

## INTRODUCTION

**THE INSTITUTIONAL SET-UP OF GOVERNMENT IN KOSOVO** in 2007 consisted of both the UN Mission in Kosovo (UNMIK) administration and the Provisional Institutions of Self Governance (PISG). Under UN Resolution 1244 from 1999, Kosovo was placed under interim UN administration, to which many donor countries have also contributed. This administrative set-up was ended on 17 February 2008, when Kosovo declared its independence from Serbia after long discussions within Kosovo and with the international community. Many international organisations working in Kosovo since 1999 have recognised it as a new state. The 2008 Survey was carried out and completed during a transition phase in the first quarter of 2008.

Kosovo has a population of 2 million. With a gross domestic product (GDP) per capita of around USD 1 800 (in purchasing power parity terms), it is the poorest country in Europe. Thirty-seven percent of the population fell below the national poverty line in 2007 and the unemployment rate is estimated to be between around 30% - 40%. In Kosovo, the Millennium Development Goals (MDGs) are unlikely to be met.

DIMENSIONS	2007	CHALLENGES	PRIORITY ACTIONS
Ownership	Low-Medium	Complex institutional set-up for governance; long-term vision in place but medium-term strategy adopted late	Implement a long-term development plan effected by a medium-term strategic plan
Alignment	Low	Fragile systems and low level of communication between donors and the government	Improve institutional capacities for PFM systems, procurement and budgeting of aid; improve donors' ability to disburse aid
Harmonisation	Low	Very little use of PBAs and co-ordination amongst donors	Enhance dialogue between donors and the government on appropriate aid modalities
Managing for results	Low	Young institutions with no clear strategy for collecting, disseminating and using data	Approval and implementation of an action plan for aid effectiveness with identified indicators to assess progress
Mutual accountability	Low	Lack of mechanism to implement mutual accountability	Approval of the action plan and continued high attention to aid effectiveness after the planned donor conference

## OVERVIEW

## Box 26.1:

## Challenges and priority actions

<sup>1</sup> Kosovo, or the Provisional Institutions of Self Governance (PISG), declared independence in February 2008 after long discussions within Kosovo and with the international community. As of August 2008, 45 countries have recognised Kosovo as an independent state.

Kosovo started receiving aid in 1999 as the conflict with Serbia intensified. This was first in the form of emergency relief and security support. Later Kosovo received economic support for reconstruction, capacity building and long-term political and socio-economic development. In 2007, aid receipts amounted to USD 338 million, or 6.6% of GDP. The largest donors are the European Commission, the United States, Germany and the World Bank. Nineteen donors responded to the 2008 Survey.

The institutional arrangements in Kosovo – in particular the role played by UNMIK in signing agreements with donors – present a number of challenges for aid effectiveness. In addition to governance complexities, decision powers remain vested in most donor headquarters rather than in the local offices. Aid to Kosovo is not reported as official development assistance (ODA) as it has only recently declared independence, and not all countries recognise its status. In such a context, and with a rapidly changing institutional landscape in Kosovo, it is vitally important that aid effectiveness receives due attention.

## OWNERSHIP

**OWNERSHIP IS CRITICAL TO ACHIEVING DEVELOPMENT RESULTS** and is central to the Paris Declaration on Aid Effectiveness. Aid is most effective when it supports a country-owned approach to development; aid is less effective when countries feel that aid policies and approaches are driven by donors that provide assistance. In the context of the Paris Declaration, ownership specifically concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

Ownership has many dimensions. Indicator 1 – assessed as part of the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead* – provides an entry point to the issue. The World Bank assesses the operational value of a country's development strategy and policy against three criteria, all of which are essential features of any serious effort to harness domestic and external resources for development purposes: the existence of an authoritative, country-wide development policy which clearly identifies priorities and is well costed.

The World Bank rates the operational value of a country's development strategy against a five-point scale running from A (highest score) to E (lowest score). The Paris Declaration 2010 target is to raise, to at least 75%, the proportion of partner countries having operational development strategies – *i.e.* meriting a rating of A or B.

The World Bank's *Results-Based National Development Strategies* did not include an assessment of Kosovo. However, an informal self-assessment, conducted by the government and using a similar methodology, indicated an appropriate rating of D+.

Kosovo does not have a long-term development strategy in place. This is partly due to the complex institutional arrangements in which the UNMIK still played a role. Although a Kosovo Development Strategy Plan (2007-13) was elaborated during 2007, it has not been approved. Instead, a medium-term expenditure framework (MTEF), which was agreed in 2007, outlines the priorities for 2008-10. The MTEF identifies several priority areas: energy and mining; infrastructure; education; rule of law; agriculture and rural development; social stability; and health. EU integration, sound governance and gender

### INDICATOR 1

Do countries have operational development strategies?

(along with a number of other issues) are cross-cutting priorities. The new government's Statement of Priorities – guiding the sector strategies and programmes – feeds into the MTEF for 2009-11. The MTEF constituted the development framework at the Post-Status Donor Conference, which was held in July 2008.

The new government, in place from January 2008, hopes that the recent process of identifying development priorities will strengthen country ownership and that its leadership will improve donor co-ordination, albeit starting from a low baseline. One step in this direction is the recently established Donor Co-ordination Centre in the Office of the Prime Minister. ■

## ALIGNMENT

**FOR AID TO BE EFFECTIVE**, it must be aligned with national development strategies, institutions and procedures. The Paris Declaration envisions donors basing their support fully on country partner aims and objectives. Indicators 2 through 8 examine several dimensions of aid to assess the degree to which partner countries and donors achieve alignment.

The Kosovo country report highlights the lack of alignment on national priorities among the key obstacles for aid effectiveness. For example, although education is a highly prioritised sector, in recent years it has received relatively little in terms of resources. It is hoped that the Post-Status Donor Conference will lead to better co-operation and co-ordination of aid.

## BUILDING RELIABLE COUNTRY SYSTEMS

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. In each case, the focus is on the degree to which these systems adhere to broadly accepted good practices – or to which there is in place a reform programme to promote improved practices. If countries have reliable systems, donors will be encouraged to use such systems for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses the degree to which partner countries either have public financial management (PFM) systems that are in line with broadly accepted good practices or have credible reform programmes in place to establish reliable PFM systems. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong) with half-point increments. To score highly, a country needs to meet all three of the following criteria: a comprehensive and credible budget linked to policy priorities; effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way; and, timely and accurate accounting and fiscal reporting, including timely and audited public accounts. The 2010 target is that each country will move up at least one measure (*i.e.* 0.5 points) on the CPIA scale for measuring the quality of PFM systems.

### INDICATOR 2a

How reliable are country public financial management systems?

Kosovo's PFM systems have not been assessed as part of the World Bank's Country Policy and Institutional Analysis (CPIA). However, an initial assessment, conducted in cooperation with the World Bank, pointed to a CPIA score of approximately 3.0. In addition, a public expenditure framework assessment (PEFA), undertaken in 2007, concluded that the level of fiduciary risk in Kosovo was low enough for donors to consider providing the government with budget support. The government acknowledges the importance of having reliable PFM systems in place: an action plan for improving these systems was recently agreed and is now being implemented. Recently approved laws on PFM and local financing may also help to strengthen country PFM systems.

#### INDICATOR 2b

How reliable are country procurement systems?

At the time of the 2006 Baseline Survey, no mechanism was in place to systematically assess and quantify the quality of procurement systems in partner countries. Thus, it was impossible to set country-level targets on progress towards Indicator 2b.

Kosovo's procurement systems have not yet been formally assessed, but an initial assessment points to a rating of C+ on a scale running from D (weak) to A (strong). This is the same score as was given by the PEFA assessment on competition, value for money and controls in procurement. In 2006, the World Bank's 'control of corruption' indicator gave Kosovo a score of -0.6, on a scale from -2.5 (high levels of corruption) to 2.5 (no corruption). This score may be used as a reference point in the future.

The government and donors have started to give considerable attention to the development of the procurement systems. Three government agencies are engaged in this process: the Agency for Public Procurement, the Agency for Anti-Corruption and the Office of the General Auditor. Procurement laws have been put in place and an anti-corruption strategy is currently being implemented.

#### ALIGNING AID FLOWS ON NATIONAL PRIORITIES

#### INDICATOR 3

Comprehensive and transparent reporting on aid, and how it is used, is an important means of ensuring that donors align aid flows with national development priorities. The degree to which development assistance to the government sector is fully and accurately reflected in the budget provides a useful indication of the degree to which serious effort is made to connect aid programmes with country policies and processes. It also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

Indicator 3 is a proxy for alignment. It measures the percentage of aid disbursed by donors to the government sector that is included in the annual budgets for the same fiscal year. The indicator is a joint measure of two components: the degree to which donors report aid flows comprehensively to partner countries; and the degree to which partner countries accurately record aid.

The final figure highlights any discrepancy between the government's budget estimates and actual disbursements by donors. The discrepancy (or gap) can be in either direction: budget estimates can be higher or lower than disbursements by donors. In order to have a single measure of discrepancy under 100%, the ratio is inverted when budget estimates are higher than donor disbursements. The 2010 target is to halve the proportion of aid flows to the government sector that is not currently reported on government budget(s), ultimately arriving at a point where at least 85% of aid is reported on the budget.

	Government budget estimates of aid flows for 2007 (USD m) a	Aid disbursed by donors for government sector in 2007 (USD m) b	2007*	
			c = a / b	c = b / a
Austria	0	2	0%	
Denmark	0	3	0%	
European Commission	0	64	0%	
Finland	0	2	0%	
France	0	1	0%	
Germany	0	2	0%	
Global Fund	0	1	0%	
IOM	0	2	0%	
Italy	0	0	--	
Japan	0	0	0%	
Luxembourg	0	1	0%	
Netherlands	0	0	--	
Norway	0	9	0%	
Sweden	0	2	0%	
Switzerland	0	5	0%	
United Kingdom	0	6	0%	
United Nations	0	13	0%	
United States	0	33	0%	
World Bank	0	6	0%	
Average donor ratio	--	--	0%	
<b>Total</b>	<b>0</b>	<b>152</b>	<b>0%</b>	

\* Ratio is c=a/b except where government budget estimates are greater than disbursements (c=b/a).

To date, Kosovo has no system in place for including resources from donors in the government budget, even though approximately two-thirds of aid in 2007 was directed to the government sector. This makes it difficult for the government to manage its available resources. Moreover, according to survey replies, aid to Kosovo is not well aligned with country priorities. The only system currently in place is the Reconstruction Intervention Monitoring System (RIMS), a database that captures donor contributions ex post. Initial steps have been taken to introduce an aid management information system. However, reaching the Paris Declaration 2010 target of having at least 85% of aid to the government recorded in the budget presents a formidable challenge.

#### CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints significantly undermine the ability of partner countries to capture, co-ordinate and utilise aid flows more effectively. Under the Paris Declaration, donors committed to providing technical co-operation in a manner that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Likewise, there is greater recognition that successful capacity building is endogenous – *i.e.* is led by the partner country. To this end, the partner country defines clear objectives to ensure that existing capacities are used effectively and that external support is harmonised within this framework.

Indicator 4 focuses on the extent to which donor technical co-operation – an important input into capacity development – is moving towards this country-led model. It measures the degree of alignment between donor technical co-operation and the partner country's capacity development needs and strategies. The Paris Declaration 2010 target is that 50% of technical co-operation flows are implemented through co-ordinated programmes that are consistent with national development strategies.

TABLE 22.1:  
Are government budget  
estimates comprehensive  
and realistic?

#### INDICATOR 4

TABLE 26.2:  
How much technical  
co-operation is co-ordinated  
with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	2007  c = a / b
Austria	2	3	75%
Denmark	0	1	0%
European Commission	3	38	8%
Finland	0	2	0%
France	0	0	0%
Germany	8	8	100%
Global Fund	0	0	--
IOM	0	0	54%
Italy	0	0	0%
Japan	0	0	0%
Luxembourg	1	3	32%
Netherlands	1	1	50%
Norway	0	5	0%
Sweden	0	2	2%
Switzerland	1	3	26%
United Kingdom	0	6	0%
United Nations	7	10	68%
United States	42	49	85%
World Bank	5	5	100%
<b>Total</b>	<b>69</b>	<b>137</b>	<b>51%</b>

Technical co-operation constitutes the greatest source of aid to Kosovo and amounted to 67% of total aid in 2006 (down from over 80% in 2005). The 2008 Survey shows that 51% of co-operation to Kosovo was co-ordinated with country programmes. This exceeds the Paris Declaration 2010 target of 50% of technical co-operation being co-ordinated.

However, the degree to which aid is truly co-ordinated and aligned with country priorities should be questioned, particularly in the light of the weak governmental institutional setting and the fact that UNMIK is in charge of negotiating the design and modalities for technical co-operation. For example, the country chapter notes that most technical co-operation is based on donor-elaborated proposals rather than on requests from the beneficiaries. The government-led review on technical co-operation has been scheduled for later this year. Based on the findings from this review, the government plans to formulate a strategy for improving co-ordination of technical assistance. With a pilot sector-wide approach (SWAp) for the education sector also under discussion, there are some grounds for cautious optimism.

### USING COUNTRY SYSTEMS

#### INDICATOR 5

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the partner's long-term capacity to develop, implement and account for its policies – to both its citizens and its parliament. The Paris Declaration encourages donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. In this respect, Indicator 5 is directly linked to Indicator 2 on the quality of PFM and procurement systems, and measures the use of both.

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding to the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting, and auditing) as a percent of total aid disbursed to the government sector. The 2010 target is relative to Indicator 2a on the quality of PFM systems.

Indicator 5b measures the volume of aid, as a percent of total aid disbursed to the government sector that uses partner country procurement systems. The 2010 target is relative to Indicator 2b; thus, targets are indicated only for those countries that established scores for Indicator 2b in the context of the 2006 Baseline Survey.

As Indicator 2a was not assessed for Kosovo within the 2006 Baseline Survey, no Paris Declaration 2010 target has been set for Indicator 5a.

Data shows that only 3% of aid makes use of the Kosovo's PFM systems. This can be attributed to two factors: the complex parallel administrative structures that the UN's presence adds to the institutional landscape; and donor perceptions that the system for budget execution and the juridical competencies are fragile and unreliable. However, a study carried out by the Donor Co-ordination Centre suggested that Kosovo's country systems is well placed – as with other countries receiving budget support – to be used by donors. The government, together with some donors, is taking steps towards implementing sector programmes. In addition, a PEFA action plan has identified ways to improve the PFM systems. However, as Kosovo is starting from such low levels, much effort will be needed from both government (to improve) and donors (to make use of) the systems.

**TABLE 26.3:**  
How much aid for  
the government sector  
uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management (PFM)				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	2007 avg (b,c,d) / a	Procurement systems (USD m) e	2007 e / a
Austria	2	0	0	0	0%	1	26%
Denmark	3	0	0	0	0%	0	0%
European Commission	64	0	0	0	0%	0	0%
Finland	2	0	0	0	0%	0	0%
France	1	0	0	0	0%	0	0%
Germany	2	0	0	0	0%	0	0%
Global Fund	1	1	1	0	67%	1	100%
IOM	2	0	0	0	0%	0	0%
Italy	0	0	0	0	--	0	--
Japan	0	0	0	0	0%	0	0%
Luxembourg	1	0	0	0	0%	0	0%
Netherlands	0	0	0	0	--	0	--
Norway	9	0	0	0	0%	0	0%
Sweden	2	0	0	0	12%	0	0%
Switzerland	5	0	0	0	6%	0	6%
United Kingdom	6	0	0	0	0%	0	0%
United Nations	13	0	0	0	2%	0	1%
United States	33	0	0	0	0%	0	0%
World Bank	6	6	6	0	67%	0	0%
<b>Total</b>	<b>152</b>	<b>8</b>	<b>7</b>	<b>0</b>	<b>3%</b>	<b>2</b>	<b>1%</b>

Only one donor makes use of Kosovo's procurement system; aid channelled in this manner accounts for a mere 1% of all aid. This is the result of donor concerns about low institutional capacities and mismanagement in procurement, together with overall institutional weakness. Government and donors will have to work very hard to improve this situation. A recent report on Kosovo's procurement systems could provide the foundation for identifying concrete actions to be taken.

## AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

### INDICATOR 6

When providing development assistance, some donors establish specific project implementation units (PIUs), *i.e.* dedicated management units designed to support development projects or programmes. A PIU is said to be “parallel” when it is created at the behest of the donor and operates outside existing country institutional and administrative structures.

TABLE 26.4:  
How many PIUs are parallel  
to country structures?

	2007 (units)
Austria	5
Denmark	0
European Commission	25
Finland	3
France	1
Germany	1
Global Fund	0
IOM	0
Italy	0
Japan	0
Luxembourg	3
Netherlands	0
Norway	0
Sweden	4
Switzerland	9
United Kingdom	5
United Nations	29
United States	21
World Bank	1
<b>Total</b>	<b>107</b>

In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity building efforts, distort salaries and weaken accountability for development.

To make aid more effective, the Paris Declaration encourages donors to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes.” Indicator 6 is a count of the number of parallel PIUs being used in partner countries. The 2010 target is to reduce by two-thirds the stock of parallel PIUs in each partner country.

The use of parallel PIUs is common in Kosovo, especially among the larger donors. The main reason for donors choosing to set up parallel PIUs is to facilitate effective project implementation as the government PIUs are considered slow and cumbersome. Another reason for using parallel PIUs is to avoid the fiduciary risk perceived in other PIUs.

Data for the 2008 Survey show 107 parallel PIUs in use in Kosovo. Meeting the Paris Declaration 2010 target of reducing this number to 68 will depend heavily on efforts taken to improve government systems.

## PROVIDING MORE PREDICTABLE AID

### INDICATOR 7

For many countries, development assistance constitutes a vital source of revenue and resources. Being able to predict aid disbursements – in terms of both how much aid will be delivered and when – is an important factor in the ability of countries to manage public finances and undertake realistic planning for development. It is particularly crucial to enabling partner countries to implement medium- to long-term development plans and to optimise the allocation of resources within and across sectors. In this regard, the Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable fashion according to agreed schedules.

Indicator 7 examines in-year predictability of aid to the government sector, measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in the national accounting system as actually disbursed. Indicator 7 assesses predictability from two angles. The first angle is the combined ability of donors and government to disburse aid on schedule. The second is the ability of donors and government to record comprehensively disbursements made by donors to the government sector.

Indicator 7 is designed to encourage progress in relation to both angles, with the aim of gradually closing the predictability gap – by one-half – by 2010. The ultimate goal is to improve not only the predictability of actual disbursements, but also the accuracy of how disbursements are recorded in government systems – an important feature of ownership, accountability and transparency.

**TABLE 26.5:**  
Are disbursements  
on schedule and recorded  
by government?

	Disbursements recorded by government in 2007 (USD m) a	Aid scheduled by donors for disbursement in 2007 (USD m) b	Aid disbursed by donors for government sector in 2007 (USD m) for reference only	2007*	
				c = a / b	c = b / a
Austria	0	1	2	0%	
Denmark	0	0	3		0%
European Commission	1	70	64	2%	
Finland	0	4	2	0%	
France	0	1	1	0%	
Germany	0	12	2	0%	
Global Fund	1	1	1	59%	
IOM	0	0	2		0%
Italy	0	1	0	1%	
Japan	0	0	0	0%	
Luxembourg	0	2	1	0%	
Netherlands	0	0	0	--	
Norway	1	6	9	15%	
Sweden	0	2	2	0%	
Switzerland	0	11	5	2%	
United Kingdom	0	6	6	2%	
United Nations	2	11	13	17%	
United States	0	58	33	0%	
World Bank	1	9	6	15%	
Average donor ratio	--	--	--	6%	
<b>Total</b>	<b>6</b>	<b>193</b>	<b>152</b>	<b>3%</b>	

\* Ratio is c=a/b except where disbursements recorded by government are greater than aid scheduled for disbursement (c=b/a).

In 2007, on aggregate, only 3% of scheduled disbursements in Kosovo were accurately recorded by the government; for the average donor, the ratio was an equally low 6%. Donors were able to disburse approximately 75% of scheduled aid. There is room for improvement in this regard, but it is clear that the primary problems are with the reporting (by donors) and recording (by government) of aid.

The Paris Declaration 2010 target is to close the predictability gap by one-half. For Kosovo, a first-time survey participant with three (rather than five) years to meet the target, the 2010 target is that 32% of scheduled disbursement be recorded by the government. To meet this target, donors must improve preparation of their interventions and set more realistic timelines for disbursement. On the government side, improvements in PFM and procurement systems must be delivered, together with improvements in the budgeting system. As the current administration becomes a fully-functioning autonomous government, it will be better positioned to make appropriate reforms and implement the PEFA action plan.

**INDICATOR 8**

## How much aid is untied?

**UNTYING AID**

Aid is said to be “tied” when it is provided on the condition that the recipient country will use it to purchase goods and services from suppliers based in the donor country. Experience shows that aid with such conditions attached increases the costs of goods and services provided to partner countries; it also increases the administrative burdens on both donors and partners. By contrast, untied aid helps build a country’s capacity to provide goods and services.

Country figures for untying aid are based on voluntary self-reporting by donors that are members of the OECD Development Assistance Committee (OECD-DAC). The 2010 target is to continue progress towards untying aid over time.

There is no data for untying by the members of the OECD-DAC. The 2010 target is for continued progress for untying aid over time. The majority of bi-lateral donors provide 100% untied aid; however, there are three donors that currently provide less than 20% of their aid in an untied manner. ■

**HARMONISATION**

**DECADES OF DEVELOPMENT EXPERIENCE** show that poor co-ordination of aid increases the cost for both donors and partner countries, and significantly reduces the value-added of aid. Harmonisation of aid delivery procedures and adoption of common arrangements help reduce duplication of effort and lower the steep transaction costs of managing aid. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and share analysis.

Donor harmonisation is currently at very low levels in Kosovo, as shown by Indicators 9 and 10. Initial steps are being taken to increase co-ordination, notably with regards to aid to the education sector. However, much effort from both government and donors will be required in the years to come to improve on the current situation.

**USING COMMON ARRANGEMENTS****INDICATOR 9**

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A sound mechanism for aid co-ordination can be described as one that builds on shared objectives and that reconciles, in a constructive manner, the various interests of stakeholders.

Indicator 9 assesses the degree to which donors work together by measuring the proportion of total ODA disbursed within PBAs. In practice, there are many different modalities for implementing PBAs, which operate at various levels. At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* sector policy) and establishing a single budget framework that captures all resources (both domestic and external). At the second level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that 66% of aid flows are provided in the context of PBAs.

	Programme based approaches (PBAs)			Total aid disbursed (USD m) d	2007 e = c / d
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b		
	Austria	0	2		
Denmark	0	0	0	3	0%
European Commission	0	0	0	69	0%
Finland	0	0	0	3	0%
France	0	0	0	1	0%
Germany	0	0	0	10	0%
Global Fund	0	0	0	1	0%
IOM	0	0	0	7	0%
Italy	0	0	0	3	0%
Japan	0	0	0	0	0%
Luxembourg	0	0	0	3	0%
Netherlands	0	0	0	1	0%
Norway	0	0	0	20	0%
Sweden	0	0	0	5	8%
Switzerland	0	0	0	8	4%
United Kingdom	0	0	0	6	0%
United Nations	0	2	2	21	9%
United States	0	1	1	57	2%
World Bank	0	0	0	6	0%
<b>Total</b>	<b>0</b>	<b>5</b>	<b>6</b>	<b>227</b>	<b>2%</b>

TABLE 26.6:  
How much aid is  
programme based?

Aid to Kosovo is implemented largely through stand-alone projects: data for 2007 shows that only 2% of aid to Kosovo made use of PBAs. On the government side, this is a result of a lack of prioritisation and sectoral strategies, as well as low levels of co-ordination – both amongst donors and between donors and the government.

The Paris Declaration 2010 target is for 66% of aid to make use of PBAs. This would imply a considerable change in modalities for Kosovo and is highly unlikely to happen in the short term. However, there are reasons to be optimistic for the longer term. A feasibility study to explore the possibility for introducing PBAs in the form of a SWAp in the education sector is currently being conducted and a process involving both government and donors has started. In addition, discussions are being held with donors with regard to establishing multi-donor trust funds (MDTFs) and providing budget support for the implementation of the MTEF.

## CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

One of the most frequent complaints of partner countries is that donors make too many demands in relation to their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared.

Indicator 10 measures the extent to which donors are merging their missions (Indicator 10a) and analytical work (Indicator 10b) at the country level – either with country partner authorities or amongst the donor community (or both). It calculates the proportion of missions to the country undertaken jointly (*i.e.* by more than one donor) and the share of country-analysis exercises undertaken on a joint or co-ordinated basis. The 2010 target is that 40% of donor missions to the field are conducted jointly and that 66% of country analytical work is carried out jointly.

**INDICATOR 10a**

In 2007, only 13% of a total of 177 missions to Kosovo were conducted jointly. To date, no concrete initiative exists to increase donor co-ordination of missions although the Donor Co-ordination Centre has included the issue in its Action Plan on Partnership for Aid Effectiveness. A memorandum of understanding (MoU) for all stakeholders involved in external assistance is currently in the drafting stage. The majority of bi-lateral donors are keen to move forward with the action plan, but the Donor Co-ordination Centre will need to ensure that all stakeholders remain comfortable with the plans.

**TABLE 26.7:**  
How many donor missions  
are co-ordinated?

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2007 c = a / b
Austria	0	25	0%
Denmark	0	4	0%
European Commission	6	15	40%
Finland	0	3	0%
France	0	5	0%
Germany	0	5	0%
Global Fund	0	2	0%
IOM	0	0	--
Italy	0	2	0%
Japan	0	0	--
Luxembourg	1	1	100%
Netherlands	0	1	0%
Norway	0	4	0%
Sweden	0	6	0%
Switzerland	0	2	0%
United Kingdom	0	2	0%
United Nations	14	55	25%
United States	0	9	0%
World Bank	9	36	25%
<b>Total</b>	<b>23</b>	<b>177</b>	<b>13%</b>

\* The total of co-ordinated missions has been adjusted to avoid double-counting. A discount factor of 35% is applied.

The Paris Declaration 2010 target is that 40% of donor missions are conducted jointly. Meeting this target, while also reducing the total number of missions in Kosovo, is a challenge. However, once the government approves overall sector strategies, there will be a more concrete framework for donors to undertake missions jointly. This should have a positive impact on the number of joint donor missions. Moreover, if the envisaged SWAp in the education sector materialises, it may lead to a larger share of missions being co-ordinated amongst the participating donors.

**INDICATOR 10b**

Country analytical work encompasses the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies in support of sound development assistance. It typically includes country or sector studies and strategies, country evaluations, discussion papers, etc. The Paris Declaration recognises that donors have a responsibility in ensuring that the analytical work they commission is undertaken jointly, as much as possible. Doing country analytical work jointly has a number of benefits. It helps curb transaction costs for partner authorities, avoid unnecessary duplicative work and foster common understanding between donors. Donors need also to draw on partner countries' own analytical work and, where appropriate, work with government and other donors. Indicator 10b measures the proportion of country analytical work that is undertaken jointly.

	Co-ordinated donor analytical work* (analyses) a	Total donor analytical work (analyses) b	2007  c = a / b
Austria	0	2	0%
Denmark	0	3	0%
European Commission	6	6	100%
Finland	0	0	--
France	0	0	--
Germany	0	4	0%
Global Fund	0	2	0%
IOM	0	1	0%
Italy	0	0	--
Japan	0	0	--
Luxembourg	0	0	--
Netherlands	0	0	--
Norway	0	0	--
Sweden	0	4	0%
Switzerland	3	3	100%
United Kingdom	1	4	25%
United Nations	14	35	40%
United States	0	3	0%
World Bank	4	10	40%
<b>Total</b>	<b>21</b>	<b>77</b>	<b>27%</b>

\* The total of co-ordinated analytical work has been adjusted to avoid double-counting. A discount factor of 25% is applied.

For Kosovo, 27% of country analytical work was undertaken jointly in 2007. The 2010 target is that 66% of country analytical work is undertaken jointly. This will be a challenge as no institutional initiative is currently in place to promote donor co-ordination in this respect. ■

## MANAGING FOR RESULTS

THE PARIS DECLARATION CALLS ON donors and partner countries to make a joint commitment to managing for development results – *i.e.* to manage resources according to desired results. This implies defining desired results and measuring progress toward them, as well as using information on results to improve decision making and performance. It also implies strengthening capacity to undertake such management and helping to increase the demand for a focus on results (*i.e.* adopt a results-based monitoring framework).

Indicator 11 utilises data collected as part of the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead*. The review focuses on three particular aspects of a robust results-based monitoring framework: the quality of the information generated; stakeholder access to the information; and the extent to which such information is utilised within a country-level monitoring and evaluation system.

The assessments are expressed in scores running from A (high) to E (low), with B representing a “largely developed results-based monitoring framework.” The 2010 target is to reduce by one-third the proportion of countries lacking transparent results-based monitoring frameworks (*i.e.* reduce by one-third the number of countries not attaining at least a B rating).

TABLE 26.8:  
How much country analysis  
is co-ordinated?

**INDICATOR 11**  
Do countries have  
results-based monitoring  
frameworks?

Kosovo was not part of the World Bank's review of Results-Based National Development Strategies. However, in an informal self-assessment by the government, it received a rating of D+ on a scale from E (no such system exists) to A (an effective and sustainable system is in place). To date, the collection of data is sporadic; thus, data is not suitable for management or policy, and is not made available to the public in a timely fashion. As no concrete strategy for improving this situation has yet been formulated, moving up the rating scale will be a challenge. However, changes to administrative arrangements in post-independence Kosovo should provide an opportunity to make progress on managing for results, and, more broadly, for improvements in management, policy making, coordination, implementation and monitoring. ■

## MUTUAL ACCOUNTABILITY

### INDICATOR 12

Do countries have reviews of mutual accountability?

THE PARIS DECLARATION RECOGNISES that for aid to be truly effective, stronger and more balanced accountability mechanisms are required at all levels. In particular, aid is more effective when both donors and partner country governments are accountable – to their respective publics and to each other – for the use of resources and management to achieve development results. The Paris Declaration calls for donors and partner countries to jointly assess (through existing country-level mechanisms) mutual progress in implementing agreed commitments on aid effectiveness, including commitments made under the Paris Declaration.

Indicator 12 is concerned with the specific question of whether there is a country-level mechanism for mutual assessment of progress on the partnership commitments arising from the Rome or Paris Declarations, or from local harmonisation and alignment plans. The 2010 target is for all partner countries to have in place such mechanisms.

At present, Kosovo has no such mechanism for mutual assessment. However, the Action Plan on Partnership for Aid Effectiveness proposes measures in this direction and some progress is underway. In early 2008, the government and donors reached a consensus on a two-page paper that outlines commitments towards more effective development assistance. These commitments are in line with the Paris Declaration principles. The paper was reviewed by all donors at the Post-Status Donor Conference (July 2008). It is expected that the government will take the necessary policy decisions and administrative actions to establish a relevant organisational structure that will facilitate the realisation of these commitments. ■

## PROGRESS SINCE 2005 AND PRIORITIES FOR 2010

UNTIL RECENTLY, aid effectiveness has not been high on the agenda in Kosovo. This is slowly changing and a number of initiatives in this regard are being implemented. As the institutional set-up changes and the government gains control over decision-making functions, ownership over development efforts should become stronger and aid financing less scattered. However, this requires that the government is able to lead and manage aid, and to communicate its priorities. ■

INDICATORS		2007	2010 TARGET
1	Operational development strategies	N/A	N/A
2a	Reliable public financial management (PFM) systems	N/A	N/A
2b	Reliable procurement systems	Not available	Not applicable
3	Aid flows are aligned on national priorities	0%	85%
4	Strengthen capacity by co-ordinated support	51%	50%
5a	Use of country PFM systems	3%	N/A
5b	Use of country procurement systems	1%	N/A
6	Strengthen capacity by avoiding parallel PIUs	107	68
7	Aid is more predictable	3%	32%
8	Aid is untied	N/A	N/A
9	Use of common arrangements or procedures	2%	66%
10a	Joint missions	13%	40%
10b	Joint country analytical work	27%	66%
11	Results-based monitoring frameworks	N/A	N/A
12	Mutual accountability	No	Yes

**SUMMARY**  
TABLE 26.9

## CONTRIBUTORS

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## ACRONYMS

GDP	gross domestic product
MDGs	Millennium Development Goals
MTEF	medium-term expenditure framework
ODA	official development assistance
OECD-DAC	OECD Development Assistance Committee
PBA	programme-based approach
PEFA	public expenditure framework assessment
PFM	public financial management
PISG	Provisional Institutions of Self Governance
PIU	project implementation unit
RIMS	Reconstruction Intervention Monitoring System
SWAp	sector-wide approach
UNMIK	UN Mission in Kosovo

