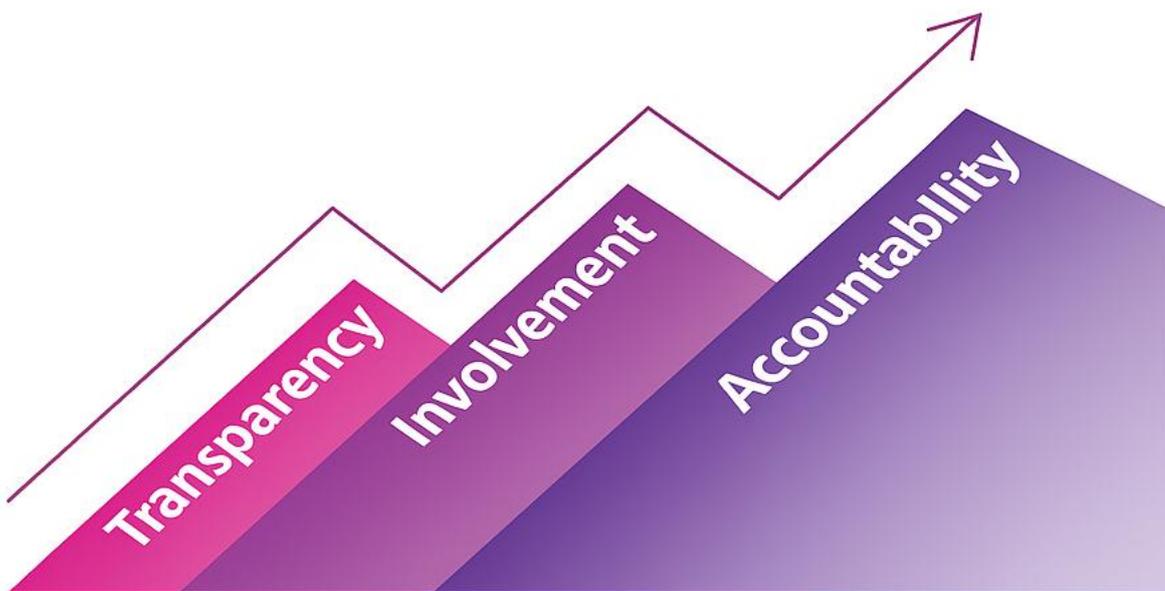




REPUBLIKA E SHQIPËRISË  
MINISTRIA E FINANCAVE

**Public Finance  
Management** |   
**Semi-Annual  
Monitoring Report** |   
**2025** | 



## EXECUTIVE SUMMARY

### Semi-Annual Monitoring Report

This Semi-Annual Monitoring Report on the Implementation of Public Finance Management Reforms covers the period from January 1, 2025, to June 30, 2025. It outlines the progress of planned reform activities and achievements against performance indicators and targets established in the new PFM sectoral strategy for 2023-2030 and the action plan for 2023-2026. The PFM sectoral strategy aligns with the National Strategy for Development and European Integration (NSDEI), the PAR Roadmap, the Economic Reform Programme, and the broader European Integration agenda. The strategy and action plan received formal approval with DCM 390, dated June 12, 2024, on “Approval of Sectorial PFM Strategy 2023-2030.”

### Subsector strategies

During the reporting period, the PFM action plan was implemented alongside several subsector strategies, including the Medium-Term Revenue Strategy, the Business Strategy of the Albanian Customs Administration, the Procurement Strategy, the medium-term Debt Management Strategy, and the Albanian Supreme Audit Institution (ALSAI) Development Strategy.

### Cooperation with development partners

The government sustained productive collaboration with development partners for strategy implementation. This included regular assessments to evaluate the state of PFM policy and systems, such as the International Monetary Fund (IMF) Article 4 consultations and the preparation of a Public Expenditure and Financial Accountability Assessment (PEFA) with the EU, along with a Principles of Public Administration assessment with SIGMA. Numerous technical assistance and support projects funded by development partners continue to enhance PFM systems, with major partners including the IMF, World Bank, EU, SIGMA, and SECO.

### Pillar highlights

#### Pillar 1: Macroeconomic Programming and Fiscal Risk Monitoring

The action for the first technical assistance (training) on establishing the Debt Sustainability Analysis (DSA) framework is completed in 2024 and in April 2025, staff from the Ministry of Finance attended a training offered by the World Bank on Debt Sustainability Analysis. The FRS for 2024 was finalized in May 2025 and approved by the Minister of Finance. The document has now been officially submitted to Council of Ministers. During the first half of 2025, the draft law on the Fiscal Council has been under internal review.

#### Pillar 2: Integrated strategic and budget planning, monitoring and transparent reporting

Under Pillar 2 “Integrated Strategic and Budget Planning, Monitoring and Transparent Reporting”, a series of activities have been carried out. 80% of strategies and action plans have been prepared in line with IPS guidelines, and manual monitoring has been conducted by SASPAC and line ministries. An assessment of the existing IPS framework was launched, consultations were held with relevant stakeholders, and proposals for improvement are being prepared. Work is ongoing to upgrade the IPSIS system and link it with AFMIS/EAMIS, while a training needs assessment has been completed and training modules are under preparation. The reactivation of the EAMIS system is also under consideration. In the area of medium-term budget planning, according to the 2023 Open Budget Index (OBI) assessment, Albania scored 9/100 on Public Participation and 57/100 on Transparency, showing a slight

increase from 2021. The spending review methodology has been developed and is under internal review. All Line Ministries and main Central Institutions have been trained on Gender Gap Analysis (GGA) as part of Gender Responsive Budgeting (GRB). Five Line Ministries have been trained to implement climate change measures with their budgetary requests. In 2025, the National Single Project Pipeline NSPP was approved twice, through DCM no. 91 and DCM no. 435. Terms of reference for the upgrade of AFMIS system are being drafted. The revised Standard Budget Guideline No.12 (18.10.2024) introduced a standard procedure for documenting budget hearings. In Public Investment Management, PIM procedures have been effectively implemented, reflecting progress in strengthening public investment management practices. 100% of the training sections for the implementation of PIM procedures with Line Ministries and Budgetary Institutions were successfully completed. Decision of the Council of Ministers (DCM) No. 887/2022, “On Public Investment Management Procedures”, was amended in 2025 through DCM No. 180 to strengthen procedures. The legal framework was further completed with Instruction No. 11 (28.05.2025), introducing financial threshold for project inclusion in the NSPP. Guideline No. 22 (15.09.2025) defined the methodology for full and simplified feasibility studies. SAS-PAC is collaborating with EU4GG TA to develop a more robust project prioritization methodology. In the area of local finances, the Directorate of Local Finances (DLF) has started reviewing the grant formula using updated Census data for the 2026 budget. The joint instruction for the 2025 Performance-Based Grant Scheme (PBGS) has been approved. According to the latest PEFA evaluation, the score for indicator 7 is A. 61 municipalities and 12 regions have used the online local budget management system. Around 80% of municipalities have included performance indicators in their MTBP documents. E-platform is in use by the Ministry of Finance and all Local Government Units. Municipalities began preparing the first monitoring report January-April 2025 through the online system and formats. In the 2026-2028 MTBP process, all municipalities applied performance indicators. There are 5 new municipalities and 3 regions for budgeting and drafting of the PBA with the new methodology up to the product. With the addition of 6 new municipalities for 2025, 18 municipalities and 3 regions will implement the new budgeting methodology. MF has organized regional training sections with all budget directors of the municipalities. The new Local Budget Management System (LBMS) has been developed and tested. In the area of budget execution monitoring and reporting, for the first time, the Citizens Budget Execution Report for 2024 has been prepared and published. A new law on concessions and PPPs has been approved.

### **Pillar 3: Revenue Mobilization and Management**

The government continued its reforms in Customs Management resulting in the reduction of the customs declaration processing time, improved utilization of the green channel and the increase of the number of Authorised Economic Operators (AEO). During the second quarter of 2025, for the first time, Albania, with representatives from the Ministry of Finance and the Tax Administration, participated in the meetings of the fiscal group for measuring the VAT gap with the aim to enhance institutional capacity in tax policy development and tax reform management. Regarding the law on property tax and sub-legal acts for the implementation of the law on property tax adopted, based on the DCM no. 818/2024, the draft law is foreseen to be submitted for consideration to the Council of Ministers during the third quarter of 2025. Once the draft-law is approved and entered into force, it will be continued with the drafting and approval of the respective sub-legal acts.

### **Pillar 4: Accounting and Budget Execution Management**

Accounting and Budget Execution Management has shown significant improvement with notable achievements in accounting reform, cash and debt management, asset registration, and public procurement. The Ministry of Finance finalized the preliminary draft of the Public Sector Accounting Law and developed the instruction on accounting methodology, both essential for IPSAS alignment. A series of

consultations, workshops, and technical meetings were held in June 2025 aiming the discussions on draft law, in order to identify key challenges related to accounting guidelines and the broader regulatory framework, and to explore practical solutions tailored to the national context. Over 250 public officials were trained in basic public sector accounting. In cash management, the Ministry achieved a 100.5% cash forecast accuracy rate and institutionalized a new forecasting framework through the establishment of the Technical Group for Cash Flow Forecasting (GPL). The revised cash forecasting policy and updated agreement with the Bank of Albania increased the TSA deposit limit to 30 billion ALL and implemented the remuneration of TSA in ALL, improving liquidity management. In debt management, the 2025 Annual Borrowing Plan and 2024 medium-term Debt Strategy Monitoring Report were published, while credit risk assessments were enhanced using a World Bank-developed model. In asset management, 2 institutions successfully migrated fixed asset data to AGFIS, and work advanced on a consolidated asset register. Additionally, in collaboration with the World Bank, the Public Procurement Agency (PPA) and the Ministry of Infrastructure and Energy (MIE) a draft manual titled “On Utilisation of Life Cycle Costing Tool (LCC)” Manual was finalized to support green procurement practices, and the draft law on PPPs was submitted to Parliament for approval, aligning national legislation with EU standards.

#### **Pillar 5: Public Internal Financial Control**

**The Ministry of Finance has worked towards further professionalizing the system of Public Internal Financial Control.** In line with its efforts to strengthen Financial Management and Control (FMC), the Ministry of Finance / DHFMCA finalized a new methodology for monitoring the performance of general government units, supported by detailed indicator passports and a revised annex of indicators. Progress was made in enhancing managerial accountability through the continued implementation of delegation rules and internal control quality assessments in selected institutions. Risk management practices were also reinforced through targeted training and webinars, reaching over 100 public sector employees. Additionally, DHFMCA advanced the FMC development plan to improve implementation of recommendations, with results to be reflected in the 2025 PIFC Annual Report. The Ministry of Finance continued to support the professionalization of the core internal audit practices. The Department of Internal Audit (DHIA) has taken measures to ensure full certification of internal auditors by the end of 2025. Significant steps have been made to enhance quality assurance systems, and work started to develop a new Internal Audit Manual aligned with international standards. In addition, a pool of 22 certified trainers through a Training of Trainers program is built. Also, efforts to professionalize audit practices and strengthen risk-based auditing have been supported through sharing guidelines and providing extensive training activities, promoting consistency and improved audit performance. The Public Financial Inspection and Anti-Fraud Coordination Services finalized the National Anti-Fraud Strategy for the Protection of the Financial Interests of the European Union 2025–2030, along with its Action Plan, which was adopted in May 2025. To ensure effective implementation, a Steering Committee chaired by the Deputy Minister of Finance was established, bringing together representatives from all relevant institutions. The Committee is tasked with coordinating and monitoring the Strategy’s execution, with formal communication sent to all entities to secure their engagement in the process. Regarding the management of EU Funds, Albania has made significant progress in implementing the IPA III entrustment package. A major achievement was the ratification of Financing Agreements for three multi-annual Operational Programmes (2024–2027), followed by a successful audit mission by Directorate-General for Enlargement and the Eastern Neighborhood (DG-ENEST) in June 2025. Capacity-building efforts were strengthened through the IPA project ‘Support to EU Financial Assistance Management in Albania (EUSFAM)’, which supported the development of a Training Needs Assessment and the delivery of 13 training sessions and multiple workshops on key operational and compliance

topics. Meanwhile activities related to financial adjustment procedures and Simplified Cost Options (SCOs) are scheduled for implementation during 2025–2026.

### **Pillar 6: External Oversight**

**The Albanian Supreme Audit Institution is actively working toward achieving its strategic priorities, as outlined in its Development Strategy for 2023–2027**, by strengthening its role as a key supporter of the Parliament in promoting effective accountability and thorough examination of public fund users, and by increasing the impact of its audit work on good governance through improved implementation of audit recommendations. During the first half of 2025, ALSAI made notable progress in strengthening audit effectiveness and institutional oversight. The annual audit plan was expanded, increasing audit coverage across all types and reinforcing accountability. Parliamentary scrutiny was enhanced through the establishment of the Sub-Committee on Public Sector Audit, which held two hearing sessions and approved a report on the implementation of ALSAI’s recommendations in the State Cadastre Agency. The audit methodology for Public-Private Partnerships (PPPs) and concessions was institutionalized with the approval of a comprehensive framework, followed by targeted training sessions to ensure consistent application. ALSAI also advanced the use of Computer Aided Audit Techniques (CAATs), organizing online training for over 100 auditors on several topics. Engagement in peer review processes, including collaboration with SIGMA in February 2025, contributed to ongoing improvements in audit methodology and quality. Communication and reporting practices were further professionalized, with ALSAI submitting two summary reports on recommendation follow-up to the Assembly and the Minister of State for Relations with the Parliament, reflecting a strengthened commitment to transparency and institutional performance. Meanwhile, efforts to define ALSAI’s independence in its Organic Law remain pending.

**The Parliamentary Committee for Economy and Finances (CEF)<sup>1</sup> continued its efforts to professionalize its support structures**, with the Committee participating in several meetings to develop a comprehensive plan; however, due to the electoral period, the plan was not finalized and is expected to be completed in the second half of 2025.

---

<sup>1</sup> The name of the parliamentary committee was changed to “Committee for Economy, Employment and Finance” following the meeting of the parliamentary group in September 2025.

## Table of Contents

<b>EXECUTIVE SUMMARY .....</b>	<b>2</b>
<b>1 OVERALL OVERVIEW OF THE IMPLEMENTATION OF THE STRATEGY 2023-2030 .....</b>	<b>7</b>
1.1 INTRODUCTION.....	7
1.2 MONITORING METHODOLOGY.....	7
1.3 PFM VISIBILITY AND CONSULTATIONS .....	7
<b>2 IMPACT OF PFM STRATEGY IMPLEMENTATION IN LINE WITH THE EUROPEAN INTEGRATION AGENDA.....</b>	<b>8</b>
<b>3 PROGRESS IN IMPLEMENTING PFM STRATEGY PILLARS .....</b>	<b>9</b>
3.1 PROGRESS UNDER PILLAR 1 “MACROECONOMIC PROGRAMMING AND RISK MONITORING.....	9
3.2 PROGRESS UNDER PILLAR 2 “INTEGRATED STRATEGIC AND BUDGET PLANNING, MONITORING AND TRANSPARENT REPORTING” 12	12
3.3 PROGRESS UNDER PILLAR 3 “REVENUE MOBILIZATION AND MANAGEMENT” .....	18
3.4 PROGRESS UNDER PILLAR 4 “ACCOUNTING AND BUDGET EXECUTION MANAGEMENT” .....	21
3.5 PROGRESS UNDER PILLAR 5 “PUBLIC INTERNAL FINANCIAL CONTROL” .....	29
3.6 PROGRESS UNDER PILLAR 6 “EXTERNAL OVERSIGHT” .....	35
<b>4 CONCLUSIONS AND RECOMMENDATIONS.....</b>	<b>37</b>
<b>ABBREVIATIONS AND ACRONYMS .....</b>	<b>38</b>

## 1 Overall overview of the implementation of the Strategy 2023-2030

### 1.1 Introduction

This is the Semi Annual Monitoring Report on the Implementation of the Public Finance Management (PFM) Strategy which covers the period 1 January 2025 to 30 June 2025. It provides detailed information to the PFM Steering and Technical Committees on progress achieved and challenges encountered in meeting the Strategy's objectives and measures.

The present report provides an assessment of the PFM eligibility criteria for the European Union (EU) to provide Budget Support to Albania and as well for the Reform Agenda. The PFM eligibility criterion requires the existence of a credible and relevant programme to improve public financial management as well as satisfactory progress in the implementation of the programme.

The Government of Albania (GoA) has made good progress in the implementation of its Public Financial Management Reform Strategy. The developments for each pillar are described in the sections below.

### 1.2 Monitoring methodology

Directorate of Public Finance Strategies and Budget Support leads the process of preparing PFM Semi-annual and annual monitoring report and send the reporting request to all the pillar leaders, which are the governing structure in charge for reporting on implementation of the Strategy against costed action plan, performance against targets; any delays; or amendments, identifying of the risks materialized, new risks and their mitigating measures. This report was prepared based on the monitoring toolkit presented in the Technical Committee no. 13, dated 20 June 2025, and the Decision of the Council of Ministers no. 290, dated 11.4.2020, "On the establishment of the state database of the Integrated Planning Information System (SIPI/IPISIS)". The structure of the Semi-annual monitoring report is drafted in compliance with IPSIS methodology based on DCM no. 290, dated 11.4.2020.

Assessment of PFM progress is done at two levels: performance indicators level and in the activity level. Regarding the assessment of performance indicators, a narrative explanation of progress as of the end of June is presented, including reasons for any delays, lack of initiation, or deviations from the planned timeline. Regarding the assessment of measures, a brief and clear summary of implementation progress, or an explanation of any lack of progress, is provided for the first half of the year.

### 1.3 PFM visibility and consultations

The PFM Reform Strategy serves as a policy dialogue framework for all donors and civil society actors active in the sector. The institutional framework for managing PFM reforms within the Ministry of Finance comprises a Steering Committee (SC), a Technical Committee, and the Directorate for PFM Reform. Donors and civil society representatives are invited to participate in the Steering Committee meetings, and their comments are taken into consideration for the continuation and refinement of the reform process. The 13th meeting of the Technical Committee for Public Finance Management was held on June 20, 2025. During the meeting, the draft annual monitoring report for 2024 was reviewed, and the challenges, progress achieved, and evaluation reports from international partners were thoroughly discussed. The 14<sup>th</sup> meeting of the Technical Committee for PFM was held on October 30, 2025. The focus of the meeting was the discussion of the 2025 draft Semi-Annual Monitoring Report, the challenges and progress achieved, as well as the discussion on the reporting processes. The 19<sup>th</sup> PFM Steering Committee Meeting was held on November 11, 2025. The main focus of the meeting was to discuss and approve the 2024 PFM Annual Monitoring Report and the 2025 Semi-Annual Monitoring Report.

## 2 Impact of PFM strategy implementation in line with the European Integration agenda

The public finance management reform continues to be a priority of the Albanian government not only as one of the preconditions for accession to the EU under public administration reform (PAR), but also aims at supporting a more developed economy with better services to citizens. Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilization, and continued relevance and credibility of the reform programme is one of the general conditions for disbursement of budget support tranches under IPA funds, and as well for the Reform Agenda. In this context, the Public Finance Management Strategy 2023-2030, addressed several challenges that Albania is facing in its path towards EU. Furthermore, progress of PFM is part of several monitoring and evaluation reports such as: Public Administration Reform Special Group (PAR SG) report, PAR Roadmap, SIGMA monitoring report, PEFA Assessment, and EU Progress Report for Albania.

With regards to the **EU-Albania PAR SG**, it serves as the main platform to push forward the work on PAR. Periodic reports on the follow-up of the PAR SG conclusions are prepared by Albanian Government and every yearly meeting, conclusions on the areas to be improved are issued. The 13<sup>th</sup> PAR SG meeting is held in October 2025, in which Ministry of Finance reported on the status of the implementation of several operational conclusions such as: (1) Albania to start implementation of the recently adopted PFM Strategy; (2) Albania to continue reforms to prevent the occurrence of arrears, with a particular focus on arrears at local government and arrears related to enforcement of court decisions (from civil, as well as administrative cases); (3) Albania to streamline the decision-making and management processes for public investments, irrespective of funding source through application of the CoM decision on the matter. Albania to ensure sufficient resources at MoF for financial oversight role. Albania to further improve reporting on investments, including PPPs, by extending coverage and quality of monitoring reports (4) Albania to further strengthen reporting on financial performance of SOEs, including fiscal risk assessment; (5) Albania to limit the use of normative acts for the budget revision and return to the standard budget revision procedure, fully respecting the budget oversight role by the Parliament.

**Regarding the PAR Roadmap**, following the bilateral meeting between the European Commission and the Government of Albania on Public Administration Reform (Cluster 1), held on December 12, 2022, the Department of Public Administration, as the leading institution in this area, initiated the process for the preparation of the PAR Roadmap for 6 thematic areas under PAR, where “Public Finance Management” is one of the thematic areas. The PAR Roadmap was approved with DCM No. 737, dated 13.12.2023. During the first half of the 2025, the MOF continued to monitor the implementation of measures and report the progress on a quarterly basis.

**Regarding the 2024 SIGMA monitoring report**, the Ministry of Finance has requested to the responsible units to take into consideration the recommendations provided and to undertake the necessary steps to address them effectively.

**In May 2024 started the 2024 PEFA Assessment for Albania.** The assessment covered the data for the fiscal years 2021, 2022, 2023. The PEFA Assessment 2024 aim is to provide the Government of Albania with an updated objective diagnosis of the performance of Public Finance Management at the central level based on the PEFA methodology, based on 31 performance indicators. The following were the areas of PFM subject of this assessment: (i) budget planning and executing; (ii) intergovernmental fiscal relations; (iii) performance information for service delivery, (iv) public access to fiscal information; (v) public investment management; (vi) public asset monitoring; (vii) macro-economic forecasts; (viii) debt management, (ix) revenue administration; (x) predictability of in-year resource allocation; (xi) expenditure arrears; (xii) payroll controls and internal controls on non-salary expenditure; (xiii) procurement system; internal and external audit; financial data integrity. This process was managed and supervised by the Government of Albania, the Delegation of the EU, the International Monetary Fund; World Bank, SECO and SIDA. The Ministry of Finance in this process plays the role of coordinator and supporter for the team of independent consultants contracted by EUD. The launch event for the final assessment report of PEFA 2024 for Albania was held on July 15, 2025. The publication of

the report is done on PEFA website<sup>2</sup>. The PEFA 2024 report shows significant progress but also highlights areas that require improvement. Some of the strengths are sustainable budget implementation with low deviations, regular budget process, strong internal financial control, good tax administration, effective debt and liquidity management, as well as clear objectives for public services with measurable indicators. Some of the challenges drawn from this report are: improving financial reporting, consolidating financial reports for state-owned enterprises and PPPs, expanding the coverage of IT systems to reduce transactions outside the treasury, including non-financial assets and strengthening parliamentary oversight over audit reports, as well as the establishment of a Fiscal Council as an independent institution that analyzes and evaluates the government's fiscal policy and compliance with fiscal rules, the prudence and reliability of macro-fiscal forecasts, etc.

**Regarding the 2025 EU Report on Albania**, its key findings will be incorporated into the 2025 PFM Annual Monitoring Report following the report's official publication.

### 3 Progress in implementing PFM Strategy Pillars

The specific details of the developments for each Pillar are described in the sections below.

#### 3.1 Progress under Pillar 1 “Macroeconomic Programming and Risk Monitoring

Components (Specific Objective) progress made during first half of 2025

##### Specific Objective 1.1 Prudent and realistic macroeconomic programming

###### Performance Indicators

The performance indicators of this component are measured and expressed as annual figure, according to the respective fiscal rule.

The first performance indicator for this component requires that the difference between the Ministry of Finance annual GDP forecast as presented in the annual budget documentation that is presented to the Parliament and the IMF annual GDP forecast as published in the World Economic Outlook Forecast should not be higher than zero.

The second performance indicator refers to the macroeconomic indicator primary balance which target value should not be negative. This macroeconomic indicator has been legally mandated as a new Fiscal Rule commencing from 2024 and is measured as total budget revenues minus total budget expenses plus interest payment. This commitment aligns with the stipulated fiscal rules in the Organic Budget Law (OBL), emphasizing the adherence to sound fiscal principles for long-term economic resilience and stability. As stipulated in the OBL, it is mandated that starting from 2024 and for each subsequent year, the primary balance will be no less than zero, ensuring a balanced or positive stance.

###### Measures and activities

MoF's macroeconomic indicator projections has been in disclosed comparison for the year 2025, but according to the way of their measurement, these figures are expressed as annual figures.

In order to address vacancies for specialized staff and to develop and implement specialized training for GDMFP staff, during the first half of 2025, three important trainings have been conducted by the World Bank for Ministry of Finance staff, as follows: Debt Sustainability Analysis Framework, Pension Reform Options

---

<sup>2</sup> <https://www.pefa.org/country/albania>

Simulation Toolkit (PROST), and Applied Econometrics. Additionally, four new specialists have been recruited at the GDMFP.

There is an annual assessment regarding prudent and realistic medium-term revenue forecasting, aligned with independent and international forecasters.

The assessment of the measure 'Safeguard sound public finances through the permanent compliance with the Fiscal Rules' is conducted annually.

### Specific Objective 1.2 Establishing a comprehensive Debt Sustainability Analysis

#### Performance Indicators

**Regarding the indicator of completing the technical assistance for Debt Sustainability Analysis (DSA)**, in April 2025, staff from the Ministry of Finance, specifically from the GDMFP and General Directorate of State Debt (GDSD), attended a training offered by the World Bank on Debt Sustainability Analysis. The training included both presentations and hands-on application of the tool. A data template was submitted to the team to fill out as a preparatory step.

**The deadline for establishing a DSA framework is 2026.** Regarding the introduction of a basic DSA framework, the template has been populated with data by MoF staff during this year and is currently being used internally.

#### Measures and activities

*Regarding the provision of technical assistance for the DSA process*, in April 2025, staff from the Ministry of Finance specifically from the GDMFP and GDPD attended a training offered by the World Bank on Debt Sustainability Analysis. The training included both presentations and hands-on application of the tool. *Regarding the development and implementation of capacity development activities*, a training session for DSA was held in April 2025, along with two other previously mentioned workshops."

Regarding the introduction of the Debt Sustainability Analysis framework as a macroeconomic programming tool, a data template has been submitted to the team to fill out as a preparatory step. The informative bulletin is prepared quarterly by the GDMFP staff and published on the MoF website, as well as distributed to investors for their information.

### Specific Objective 1.3 Fiscal risk management

#### Performance Indicators

**Regarding the performance indicator “Annual Fiscal Risk Statement introduced”**, the FRS for 2024 was finalized in May 2025 and approved by the Minister of Finance. The document has now been officially submitted to Council of Ministers.

#### Measures and activities

*Regarding the development and implementation of capacity-building activity for fiscal risk management*, at the beginning of 2025, the Directorate of Fiscal Risks (DFR) recruited three new specialists, thereby completing the approved staffing structure (one Director and four Specialists). As of June 2025, the position of Director remains vacant. Nevertheless, the DFR continues to work closely with the BRU, under the oversight of the DBM. In line with efforts to strengthen staff technical capacities, technical assistance with international partners the IMF and the World Bank continued during the first half of the year, focusing on enhancing risk monitoring capabilities. Activities included: (i) A meeting with the World Bank on improving risk analysis related to natural disasters; and (ii) A regional meeting with the IMF and peer countries on fiscal risk management practices and the preparation of the Fiscal Risk Statement (FRS).

*Regarding the development, piloting and publication of the Annual Fiscal Risk Statement each year*, at the beginning of 2025, the Directorate of Fiscal Risks (DFR) under the supervision of the Directorate for Budget Management (DBM) and its Budget Risk Unit (BRU), initiated the preparations for collecting the necessary

information for drafting the 2024's Fiscal Risk Statement (FRS). During the period April-May 2025, work continued towards processing and analyzing the information submitted by all reporting units, in line with the deadlines set out in Guideline No.35/2022. By the end of May, the process concluded with: (i) the finalization of the 2024 FRS document; (ii) its submission to the Council of Ministers for information purposes.

*Regarding the expansion of the scope of fiscal risks reported in the Fiscal Risk Statement (FRS) by including risks related to natural disasters and climate change, during the first half of 2025, meetings were held with the World Bank to define the next steps for the analysis and its expansion in the context of natural disaster-related risks. The Ministry of Defense/National Civil Protection Agency remains the lead institution responsible for monitoring, analyzing, and reporting these risks. Regarding climate change-related risks, it is worth noting that not only Albania but also other countries in the region are still in the early stages of this process. The World Bank has planned further missions and training activities in this area; however, no concrete schedule has been established yet.*

*Regarding the improvement of the methodology and regulations for assessing and monitoring fiscal risks arising from all PPP and concession contracts at both the national and subnational levels, and in order to strengthen the management of fiscal risks related to these contracts, work will continue on the preparation of a new methodology for evaluating concession/PPP projects following the entry into force of the new law and its accompanying bylaws.*

*Regarding the strengthening of fiscal oversight of State-Owned Enterprises (SOEs), rigorous monitoring continued during the first half of 2025, in line with Article 4/2 of the Organic Budget Law, Supplementary Guideline No. 2/2025 "On the Implementation of the 2025 Budget," and Guideline No. 35/2022 on fiscal risk reporting and monitoring procedures. The application of the SOE Health Check Tool (HCT), supported by the IMF's Fiscal Affairs Department (FAD), was carried out to assess 12 SOEs operating in the energy and water sectors, based on key financial indicators such as liquidity, debt levels, and profitability. The results of the SOE HCT have been integrated into the 2024's Fiscal Risk Statement (FRS), contributing to enhanced quality and comparability in the assessment of fiscal risks stemming from SOEs.*

The information for consolidation and further improvement of the methodology for monitoring and reporting arrears is not available.

## **Specific Objective 1.4 Fiscal Council**

### **Performance Indicators**

During the first half of 2025, the draft law on the Fiscal Council has been under internal review. A series of dedicated meetings were held to discuss its provisions, with a particular focus on the Council's mandate, governance structure, independence, and reporting obligations. These internal discussions aim to ensure alignment with international best practices, safeguard fiscal transparency, and provide a solid institutional basis for the Council's future role.

### **Measures and activities**

The option paper was prepared by the WB and the option preferred for Albania has been made. During the first half of 2025, the draft law on the Fiscal Council has been under internal review. A series of dedicated meetings were held to discuss its provisions, with a particular focus on the Council's mandate, governance structure, independence, and reporting obligations. These internal discussions aim to ensure alignment with international best practices, safeguard fiscal transparency, and provide a solid institutional basis for the Council's future role.

## **Key challenges and next steps**

Some key challenges were faced during first half of 2025. The information for consolidation and further improvement of the methodology for monitoring and reporting arrears is not available.

## 3.2 Progress under Pillar 2 “Integrated strategic and budget planning, monitoring and transparent reporting”

Components (Specific Objective) progress made during first half of 2025

### Specific Objective 2.1 Integrated Strategic Planning

#### Performance Indicators

Regarding the indicator **percentage of strategies and action plans developed in accordance with IPS guidelines**, by June 2025, 80% of strategies and action plans have been prepared in line with IPS guidelines. This reflects improved coordination between SASPAC and line ministries, the use of standardized templates, and closer linkage with the Medium-Term Budget Program. In the second half of 2025, additional strategies currently under preparation are expected to be finalized, which will allow the indicator to reach the 85% annual target.

In relation to indicator **percentage of strategies and action plans monitored through the IPSIS**, by mid-2025, systematic monitoring through the IPSIS platform has not yet started, and the indicator formally stands at 0%. However, manual monitoring of strategies was carried out by SASPAC and line ministries, ensuring that progress continues to be tracked against defined objectives. On this basis, the target of 40% IPSIS coverage by end of 2025 remains achievable.

#### Measures and activities

Regarding measure **enhancing the IT-supported Integrated Planning System for the formulating and monitoring of strategies**, an initial assessment of the current IPS framework was launched in Q1 2025, accompanied by consultations with line ministries and development partners. Draft proposals for improvement are being prepared for discussion in Q3. A preliminary review of laws and by-laws was completed, identifying areas that require adjustments to strengthen compliance with IPS guidelines. The drafting of amendments will continue during the second semester. Technical work to upgrade IPSIS and linkages with AFMIS/EAMIS is in progress. Manual monitoring of strategies was applied in the meantime to ensure continuity of reporting. Training needs assessment for civil servants was finalized. A training curriculum and modules are under preparation and will be piloted in Q3–Q4 2025. SASPAC is currently assessing and exploring the possibilities and available options for the revitalization and operationalization of the EAMIS system. This includes evaluating technical, functional, and strategic aspects to determine the most feasible approach for bringing the system back into active use. Additionally, discussions are ongoing with NAIS to align technical requirements and future steps related to the system's reactivation.

Regarding **the expansion of mid-term review and ex-post evaluation of strategies and actions plans**, a methodology manual is being drafted to guide the conduct of mid-term reviews and ex-post evaluations of strategies and action plans.

### Specific Objective 2.2 Medium Term Budget Planning

#### Performance Indicators

The **performance indicator 16: *Medium Term Perspective in expenditure budgeting*** received an overall score of C+ in the recent PEFA assessment. The breakdown of sub-indicator scores is as follows:

- 16.1. Medium-term expenditure estimates - This sub-indicator received a score of A, based on the analysis and supporting evidence.

- 16.2. Medium-term expenditure ceilings - The score remains at C, consistent with the 2017 PEFA assessment, since the ministry-level expenditure ceilings were again approved by Council of Ministers after the MoF had issued the first budget instruction.
- 16.3. Alignment of strategic plans and medium-term budgets - Performance improved from C to B due to better alignment of strategic priorities and medium-term budget programming.
- 16.4. Consistency of budgets with previous year's estimates - Based on published budgetary documents and interviews, changes in expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget were not explained at the aggregate level. The score for this sub-indicator is D.

**Regarding the SIGMA Indicator 6.7.1 - Functioning of internal control (Alignment between management and budget structures)**, according to the SIGMA Assessment Report for 2024, the alignment between management and budget structure is strong, with budget execution carried out through well-defined spending units.

**Regarding the SIGMA Indicator 6.2.1 - Quality of the annual budget process and budget credibility (Operational alignment between the MTBF and the annual budget process)**, in the 2024 SIGMA Assessment, this indicator underwent a significant change. Previously it was considered a sub-indicator under Indicator 6.2.1 – ‘Quality of the annual budget process and budget credibility’ and awarded 4 points. In the new methodology there is no a criterion directly linked with this sub-indicator. In this context, the necessary steps will be taken to revise the indicator.

According the 2023 **Open Budget Index (OBI)** assessment, Albania scored 9/100 on **Public Participation** and 57/100 on **Transparency**. These scores show a slight improvement compared to 2021, when the country scored 6/100 on Public Participation and 52/100 on Transparency.

**Regarding the performance indicator related to the introduction of the spending reviews**, the methodology has been developed and is under review by internal structures of the Ministry.

**In relation to the performance indicator “Gender gap analysis (GGA) as part of GRB”**, all Line Ministries and main Central Institutions have been trained and should prepare gender analysis as part of their MTBP. As per **“Green / Climate change-responsive budgeting (CCRB)”**, with the support of GIZ, five Line Ministries have been trained to implement climate change measures with their budgetary requests.

**Concerning the indicator approval of the PPD together with the NSPP**, following the latest amendment to DCM no. 887/2022, through DCM no. 180 dated 20.03.2025, several key changes have been introduced, most notably, an increased frequency of updates. The National Single Project Pipeline (NSPP) will now be reviewed and approved on a quarterly basis, if deemed necessary. In 2025, the NSPP has been approved twice: first, through DCM no. 91 dated 12.02.2025, “On the approval of the Priority Policies Document 2026–2028”, and later amended by DCM no. 435 dated 31.07.2025, “On an amendment to DCM no. 91 dated 12.02.2025 ‘On the approval of the Priority Policies Document 2026–2028’.

### **Measures and activities**

In relation to **Strengthening Managerial Accountability in MTBP Formulation**, terms of reference for the upgrade of AFMIS system are being drafted. The rollout of the updated managerial accountability framework through pilots, awareness raising and training activities, will be carried out after AFMIS upgrade and the respective changes of the secondary legislation. The activity to improve procedures for internal budget hearings between MoF and Budget Institutions and update the regulatory framework, has been completed. The revised Standard Budget Guideline No.12, approved on 18.10.2024, has improved the budget hearings process by creating a standard procedure of documenting hearings, thereby improving the quality of this process. The activity to introduce and regularize, as part of the MTBP procedures and budget documentation, an overview of deviations between MTBP ceilings and budget ceilings is in progress. It is planned to be approved in De-

ember of 2025, after the budget law for 2026 is approved by the Parliament. It will be regulated with a guideline approved by the Minister of Finance. This guideline will consist of the deviation of Budget for 2026 ceilings with MTBP ceilings 2026-2028 and the respective explanations.

**To enhance budget documentation, particularly the quality of performance information was completed during March-April 2025.** A series of training sessions were organized in cooperation with UN Women. The main objective of the workshops was to present the changes in the new guideline regarding Gender Analysis, increasing capacities of LM and BI in this process and improve the quality of performance information presented by Line Ministries and Central Institutions during budget planning.

**The activity related to introduction of spending reviews was not completed during Q2 2025.** The methodology has been prepared and submitted by the technical assistance team for further review within the General Budget Department. Comments and approval of the methodology will be discussed with the Minister. The delay in approval occurred because the technical structures responsible for reviewing the methodology requested additional time to review it carefully.

**Regarding the indicator to the further development and introduction of Gender Responsive Budgeting (GRB) and Climate Responsive Budgeting,** the revision of the standard guideline for MTBP preparation in October 2024 is in line with the changes of new draft law of Gender Equality. This draft law makes mandatory the Gender Impact Assessments (GIA) for all new policy initiatives and is expected to be approved by the Parliament by the end of 2025. Training sections will be organized at the end of the year in cooperation with UN Women office in Albania.

### Specific Objective 2.3 Public Investment Management

#### Performance Indicators

**Investment Management (PIM) procedures** have been effectively implemented, reflecting progress in strengthening public investment management practices.

**Implementation of indicator the share of public investment projects that are proposed based on the strategic priorities of the government (value of projects in specific year), is progressing according to plan.** Alignment of projects with strategic priorities is steadily improving, and the target is on course to be achieved by the end of 2025. Following the latest amendment to DCM no. 887/2022, through DCM no. 180 dated 20.03.2025, projects will be budgeted only if they are mature and have submitted their feasibility study. Additionally, projects that have been matured in NSPP but have not been budgeted within three years, must undergo a review of the feasibility study to be budgeted.

**Concerning the actual disbursements for major investment projects compared to planned disbursements along with explanation of variations,** based on current monitoring, disbursement performance is progressing according to the planned schedule. Implementation and budget utilization of these projects are on track, and the target for this indicator is on course to be achieved by the end of 2025.

**Concerning the ratio of new public investments submitted within the MTBP Cycle versus total new public investments approved in one year,** monitoring indicates that the submission and approval of New Public Investments projects are proceeding according to schedule and in alignment with the MTBP cycle. Implementation is advancing steadily, and the target for this indicator is on course to be achieved by the end of 2025, reflecting effective planning and disciplined management of public investment resources.

#### Measures and activities

**Developments have occurred regarding the operationalization of procedures for improved public investment management.** Activity Upgrade PIM module of AFMIS to reflect changes in the new PIM procedures (Decision 887) was originally scheduled for completion within 2024. During the same year, the Decision of the Council of Ministers No. 887/2022 “*On the Procedures for Public Investment Management*”, was amended, necessitating enhancements to the Public Investment Management (PIM) module. In parallel, continuous negotiations were conducted with the World Bank throughout 2024 concerning the implementation of this measure. Following the agreement reached with the World Bank, the finalization of this process will take

place under the framework of the GovTech-2 project. Subsequently, negotiations were pursued with the World Bank for the provision of a loan encompassing multiple areas, including improvements to the PIM–AFMIS module. Since the beginning of 2025, discussions with the World Bank have continued to ensure the effective implementation of this program. The DMIP has communicated the relevant requirements to the designated working group, tasked with analyzing the identified challenges and formulating proposals for revision. By January 2025, 100% of the training sections for the implementation of PIM procedures with Line Ministries and Budgetary Institutions were successfully completed. In parallel, negotiations were undertaken with the World Bank to extend the training cycle throughout 2025, in cooperation with ASPA and the World Bank. Between January and May 2025, two training sessions were conducted on the topic “New Procedures in the Field of Public Investments”. During July–August 2025, two additional training sessions were organized with various Public Administration institutions. ASPA has scheduled further trainings to be delivered during the second half of 2025.

**Regarding measure to strengthen Single Project Pipeline and enhance the gatekeeper role of MoF**, Decision of the Council of Ministers (DCM) No. 887/2022, “*On Public Investment Management Procedures*”, was further amended in 2025 through DCM No. 180, dated March 20<sup>th</sup>, 2025, with the aim of strengthening procedures and ensuring disciplined management of public investments. In the same year, the legal framework of DCM No. 887 was completed with the issuance of Instruction No. 11 of the Minister of Finance, dated May 28<sup>th</sup>, 2025, “*On setting the financial threshold for the total value of projects in accordance with sector-specific characteristics*”. This measure introduced higher financial thresholds for project inclusion in the NSPP, thereby aligning project selection more closely with sectoral priorities and the Medium-Term Budgetary Program (MTBP). Specifically, EUR 25 million for transport projects, and EUR 15 million for projects in other strategic sectors, such as energy, digitalization, social development, and environment. This ensures that the pipeline remains focused on strategic, high-impact operations. Furthermore, Guideline No. 22, dated September 15<sup>th</sup>, 2025, “*On determining the methodology for preparing the full feasibility study and the simplified feasibility study*” was adopted, reinforcing the Ministry of Finance’s gatekeeping role and enhancing its oversight capacity over public investments. Additionally, SASPAC is collaborating with EU4GG TA to develop a more robust project prioritization methodology.

## Specific Objective 2.4 Local Finances

### Performance Indicators

Regarding the indicator “**Grant formula adjusted based on Population Census Data**” Directorate of Local Finances (DLF) has started working on the review and improvement of the formula for the year 2026.

Concerning the indicator “**Additional performance-based grant scheme (PBGS) introduced**”, the joint instruction of the Minister of Finance and the Minister of State for Local Government “*On the criteria, procedures, indicators, for the distribution of the Performance-Based Grant fund for municipalities for the year 2025*” has been approved.

As for the indicator “**PEFA Performance Indicator 7: Transfers to subnational governments**”, according to the latest PEFA evaluation, the score is A.

In relation to the indicator “**Percentage of municipalities using new LBMS software, in the preparation of the 2026-2028 MTBP**”, 61 municipalities and 12 regions have used the online local budget management system. Monitoring module in LBMS IS part of the online system in 2025.

Regarding the indicator “**Percentage of municipalities that publish performance plans for service delivery**”, in the MTBP 2026-2028 document, around 80% of municipalities have presented information for performance indicators, for all the budget programs.

As per the indicator “**Percentage of municipalities that publish information on performance achieved for service delivery**”, in the MTBP 2026-2028 document, around 80% of municipalities have presented information for performance indicators, for all the budget programs.

In relation to the indicator “**Local Budget Management Software and E-Platform introduced by MoF**”, E-platform is in use by the Ministry of Finance and all Local Government Units.

### Measures and activities

Regarding the measure to **improve the grant formula and calculation system for local government**, in 2024, the formula for the unconditional transfer was updated using the new Census data for the 2025 budget. DLF is also working during 2025 on the review and improvement of the formula for the 2026 budget. The grant scheme is part of the budget law for the year 2025. The joint instruction of the Minister of Finance and the Minister of State for Local Government "*On the criteria, procedures, indicators, for the distribution of the Performance-Based Grant fund for municipalities for the year 2025*" has been approved. At the end of September, the municipalities that applied in accordance with the criteria set out in the instruction for receiving the grant will be evaluated. The indicators that may change in the calculation of the unconditional transfer formula are under discussion.

Regarding "**Strengthen MTBP formulation and monitoring implementation in Municipalities**", the MTBP 2026-2028 guideline has been prepared, part of which is also a new online system for the preparation of the MTBP at the local level, the Local Budget Management System. The list of standard products for the pilot municipalities has also been drawn up. The program description of the budget classifications is standardized through the new online system. The monitoring module for the execution of budget in LBMS is part of the online system in 2025. The municipalities have started to prepare the first monitoring report January-April 2025 through the online system and formats. In 2025, in the MTBP process 2026-2028 all municipalities have used performance indicators. There are 5 new municipalities and 3 regions for budgeting and drafting of the PBA with the new methodology up to the product. With the addition of 6 new municipalities for 2025, 18 municipalities and 3 regions will implement the new budgeting methodology. MF has organized regional trainings with all budget directors of the municipalities

**The new Local Budget Management System (LBMS) has been developed and tested.** Municipalities have continued to use the LBMS software during preparation of the MTBP 2026-2028. The use of the standardized formats and processes will support the future implementation of the Albanian Financial Management Information System (AFMIS).

**Measure to improve the level of financial resources from shared taxes has not yet started.**

### Specific Objective 2.5 Budget Execution Monitoring and Reporting

#### Performance Indicators

Regarding the indicator "**PEFA Performance Indicator 28: In-year budget reports**", in response to the latest PEFA assessment, the DMB has initiated measures to enhance performance under this indicator. These efforts aim to improve the scoring and ensure alignment with PEFA criteria, beginning with the publication of consolidated quarterly reports.

Furthermore, it is important to emphasize that, to improve this indicator, the contribution and reporting of other directorates within the Ministry of Finance is essential through the relevant reports they produce and publish on a monthly and/or quarterly basis, such as financial reports from the Treasury or bulletins from the Macro and Debt Directorates.

**Citizens Budget Execution Report 2024 is published** on the official website<sup>3</sup> of the Ministry of Finance.

Regarding the indicator "**Development of a dedicated information system for monitoring and reporting on PPPs and concession contracts**", information system has not been contracted.

Regarding the indicator "**Number of PPP contracts covered in the aggregated annual report on PPPs and concession contracts**", for 2024, the Annual Summary Report contains 198 concession contracts and is on an increasing trend from the previous year.

### Measures and activities

<sup>3</sup> <https://financa.gov.al/buxheti-faktik-per-qytetaret/>

Measure to **improve budget execution monitoring and reporting and to introduce Citizens Budget Execution report**, has been completed. For the first time this year, the Citizens Budget Execution Report for 2024 has been prepared and published as part of the Annual Budget Execution Report. Going forward, this report will be compiled and published annually.

It is important to clarify that no legislative changes are needed for this measure. The Citizens Budget Execution Report is designed to communicate the essential financial information that is provided in the Annual Budget Execution Report. The Citizens Budget Execution Report for 2024 has been published on the official website of the Ministry of Finance.

**For monitoring and reporting on Public Investment Projects**, activity to adapt AFMIS to reflect changes related to the newly approved PIM procedures, was initially planned for completion within 2024. During the same year, DCM No. 887/2022, On the Procedures for Public Investment Management, was amended, requiring upgrades to the PIM module. Continuous negotiations with the World Bank throughout 2024 led to an agreement to finalize the process under the GovTech-2 project. Since the beginning of 2025, discussions with the World Bank have continued to ensure the effective implementation of this initiative. The DMIP has communicated the relevant requirements to the designated working group, tasked with analyzing the identified challenges and formulating proposals for revision. By January 2025, all training with Line Ministries and Budgetary Institutions were completed.

Regarding training activities for monitoring and reporting on Public Investment Projects, negotiations with the World Bank were held to extend the training cycle through 2025, in cooperation with ASPA. Two training sessions on “New Procedures in Public Investments” were held between January and May 2025, followed by two additional sessions during July–August 2025 with various Public Administration institutions. ASPA has scheduled further training sessions to be delivered during the second half of 2025.

**Regarding the measure to improve the monitoring and reporting of PPP and concession contracts**, a new Law on Concessions and Public-Private Partnerships (PPPs) has been approved by the Council of Ministers. In parallel, work is ongoing to draft amendments to Instruction No. 35/2019. There are no planned activities or training sessions for the monitoring of concession contracts.

### **Key challenges and next steps**

Under Pillar 2, several challenges have been identified in the implementation of planned measures. The IPSIS platform is not yet operational, and monitoring continues to be conducted manually. The reactivation and operationalization of the EAMIS system remains under assessment. SASPAC is evaluating technical, functional, and strategic aspects to determine the most feasible approach for bringing the EAMIS system back into active use. In the area of medium-term budget planning, the spending review methodology has been developed but has not yet been approved due to extended internal review processes. The upgrade of the AFMIS PIM module, initially planned for 2024, has been postponed and is now expected to be completed under the GovTech-2 project, requiring continued coordination with the World Bank. In the area of local finances, the measure to improve the level of financial resources from shared taxes has not yet started. No training activities have been planned for the monitoring of concession contracts.

### 3.3 Progress under Pillar 3 “Revenue Mobilization and Management”

Reforms aimed at improving revenue systems mobilization and management continued in 2025 in line with the PFM Action Plan, the Medium Term Revenue Strategy (MTRS) and the Business Strategy of the Albanian Customs Administration.

#### Components (Specific Objective) progress made during first half of 2025

##### Specific Objective 3.1 Tax Management

###### Performance Indicators

**Concerning the increase in revenues from MTRS (in total from tax and customs administration according to MTRS)**, for the period January–June 2025, revenues from taxes and customs were programmed at 244.1 billion ALL, representing 48.7% of the annual plan of 501.6 billion ALL. Meanwhile, revenues from social and health insurance contributions (General Directorate of Taxation + Social Insurance Institute + The Compulsory Health Insurance Fund) were planned at 83.6 billion ALL, or 49.5% of the annual contribution revenue plan of 169 billion ALL. Collected revenues from taxes and customs amounted to 242.3 billion ALL—1.7 billion ALL, or 0.7%, less than the planned amount. Revenues from taxes and customs increased by 20.2 billion ALL compared to the first six months of 2024, representing a 9.1% increase.

**Concerning the increase of revenues from VAT** (measured on non-cumulative basis), which is an annual indicator, the fulfillment of it will be reported when the year 2025 is over. For the year 2025, it has been projected to collect around ALL 62,612 million. For the period January - June 2025, there are collected All 33,155 million. The planification for has been All 32,237 million. So, there are collected around ALL 0.9 billion.

**Concerning the increase of revenues from reduction of under and un-declared work** (measured on non-cumulative basis) of the MTRS has foreseen the introduction of 40000 new employees into the scheme and the increase of the salary declaration of 120 000 employees, for the period 2024-2027. For the year 2025, the annual indicators foreseen at MTRS are: 10000 new contributors and revision of wages of 25000 employees. Based on the data from the tax administration, as of January- June 30, 2025, the wage declaration has been reviewed for 14,026 employees. Based on the data from the tax administration, in June 2025 there are 13,487 new contributors to the scheme compared to December 2024. At the end of 2024, there were 741,044 contributors in the scheme.

###### Measures and activities

During the second quarter of 2025, for the first time, Albania, with representatives from the Ministry of Finance and the Tax Administration, participated in the meetings of the fiscal group for measuring the VAT gap **with the aim to enhance institutional capacity in tax policy development and tax reform management**. At the end of 2025, Albania will be included as a candidate country in the report to be published regarding the VAT Gap for EU countries. In this context, we managed to ensure a high level of quality of data that enabled the inclusion of Albania in the report.

**With the aim to develop and implement initiatives to reduce the VAT compliance gap**, the full functionality of the Risk Committee was established by the order of the General Director No. 42 dated 23.02.2023. During the first half of 2025, 6 meetings of the risk committee were held with an average of 11 issues reviewed for each decision. The Tourism Sectoral Plan was approved and implemented during the period June-September 2025. Special attention was paid to the risk of VAT fraud in order to expand the taxable base of VAT taxpayers. Fiscalization data is used periodically and more and more to identify VAT defaulters. In April 2025, it was enabled to pre-fill VAT declarations with fiscalization data and after pre-filling the Purchase/Sales

Books in 2024, the entire process from electronic invoicing to the advance generation of the VAT declaration was finalized. The comparison of VAT revenues 9M2024 VS 2025 results in an increase of about 11.8%. During the period January - August 2025, the Specialized Control Directorate performed functional tasks, in accordance with the strategic objectives of the tax administration **with the aim to ensure taxation of any unjustified wealth inside and outside the country**. Assessments for 911 individuals (Information from DMR) have been sent to each DRT regarding DIVA 2023 for all individuals who have evaded the tax paid. (Compliance Design). After signing the memorandum of cooperation with the Directorate of Road Transport Services, No. 1873, dated 05.02.2025 and analyzing the information, a plan was built and approved for 100 individuals to be controlled by the end of 2025. Also, assessments for individuals who own luxury vehicles and do not result in the tax system have been sent.

**With the aim to improve service delivery to tax payers**, GDT in collaboration with STA - the Swedish Tax Administration, has drafted the taxpayer service strategy, which is expected to be approved by the Tax Administration Reform Committee within 2025. The call center is fully functional and is involved in all tax administration initiatives related to promoting taxpayer self-fulfillment, mainly in reducing tax debt, increasing the VAT taxable base and implementing the tourism sector plan. GDT is working with the Swedish tax administration on a project that will increase the quality of this service in the future. The tax administration is currently implementing a series of training initiatives related to human capacity development as training from QTATD, CEF, IMF, AIOTA, TAIEX.

### Specific Objective 3.2 Property Tax Management

#### Performance Indicators

**Regarding the law on property tax and sub-legal acts for the implementation of the law on property tax adopted**, based on the DCM Nr. 818/2024, the draft-law is foreseen to be submitted for consideration to the Council of Ministers during the third quarter of 2025. Once the draft-law is approved and entered into force, it will be continued with the drafting and approval of the respective sub-legal acts. Furthermore, by Order of the Minister of Finance No. 39, dated 11.02.2025 "On the establishment of a working group for the drafting of the draft law "On the tax on immovable property", a working group has been established which will review the previous version of the draft-law and make the necessary changes to it, as well as it will draft the changes that this draft law may undergo after the final decision-making of the Ministry of Finance and after the completion of the internal consultation process with state institutions. The Ministry of Finance is the institution responsible for further decision-making regarding the internal consultation process with state institutions and the approval of the draft law "On Immovable Property Tax". Meanwhile, to further improve and clarify the current legal framework in the field of property tax, there have been drafted the amendments to the current sublegal acts. Based on the DCM Nr. 818/2024, the draft-sublegal acts are foreseen to be submitted for consideration to the Council of Ministers during the third quarter of 2025.

#### Measures and activities

**Regarding the finalization of the fiscal cadastre information system and its interoperability with other systems and rollout to Municipalities**, actually, the system is continuously being updated, with the aim of fully implementing the provisions of the current legal framework and preparing for the implementation of the amendments of the secondary legislation that is expected to be approved soon. Additionally, the system has been integrated with other state databases such as: NAIS, SCA, NBC, GDCS, SII, National Register for Economic Aid, and it is expected that the remaining integrations and necessary developments will be finalized by the end of 2025. The system will be widely used across all 61 municipalities for the taxation of buildings starting from 2026. As part of the reform for the taxation of immovable properties, the Fiscal Cadastre is one of the key elements. The Fiscal Cadastre contains national-level data for the purposes of calculating the property tax.

**With the aim to pilot, build capacity and institutionalise procedures for evaluating property and populating and maintaining property data in the FCIS**, the developments in the Fiscal Cadaster Information System support functionalities ranging from search, registration of property units, to invoice generation. The General Directorate of Property Tax (GDPT) for tax year 2025 has monitored these developments in two pilot municipalities: Fushë-Arrëz and Roskovec. In these municipalities, the full process of building taxation has been carried out, from calculating the tax obligation according to the current provisions to generating the invoice and recording the payment. Additionally, in the system, as part of the population process, integration has been made with the SCA database and the import of municipal registers.

**Regarding the improvement processes for property tax collection and increasing awareness of tax payers**, one of the main responsibilities of GDPT is the continuous assistance to the staff of local self-government units. In fulfilment of this responsibility, GDPT has set up a "Help Desk" unit, which has maintained direct communication with municipal employees for any clarifications or issues related to property tax, as well as problems encountered in the Fiscal Cadastre system. Additionally, GDPT has continuously provided training to the LGU's staff regarding the functioning and use of Fiscal Cadaster, as well regarding the uniform implementation of the legal framework in the field of property tax. Furthermore, GDPT has prepared informational materials to assist municipalities in uniform implementation of the legal framework in the field of property tax, as well as informing taxpayers about any doubts or questions regarding property tax. These materials are also published on the official website of the GDPT.

### Specific Objective 3.3 Customs Management

#### Performance Indicators

**The government continued its reforms in Customs Management resulting in the reduction of the customs declaration processing time, improved utilization of the green channel and the increase of the number of Authorised Economic Operators (AEO).**

**The utilisation of the green channel was 30.73% during the first half of 2025.** The percentage utilisation of Green channel in 2024 was about 30.73%. From the statistical data, it results that during the first half of 2025 the level of usage of the Green channel is in the same level as in 2024, against 27.9% in 2023.

General Directorate of Customs (GDC) successfully reduced the customs declaration processing time from 99.1 minutes on average in 2023 to 90 minutes in 2024. This reduction resulted from faster processing across the three channels (red, yellow, and green), thanks to improved and more efficient control procedures. **During the first half of 2025, the custom declaration processing time is in the same level as in 2024.**

In 2024, the number of Authorised Economic Operators was 16 (out of 13 planned), due to the continuation of the successful applications by economic operators and in time controls and approvals by Customs working group. **During the first half of 2025, two other companies received the AEO status from Customs.** The number of AEO increased from 16 in 2024 to 18 during H1 2025.

#### Measures and activities

**Concerning the improvement of Human Resources practices and delivering capacity development**, the trainings of the existing and newly recruited employees are done on continuing bases.

**Concerning the investment in IT systems for Integrated Tariff Management System (ITMS)**, the modules are fully developed. Now the EC has to procure the maintenance service.

**In accordance with the requirements of the Intersectoral Anticorruption Strategy, GDC drafted and approved its Integrity Plan.** Additionally, the Risk Register for Customs was approved. The Integrity Plan is being monitored regularly by the Anticorruption Directorate in GDC.

**The applications of the economic operators are on continuing bases, as well as the controls and approvals by Customs for receiving the AEO status.** In total with year 2024 there were validated 16 successful applications. The number of Authorised Economic Operators increased in 18 in the first half of 2025.

**Regarding the implementation of the National Single Window**, the previous procurement has been cancelled by WB. Now WB is in the phase of selection of the company which will develop the information system

for NSW. The company IOS Partners has prepared the Inception Report and ToRs document. ToRs are approved from WB and now is to take NO Objection from Bank RFP doc that will be published for the new tender by CFCU of Ministry of Economy and Innovation. Starting time of the activity related to development and deployment of the IT solution for the NSW depends on the other two activities above.

**With the aim to improve of a New Computerized Transit System (NCTS)**, a reform on the NCTS started in 2020 as part of the World Bank supported project Supervision Services and Quality Control for the full implementation of the NCTS in Albania.<sup>4</sup> The winning consultant was selected and contracted by CFCU and Ministry of Economy and Innovation. Regarding the procurement procedure, the previous procurement has been cancelled by WB. Now WB is in the phase of selection of the company which will develop the information system for NSW. To further develop the NCTS IT environment, Albanian Customs Administrations has established a working group for the implementation of the New Computerized Transit System. This group consists of various experts from fields such as customs procedures, legal, guarantee, payments, IT, and risk management.

### Key challenges and next steps

Some key challenges were faced during the first half of 2025. The draft-law on property tax is foreseen to be submitted for consideration to the Council of Ministers during the third quarter of 2025. Once the draft-law is approved and entered into force, it will be continued with the drafting and approval of the respective sub-legal acts. A company was contracted to start the development of an information system for the National Single Window during 2024, but the previous procurement has been cancelled by WB. Now WB is in the phase of selection of the company which will develop the information system for NSW. The activity related to the development and deployment of the IT solution for the National Single Window has not yet started. Starting time of this activity depends on the other two activities related to implementation of the NSW.

## 3.4 Progress under Pillar 4 “Accounting and Budget Execution Management”

### Components (Specific Objective) progress made during first half of 2025

#### Specific Objective 4.1 National Government Accounts

##### Performance Indicators

During the reporting period, no budget was allocated for the **establishment the information exchange system (Web service)** aimed at facilitating data sharing between the Ministry of Finance, INSTAT, and the Bank of Albania. As a result, the implementation of this activity could not commence in 2025. Despite the strategic importance of this initiative in enhancing inter-institutional coordination and supporting evidence-based policymaking, the absence of dedicated financial resources posed a significant barrier. Recognizing the relevance of this objective, INSTAT has incorporated the necessary financial resources for the development of the web service within its Medium-Term Budget Programme for the period 2026–2028.

During the reporting period, INSTAT continued its efforts **to integrate data on Public–Private Partnerships (PPPs) and Concession contracts into the Government Finance Statistics (GFS)**. The primary source of information remains the ACTRACO website, from which INSTAT systematically extracts relevant data and incorporates it into its internal systems for statistical processing.

##### Measures and activities

---

<sup>4</sup> Supervision Services and Quality Control for the full implementation of the NCTS in Albania, No. Ref. WBTF-ALB-121D, dated 03.06.2022.

**During the first half of 2025, significant progress was achieved in the compilation and methodological alignment of Government Finance Statistics (GFS) and Excessive Deficit Procedure (EDP) data with ESA 2010 standards.** Intensive work was carried out to improve the quality, coverage, and consistency of the data, including the reconciliation of budgetary and extrabudgetary units, the refinement of accrual adjustments, and the enhancement of source data integration. Despite financial and technical constraints, the overall progress marks a considerable step forward in strengthening the reliability and transparency of fiscal statistics. The results of this work are expected to support the upcoming transmission of GFS and EDP data, reflecting improved compliance with European statistical requirements. No progress was achieved *in the development of the web service* intended to facilitate data exchange between the Ministry of Finance, INSTAT, and the Bank of Albania. The implementation of this activity is fully dependent on the availability of funds, and due to the non-approval of the 2025 budget allocation, the initiative has been postponed to 2026. Reporting the data on cash and accrual basis from MoF in accordance with IPSAS is a contingent activity upon the broader progress in reporting data in line with IPSAS standards. Delays in collecting and structuring the necessary data have hindered timely implementation, highlighting the need for improved coordination and data management systems within reporting units. INSTAT has initiated the process of systematically gathering data on *Public–Private Partnerships (PPPs) and concessions*. All available contracts have been extracted and uploaded from the official ATRAKO website. However, the database remains in its early stages, and the lack of consolidated and comprehensive data continues to pose challenges. Delays in data structuring and inconsistencies in available information risk undermining the reliability of future statistical outputs.

#### Specific Objective 4.2 Accounting

##### Performance Indicators

The reform process aimed at aligning public sector accounting with International Public Sector Accounting Standards (IPSAS) has entered a critical phase, with the strategic objective of preparing financial statements for public sector institutions based on selected IPSAS. In first half of 2025, significant progress was made toward the **development of the legal and sub-legal framework** required for this transition. **The World Bank engaged international consultants to support the Ministry of Finance in drafting the Public Sector Accounting Law.** In close collaboration with the Directorate for Harmonization of Financial Management, Control and Accounting (DHFMC), the consultants prepared the first draft of the law, which was subsequently discussed with ministry staff to define its structure and scope. A series of consultations, workshops, and technical meetings were held in June 2025, bringing together senior officials from the Ministry of Finance and implementing officers from line ministries. These sessions served as a platform to identify key challenges related to accounting guidelines and the broader regulatory framework, and to explore practical solutions tailored to the national context. Following these discussions, the draft law underwent a detailed article-by-article review in meetings involving DHFMC, the General Directorate of Treasury, and the World Bank consultants. The draft is now available for internal review within the Ministry of Finance and will be circulated to other relevant directorates for further consultation. The final version will be prepared based on this feedback and submitted for broader consultation and legal procedures.

Capacity building has been a central component of the IPSAS reform agenda, with a strong focus on **equipping public sector accountants with the necessary knowledge and skills to implement accrual-based accounting in line with IPSAS.** During the first phase of the IPSAS project, a “train-the-trainers” approach was adopted to build a sustainable training model. In this context, 28 experts were selected from key public finance institutions including the Ministry of Finance, the Treasury, the Supreme Audit Institution (SAI), academia, and Professional Accounting Organizations (PAOs). These experts completed an intensive training program, which concluded with a certification exam on December 10, 2021. Following this, a pilot training program was launched in 2021–2022, targeting 100 finance officers and accountants from approximately 17 public sector institutions. Building on the success of the pilot, a broader rollout was conducted between September and December 2022, reaching around 400 public sector accountants across various institutions. In 2024, the training efforts expanded to include approximately 380 internal auditors from the public sector, who were

introduced to the basic principles and concepts of accrual accounting under IPSAS as part of their Continuing Professional Development (CPD). Additionally, in collaboration with ASPA, an online training titled “*Basics of Accounting*” was delivered in the first half of 2025, with participation from over 250 public administration employees. This training covered key topics related to public sector accounting and financial reporting. A more comprehensive and specialized training program is planned for the second phase of the IPSAS project, which will further deepen the technical understanding of IPSAS among government accountants.

### Measures and activities

In order to **increase access to and utilization of AGFIS** efforts were focused on enhancing the functionality and integration of AGFIS to improve expenditure control and interoperability with other financial systems. In this regard, a contract titled “Improvement of the Treasury System” was signed between the National Agency for Information Society (NAIS) and the selected economic operator.

**Aiming to develop the legal and regulatory framework for accounting reform during the first half of 2025, progress was made in laying the foundation for public sector accounting reforms, focusing on legal drafting, methodological development, and preparatory steps for implementation.** In this regard, a preliminary draft of the Public Sector Accounting Law was finalized during this period. The draft was discussed with the Treasury Department and World Bank consultants. Following the final review, it is expected to be shared with other structures within the Ministry of Finance before proceeding with the formal legal procedures required for its adoption. In collaboration with World Bank consultants, DHFMCA drafted the instruction on *public sector accounting methodology*. Line Ministries have been formally notified and invited to participate in consultations. Once feedback is collected, the instruction will undergo formal approval procedures. Manuals will be prepared to clarify specific issues and support implementation. The activity *to assist the budgetary institutions in compiling opening balances and implementing the new accounting framework*, has not yet commenced. Its implementation is dependent on the approval of the Public Accounting Law and the instruction on public sector accounting methodology.

During the first half of 2025, **preparatory steps were outlined to enhance AGFIS functionalities in line with the planned accounting reforms.** However, implementation remains dependent on the progress of foundational activities. The implementation of ‘*Prepare functional requirements document and AGFIS improvement plan to absorb the planned accounting reforms*’ is currently pending. It relies on the finalization of key documents, including accounting manuals and business processes related to accounting and consolidation. Once these are completed, the procurement procedure for selecting the implementing company must advance, followed by the actual execution of the improvement plan. The development and deployment of new AGFIS functionalities will proceed only after the accounting methodology is finalized and the implementing company is contracted. The progress of the project will determine the timeline for testing and deployment. During the first half of 2025, no concrete implementation steps were taken under the measure: ‘**Prepare, Deliver and Institutionalise Capacity Development of Accountants to Absorb Accounting Reforms**’, as progress is dependent on the approval of the Public Sector Accounting Law and the definition of institutional structures within the Ministry of Finance involved in this process.

### Specific Objective 4.3 Public Procurement

#### Performance Indicators

No Performance Indicator targets were set for 2025 however, progress was made at the activity level, as described below.

#### Measures and activities

**During the first half of 2025, initial steps were taken to support the integration of green principles into public procurement practices,** with a focus on developing practical tools and guidance for contracting authorities. In collaboration with the World Bank, the Public Procurement Agency (PPA) and the Ministry of Infrastructure and Energy (MIE) have prepared a draft manual titled “*On Utilisation of Life Cycle Costing Tool (LCC)*”. This manual is accompanied by an explanatory Excel document covering 14 product categories and is expected to be published soon on the official PPA website. The objective of this initiative is to promote more efficient, sustainable, and EU-aligned procurement practices by providing practical support to both contracting authorities and economic operators. The manual represents a key step toward embedding environmental and cost-efficiency criteria into procurement decisions.

**During the first half of 2025, steps were initiated to improve the digital infrastructure supporting the complaint review process,** with a focus on enhancing service delivery and accelerating decision-making. The Public Procurement Commission (PPC), in line with its legal mandate under Law No. 162/2020 “On Public Procurement” and the Assembly’s Resolution on the evaluation of PPC’s activity, has continued its efforts to digitalize services related to public procurement, concessions, auctions, and mining permits.

**During the first half of 2025, important legislative steps were taken to align the national framework for concessions and public-private partnerships (PPPs) with EU standards.** In this regard, the draft law on concessions and PPPs successfully completed the public consultation phase on June 11, 2025. Following this, on June 30, 2025, the Council of Ministers approved the draft decision to transmit the law to the Parliament for further review and adoption. This legislative initiative represents a key milestone in harmonizing Albania’s legal framework with the EU Acquis Communautaire, aiming to improve transparency, accountability, and efficiency in the management of PPPs and concession contracts.

#### Specific Objective 4.4 Debt Management

##### Performance Indicators

Ministry of Finance has prepared the **Annual Borrowing Plan and MTDMS Monitoring Report**. In line with the legal obligations set out in Article 6 of Law No. 9665, dated 18.12.2006, “*On state borrowing, state debt and state loan guarantees in the Republic of Albania*”, as amended, the Ministry of Finance has continued to fulfill its mandate for transparent and accountable debt management. During the reporting period, **the Monitoring Report of the Medium-Term Debt Management Strategy (MTDMS)** was prepared and submitted to the Parliamentary Committee on Economy and Finance. The report was also published on the official website of the Ministry of Finance<sup>5</sup>, ensuring public access and reinforcing the government’s commitment to transparency. This report provides a comprehensive analysis of the implementation progress of the MTDMS for the previous year. In parallel, the **Annual Borrowing Plan for 2025** was also prepared and published, outlining the government’s financing needs and borrowing strategy for the year. This document serves as a critical planning tool for both domestic and international stakeholders, including investors, financial institutions, and development partners. The publication of both documents represents a positive step toward strengthening fiscal transparency and enhancing communication with the public and market participants.

In July 2024, the Ministry of Finance initiated the **development of a concept note on green and alternative financing instruments**, marking an important step toward aligning public finance with environmental and sustainability objectives. A first draft was circulated to line ministries, proposing the establishment of an interministerial working group to focus on three key areas: i) Identification of projects with environmental and social impact; ii) Drafting of a framework for green, social, and sustainability bonds to finance such projects; iii) Establishment of reporting mechanisms to monitor project progress and ensure compliance with international standards throughout the lifecycle of the instruments. The Ministry of Tourism and Environment was the only institution to provide feedback on the draft during the initial consultation phase (August 2024). Based

<sup>5</sup> <https://financa.gov.al/strategjia-afatmesme-e-menaxhimit-te-borxhit/>

on this input, the draft was revised and submitted to the World Bank for review in October 2024. However, no further developments have been reported since then.

### Measures and activities

During the first half of 2025, **efforts to enhance transparency and communication with investors were consolidated through regular reporting and publication of strategic documents.** In this regard, the General Directorate of Macroeconomic and Fiscal Programming (GDMFP) has continued the publication of the informative bulletin every three months. This bulletin, which includes key macroeconomic indicators and fiscal developments, is made available on the official website <sup>6</sup>of the Ministry of Finance and is also distributed directly to investors. The initiative supports informed decision-making and strengthens investor confidence in Albania's fiscal management. Additionally, the Medium-Term Debt Management Strategy (MTDMS) Monitoring Report for 2024 was finalized in March 2025. It was submitted to the Parliamentary Committee on Economy and Finance and published on the Ministry of Finance's website. This report provides a comprehensive overview of debt portfolio performance, risk indicators, and progress against strategic objectives, contributing to improved accountability and policy evaluation.

**Progress was made in developing a comprehensive framework for provision of guarantees and on-lending.** In this regard, the State Debt Directorate enhanced its analytical and assessment capacity using a Credit Risk Assessment and Quantification Model developed by the World Bank. This model incorporates both quantitative financial data and qualitative business environment indicators to assess the performance and risk levels of State-Owned Enterprises (SOEs). During January–June 2025, the Directorate applied this model to new sub-loan and guarantee practices, laying the groundwork for a consolidated framework for future transactions. Continued support from the World Bank is expected to further refine the methodology and institutionalize the risk assessment process. Additionally, the General Directorate of State Debt (GDSD) staff has begun applying the World Bank's methodology toolkit for creditworthiness evaluation. While the methodology has been introduced and is in use, challenges remain due to the need for deeper familiarization and full comprehension of the toolkit's components. Capacity building efforts are ongoing to ensure effective implementation and consistent application across relevant units.

**During the first half of 2025, preliminary steps were taken to explore the feasibility and institutional readiness for introducing alternative financing instruments, including green, social, and sustainability bonds.** In July 2024, the Ministry of Finance circulated a draft proposal of an interministerial working group that will engage in these main areas; identifying projects with environmental and social impact; drafting a framework for green and sustainability that will enable the financing of potential projects; and to report on the progress of these projects with the necessary data according to the standards required by international institutions until the maturity of the instrument. By August 2024, only the Ministry of Tourism and Environment had provided feedback. The revised draft was sent to the World Bank for review in October 2024, but no further developments have been reported since then. Several online sessions were held by the World Bank, focusing on the conceptual understanding of green, social, and sustainability instruments. These sessions involved staff from the General Directorate of State Debt only.

## Specific Objective 4.5 Cash Management

### Performance Indicators

During the first half of 2025 (January–June), the Ministry of Finance maintained a high level of accuracy in forecasting the Treasury Single Account (TSA) balance, achieving an average of **monthly cash forecast accuracy rate of 100.5%**. This reflects a strong alignment between projected and actual cash balances, indicat-

---

<sup>6</sup> <https://financa.gov.al/buletini-makroekonomik-2/>

ing effective short-term cash planning and monitoring. Despite some monthly deviations—particularly in January, where the actual balance was significantly lower than forecast—the overall accuracy remained within an acceptable margin, demonstrating the robustness of the forecasting methodology.

**Significant progress has been made in enhancing the granularity and institutional coordination of cash flow forecasting.** As of the first half of 2025, the inflow side of the cash flow forecast database has been structured to include detailed revenue categories, namely: Value Added Tax (VAT); Profit Tax; Tax on Personal Income (TAP); Social and Health Insurance Contributions; Other Taxes; Customs and Non-Tax Revenues (with plans to separate these into two distinct categories: Customs and Non-Tax). To support this level of detail, a shared folder system has been implemented, enabling the Tax and Customs Authorities to update inflow data on a daily basis, thereby improving the timeliness and accuracy of forecasts. In parallel, the Ministry of Finance, with technical assistance from the International Monetary Fund (IMF), has undertaken a series of capacity-building initiatives. Between 17–21 March 2025, training sessions were held for staff from relevant Budget Institutions (BIs), focusing on the use of a macro-enabled Excel shared folder. This tool supports a bottom-up approach to forecasting, allowing institutions to input their expected inflows and outflows directly into the system. To institutionalize this process, Order No. 77, dated May 29, 2025, was approved by the Minister of Finance, accompanied by a Regulation for the establishment and operation of the Technical Group for Cash Flow Forecasting (TGCFE). The first TGCFE meeting was held on September 25, 2025, with participation from 12 members, including line ministries, two subordinated units, and Tirana Municipality. A dedicated shared folder has been created for TGCFE members, who are now in the process of uploading their data.

**During the first half of 2025, the Ministry of Finance undertook important steps to enhance active cash management** by optimizing the use of available **financial instruments** in cooperation with the Bank of Albania (BoA). A key development was the implementation of daily remuneration of the **TSA balance in Albanian Lek (ALL)** held at the BoA. This change ensures a more consistent return on idle balances and reduces operational complexity. The interest accrued is transferred monthly to the Ministry’s account on the first working day of the following month. Additionally, the **deposit limit in ALL was increased from 15 billion to 30 billion, as formalized through the revised Service Level Agreement between the Ministry of Finance and the Bank of Albania** (Protocol No. 3451, dated July 7, 2025). This revision, which amends the original agreement from January 20, 2015, expands the Ministry’s capacity to manage liquidity more actively and efficiently.

### Measures and activities

**During the first half of 2025, efforts to improve the cash forecasting process continued with concrete steps aimed at strengthening the accuracy, timeliness, and institutional coordination of daily cash flow projections.** In this regard, during the first half of 2025, notable progress was made in revising the *treasury planning process*. In close collaboration with IMF technical assistance, the Treasury staff organized training sessions for Budget Institutions (BIs) from March 17–21, 2025. These sessions focused on enhancing daily cash flow forecasting capabilities using a newly introduced macro-enabled Excel shared folder. This tool supports a bottom-up approach to forecasting inflows and outflows within the Treasury Single Account (TSA). The inflows are now categorized in the Cash Flow Forecast (CFF) database as follows: VAT; Profit Tax; TAP; Social and Health Insurance Contributions; Other Taxes; Customs and Non-Tax (Residual). These categories are updated daily by the Tax and Customs Authorities via the shared folder. Outflows are similarly detailed in the CFF database, including Personnel Expenses; Operating Expenses; Capital Expenses; Other. This structured and collaborative approach has significantly improved the accuracy and timeliness of cash flow forecasts. *To institutionalize and strengthen the forecasting process*, the Ministry of Finance approved Order No. 77, dated May 29, 2025, along with the ‘*Regulation for the establishment and operation of the Technical Group for Cash Flow Forecasts (TGCFE)*’, developed with IMF support. The first TGCFE meeting was held on September 25, 2025, with participation from 12 members, including line ministries, subordinated units, and Tirana Municipality. A shared folder was created for TGCFE members, who are now actively uploading their data. This initiative reinforces the bottom-up methodology and facilitates real-time data sharing among key

institutions. Throughout the first half of 2025, monthly cash flow forecast data were generated using the *IMF-developed Excel tool*. This tool has proven effective for both data analysis and forecast preparation, and its use is expected to continue and evolve beyond July 2025.

**During the first half of 2025, efforts to establish a comprehensive performance monitoring system for cash forecasting advanced through the implementation of key activities focused on accuracy measurement and indicator development.** In this regard Treasury department has continued to *Measure and monitor the deviations from the updated monthly forecasts*. Between January and June 2025, the monthly cash forecast accuracy rate reached 101%, indicating a high level of precision in projections demonstrating improved alignment between forecasted and actual cash positions, reflecting the effectiveness of the forecasting methodology and data inputs. The Ministry of Finance has initiated the revision of the methodology for assessing the performance of internal control systems across general government units. As part of this process, six *performance indicators* have been defined to evaluate compliance and the quality of public expenditure management. *These include timely execution of commitments and invoices, proper handling of multi-year commitments, expenditure intensity at year-end, and the forecasting and review of monthly cash plans*. These KPIs are intended to be presented to the Cash and Debt Management Committee (CDMC) to support informed decision-making and enhance transparency.

**During the first half of 2025, the Ministry of Finance undertook concrete steps to strengthen cash management instruments, focusing on improving the cash buffer policy and optimizing the investment of idle cash balances.** The cash buffer policy was revised through Paragraph 77 of the supplementary budget implementation instructions No. 2, dated January 24, 2025. The updated policy introduces a dual-component structure: the transactional buffer, set at 1% of the previous year's GDP, and the security buffer, calculated based on the debt service obligations for the upcoming three months. This includes net domestic debt maturities where applicable. The overall buffer level is now defined to range between 1% and 2% of the previous fiscal year's GDP, enhancing fiscal resilience and liquidity planning. In coordination with the Bank of Albania, the Ministry of Finance introduced a new instrument for a better liquidity management: daily remuneration of the TSA balance in ALL at the BoA's deposit rate. Interest earned is transferred monthly to the Ministry's account on the first working day of each month. Additionally, the deposit limit in ALL was increased from 15 billion to 30 billion, as formalized in the revised service level agreement (Protocol No. 3451, dated July 7, 2025). These changes aim to improve liquidity management and generate additional returns from idle cash.

## Specific Objective 4.6 Asset Management

### Performance Indicators

The establishment of a **comprehensive regulatory framework for the evaluation and inventory of public assets** is a key component of the broader reform aimed at aligning public sector financial reporting with International Public Sector Accounting Standards (IPSAS). This objective is embedded within the second phase of the IPSAS implementation project, which officially commenced in 2024. During the first half of 2025, international consultants were engaged to support the Ministry of Finance in drafting the legal and sub-legal framework necessary for the transition to IPSAS-based accounting. This includes the development of a Public Sector Accounting Law, as well as accompanying instructions and manuals that will govern the treatment of financial transactions, including the recognition, measurement, and reporting of public assets. The drafting process is currently ongoing and is being carried out in close collaboration with the Directorate for Harmonization of Financial Management, Control and Accounting (DHFMC).

**The preparation of a consolidated asset register at the level of controlling units** in central institutions is a critical step toward improving transparency, accountability, and the quality of financial reporting in the public sector. This objective is directly linked to the broader reform agenda for aligning public sector accounting practices with International Public Sector Accounting Standards (IPSAS). Following the completion of the first phase of the public sector accounting reform in December 2022, the second phase of the project was

launched in 2024. During 2023, the Ministry of Finance, in consultation with the World Bank and SECO, developed the concept for implementing the new IPSAS-based accounting methodology. One of the key components of this phase is the establishment of a legal and regulatory framework that will support the recognition, valuation, and reporting of public assets. In the first half of 2025, international consultants were engaged to assist in drafting the necessary legal instruments, including the Public Sector Accounting Law, as well as instructions and manuals that will guide financial transactions and asset management practices. These documents are expected to provide the foundation for the creation of a **consolidated asset register**, enabling central institutions to maintain accurate and standardized records of their assets at the controlling unit level.

### Measures and activities

During the first half of 2025, progress was made in **strengthening the regulatory and operational framework for asset registration**, in line with IPSAS requirements and the broader public sector accounting reform. In this regard the second phase of the IPSAS implementation project commenced in 2024, with consultants engaged in drafting a comprehensive regulatory framework. This includes the development of a new law on public sector accounting, along with detailed instructions and manuals on financial transactions. A key component of this framework is the accounting treatment of public sector assets, which will guide institutions in aligning asset management practices with IPSAS standards.

*Significant progress was achieved in the migration of fixed asset inventories into the AGFIS system. 2 institutions successfully migrated fixed asset data to AGFIS and work advanced on a consolidated asset register. Notably, the Ministry of Infrastructure and Energy finalized its inventory migration. However, the University Hospital Center of Tirana has faced delays due to an incomplete asset inventory and staff shortages, preventing submission of data for migration. As part of the IPSAS project, work has begun on *preparing a consolidated asset register at the controlling unit level within central institutions*. This initiative is supported by project consultants and is closely linked to the development of the updated regulatory framework. The consolidated register will enhance transparency and consistency in asset reporting across government entities.*

### Key challenges and next steps

The main challenges across all activities related to National Government Accounts component include limited budgetary support, delays in data collection and structuring, and the absence of integrated systems for inter-institutional data exchange. To move forward, it is essential to secure funding for the web service infrastructure, implementation of IPSAS-compliant reporting mechanisms, and strengthen the PPPs and concessions database through improved collaboration with ATRAKO and other relevant entities.

The main challenges relating to Accounting component remains the sequential nature of the reform process, where progress on implementation is contingent upon legal and regulatory approvals. Next steps include finalizing and approving the draft law and instruction, conducting consultations with line ministries, and initiating capacity-building efforts to prepare institutions for the transition. Timely coordination and sustained technical support will be essential to maintain momentum. Another challenge related to improvement of AGFIS functionalities lies in the interdependency between legal, regulatory, and technical components of the reform. Delays in finalizing the accounting framework and procurement procedures have postponed system upgrades. Next steps include accelerating the approval of accounting manuals and methodology, completing the procurement process, and initiating the technical development phase to align AGFIS with the new accounting standards.

The main challenges related to component of Public Procurement are that the full implementation of green public procurement will require further regulatory adjustments, capacity building, and awareness-raising among procurement entities. Next steps include finalizing and publishing the manual. While the digitalization process has been initiated, tangible progress in updating the E-complaint system remains limited during the

reporting period. The next steps include the development and deployment of new functionalities within the system, ensuring interoperability with other procurement platforms, and providing training to users.

The main challenges related to component of Debt management are the low response rate from line ministries suggests a need for stronger interinstitutional coordination and awareness-raising on the importance of green financing. Ensuring that the proposed instruments meet the expectations of international investors and institutions will require close collaboration with external partners and technical advisors. Despite the current standstill, the initial drafting and consultation process represents a foundational step toward integrating sustainability into public financial management. Moving forward, re-engaging stakeholders and securing high-level commitment will be essential to advance the development and eventual implementation of green financing instruments in Albania.

The main challenges related to component of Cash Management related to the establishment of the Technical Group for Cash Flow Forecasts (GPL) which is a positive step, but its operationalization and data-sharing practices are still in early stages. To address these challenges, next steps include strengthening institutional commitment to daily updates via the shared folder, expanding training to additional BIs, and ensuring regular GPL meetings with actionable agendas. Next steps include finalizing the revised methodology, expanding KPI usage to daily forecasts, and strengthening the role of the CDMC in monitoring and evaluating forecasting performance.

Regarding Asset Management challenges include delays in data collection and inventory verification, particularly in institutions with limited administrative capacity. The lack of accurate asset records and human resources has hindered full migration in some cases. Next steps involve finalizing the regulatory framework, completing asset data migration for remaining institutions, and operationalizing the consolidated asset register. Continued technical assistance and institutional coordination will be essential to ensure full compliance with IPSAS and the successful completion of the reform.

### 3.5 Progress under Pillar 5 “Public Internal Financial Control”

#### Components (Specific Objective) progress made during first half of 2025

##### Specific Objective 5.1 Financial Management and Control

###### Performance Indicators

**The Ministry of Finance (DHFMCA) has continued to enhance the legal and regulatory framework for FMC.** On 10 March 2025, Order No. 49 was approved, establishing a Working Group tasked with drafting the methodology on monitoring the performance of general government units. The group held its first meeting shortly thereafter, reaching agreement on an initial draft by mid-May. In the subsequent period, consultations were held with the General Directorate of Treasury, General Directorate of Budget, DHIA, and DHFMCA, alongside a local finance expert, focusing on the development of new performance indicators. As a result, the final version of the Order and the accompanying Methodology for evaluating the performance of public units within the internal control system was completed. This included detailed indicator passports and a revised annex of indicators. On 22 September 2025, the draft package was submitted to line ministries for a 15-day review period.

Meanwhile, data on the following indicators will be available only after the approval of the Public Internal Financial Control (PIFC) report in May 2026: (i) Percentage of Public Institutions that comply with FMC requirements; (ii) Percentage of Public Institutions that have adequate managerial accountability mechanisms in place; and (iii) Percentage of Public Institutions that have adopted all risk management tools.

###### Measures and activities

**The Ministry of Finance (DHFMC) has continued to enhance the legal and regulatory framework for FMC.** The review and update of sub-legal acts, along with improvements to the FMC manual were on track during the first half of 2025. The Order No. 49, dated 10 March 2025, which established the Working Group, was approved, and the group held its first meeting to prepare the preliminary draft of the methodology on monitoring the performance of general government units. An initial version was agreed upon by mid-May. Subsequently, a series of meetings were held with the General Directorate of Treasury, General Directorate of Budget, DHIA, and DHFMCA, in collaboration with a local finance expert, focusing on the development of new performance indicators. This led to the finalization of the Order and the Methodology for evaluating the performance of public units within the internal control system, including detailed indicator passports and a revised annex of indicators. A meeting to discuss the final draft was held on 17 September 2025 with representatives from the Ministry of Finance and the Secretary General. Feedback from each structure was expected by 19 September. On 22 September 2025, the draft was circulated to line ministries for a 15-day review period.

**Progress has been made to enhance Managerial Accountability in public institutions.** The activity of supporting public institutions with using the rules of delegation of duties as a follow-up on the developed legal and regulatory framework for FMC and managerial accountability was on track during the first half of the 2025. Instruction No. 4, dated 29.01.2020 “On the Delegation of Rights and Duties to General Government Units” remains a key instrument for strengthening managerial accountability across public sector entities. Its implementation has been actively pursued through the Internal Control Quality Assessment process, which has been conducted in 15 out of the 20 selected units, with full completion expected by the end of the year. The DHFMCA has prioritized this area as a central focus to improve institutional compliance and enhance overall management effectiveness. Efforts will be put in place in raising awareness about managerial accountability and disseminating experiences to senior management of public institutions through training and technical assistance during the IC quality assessment. Following the evaluation of internal control system quality, DHFMCA will select five institutions to receive targeted technical assistance. The support will focus on institutions identified as having weaker internal control frameworks, helping them to effectively implement PIFC instruments through tailored technical guidance.

**Progress has also been made to strengthen Risk Management practices.** The activity of raising awareness and providing technical assistance on risk management, particularly in developing tools for strategic and operational risk management was on track during the first half of 2025. In March 2025, a dedicated training session on risk management and delegation of duties was delivered at the request of a public institution, reaching 30 employees. In April, a webinar on risk management was organized in collaboration with ASPA, attended by 56 participants, and included focused discussions on managerial accountability and delegation of responsibilities. In June, a training session on FMC was held for staff of the institutions of the Commissioner for Civil Oversight and the Commissioner for the Right to Information and Personal Data Protection, with a total of 17 employees trained.

**The Ministry of Finance (DHFMC) has continued to enhance the quality assessment and improvement of FMC in public institutions.** The DHFMCA worked towards improving the implementation of FMC recommendations from the IC quality assessment procedure, through the FMC development plan. This is an ongoing activity, and progress and outcomes will be reflected in the 2025 PIFC Annual Report, which is expected to be approved by May 2026.

## Specific Objective 5.2 Internal Audit

### Performance Indicators

**The indicator ‘Percentage of active internal auditors that are fully certified’<sup>7</sup>** is structured as an annual reporting measure, with full compliance expected by the end of the 2025 calendar year. As of the end of the previous year, the status reflects partial completion; however, strong measures have been initiated to ensure full achievement by the end of 2025. The current status is primarily due to the structured nature of the certification cycle, which schedules many auditors for training and examinations later in the year. Additionally, some internal auditors are still in the process of fulfilling prerequisite training or experience requirements necessary to qualify for certification. To address these gaps, the Directorate of Harmonization of Internal Audit (DHIA) plans to engage all remaining uncertified auditors in the certification process throughout 2025. This will include targeted preparation sessions, tailored guidance on examination requirements, and close monitoring of participation to ensure successful completion by all eligible auditors.

Data on the following indicators will be reported annually, with full compliance expected to be reflected by the end of the 2025 calendar year: (i) Number of public institutions that are covered by annual internal audits; (ii) Number of public institutions that have a functional audit committee; (iii) Percentage of internal audit units that have established and implemented Quality Assurance Improvement Plans (QAIPs) in accordance with the applicable standards; and (iv) Percentage of internal auditors that comply with CPD requirements.

### Measures and activities

**Progress is done towards the oversight and the expansion of support services to public institutions and internal audit teams.** Significant progress has been made toward enhancing the quality assurance management system to ensure effective monitoring of internal audit activities across public sector entities. The DHIA has initiated the development of a comprehensive Quality Assurance methodology, aligned with the new Global Internal Audit Standards (GIAS). A dedicated section on Internal Quality Control and Assurance has been incorporated into the revised Internal Audit Manual, along with performance indicators embedded in the standard reporting formats. A preliminary framework outlining key quality assurance processes and evaluation criteria has been prepared and circulated for internal review. Furthermore, consultations have been conducted with the Working Group for the IA Manual and internal auditors from various public sector entities to ensure that the proposed methodology is both practical and supportive of consistent audit monitoring.

Progress has been initiated toward capacitating Audit Committees through customized training activities. A draft Decision of the Council of Ministers (DCM) on the establishment and functioning of Audit Committees in public sector entities has been finalized and is currently undergoing formal approval procedures. In preparation for its implementation, the DHIA has developed preliminary awareness and training materials to support newly established committees. Additionally, initial planning has been conducted for a national awareness event targeting heads of public institutions, aimed at promoting a clear understanding of the roles and responsibilities of Audit Committees.

**Efforts are made to professionalize the core internal audit practices through the development of guidelines and capacity-building activities.** Preparatory work has commenced for the development of a new Internal Audit Manual, fully aligned with the GIAS recently issued by the Institute of Internal Auditors (IIA). Led by the DHIA and the designated Working Group, with support from SIGMA, the initiative aims to modernize national internal audit practices in line with international standards. A comprehensive gap analysis has been conducted to assess the alignment of existing national guidance with the new GIAS, identifying key areas requiring updates. Based on this analysis, a drafting outline for the structure and content of the new Manual has been prepared, pending the finalization of the GIAS translation and its contextual adaptation to the national framework. Progress has been made in developing and implementing of a Training of Trainers (ToT) program focused on the new Internal Audit Manual and GIAS. A group of 22 senior internal auditors from central and local government institutions successfully completed the ToT program, forming a qualified pool of trainers

---

<sup>7</sup> Article 11, Letter “ç”: Recruitment of internal auditors” of the IA Law no.114/2015, amended describes that ‘*A civil servant or employee who is employed in the internal audit unit and who does not hold a certificate as an "Internal Auditor" shall, during the first 3 years, work under the supervision of the head of the internal audit unit or a certified and experienced internal auditor*’.

who will support the rollout of GIAS across the public sector. Building on this achievement, preparatory work has begun to design a complementary ToT module dedicated to the forthcoming Internal Audit Manual. This approach ensures continuity and alignment between both training components, supporting consistent and effective implementation of updated internal audit practices. The strengthening of compliance audit practices has been integrated into the DHIA continuous training program for 2025. Targeted training sessions have been delivered to internal auditors, focusing on key areas such as audit reporting techniques, the formulation of audit opinions on internal control systems, and the preparation of management letters with actionable recommendations. In parallel, the existing compliance audit guidelines have been reviewed and updated to ensure alignment with international standards and national public sector requirements. Feedback from participants has been positive, indicating improved understanding and practical application of compliance audit principles. Efforts to strengthen risk-based audit practices have been integrated into the DHIA continuous training program for 2025, with a specific focus on preventing, detecting, and addressing irregularities, fraud, and corruption. Preliminary guidelines on the application of risk-based auditing have been shared with internal auditors, ensuring alignment with both national and international standards. In addition, practical training sessions have been conducted to enhance auditors' ability to identify high-risk areas and apply appropriate audit procedures.

### Specific Objective 5.3 Public Financial Inspection and Anti-Fraud Coordination Services

#### Performance Indicators

**The National Anti-Fraud Strategy (NAFS) for the Protection of the Financial Interests of the European Union, 2025–2030, along with its Action Plan, was adopted** by the Decision of the Council of Ministers No. 275, dated 9 May 2025, and entered into force following its publication in the Official Journal No. 88, dated 23 May 2025. To support the effective implementation of the Strategy, the NAFS Steering Committee was established by Order of the Minister of Finance No. 89, dated 30 June 2025 *“On the Establishment of the Steering Committee for Monitoring the Implementation of the National Anti-Fraud Strategy for the Protection of the Financial Interests of the EU 2025–2030 and its Action Plan.”* The Steering Committee is responsible for overseeing and coordinating the implementation of the Strategy and its Action Plan. It is chaired by the National Authorizing Officer (NAO) / the Deputy Minister of Finance and is composed of representatives from all institutions involved in the Strategy's implementation. The Minister's Order has been formally communicated to all relevant entities through official correspondence to ensure their engagement and participation in the implementation process.

#### Measures and activities

**Efforts have been made to enhance the collaboration between the Financial Inspection, Internal Audit and ALSAI during the first half of 2025.** In this context, concrete steps have been taken toward implementing a Memorandum of Understanding (MoU) among the Internal Audit, ALSAI, and the Financial Inspection. Two dedicated meetings were held between the Directorate of Public Financial Inspection and the Directorate of Harmonization for Internal Auditing, focusing on defining the modalities of cooperation and shaping the structure of the MoU. These discussions represent a significant move toward institutional alignment, aiming to strengthen coordination and improve audit harmonization.

**Progress is done towards the coordination of drafting and monitoring of the National Anti-fraud Strategy for the protection of the EU financial interests.** The National Anti-Fraud Strategy for the Protection of the Financial Interests of the European Union 2025–2030, along with its accompanying Action Plan, was adopted by Decision of the Council of Ministers No. 275, dated 9 May 2025 and entered into force following its publication in the Official Journal No. 88, dated 23 May 2025.

**Regarding the monitoring and reporting on the implementation of the National Anti-fraud strategy,** the NAFS Steering Committee has been established, by Order of Minister of Finance No.89, dated 30 June 2025 *“On the Establishment of the Steering Committee for Monitoring the Implementation of the National Anti-Fraud Strategy for the Protection of the Financial Interests of the EU 2025–2030 and its Action Plan.”* The Steering Committee is tasked with overseeing and coordinating the implementation of the Strategy and its Action Plan. This Committee is chaired by the NAO / the Deputy Minister of Finance and is composed of

representatives from all institutions involved in the Strategy's implementation. The Minister's Order has been officially communicated to all relevant entities through official correspondence, ensuring their awareness and engagement in the implementation process.

### Specific Objective 5.4 Management of EU funds

#### Performance Indicators

**Significant progress has been made in the management of EU funds, particularly regarding the implementation of the IPA III entrustment package.** A key milestone during the reporting period was the ratification by the Albanian Parliament of the Financing Agreements for three multi-annual Operational Programmes (2024–2027), with a total value of €182 million. Additionally, from 16 to 17 June 2025, the Directorate-General for Enlargement and the Eastern Neighborhood (DG-ENEST) conducted a follow-up audit mission related to the entrustment process for the Operational Programmes initiated in 2024. The final audit report was submitted on 30 July 2025. In light of these developments, Albanian institutions responsible for implementing the IPA programmes are now undertaking the necessary steps to initiate operations in full compliance with the obligations set out in the Financial Framework Partnership Agreement (FFPA). These efforts are aimed at ensuring that all IPA structures function efficiently, transparently, and in alignment with both EU and national regulatory frameworks.

The implementation of the **Guideline for Adjustment and Recovery (GAR) of EU funds** will be carried out within 2026, as part of the IPA project 'Support to EU Financial Assistance Management in Albania (EUSFAM)'.

#### Measures and activities

**During the first half of 2025, steady progress was made in the development and implementation of regulations and procedures for IPA III management, as well as in strengthening the capacities of IPA III structures.** With support from EUSFAM project, a comprehensive Training Needs Assessment (TNA) methodology was developed and formally approved by the National Authorizing Officer Support Office (NAOSO). An online TNA questionnaire was distributed and completed by 77 employees from 10 IPA bodies. The findings were consolidated into a detailed report, which served as the foundation for a structured and forward-looking training plan. Building on this, a Consolidated Training Plan for 2025–2026 was endorsed by the NAO (Memo No. 8780 Prot., dated 2 June 2025), and its implementation was launched shortly thereafter.

Since October 2024, a total of 13 training sessions have been delivered, each attended by more than 30 participants. These sessions covered a wide range of topics, including induction, legal frameworks, institutional responsibilities, cross-cutting functions (e.g., risk management, irregularities, human resources), and operational tasks (e.g., simplified cost options, procurement, supervision). In addition to the training sessions, several targeted workshops were organized to deepen institutional knowledge and promote best practices. These included the TNA Workshop in January 2025, the End Recipient Agreement (ERA) Workshop in February, the Risk Management Workshop in March, and Practical Guide to procurement and grant award procedures (PRAG) trainings in May. NAOSO also organized four workshops focused on OLAF's new guidelines for irregularity management, as well as an internal workshop on the newly introduced Key Performance Indicator (KPI) procedure.

**Regarding the enhancement of financial adjustment and/or recovery procedures for EU Funds in line with national and IPA III legal requirements, the activities have not started yet.** All the activities were initially planned to start in 2023. However, due to the accreditation process taking longer than originally anticipated, the Technical Assistance contract was signed at a later date. As a result, the activities have been requested and scheduled to be implemented under the IPA project EUSFAM (NEAR/TIA/2023/EA-RP/0136) during 2025 and 2026. In the meantime, training modules for staff involved in executing these procedures will be delivered within 2026 under the EUSFAM project. As of now, implementation has not yet started.

**Concerning the stock take of future requirements for managing EU post-accession funds and develop an action plan, within the framework of chapter 22,** which will determine the needs for improving the legal framework of funds management, information is not available.

**Related to the development of Simplified Cost Options (SCO)**<sup>8</sup>, the activity of defining the necessary rules for the development and implementation of SCOs, including legislation, standard SCOs for specific sectors, etc., has not started yet. The activity is requested and scheduled to be implemented under the IPA project EUSFAM (NEAR/TIA/2023/EA-RP/0136) during 2025 and 2026.

### Key challenges and next steps

**Some challenges have been encountered in the internal audit area.** Concerning the Quality Assurance methodology, delays have occurred due to the need to align the methodology with the updated GIAS, approved in July 2023. Additionally, limited staff resources and competing priorities have slowed the drafting process. To address these issues, the DHIA plans to organize a technical working session with the Central Harmonization Unit and experienced internal auditors. This will help ensure coherence and readiness for system-wide implementation, with the approval of the External Quality Assessment Methodology expected by the end of 2026. Regarding the capacitating Audit Committees, progress has been hindered by the pending formal approval of the DCM. Until the legal framework is adopted, engagement with public institutions remains limited. In response, DHIA will launch a national awareness event immediately following the DCM's approval, to introduce the new requirements and benefits of Audit Committees, targeting heads of public institutions. This will be followed by tailored training sessions to strengthen the operational capacity and governance role of Audit Committees. The development of the new Internal Audit Manual, aligned with the GIAS, has also faced delays due to the need for official adoption and national contextualization of the standards. Moreover, limited technical expertise in certain GIAS domains has highlighted the need for additional consultation with international experts. To overcome these challenges, DHIA will finalize and endorse the draft IA Manual and organize a high-level awareness event to officially launch both the new adopted GIAS and the IA Manual. In terms of updating the ToT Program, its full implementation depends on the completion of the new Manual. Coordinating training schedules across multiple institutions may pose logistical challenges. DHIA will update the ToT curriculum to incorporate the new Manual's content and practical applications and will organize new sessions in the following year to ensure all trainers are fully equipped to deliver high-quality instruction based on both the GIAS and the new IA Manual.

Efforts to strengthen compliance audit practices have revealed capacity gaps among newly appointed auditors and challenges in ensuring consistent application of updated guidelines across institutions. To mitigate these issues, DHIA will continue periodic refresher trainings and mentoring activities to consolidate knowledge and promote uniform audit practices. Implementation of the revised guidelines will be monitored through quality assurance reviews and follow-up assessments in the second half of the year. Finally, in developing guidelines and delivering training on risk-based audit approaches, the existing training curricula require updates to reflect the new GIAS and forthcoming IA Manual. Some auditors also need additional support to effectively integrate risk-based methods into their daily work. DHIA will update the 2026 training curricula to include risk-based auditing principles and tools, deliver targeted workshops to strengthen auditors' capacity in risk assessment, fraud detection, and corruption prevention, and monitor the practical application of these approaches to ensure consistent and effective implementation.

**Despite achievements on the management of the EU funds**, some challenges persist concerning the development and implementation of regulations and procedures for IPA III management and strengthening the capacities of IPA III structures. Training sessions remain dense, and not all IPA bodies are able to participate fully. Moreover, international peer-learning opportunities are still sporadic, and institutional partnerships remain limited. To address these issues, additional on-the-job support is being planned through technical assistance, which will complement the existing training efforts. Furthermore, Albania intends to explore collaborative initiatives through TAIEX to strengthen peer learning and foster more robust institutional partnerships.

---

<sup>8</sup> The leading unit is changed from SASPAC to CFCU in the PFM Steering Committee No. 19, dated 11.11.2025.

### 3.6 Progress under Pillar 6 “External Oversight”

Components (Specific Objective) progress made during first half of 2025

#### Specific Objective 6.1 External Audit

##### Performance Indicators

**Significant progress has been achieved in meeting the requirements of PEFA Indicator 30.1 – Audit Coverage and Standards.** The annual audit plan, approved by Decision of the Chairman No. 218 dated 15.11.2024, was expanded to increase the number of audits across all types. This expansion reflects a strategic commitment to strengthen oversight and ensure broader institutional accountability. As of June, the implementation is on track, and continued monitoring will ensure that the expanded scope is maintained throughout the remainder of the year.

**Progress has been made in strengthening the effectiveness of scrutiny over public authorities through independent oversight institutions (the implementation of Supreme Audit Institution (SAI) recommendations).** Following the establishment of the Parliamentary Sub-Committee on Public Audit (Decision No. 70, dated 25.07.2024), two hearing sessions were held during the reporting period. On 11.02.2025, the Sub-Committee was informed on ALSAI’s recommendations from audits of the Local Directorates of the National Agency of Cadastre (2022–2023), and on 09.06.2025, the report on the implementation of recommendations in the State Cadastre Agency and its local offices was approved. Additionally, ALSAI submitted two summary reports on recommendation follow-up: one to the Assembly of Albania and one to the Minister of State for Relations with the Parliament, both dated 25.02.2025.

**No new progress has been made in the preparation or implementation of the guideline on auditing budget institutions.**

**During the period January–June 2025, notable steps were taken to enhance the use of Computer Aided Audit Techniques (CAATs) within ALSAI.** Several training sessions, primarily conducted online, were organized and attended by over 100 auditors. These sessions focused on key thematic areas such as big data analysis, information security, etc. The training initiatives aimed to strengthen auditors’ technical capabilities and promote the effective integration of CAATs into audit processes.

**The target for institutionalizing the audit methodology for Public-Private Partnerships (PPPs) and concession has been achieved.** The methodology was approved by Decision of Chairman No. 230, dated 10.12.2024, following the successful completion of ALSAI project supported by SECO. This methodology outlines the audit approach for PPPs, covering all phases of the process, from the feasibility studies to contract execution and monitoring. It also incorporates insights gained from three pilot audits conducted during this project.

**Progress has been made in institutionalizing the audit methodology for PPPs and concessions.** Following the approval of the PPP audit methodology in December 2024, several training sessions were conducted during July and September 2025, as part of the SECO project. These sessions focused on the practical application of the newly adopted audit methodology for concessions and were attended by approximately 48 auditors. The training aimed to build technical capacity and ensure consistent application of the methodology across relevant audit engagements.

##### Measures and activities

**ALSAI has continued its efforts to improve its legal, regulatory, and agile methodological framework while expanding the use of audit tools.** Efforts are made in regularly participating in peer reviews of ALSAI’s functioning and implementation of its strategic development plan. Following discussions held with strategic partners, the peer review process with SIGMA was held during the week of February 3, 2025. In response to the SIGMA draft report, ALSAI submitted its suggestions in July 2025, contributing to the ongoing dialogue aimed at improving institutional performance. The peer review process is expected to lead to enhancements in audit methodology and processes, particularly in the areas of documentation and audit quality. Meanwhile, no new developments are made on the activity of defining in the ALSAI’s Organic Law to further strengthen the independence and the constitutional mandate of ALSAI. Meanwhile, during the first half of 2025, ALSAI

made progress in strengthening the foundation for the use of CAATs in various types of audits. Several training sessions were organized, primarily online, and attended by over 100 auditors. These sessions focused on key topics such as big data analysis and information security, aiming to build technical capacity and raise awareness on the potential of IT tools in enhancing audit effectiveness.

**Considerable progress has been made in professionalizing reporting and communication in compliance with ALSAI's communication strategy, applicable principles and standards.** ALSAI made notable progress in expanding of monitoring, reporting and communication regarding the follow-up on audit recommendations by auditees. Following the establishment of the Parliamentary Sub-Committee on Public Audit by Decision No. 70 dated 25.07.2024, two hearing sessions were held. On 11.02.2025, the Sub-Committee was informed about the implementation of ALSAI's recommendations in audits conducted in the Local Directorates of the National Agency of Cadastre for the years 2022–2023. Subsequently, on 09.06.2025, the report of the Sub-Committee 'On the implementation of recommendations in the State Cadastre Agency and its local directorates for the period 2022-2023' was approved. In addition, ALSAI continued its practice of preparing two summary reports annually on the implementation of audit recommendations. During this reporting period, these reports were submitted to the Assembly of Albania (Letter No. 282 dated 25.02.2025) and to the Minister of State for Relations with the Parliament (Letter No. 282/1 dated 25.02.2025). These activities reflect a strengthened institutional focus on accountability and transparency in the follow-up process.

## Specific Objective 6.2 Parliamentary Oversight

### Performance Indicators

**The development plan for the Parliamentary Committee for Economy and Finances (CEF) and its support structure has not been finalized** due to the electoral period. However, efforts to complete the plan are expected to continue during the second half of 2025.

### Measures and activities

**The CEF has worked toward professionalizing its support structures.** As part of this effort, the Committee was engaged in several meetings during the reporting period to prepare a development plan for the Committee and its support structures. However, due to the electoral period, the plan was not finalized. Work on its completion is expected to continue during the second half of 2025.

### Key challenges and next steps

During the first half of 2025, challenges were faced in advancing the development plan for the Committee and its support structures, due to the electoral period. To address this, the Committee will continue its efforts to finalize the development plan during the second half of 2025.

## 4 Conclusions and Recommendations

The semi-annual monitoring of the Public Financial Management reform program demonstrates commendable progress in several key areas, notably in strengthening fiscal transparency, improving budget execution processes, and enhancing reporting standards. These achievements reflect the commitment of implementing institutions and provide a solid foundation for advancing the reforms. However, the report also highlights that some activities have not progressed, creating potential risks to the timely realization of strategic objectives.

To sustain momentum and ensure comprehensive reform implementation, the following recommendations are proposed:

- **Consolidate Achievements:** Continue reinforcing areas where progress has been strong, ensuring that improvements in transparency and accountability are institutionalized and maintained.
- **Address Delays Proactively:** Undertake a detailed analysis of measures that are behind schedule to identify the reasons behind and implement corrective actions promptly.
- **Strengthen Governance and Coordination:** Enhance inter-agency collaboration and clarify responsibilities to avoid duplication and ensure timely decision-making.
- **Allocate Adequate Resources:** Provide targeted financial and human resources to measures requiring additional support, particularly those with high strategic impact.

By consolidating achievements and addressing implementation gaps with focused interventions, the PFM reform program can maintain its trajectory toward improved fiscal discipline, transparency, and service delivery, in line with international best practices.

## Abbreviations and Acronyms

AEO	Authorised Economic Operators
AFMIS	Albanian Financial Management Information System
AFCOS	Anti-fraud Coordination Service
AGFIS	Albania Government Financial Information System
ALSAI	Albanian Supreme Audit Institution
CEF	The Parliamentary Committee for Economy and Finances
DHFMCA	Directorate of Harmonization of Financial Management, Control and Accounting
DHIA	Directorate of Harmonization of Internal Audit
DIP	Development and Integration Partners
DPFI	Directorate of Public Financial Inspection
DFR	Directorate of Fiscal Risks
ESA	European System of Accounts
EU	European Union
FMC	Financial Management Control
FRS	Fiscal Risk Statement
GDC	General Directorate of Customs
GDMFP	General Directorate of Macroeconomic and Fiscal Programming
GDP	Gross Domestic Product
GDSD	General Directorate of State Debt
GDT	General Directorate of Taxation
GFS	Government Finance Statistics
GoA	Government of Albania
GRB	Gender Responsive Budgeting
IA	Internal Audit
IMF	International Monetary Fund
INSTAT	Institute of Statistics
IPA	Instrument for Pre-Accession Assistance
IPS	Integrated Planning System
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
MOF	Ministry of Finance
MTBP	Medium Term Budget Programme
MTRS	Medium Term Revenue Strategy
NDI	National Democratic Institute
NSDEI	National Strategy for Development and European Integration
OBL	Organic Budget Law
OECD	Organization for Economic Co-operation and Development
OLAF	European Anti-Fraud Office
PAR	Public Administration Reform
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PIFC	Public Internal Financial Control
PIM	Public Investment Management
PPA	Public Procurement Agency
PPL	Public Procurement Law
PPP	Public-Private Partnerships
PPC	Public Procurement Commission
SC	Steering Committee

SIGMA	Support for Improvement in Governance and Management
SOE	State-Owned Enterprises
SPC	Strategic Planning Committee
STA	Swedish Tax Agency
TA	Technical Assistance
TC	Technical Committee
UNDP	United Nations Development Programme
WFD	Westminster Foundation for Democracy
VAT	Value Added Tax