		-	-	-	-	-	-
A.3.4.1	Fee on greenery for families		-	-	-	0	0	0
A.3.4.2	Fee on greenery for institutions		-	-	-	0	0	0
A.3.4.3	Fee on greenery for businesses		-	-	-	0	0	0
A.3.5	Fees on municipal administrative services		-	-	-	-	-	-
A.3.5.1	Fee on municipal administrative services		-	-	-	0	0	0
A.3.5.2	Fee on licenses, permits and authorizations		-	-	-	0	0	0
A.3.5.3	Fee on territory development and control		-	-	-	0	0	0

A.3.5.4	Fee on slaughterhouse/ veterinary stamps	-	-	-	0	0	0
A.3.5.5	Fee on transport license	-	-	-	0	0	0
A.3.5.6	Fee on parking for licensed vehicles and public parking	-	-	-	0	0	0
A.3.5.7	Fee on oil and oil products license	-	-	-	0	0	0
A.3.5.8	Fee on forest and pastures	-	-	-	0	0	0
A.3.5.9	Fee on extra services of fire protection team	-	-	-	0	0	0
A.3.5.10	Fee on utilization of public space facades	-	-	-	0	0	0
A.3.5.11	Fee on solid waste treatment in landfills	-	-	-	0	0	0
A.3.5.12	Fee on areal and terrestrial communication lines (telephone, energy, cable tv, internet)	-	-	-	0	0	0
A.3.5.13	Fee on tender documentation, auctions, etc.	-	-	-	0	0	0
A.3.6	Fees from institutions of education, culture, sport, etc.	-	-	-	-	-	-
A.3.6.1	Library	-	-	-	0	0	0
A.3.6.2	Museums	-	-	-	0	0	0
A.3.6.3	Theatre	-	-	-	0	0	0
A.3.6.4	Cultural center of kids	-	-	-	0	0	0
A.3.6.5	Sport palace	-	-	-	0	0	0
A.3.6.6	Community centers	-	-	-	0	0	0
A.3.6.7	Cafeteria (dormitories)	-	-	-	0	0	0
A.3.6.8	Kindergartens	-	-	-	0	0	0
A.3.6.9	Nursery schools	-	-	-	0	0	0
A.3.7	Fee on water and sewerage	-	-	-	0	0	0
A.3.8	Fee on irrigation and drainage service	-	-	-	0	0	0
A.3.9	Temporary fees	-	-	-	0	0	0
A.3.10	Other fees	-	-	-	0	0	0

A.4	OTHER REVENUE AND INCOME	-	-	-	-	-	-
A.4.1	Rent of municipal assets	-	-	-	0	0	0
A.4.2	Return from capital investments	-	-	-	0	0	0
A.4.3	Income from municipal enterprises	-	-	-	0	0	0
A.4.4	Return from public private partnerships	-	-	-	0	0	0
A.4.5	Withdrawals of income from utilities	-	-	-	0	0	0
A.4.6	Selling of goods and services	-	-	-	0	0	0
A.4.7	Administrative violation (fines)	-	-	-	0	0	0
A.4.8	Seizures and reparations	-	-	-	0	0	0
A.4.9	Membership fee of municipalities	-	-	-	0	0	0
A.4.10	Transfers from other municipalities	-	-	-	0	0	0
A.4.11	Grants from international aid	-	-	-	0	0	0
A.4.12	Selling of financial assets	-	-	-	0	0	0
A.4.13	Selling of tangible / intangible fixed assets	-	-	-	0	0	0
A.4.14	Other	-	-	-	0	0	0
B	REVENUES FROM CENTRAL GOVERNMENT	-	-	-	-	-	-
B.1	Unconditional transfer	-	-	-	-	-	-
B.2	Conditional transfer	-	-	-	-	-	-
B.2.1	For delegated functions	-	-	-	0	0	0
B.2.2	For special projects (RDF and others)	-	-	-	0	0	0
B.3	Specific transfer	-	-	-	-	-	-
C	BORROWING	-	-	-	-	-	-
C.1	Short term borrowing	-	-	-	-	-	-
C.2	Long term borrowing	-	-	-	-	-	-
D	CARRY OVERS FROM THE LAST YEAR	-	-	-	-	-	-
D.1	Non earmarked carry overs	-	-	-	-	-	-
D.2	Earmarked carry overs	-	-	-	-	-	-
	TOTAL OF BUDGET RESOURCES	0	0	0	0	0	0

Appendix 3: Expenditures by program from FPT (F2)

(F2) EXPENDITURE BY PROGRAM - GROSS AMOUNT																
		-2	-1	0	1				2				3			
		Year t-2 (actuals)	Last year (actuals)	Current year (expected end of year)	Salaries and social insurance	Other recurrent expenditures	Capital investments	EXPECTED EXPENDITURES	Salaries and social insurance	Other recurrent expenditures	Capital investments	EXPECTED EXPENDITURES	Salaries and social insurance	Other recurrent expenditures	Capital investments	EXPECTED EXPENDITURES
Subfunction 1	011 Executive and legislative organs, financial, fiscal, external affairs															
	01110 <i>Planning, Management and administration</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	01120 <i>Financial and fiscal affairs</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	01170 <i>Civil registry</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 2	017 Local borrowing services															
	01710 <i>Payment for Domestic debt service</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 3	031 Police services															
	03140 <i>Municipality police services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 4	032 Fire-protection services															
	03280 <i>Fire-fighting and civil protection</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 5	036 Community relations															
	03600 <i>Community relations</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 6	041 General economic, commercial and labour affairs															
	04130 <i>Support for economic development</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	04160 <i>Market services, accreditation and inspection</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 7	042 Agriculture, forestry, fishing and hunting															
	04220 <i>Agricultural services, inspection, food and consumer protection</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	04240 <i>Infrastructure Management Irrigation and Drainage</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	04260 <i>Administration of forests and pastures</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 8	045 Transport															
	04520 <i>Rural road network</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	04570 <i>Public transport</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 9	047 Other industries															
	04740 <i>Development Projects</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	04760 <i>Tourism development</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 10	051 Waste management															
	05100 <i>Municipality waste management services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 11	052 Waste water management															
	05200 <i>Sanitation services from WWVS utilities</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 12	053 Pollution reduction															
	05320 <i>Environmental protection programs</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 13	056 Environmental protection (n.e.c)															
	05630 <i>Environmental awareness</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 14	061 Housing development															
	06140 <i>Local urban planning</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 15	062 Community development															
	06210 <i>Development programs</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	06260 <i>Local public services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 16	063 Water supply															
	06330 <i>Water supply</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 17	064 Street lighting															
	06440 <i>Street lighting</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 18	072 Primary health services															
	07220 <i>Primary health services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 19	081 Recreational and sporting services															
	08130 <i>Sport and amusement</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 20	082 Cultural services															
	08220 <i>Cultural heritage, artistic and cultural events</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 21	091 Basic and preschool education															
	09120 <i>Basic education including the pre-school education system</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 22	092 Secondary education															
	09230 <i>General Secondary Education</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	09240 <i>Vocational education</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 23	101 Sickness and disability															
	10140 <i>Social care for sick and disabled persons</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 24	102 Old age															
	10220 <i>Social insurance</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 25	104 Family and children															
	10430 <i>Social care for families and children</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 26	105 Unemployment															
	10550 <i>Unemployment, education and vocational training</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subfunction 27	106 Housing															
	10661 <i>Social housing</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL FUNDS																
Total		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix 4: Matrix of Prioritization of new Capital Projects within MTB Program related to SDP³¹

Goal Code	Objective Code	Program Code	Project Name (as Program Output)	Total Cost (000/Lek)	Criteria (1-5 points)						
					Project Status	Economic Impact	No. of Beneficiaries	Eliminated Emergency	Geographical Distribution	Total Points	Priority
G1	O1	P0006260	p1: Improvement of street lighting within Industrial Zone in Shkodra	15 000	On going	4	4	3	3	14	1
G2	O1	P0001110	p2: Establishment of a 'One-Stop-Shop' in Shkodra City Hall	1 600	new	3	3	3	3	12	2
G1	O1	P0006260	p3: Improvement of the electricity supply within Industrial Zone	50 000	new	4	3	3	1	11	3
Total				66 600							

³¹ Example elaborated based on data from Strategic Plan for Economic Development 2005 – 2015, Municipality of Shkodra

Appendix 5: Project Identification Form

1. General Data

The applicant/s:	
Contact person/s	
Title of the project:	
Location:	
Budget requested:	
The project code in the local or regional strategy:	
<i>Date of submission:</i>	
<i>Number of project:</i>	

2. A summary of the project idea (max. 1 pg.)

3. Situation analysis (max 2 pgs.)

4. Stakeholder analysis; Target Groups and beneficiaries (max. 1 pg.)

5. Overall objectives and specific objectives (max. 1 pg.)

6. Expected results (max. 1 pg.)

Result	Indicators	Means of verification
Result 1		
Result 2		
Result 3		

7. Activities of the project and implementation arrangements (max. 3 pgs.)

EXAMPLE:

Activity	Month 1	2	3	4	5	6	Responsible body
Procurement							The LGU, the tender commission
Contracting of works							The LGU, the mayor
Implementation of works							The contractor, the supervisor
Hand over							LGU, contractor, supervisor
Etc.							

8. The organization of the procurement process (max. 1 pg.)

9. Project budget (max. 2 pgs.)

<i>Total project costs</i>	<i>1=2+3</i>
<i>Budget requested form the dldp</i>	<i>2</i>
<i>Budget contributed from the LGU</i>	<i>3</i>

10. Risks/Assumptions (max. 0.5 pg.)

11. Monitoring and Evaluation plan (max. 0,5 pg.)

12. Sustainability of the project (max. 2 pgs.)

13. Quality factors (max 2 pgs.)

14. Data about the applicant(s) (max 2 pgs.)

Other documents needed:

1. The decision of the LGU council that it has reserved the amount needed for at least 20 % of co-financing the total amount of the project cost in its budget for 2011
2. The budget of the project
3. The license of the designer, the technical design and cost-estimation (in case of investment)
4. The decision of the Council of Territory Regulation that approves the design (in case of investment)
5. Other licenses and permits that might be needed before the tendering of works (in case of investment)
6. The maintenance/operation plan for the asset to be invested by the project (in case of investment)
7. The terms of reference for the service provider (in case the project is a study, plan or information/communication project)
8. Agreement between the LGU-s participating in the project, where roles and responsibilities of each partner are defined, where the main applicant is defined and where the contribution of each of the LGUs participating is agreed (in case of inter-LGU projects)
9. Others

[Name, signature of the mayor, the stamp of the LGU]

Appendix 6: Planning new projects over multiple years

Strategic Goals	No.	Name of Project (Strategic Targets)	Project cost (000/Lek)	Allocation of Investments (000/Lek)				
				Previous year	Actual year	Budget year n+1	Budget year n+2	Budget year n+2
Goal 1	1	Improvement of street lighting within Industrial Zone in Shkodra	15 000	0	0	5 000	5 000	5 000
	2							
Goal 2	3	Improvement of						
	4							
Goal 3	5	Improvement of						
	6							
	Value of new Projects / year							

Appendix 6.1: Annual budget allocation for new projects

Nr	Description of the new Project	Value of investment	Investment Value in the current year	Source of Revenues						
				Own Revenues	Unconditional Grant	Conditional Grant		Donors	Loan	Total
						Conditional	Regional Development Fund ³²			
1	Improvement of street lighting within Industrial Zone in Shkodra	15 000	1 000	500	200	0	0	300	0	1 000
2										
3										
4										
5										
	Total Value									

³² Previously known as Competitive Grants, introduced in the Intergovernmental Transfer System in 2006. In 2010 this transfers were substituted from Regional Development Funds

Appendix 7: Schedule on Priority Objectives, Outputs and Performance Indicators

Program : [name of program]							
Function: [name of function]							
Program Policy: [define program policy]							
Priority Objective(s)	Output(s)	Performance Indicator(s)	Medium Term Target(s)				
			Original Year n	Target	Year n+1	Year n+2	Year n+3
P1O1: 0004530	P1O1p1: Improvement of cleaning service	1) No. of beneficiaries 2) Volume of garbage collected (ton)	2 000 1 000		4 000 2 000	4 500 3 500	5 000 5 000
	P1O1p2:					
P1O2: XXXXX	P1O2p3:					
	P1O2p7:					
P2O1: YYYY	P2O1p4:					

Appendix 8: Performance indicators used in program monitoring - model

Sector	05 Environment protection
Program 10	05101 Menaxhimi i Mbetjeve
Strategic Goal:	Satisfied citizens regarding to the cleaning service
Strategic Objective:	To increase the waste collection from 60% -90% by the end of 2013
Service Goal	To ensure a clean and safe environment within the next three years by increasing the service with 30% and its frequency
Objectives	To increase the waste collection from 2 000 ton actually – 5 000 ton by the end of 2013 (3 000 ton waste collected)
Inputs indicators	Number of technological machine used on cleaning service (2 machines) Expenditures on cleaning service (10 000 \$ / year) Number of containers for service delivery (200) Number of staff
Outputs indicators	Volume of garbage collected (100 ton) Number of families served (e.g 2000) Km of cleaning streets in relation to total (5/7 km) or Surface of the city served (85% of the total surface) Number of cleaning workers (35 workers)
Outcomes indicators	Citizen satisfaction (90%) Decrease of public complaints (100 from 200) Number of deviations from waste collection schedule Volume of uncollected waste
Efficiency indicators	Costs / ton of waste collected (e.g. 100\$ / ton) Cost of waste / household / year (e.g. 20\$ / household / year) Volume of waste collected / worker / camion

Appendix 9: Explanation of important technical terms

Activities	The things that are done (processes) to produce an output (actions).
Annual targets	Parts of strategic targets which should be achieved during the current year.
Bottom - up budgeting	Budgeting processes carried out in line departments, which aims to strengthen the budgetary management process within the local government units.
Conditional Grants	Allocations of money from one sphere of Council to another, conditional on certain services being delivered or on compliance with specified requirements.
Grants	Transfers made in cash, goods or services for which no repayment is required
Goal	A general and timeless statement of broad direction, purpose, or intent based on the needs of the community.
Inputs	The financial, human and material resources used (by activities) to produce outputs.
Line-item Budget	In a line item system, expenditures are listed according to objects of expenditure, or "line items." These line items are often quite detailed, specifying how much money a particular agency or subunit will be permitted to spend on personnel, fringe benefits, travel, equipment, and the like. The most important focus of the budget system is to specify the line item ceilings in the budget allocation process and to ensure that agencies do not spend in excess of their allocations.
Medium Term Budgeting	The three-year spending and funding plans of Local Government Units published at the time of the budget in accordance to strategic objectives. Additionally to the financial plan, the MTB includes the policy plan for the next three years.
Program	A group of related activities performed by one or more organizational units to accomplish a function for which the Council is responsible.
Program Budget	A budget that allocates money to the functions or activities of a LGUs rather to specific items of the cost or departments.
Program Ceilings	Ceilings are limits within which a LGU unit should prepare its planned expenditures for the MTB Program.
Program policy Goals	The desired, measurable results from the program activities that LGUs wishes to achieve in the long term.
Program policy Objectives	Specific results from program activities that can be measured precisely in terms of time, number and cost, that can be accomplished in the

short – to medium – term and that are intermediate steps in achieving a policy goal.

Program Outputs

The goods and services to be produced to contribute to the achievement of short- to medium-term policy objectives and the longer-term policy goal. Outputs should be specific, measurable, achievable, realistic and time – bound (SMART).

Spending Unit

Any LGU entity that is responsible for its own budgetary operations.

Top-down budgeting

A strategic component which is strengthening the resource management of the municipal budget on the basis of LGUs policies and priorities by SDP.

Traditional budgeting

Budgets prepared using a line-item format. Costs are organized in detail by object of expenditure.

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