**REPUBLIKA E SHQIPËRISË**
**MINISTRIA E FINANCAVE**

# Public Finance Management Annual Monitoring Report 2025

# EXECUTIVE SUMMARY

**Annual Monitoring Report**

This Annual Monitoring Report on the Implementation of Public Finance Management Reforms covers the period from January 1, 2025, to December 31, 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**

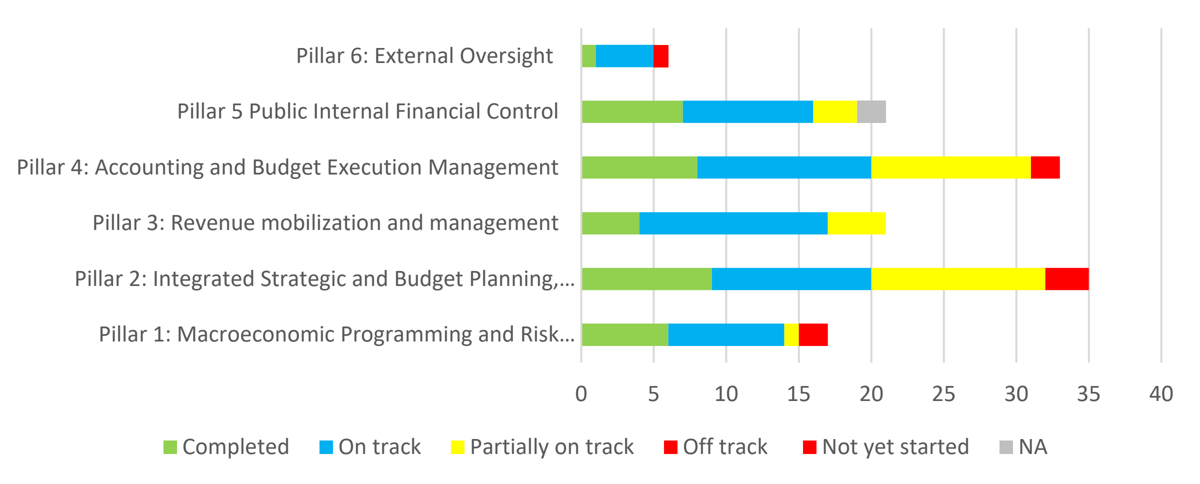
The government sustained productive collaboration with development partners for strategy implementation. This included regular assessments to evaluate the state of PFM policy and systems, such as the International Monetary Fund (IMF) Article 4 consultations and the preparation of a Public Expenditure and Financial Accountability Assessment 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.

**Overall progress**

The PFM action plan for 2025 comprises 69 performance indicators and 133 activities across six pillars. **The implementation of the action plan is on track,** with 92 of planned activities for 2025 completed or progressing as intended, and most performance indicator targets achieved as is shown in the graphs below.

**Graph 1. Performance indicator targets status**

**Graph 2. Activities status**




**Pillar highlights**

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

The Ministry of Finance (MoF) has maintained and enhanced systems for developing and monitoring sound fiscal policies, guided by fiscal rules, robust macroeconomic forecasts and solid fiscal risk management. Compliance with fiscal rules has been transparently reported in key documents, including the 'Macroeconomic and Fiscal Framework', the 'Economic Reform Programme' and the 'Report on the Implementation of the Annual Budget, Macroeconomic and Fiscal Situation.' The fiscal rules for nominal GDP forecasting and primary balance have been fully adhered to. A data template for introducing a basic DSA framework was provided to the team to complete as a preparatory step. During 2025 the preparation of the Fiscal Risk Statement for FY2024 was finalized. The finalized document, which is approved by the Minister of Finance, has been officially submitted to CoM and published on the MoF's website. In addition, a technical options paper for the establishment of a Fiscal Council has been prepared.

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

Compliance of new strategic documents with Integrated Planning System Guidelines (IPS) has improved significantly. 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 methodology for undertaking sector-specific expenditure review has been prepared and will be presented to the Minister for approval. Methodologies for green budgeting and gender gap analysis have been piloted. Public Investment Management (PIM) procedures have been effectively implemented, reflecting progress in strengthening public investment management practices. In 2025, Decision of the Council of Ministers (DCM) No. 887, dated 27 December 2022, "On Public Investment Administration Procedures," was further amended by DCM No. 180 of 20 March 2025, with the aim to further strengthen and discipline the Public Investment Management Procedures. The legal framework established under DCM No. 887 was further completed through the issuance of Instruction No. 11 of the Minister of Finance, dated 28 May 2025, "On Setting the Financial Threshold for the Total Value of Projects in Accordance with Sector-Specific Characteristics." In addition, Guideline No. 22, dated 15 September 2025, "On Determining the Methodology for the Preparation of Full and Simplified Feasibility Studies," was adopted, thereby strengthening the Ministry of Finance's gatekeeping function and enhancing its oversight capacity over public investment processes. The issuance of Order of General Director of SASPAC no. 446, dated 23.12.2025 "On the approval of the format, deadlines, and detailed procedure for completing the progress update form for investment projects included in the NSPP", further complements the legal and procedural framework.

The formula for the unconditional transfer for the year 2026 was updated using the new Census data. Performance Based Grant Scheme was implemented. 100% of municipalities used new LBMS software. In 2025, the new online system is fully operational and introduced to all municipalities. Citizens Budget Execution Report 2024 is published on the official website of the Ministry of Finance[1]. 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 199 concession contracts.

**Pillar 3: Revenue Mobilization and Management**

During 2025, the implementation of Pillar 3 "Revenue Mobilization and Management" recorded steady progress and results that exceeded expectations, reflecting a significant improvement in revenue collection and administration. The revenue growth target was surpassed, reaching 0.76% of GDP (covering both tax and customs administration) compared to the planned 0.62%. This strong performance was primarily driven by increased domestic VAT revenues and higher social and health insurance contributions, as a result of successful initiatives aimed at reducing the VAT compliance gap and curbing undeclared and underreported employment. At the same time, most performance indicators were achieved or exceeded, including the expansion of the taxpayer base, an increase in VAT filers in key sectors such as tourism, and higher revenues from wages and social contributions. Structural reforms and planned measures progressed satisfactorily, with several key commitments delivered on time, including the strengthening of institutional capacities for the analysis and development of fiscal policies, the enhanced use of third-party data in the investigation of unjustified assets, and the implementation of the integrity plan within the tax administration. In parallel, an acceleration of reforms was observed through the early completion of certain measures, such as the pre-filling of tax declarations, increased tax fraud investigations, and the advancement of risk-based audits. Overall, the performance of this pillar in 2025 demonstrates strengthened administrative capacities, improved efficiency in revenue collection, and tangible progress in the modernization and transparency of the fiscal system.

The utilisation of the green channel increased from 30.73% in 2024 to 33% in 2025. The number of Authorised Economic Operators increased from 16 in 2024 to 18 in 2025. The draft-law "On immovable property tax" is foreseen to be submitted for consideration to the Council of Ministers within June 2026. Once the draft-law is approved by the parliament and entered into force, work will continue 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 most of the PI targets planned for 2025 being achieved. *Progress in Government Finance Statistics (GFS)* and EDP reporting was notable, with improved data quality, expanded coverage, and timely transmission of ESA 2010-aligned tables. For the first time in October 2025, the 2021–2024 time series were transmitted with the status *"free for publication*. INSTAT advanced work on collecting PPP and concession data based on ATRAKO data and other sources, although full inclusion awaits completion of methodological assessments. Significant steps were taken *in drafting the new Public Sector Accounting Law* and the IPSAS-based accounting methodology, prepared with World Bank support, marking a key milestone toward Albania's transition to accrual accounting. Capacity-building efforts continued, including training delivered to public sector accountants, internal auditors, and public administration employees, ensuring readiness for the upcoming accounting reform. *In debt management, the Annual Borrowing Plan*

[1] https://financa.gov.al/buxheti-faktik-per-qytetaret/

*(2026) and the Monitoring Report of the Medium-Term Debt Management Strategy were prepared* and published, enhancing transparency and communication with stakeholders. The Ministry of Finance also advanced the analytical framework for guarantees and on-lending through the application of a World Bank-developed Credit Risk Assessment Model. Preparations for potential green, social, or sustainability financing instruments continued, although alternative instruments remain outside the 2026–2030 debt strategy priorities. *Cash management practices continued to strengthen. The monthly cash forecast accuracy rate reached 94%,* supported by a more detailed classification of inflows and outflows and the rollout of IMF-supported forecasting tools. The establishment of the Technical Group for Cash Flow Forecasting (TGCFF) improved institutional coordination. Daily remuneration of the Treasury Single Account (TSA) balance at the Bank of Albania and the increase of the ALL-deposit ceiling from ALL 15 billion to 30 billion further improved liquidity management. The cash buffer policy was revised to introduce both transactional and security buffers aligned with good international practices. *In public procurement,* progress continued toward implementing green and sustainable procurement. A draft technical manual on Life-Cycle Costing (LCC), was prepared with the support of the World Bank, and will serve for providing practical support to both contracting authorities and economic operators. Also very important to emphasize is that during 2025 it was noticed that in general the MEAT methodology (evaluation criteria based on cost) was used by different Contracting Authorities in procedures of the "Work" and "Services" type also. The Centralized Purchasing Body (CPB) advanced Green Public Procurement by adopting the Action Plan on Sustainable Procurement and the Circular Economy, integrating environmental and social criteria into procurement procedures in alignment with EU standards. In addition, the *Public Procurement Commission* advanced digitalization initiatives on regard to upgrades to the electronic complaint system and development of a digital archive. In 2025, Albania drafted and approved *Law No. 88/2025 on Concessions and Public-Private Partnerships*, marking a major step toward aligning its PPP legislative framework with EU standards and strengthening transparency, accountability, and efficiency in PPP management. *Asset management reform* also advanced, supported by the second phase of the IPSAS project. Work progressed on preparing the legal and methodological framework for the evaluation, registration and reporting of public assets, and fixed-asset migration into AGFIS continued. A consolidated asset register at the controlling-unit level is under preparation and will be operational once the full IPSAS framework is adopted.

**Pillar 5: Public Internal Financial Control**

During 2025, significant progress was made in strengthening the Public Internal Financial Control (PIFC) framework, with notable achievements across Financial Management and Control (FMC), Internal Audit, Public Financial Inspection and Anti-Fraud Coordination Services and the Management of EU Funds. Although some performance data for FMC indicators were not available at the time of reporting, substantial advancements were achieved in improving the regulatory framework.

A key milestone was the revision and approval of the Methodology for Assessing the Performance of the Internal Control System of General Government Units through Order No. 49/1 (21 October 2025). This methodology introduces structured performance indicators, standardizes the assessment process, and enhances accountability and consistency in evaluating internal controls across institutions. Implementation of managerial accountability advanced through targeted support to 20 selected institutions, with increased focus on delegation of duties as a core FMC principle. Risk management practices improved through multiple training sessions delivered in cooperation with ASPA and other partners. In addition, awareness raising and capacity building activities were intensified, including tailored training for selected institutions and large-scale training programmes on FMC, risk management, and delegation of duties. The Ministry of Finance continued to support the professionalization of the core internal audit practices through developing guidelines and delivering capacity building activities. A total of 155 annual internal audit reports were finalized, with 135 institutions maintaining functional IA units and 20

undergoing second cycle assessment. Audit governance improved with the establishment of 10 functional Audit Committees as of 2025. Capacity-building remained a central achievement, with 100% of internal auditors meeting Continuing Professional Development requirements and participating in more than 40 hours of training. The DHIA, in cooperation with international delivered specialized training on topics including ToT, SOE financial reporting, and auditing in practice and auditing the effectiveness of IC system in local government. In addition, the new Internal Audit Manual was approved (Order No. 134, 17 October 2025), fully aligned with the Global Internal Audit Standards and developed with SIGMA expertise. This manual provides a unified methodological framework, strengthens harmonization across IA units. Regarding the Public Financial Inspection and Anti-Fraud Coordination Services, a substantial achievement was the adoption of the National Anti-Fraud Strategy 2025–2030 and its Action Plan (DCM No. 275, 9 May 2025). The establishment of the NAFS Steering Committee (Order No. 89, 30 June 2025) ensured high level coordination of implementation. Throughout 2025, technical working groups met to operationalize monitoring instruments, prepare work plans, and initiate reporting on the implementation of anti-fraud measures. First Steering Committee and Technical Working Group meetings were successfully held, and the drafting of the first NAFS Monitoring Report is under way.
Concerning the Management of EU funds, a major milestone was the ratification of the Financing Agreements for three IPA III multi annual Operational Programmes (2024–2027), totaling €182 million. A follow up audit mission by DG NEAR was conducted in June 2025, with the final report issued in July 2025. Capacity building for IPA structures advanced significantly. A comprehensive Training Needs Assessment was completed, leading to the endorsement of a Consolidated Training Plan for 2025–2026. Thirteen multi-disciplinary training sessions and several thematic workshops were delivered, covering procurement, risk management, PRAG procedures, irregularity management, and key performance indicators.

**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 2025, ALSAI expanded its annual audit plan through Decision No. 218 (15.11.2024), increasing the number and diversity of audits and reinforcing its strategic commitment to enhance institutional accountability. Significant progress was achieved in strengthening parliamentary scrutiny and the effectiveness of implementing Supreme Audit Institution (SAI) recommendations. Following the establishment of the Parliamentary Sub-Committee on Public Audit in July 2024, two hearing sessions were held during 2025, reviewing the implementation of ALSAI's recommendations in the State Cadastre Agency and its local directorates. ALSAI also issued summary follow-up reports to the Assembly and the Ministry of State for Relations with the Parliament. Progress in professionalizing audit practices continued with the full institutionalization of the PPP and concession audit methodology. Following its approval in December 2024, ALSAI delivered specialized training sessions in July and September 2025, ensuring that approximately 48 auditors are now able to apply the methodology consistently across audit engagements. Likewise, the indicator on the use of Computer-Aided Audit Techniques (CAATs) was successfully achieved. More than 100 auditors benefitted from online training sessions on big data analysis and information security. ALSAI also advanced its methodological and institutional strengthening agenda. Peer review activities with SIGMA progressed during 2025, with ALSAI providing formal comments to the draft report, thereby contributing to the refinement of audit procedures, documentation standards, and quality assurance practices. Communication and reporting mechanisms were further improved in line with ALSAI's communication strategy, resulting in more structured monitoring of recommendation follow-up. The Parliamentary Committee on Economy, Finance and Employment drafted the Development Plan through a structured consultation process with NDI, which was formally approved in December 2025. Additionally, the Subcommittee on Public Sector Audit was re-established following the 2025 parliamentary reorganization, marking a concrete step in implementing the Plan's priority activities.

**Risk management**

Multiple risks that could negatively affect the implementation of the Action Plan have been materialized, including delays in legal and regulatory changes, inadequate financial provisions, insufficient availability of qualified human resources, non-sustainable capacity development, IT development and procurement challenges, limited and untimely access to technical assistance, and inadequate coordination among stakeholders. A series of corrective measures are being implemented to address the materialized risks, including short-term internal reallocations of staff to ensure coverage of essential analytical and coordination functions; continuous training sessions to enhance staff capacity; preparation and publication of manuals explaining the relevant legal and sub-legal provisions, and inter-institutional coordination has been reinforced. Tasks were temporarily redistributed, and critical outputs prioritized to mitigate the impact of staffing gaps, with existing staff assuming additional responsibilities to cover vacant positions.

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

## 1.1 Introduction

This is the eleventh Annual Monitoring Report on the Implementation of the Public Finance Management (PFM) Reform which covers the period 1 January 2025 to 31 December 2025. It encompasses another year of reform efforts and 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. To our self-assessment PFM progress has been satisfactory, with 78.26% of target Performance Indicator achieved and partially achieved and 69.17% of the activities fully completed and on track.

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 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 revised monitoring toolkit approved by Steering Committee no. 19, dated 11 November 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/IPSIS)". The structure of the 2025 annual monitoring report is drafted in compliance with IPSIS methodology based on DCM no. 290, dated 11.4.2020.

The assessment of PFM progress is conducted at two levels: performance indicators and activity-level implementation. For performance indicators, the methodology applied is as follows: a PI is marked green (achieved) when it meets the 2025 target as planned; red (not achieved) when it fails to meet the 2025 target; and yellow (partially achieved) in all other cases. For activity-level assessment, activities are marked green when they started in 2023, 2024 or 2025 and were completed as planned within 2025; blue when they started in 2023, 2024 or 2025 and progressed as planned, but have an end date beyond 2025 (except for activities with periodic annual targets, which are considered completed for the year and classified as green). Activities are marked yellow when, regardless of the planned end date, they did not progress as expected during 2025. Activities marked in red are those that have not yet started and those off-track which are classified as activities not progressing adequately and potentially at risk of failing.

## 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 MoF comprises a steering committee (SC), a technical committee and the directorate for PFM reform.

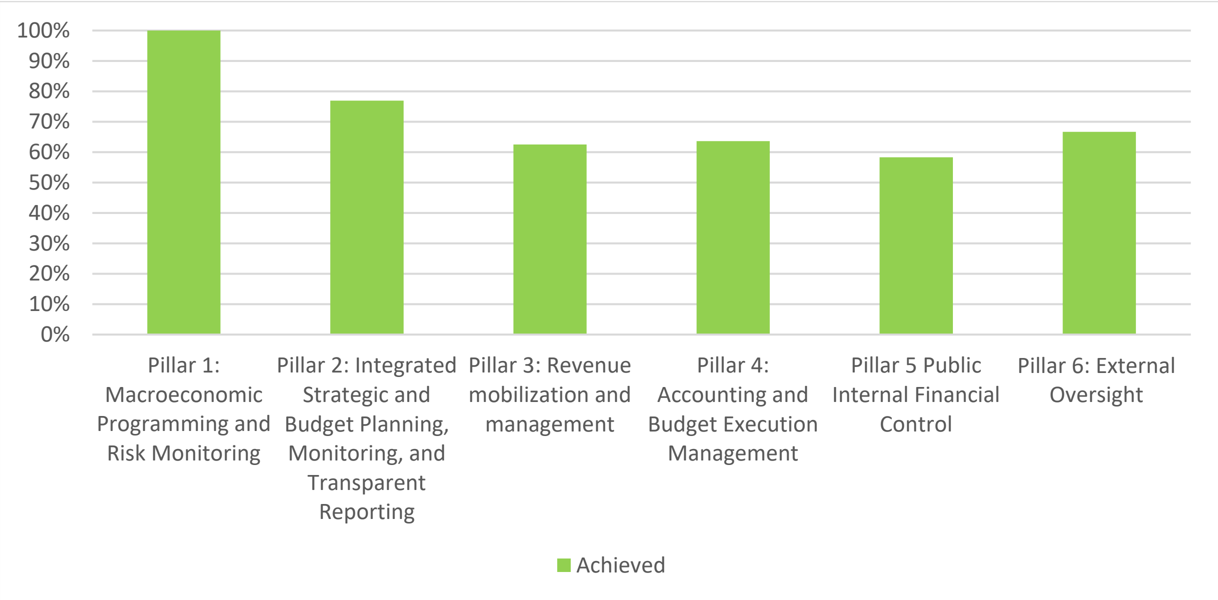
On June 20, 2025, the 13th Public Finance Management Technical Committee was organized. The focus of the meeting was the discussion of the draft annual monitoring report of the PFM for 2024, the challenges and progress achieved, as well as the discussion on the evaluation reports from international partners. The 14th PFM Technical Committee meeting took place on 30 October 2025 to review and discuss the 2025 Semi-Annual Monitoring Report. Subsequently, on November 11, 2025, both reports were discussed and approved by the 19th PFM Steering Committee (SC) meeting and are published in the MoF website. The Steering Committee, chaired by the Deputy Minister of Finance, brought together all actors involved in the planning and overseeing the PFM reform, including members of the Technical and Steering Committee, international development partners and representatives from Civil Society Organizations. The 15th PFM Technical Committee meeting took place on 27 March 2026 to review and discuss the 2025 Annual Monitoring Report. On May 22, 2026, the PFM Annual Monitoring Report was discussed and approved by the 20th PFM Steering Committee meeting and will be published in the MoF website.
In the framework of transparency and communication with the public, MoF publishes on its official website every annual monitoring report both in Albanian and English language.

# 2. STRATEGY PROGRESS IN 2025

## 2.1 Achievements in implementing PFM Strategy Pillars for 2025

The Government of Albania has made good progress in the implementation of its Public Financial Management Reform Strategy. PFM progress has been satisfactory, with 71.01% of target Performance Indicator fully achieved. Overall, the graph below presents an overview of the level of achievement for each pillar, in the performance indicator level.

**Graph 3. Level of PIs Achievement for each Pillar**




During 2025, the following performance indicator targets were met: (1) Nominal Gross Domestic Product (GDP): the difference of the forecasted values between MoF and IMF should not be higher than zero; (2) Primary Balance: commencing from the year 2024, the Primary Balance will be legally mandated as a new Fiscal Rule, and it is stipulated to be no less than zero; (3) Completing the technical assistance for DSA; (4) DSA framework established; (5) Annual Fiscal Risk Statement introduced; (6) Fiscal Council established; (7) Percentage of strategies and action plans developed in accordance with

IPS guidelines; (8) OBI assessment - Public Participation score; (9) OBI assessment – Transparency; (10) Spending reviews introduced; (11) Gender gap analysis (GGA) as part of GRB introduced; (12) Green / Climate change-responsive budgeting (CCRB) introduced; (13) Approval of the PPD together with the NSPP; (14) Improved procedures for PIM introduced (including relevant decision-making mechanism); (15) Share of public investment projects that are proposed based on the strategic priorities of the government (value of projects in specific year); (16) Actual disbursements for major investment projects compared to planned disbursements along with explanation of variations; (17) Grant formula adjusted based on Population Census Data; (18) Additional performance-based grant scheme (PBGS) introduced; (19) PEFA Performance Indicator 7: Transfers to subnational governments; (20) Percentage of municipalities using new LBMS software; (21) Percentage of municipalities that publish performance plans for service delivery; (22) Percentage of municipalities that publish information on performance achieved for service delivery; (23) Local Budget Management Software and E-Platform introduced by MoF; (24) PEFA Performance Indicator 28 "In-year budget reports"; (25) Citizens Budget Execution Reports published; (26) Number of PPP contracts covered in the aggregated annual report on PPPs and concession contracts; (27) Increase in revenues from MTRS (in total from tax and customs administration according to MTRS); (28) Increase of revenues from VAT (measured on non-cumulative basis); (29) Increase of revenues from reduction of under and un declared work (measured on non-cumulative basis) as a result of the introduction of 40 000 new employees into the scheme and the increase of the salary declaration of 120 000 employees, according to the growth calendar in MTRS; (30) Percentage utilisation of Green Channel; (31)Number of Authorized Economic Operators; (32) Production of legal and sub-legal regulatory framework based on IPSAS as per plan; (33) Percentage of government accountants that have completed IPSAS training; (34) Annual Borrowing Plan and DMS Monitoring Report prepared and published; (35) Monthly cash forecast accuracy rate; (36) Detailed inflow and outflow items in Cash Flow Forecasting included; (37) Increase of the number of instruments for active cash management; (38) Preparation of a consolidated asset register in central institutions, at the controlling unit level; (39) FMC law and sublegal acts amended and approved; (40) Number of public institutions that are covered by annual internal audits; (41) Number of public institutions that have a functional audit committee; (42) Percentage of internal audit units that have established and implemented QAIPs in accordance with the applicable standards; (43) Percentage of internal auditors that comply with CPD requirements; (44) National Anti-fraud strategy (NAFS) for the protection of the EU financial interests approved and monitored; (45) IPA-III entrustment package developed and approved; (46) SIGMA Indicator 4.3.1.5: Effectiveness of scrutiny of public authorities by independent oversight institutions (Implementation of SAI recommendations); (47) Computer Aided Audit Techniques (software) is in use; (48) Methodology for audit of PPPs and concession institutionalized; (49) Development plan prepared and implemented.

## 2.2 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 13th PAR SG meeting was held in October 2025, in which several operational conclusions were left such as: (1) Albania to prepare and publish implementing reports for the PAR, Decentralization and PFM strategies in the first quarter of the following year on a regular basis, and to ensure they are publicly accessible; (2) Albania to adopt the legal framework to set-up an independent fiscal oversight institution (Fiscal Council) and to ensure its timely establishment and its operationalization*; (3)* Albania to ensure implementing fiscal rules and comprehensiveness of its financial reporting by establishing clear arrangements for consistent collection, consolidation, and publication of financial reports from all government-controlled entities (incl. all extra-budgetary units) in coordination with line ministries and INSTAT; (4) To strengthen transparency and parliamentary oversight in budget management, Albania to limit the use of normative acts for budget modifications to genuinely exceptional situations and to conduct adjustments primarily through the regular budget review process; (5) Albania to continue strengthening fiscal risk monitoring, including through the regular preparation and publication of a comprehensive fiscal risk statement as part of the budget documents. Within this, focus should be maintained on areas of high fiscal risk (SOEs, PPPs, judicial; (6) Albania to further strengthen public investment management, through full and consistent application of the provision of the PIM decree. Particular focus should be on inclusion of PPP projects in the NSPP, as per RGF Reform Agenda commitments (7) 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); (8) Albania to properly regulate the criteria and typology for the establishment of subordinated bodies, better define organization and functions and clarify accountability lines and governance arrangements between supervisory and subordinated bodies through the adoption and effective implementation of amendments to the Law on the Organization and Functioning of the State Administration; (9) Albania to ensure that the legislative measures adopted to strengthen managerial accountability and delegation of decision-making are effectively implemented in practice. Albania to report bi-annually on delegation of responsibilities across state administration institutions to the Commission and relevant national oversight bodies; (10) Albania to establish the regular practice of monitoring the compliance of state level public authorities with all requirements from art. 7 of the Law on the Right to Information. These conclusions will be monitored and followed up by MoF, and their progress will be reported in the upcoming PAR SG meeting.

**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 2025, the MoF continued to monitor the implementation of measures and report the progress on a quarterly basis.

**Regarding the SIGMA evaluation, the most recent monitoring exercise was conducted in 2024.** During the PFM Steering Committee meeting held on 11 November 2025, participants' attention was drawn to the importance of taking into consideration the findings of this report during the preparation of the PFM Action Plan 2027–2030. Moreover, as the SIGMA 2024 assessment methodology has been revised, all future reporting on SIGMA indicators included in the PFM action plan will be aligned and converted according to the new methodology.

**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 was 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 played the role of coordinator and supporter for the team of independent consultants contracted by EUD. The draft assessment report was finalized in December 2024 and the launching event for the final assessment report of PEFA 2024 for Albania was held on July 15, 2025. The final report is also published on PEFA website[2]. The assessment made for PEFA 2024 was conducted using the same methodology as the PEFA assessment in 2016. The findings of the report show a mixed picture, with 18 of the 31 Performance Indicators (PIs) receiving good scores in the A-B range, and 13 of them scored C-D. The strengths identified in this assessment are:

- Stability in budget execution, with low variances in expenditure on both economic and functional classifications between original budget and actual out-turn;
- An orderly budget process and a well-developed medium-term fiscal planning framework;
- A strong emphasis on internal financial control and satisfactory arrangements for internal and external audit;
- Effective administration and collection of direct and indirect taxes;
- Well-functioning of debt and cash management;
- Clear objectives for the functioning of public services, with time-bound performance indicators.

The weaknesses identified are:

- Incompleteness of financial reporting and monitoring: Inconsistencies in published data, no consolidated annual financial statements for Central Government (CG), very limited consolidated in-year expenditure reporting, no consolidated reporting of State-Owned Enterprises (SOEs) or monitoring of risks associated with all PPPs/concessions, no reporting of revenue and expenditure of regulatory and other bodies belonging to CG but not directly included in the budget;
- Limited coverage of IT systems, with many transactions taking place outside the Treasury automatic system, and large cash balances held outside the Treasury Single Account (TSA);
- Little attention paid to non-financial assets, with no information about their value;
- Failure hitherto by the Parliament to make use of audit reports to hold the Executive to account.

The weaknesses identified in 2024 PEFA Assessment will be in the future focus of responsible units to be included and monitored in the PFM Action Plan 2027-2030.

[2] https://www.pefa.org/country/albania

Regarding **EU report on Albania 2025**[3], key findings are presented in the following box.

- **Public financial management (PFM) structures are broadly in place but need to be improved.** The legal basis for PFM is mostly in place, with a comprehensive organic budget law. In December 2024, the government adopted a Medium-Term Revenue Strategy 2024 -2027 detailing tax policy, including the revision of tax exemptions, tax administration and customs reforms, with the objective of raising fiscal revenue/GDP by 2.5% by 2027.
- **The provisions of the organic budget law are largely followed.** However, budget revisions are still carried out exclusively through normative acts adopted by the executive. More decisive action is needed to return to regular budget revision processes through Parliament. Some budgetary reforms continued, including ongoing efforts to better integrate medium-term budgets with the single project pipeline. The link between the strategic priorities and budget programmes should be further strengthened. The application of gender responsive budgeting continued in 2024, with approximately 9.3% of the budget being dedicated to gender-based public policies. The traceability of the gender-based budget allocations needs to be strengthened.
- **The level of arrears has fallen**, but ongoing efforts to strengthen commitment compliance should continue. The debt strategy is being pursued by reducing public debt/GDP, lengthening debt maturities and lowering exchange risk exposure.
- **Fiscal risk monitoring has been strengthened.** However, fiscal risk reporting and risk assessment on fiscal risk related to state-owned enterprises and public-private partnerships remains to be further improved. An independent fiscal oversight institution (Fiscal Council) still needs to be set up.
- **Budget transparency** is mostly satisfactory with all key budget documents regularly published. Yet, further improvements are needed on the production of consolidated financial statements, and on in-depth reporting on extra-budgetary entities.

Furthermore, based on the data reported from PFM responsible units, it results that 11 out of 24 components of PFM reform are related with the NPEI chapters, including the fundamental clusters.

## 2.3 Impact of sector development in the region and / or beyond

This section provides a comparative overview of key macroeconomic indicators among Western Balkan countries, with a focus on public finance and economic performance. It is assumed that the Western Balkans follow largely a similar PFM reform agenda linked to the overall EU accession goal. Based on the data provided in the Western Balkans Regular Economic Report, and as is shown in the table below, a mixed picture of the performance of Albania appears when compared to its peers. During the years there is a decrease in the Real GDP growth, from 4.8% in 2022 to 3.7% in 2025. Kosovo and Albania have the highest levels in the region. The Revenue as percentage of GDP is the lowest in the region, whereas the primary balance fluctuates is 0.5 in 2025. Debt as percentage of GDP has decreased in the past years and remains at 52.2% in 2025, lower than in Montenegro and North Macedonia, but higher than in other countries in the region.

**Table 1. Fiscal indicators in the Western Balkan countries 2022 - 2025**

| Macro indicators | Real GDP growth (%) | | | Revenue (% of GDP) | | | Primary balance (% of GDP) | | | Debt (% of GDP) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2022 | 2023 | 2024 | 2022 | 2023 | 2024 | 2022 | 2023 | 2024 |
| **Albania** | 4.8 | 4.0 | 4.0 | 26.6 | 27.2 | 28.2 | -1.8 | 0.7 | 1.4 | 61.7 | 55.9 | 52.9 |

[3] https://enlargement.ec.europa.eu/document/download/fe9138b7-90fe-4277-a12c-3a03f6d1957f_en?filename=albania-report-2025.pdf

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Bosnia and Herzegovina** | 4.2 | 2.0 | 3.0 | 39.9 | 40.7 | 41.9 | 0.2 | -0.4 | -0.8 | 29.3 | 26.4 | 26.3 |
| **Kosovo** | 4.3 | 4.1 | 4.4 | 27.9 | 29.3 | 29.9 | -0.1 | 0.1 | 0.1 | 19.7 | 17.2 | 16.9 |
| **Montenegro** | 7.7 | 6.5 | 3.2 | 39.1 | 41.6 | 41.7 | -2.1 | 2.4 | -1.1 | 69.0 | 58.4 | 59.8 |
| **North Macedonia** | 2.8 | 2.1 | 2.8 | 31.6 | 32.7 | 33.9 | -3.2 | -2.9 | -2.7 | 49.6 | 49.7 | 53.8 |
| **Serbia** | 2.6 | 3.8 | 3.9 | 41.6 | 39.4 | 41.0 | -1.6 | -0.4 | -0.1 | 50.5 | 46.6 | 45.4 |

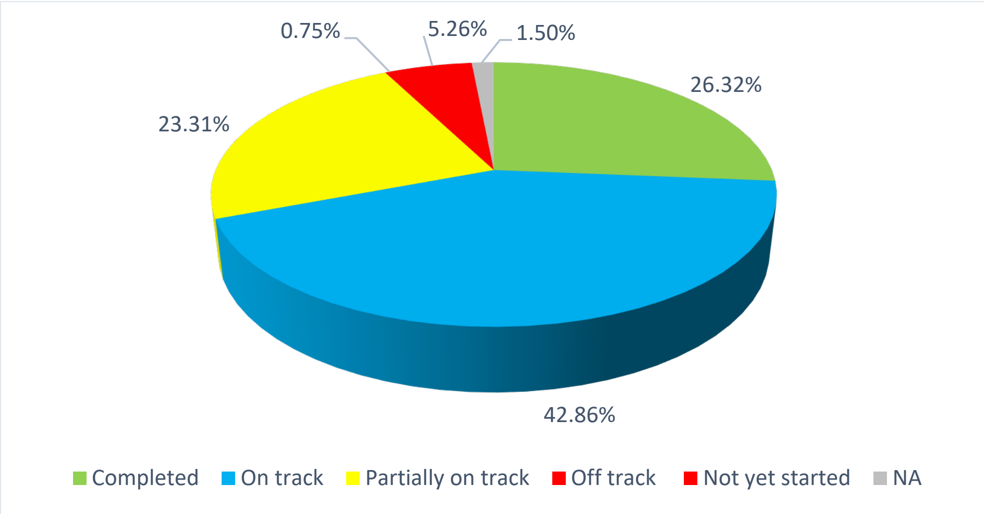
| **Macro indicators** | **Real GDP growth (%) 2025 f** | **Revenue (% of GDP) 2025 f** | **Primary balance (% of GDP) 2025f** | **Debt (% of GDP) 2025f[4]** |
|---|---|---|---|---|
| **Albania** | 3.7* | 28.3* | 0.5* | 52.2* |
| **Bosnia and Herzegovina** | 2.6 | 42.4 | -0.6 | 24.5 |
| **Kosovo** | 3.8 | 29.1 | -0.5 | 16.8 |
| **Montenegro** | 3.3 | 40.6 | -1.6 | 59.4 |
| **North Macedonia** | 3.1 | 35.2 | -1.9 | 55.2 |
| **Serbia** | 2.8 | 41.3 | -1.5 | 44.7 |

Source: World Bank Group[5]

## 2.4 Pillar activities that did not progressed as planned

Based on the self-assessment, PFM progress has been satisfactory, with 69.17% of progress in the activity level (it includes "26.32% completed" and "42.86% on track"). The graph below presents an overview of the status of the activities for the six pillars.

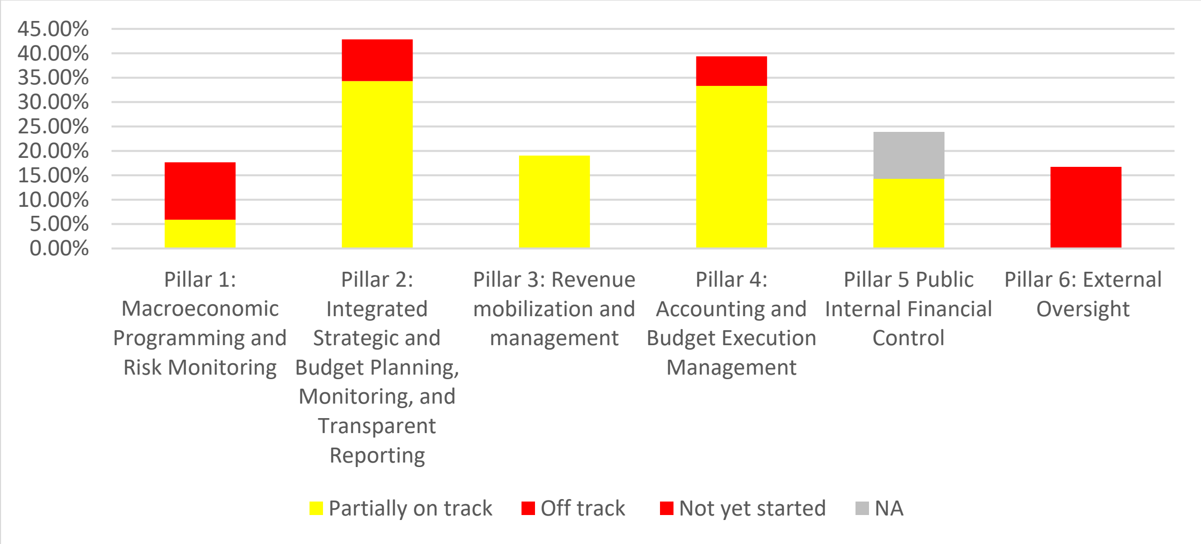
**Graph 4. Overall PFM Strategy Level of Activities**




[4] Forecast values for 2025
[5] https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099100625100539134&ved=2ahUKEwjyyP3P0oaT-AxV4g_0HHQ56NzcQFnoECB4QAQ&usg=AOvVaw1Aw6AhMX9V1LEOaCH_xYIr

Meanwhile, there are some activities that did not progressed as planned. In total, there are 23.31% of activities partially on track, 5.26% of the activities that did not start during 2025, 0.75% of activities off track and for 1.5% the data were not available at the time of the reporting. The work will continue in the upcoming year for these activities.

**Graph 5. 2025 Activities not progressed as planned**




## 2.5 General Budget execution

Most of the reforms included in this strategy are policy reforms. The work of formalizing these reforms in the form of new and/or modified legislation and regulations has generally not required additional financial resources. The existing staff of the institutions involved in the implementation of the reforms have taken all the necessary steps to achieve the desired results. The Action Plan 2023-2026 provides that the total additional cost of implementing the activities is EUR 11.58 million, of which EUR 811,152 to be covered by the Government Budget and EUR 10,77 million from International Development Partners. While the planned budget for 2025 Action Plan was EUR 3.031 million (EUR 177,257 from Government Budget and EUR 2,854,624 from International Development Partners). During 2025, the total resources used for the reform implementation were EUR 131,029 from Government Budget and EUR EUR 1,033,920 from International Development Partners.

# 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

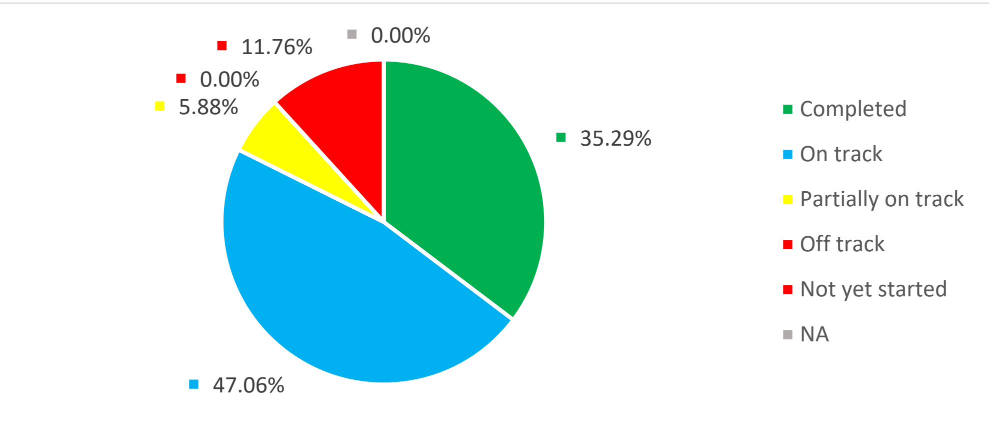
During 2025, the systems for (i) developing and monitoring a sound fiscal policy based on fiscal rules, (ii) advanced macroeconomic forecasting and (iii) solid fiscal risk management practices have been maintained and further improved. All targets set for 2025 have been achieved or were exceeded and are summarized in the table below.

**Table 2: Performance Indicators and Targets of Pillar 1**

| Indicator | | Baseline value (year) | Target Value 2025 | Fact Value 2025 |
|---|---|---|---|---|
| **Specific Objective (Component) 1.1 Prudent and realistic macroeconomic programming** | | | | |
| 1 | Nominal GDP: the difference of the forecasted values between MoF and IMF should not be higher than zero. | 0.0 billion ALL (2022) | ≤ 0 | -19.5 |
| 2 | Primary Balance: commencing from the year 2024, the Primary Balance will be legally mandated as a new Fiscal Rule, and it is stipulated to be no less than zero. | -1.8 % of GDP (2022) | ≥ 0 | 0 |
| **Specific Objective (Component) 1.2 Establishing a comprehensive Debt Sustainability Analysis** | | | | |
| 1 | Completing the technical assistance for DSA. | - (2022) | Continuation of the technical assistance. | Continuation of the technical assistance. |
| 2 | DSA framework established | - (2022) | Introduction of a basic DSA framework. | A basic DSA internal framework introduced. |
| **Specific Objective (Component) 1.3 Fiscal Risk Management** | | | | |
| 1 | Annual Fiscal Risk Statement introduced. | - | Completed | Completed |
| **Specific Objective (Component) 1.4 Fiscal Council** | | | | |
| 1 | Fiscal Council established | - | Fiscal Council legal framework drafted | Fiscal Council legal framework drafted & in the process of internal review |

**Satisfactory progress is made as well towards completing the activities planned for 2025. The majority of activities (82.35%) were either on track or completed, 5.88% were assessed as partially on track and 11.76% of activities were not yet started.**

**Graph 6: 2025 status of Pillar 1 activities**



## Components (Specific Objective) progress made during 2025

### Specific Objective 1.1 Prudent and realistic macroeconomic programming

**Performance Indicators**

The targets for the performance indicators of this component have been achieved and show full compliance with the fiscal rules for 2025.

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 nominal GDP value forecasted by the MoF for 2025 was ALL 2,624.5 billion, while GDP forecasted by the IMF in the "World Economic Outlook", the latest published at the time the annual budget law is submitted for approval in the Parliament (October 2025), was ALL 2,662.0 billion. For the year 2025 this difference amounts to -19.5 billion ALL.

The second performance indicator refers to the macroeconomic indicator primary balance which target value should not be negative. 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. The primary balance resulted in a significant improvement, for 2024, which marked 1.4% of GDP, from 0.7% of GDP in 2023, thus respecting the fiscal rule one year ahead. For year 2025, PB is expected to be at a neutral level.

**Measures and activities**

Regarding *'Prudent and realistic forecasting of macroeconomic indicators, continuous benchmarking of projections (comparative analysis) against those of independent international forecasters, and compliance with fiscal rules'* **is completed**. The Ministry of Finance's macroeconomic indicator projections have been publicly compared for the year 2025. This comparative analysis has been disseminated through the *Macroeconomic and Fiscal Framework (MFF) 2027-2029* and the *Economic Reform Programme (ERP) 2026-2028*. Both documents are finalized and are in the process of approval by the Council of Ministers within January 2026.

The process of addressing vacancies for specialized staff, as well as developing and implementing specialized training for GDMFP staff **has been on track**. During the first half of 2025, three important trainings were delivered by the World Bank to the Ministry of Finance staff, namely: the Debt Sustainability Analysis Framework, the Pension Reform Options Simulation Toolkit (PROST), and Applied Econometrics. In addition, four new specialists were recruited to the GDMFP, further strengthening its technical and institutional capacities.

In regard to prudent and realistic medium-term revenue forecasting in line with independent and international forecasters, the activity related to continuously benchmarking and disclosing the MoF's medium-term revenue forecast projections with independent and international forecasters **has been on track.** The MoF's medium-term revenue forecast projections have been continuously benchmarked against IMF forecast in every cycle of financial programming used for the preparation of the "Macroeconomic and Fiscal Framework 2027-2029" and the "Economic Reform Programme 2026-2028".

*The safeguarding of sound public finances and resilient fiscal frameworks through strict compliance with legislatively mandated fiscal rules is completed*. In 2025, Albania strictly complied with strict legislatively mandated fiscal rules. Compliance with fiscal rules for 2025 is analyzed through regular dissemination in a dedicated section, *Explanatory Box: Compliance with Fiscal Rules*, within the MFF, ERP, and the *Report on the Implementation of the Annual Budget, Macroeconomic and Fiscal Situation* documents, as specified above. There are no delays in implementation.

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

**Performance Indicators**

The 2025 target for the indicator of completing the technical assistance for Debt Sustainability Analysis is completed. In April 2025, staff from the Ministry of Finance, specifically from GDMFP and 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 also provided to the team to complete as a preparatory step.

Regarding the indicator for establishing the DSA framework, a data template was provided to the team to complete as a preparatory step. This template has been populated with data by MoF staff and is currently being used internally.

**Measures and activities**

The provision of technical assistance for the DSA process is on track. In April 2025, staff from the Ministry of Finance, specifically from GDMFP and 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.

The introduction of the DSA framework as a macroeconomic programming tool is completed, in terms of a TA provided by the World Bank team funded by the EU Trust Fund, and therefore we remain on track to establish a systematic in-house DSA by 2026, as targeted in the respective PFM strategy performance indicator. A data template has been submitted to the team to fill out as a preparatory step. The deadline for this indicator is Q4 2026, so during year 2025, the template has been populated with data by MoF staff and its being internally used.

### Specific Objective 1.3 Fiscal risk management

**Performance Indicators**

The performance indicator “Annual Fiscal Risk Statement introduced” **is completed**. The Fiscal Risks Statements for 2024 and 2023 are published on the official website of the Ministry of Finance.

**Measures and activities**

*Regarding the development and implementation of capacity-building activities in fiscal risk management*, during 2025 the Directorate of Fiscal Risks (DFR) completed the recruitment process, marking its consolidation in accordance with the approved structure (1 Director and 4 specialists). Technical assistance was provided by international partners (International Monetary Fund and the World Bank), focused on the preparation and improvement of the Fiscal Risk Statement (FRS), strengthening the monitoring of fiscal risks arising from state-owned enterprises (SOEs), and enhancing the analysis of fiscal risks related to natural disasters.

*Regarding the development, piloting and publication of the Annual Fiscal Risk Statement each year,* at the end of May 2025, the Fiscal Risks Statement for 2024 was finalized and then submitted to the Council of Ministers for information purposes. The Fiscal Risks Statements for 2024 and 2023 are published on the official website of the Ministry of Finance.

*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*, natural disaster risks has been already incorporated into the finalized 2024's FRS. During 2025, meetings were held with the World Bank to define the next steps regarding the analysis and its expansion in the context of natural disaster-related risks, where the Ministry of Defense/National Civil Protection Agency remains the lead institution for monitoring, analyzing, and reporting these risks. Regarding to 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 foreseen further missions and trainings in this area; however, no concrete calendar has been established yet. Upcoming TA from international partners will further improve natural disaster risk analysis, especially those conducted by the Civil protection Agency, with the aim to expand into climate change risk analysis.

*Strengthening the management of Fiscal Risk related to PPP and concession contracts* has **not yet started.**

*Regarding the strengthening of fiscal oversight of State-Owned Enterprises (SOEs)*, during 2025 Fiscal Risk Directorate has continued the rigorous monitoring of State-Owned Enterprises (SOEs), in line with Article 4/2 of the Organic Budget Law, Supplementary Guideline No.2/2025 "On the Implementation of the 2025 Budget," as well as Guideline No.35/2022 on fiscal risk reporting and monitoring procedures. 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 application of the SOE Health Check Tool (HCT) has been performed, with the support of IMF's Fiscal Affairs Department (FAD), to assess 12 SOEs operating in the energy and water sectors, based on their key financial indicators such as liquidity, debt level, and profitability.

*With regard to the consolidation and further improvement of the methodology for monitoring and reporting arrears*, the General Directorate of Treasury states that, through the integration of AGFIS with the Fiscalization System of the General Directorate of Taxes, real-time information will be obtained on invoices issued for payment by economic operators to budgetary institutions, related to expenditures for the purchase of goods and services.

### Specific Objective 1.4 Fiscal Council

**Performance Indicators**

The draft law on the Fiscal Council during 2025, has been in the process of internal review. A series of dedicated meetings have been held to discuss its provisions, focusing particularly 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**

An option paper regarding the options and the possible ways to develop a tailored Fiscal Council for Albania, has been prepared by the WB and the option preferred for Albania has been made.

The draft law on the Fiscal Council, during the first half of 2025, has been in the process of internal review. A series of dedicated meetings have been held to discuss its provisions, focusing particularly 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

No key challenges were faced during 2025.

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

Work was done to further enhance practices of budget planning and budget execution monitoring. By the end of 2025, 76.92% of the PI targets under Pillar 2 were achieved, 15.38% were not achieved, and for 7.69% of the targets, data were not available at the time of reporting. Overall, the analysis shows positive progress in most areas.

The table below presents the status of the achievement of performance indicators for Pillar 2 Integrated strategic and budget planning, monitoring, and transparent reporting.

**Table 3: Performance Indicators and Targets of Pillar 2**

| | Indicator | Baseline value (year) | Target Value 2025 | Fact Value 2025 |
|---|---|---|---|---|
| **Specific Objective (Component 2.1) Integrated Strategic Planning** | | | | |
| 1 | Percentage of strategies and action plans developed in accordance with IPS guidelines | 65% (2022) | 85% | 85% |
| 2 | Percentage of strategies and action plans monitored through the IPSIS | NA | 40% | 0% |
| **Specific Objective (Component) 2.2 Medium Term Budget Planning** | | | | |
| 1 | PEFA Indicator 16 Medium Term Perspective in expenditure budgeting | C+ | B | C+ |
| 2 | SIGMA Indicator 6.7.1 - Functioning of internal control (Alignment between management and budget structures (%) | 0/3 (2021) | Growing trend | NA |
| 3 | SIGMA Indicator 6.2.1 - Quality of the annual budget process and budget credibility (Operational alignment between the MTBF and the annual budget process) | 2/4 (2021) | Growing trend | NA |
| 4 | OBI assessment - Public Participation score | 6/100 (2021) | Growing trend | 9/100 |
| 5 | OBI assessment – Transparency | 52/100 (2021) | Growing trend | 57/100 |
| 6 | Spending reviews introduced. | - | Methodology developed on a sector basis[6] | Methodology prepared |
| 7 | Gender gap analysis (GGA) as part of GRB introduced | - | GGA piloted[7] | GGA piloted |
| 8 | Green / Climate change-responsive budgeting (CCRB) introduced | - | CCRB piloted[8] | CCRB piloted |
| 9 | Approval of the PPD together with the NSPP | (2022) | Cooperation with Line Ministries and approval with DCM every beginning of the year | Cooperation with Line Ministries and approval with DCM every beginning of the year |

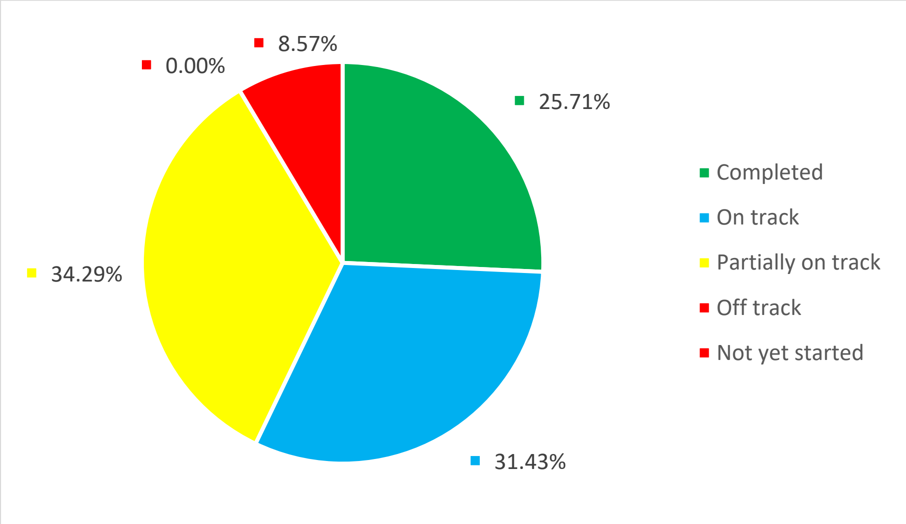
[6] Revised and approved at the 18th PFM Steering Committee (SC) Meeting, held on October 31, 2024.
[7] Revised and approved at the 18th PFM Steering Committee (SC) Meeting, held on October 31, 2024.
[8] Revised and approved at the 18th PFM Steering Committee (SC) Meeting, held on October 31, 2024.

| | | | | |
|---|---|---|---|---|
| **Specific Objective (Component) 2.3 Public Investment Management** | | | | |
| 2 | Improved procedures for PIM introduced (including relevant decision-making mechanism) | - | PIM procedures implemented and improved | PIM procedures implemented and improved |
| 3 | Share of public investment projects that are proposed based on the strategic priorities of the government (value of projects in specific year) | 82% (2020) | ≥ 82% | 96% |
| 4 | Actual disbursements for major investment projects compared to planned disbursements along with explanation of variations | 98% (2022) | ≥ 98% | 98.5% |
| 5 | Ratio of new public investments submitted within the MTBP Cycle versus total new public investments approved in one year | 74.2% (2022) | ≥ 85% | 82.4% |
| **Specific Objective (Component) 2.4 Local Finance** | | | | |
| 1 | Grant formula adjusted based on Population Census Data | n/a | Grant formula applied to all LGU-s | Formula adjusted |
| 2 | Additional performance-based grant scheme (PBGS) introduced | n/a | PBGS piloted | Implemented in 2025 |
| 3 | PEFA Performance Indicator 7: Transfers to subnational governments | C+ (2017) | B | A |
| 4 | Percentage of municipalities using new LBMS software | - | 100% | 100% |
| 5 | Percentage of municipalities that publish performance plans for service delivery | - | 50% | 80% |
| 6 | Percentage of municipalities that publish information on performance achieved for service delivery | - | 50% | 80% |
| 7 | Local Budget Management Software and E-Platform introduced by MoF. | - | E-platform maintained | E-platform fully operational and rolled out |
| **Specific Objective (Component) 2.5 Budget Execution Monitoring and Reporting** | | | | |
| 1 | PEFA Performance Indicator 28 "In-year budget reports" | D+ (2017) | B+ | B+[9] |
| 2 | Citizens Budget Execution Reports published | - | Report published | Report published |
| 3 | Development of a dedicated information system for monitoring and reporting on PPPs and concession contracts | - | Information system is Contracted | Not yet started |
| 4 | Number of PPP contracts covered in the aggregated annual report on PPPs and concession contracts | - | 150 | 199 |

**Satisfactory progress was also recorded in implementing and completing the activities planned for 2025. The majority of activities (57.14%) were either on track or completed, 34.29% were assessed as partially on track, and 8.57% of the activities were not yet started.**

[9] DMB's self-assessment, conducted in accordance with the PEFA methodology, indicates a B+ score for FY2025 for reports under DMB's responsibility.

**Graph 7: 2025 status of Pillar 2 activities**




## Components (Specific Objective) progress made during 2025

### Specific Objective 2.1 Integrated Strategic Planning

**Performance Indicators**

**The Percentage of strategies and action plans developed in accordance with IPS guidelines increased from 75% in 2024 to 85% in 2025. Regarding the percentage of strategies and action plans monitored through the IPSIS, the target value has not been achieved.** The Integrated Planning System Information System (IPSIS) is not yet fully operational, which continues to pose significant challenges to the systematic monitoring and reporting of national and sectoral strategies.

**Measures and activities**

**The activities aimed at enhancing the IT-supported Integrated Planning System for strategy formulation and monitoring have been partially on track.** The IPS is operational and largely effective, ensuring a regular cycle of policy planning, coordination, reporting, and decision-making. In 2025, the Strategic Planning Committee (SPC) met eight (8) times, approving key issues related to: Albania's Reform Agenda in the context of implementation and response to the new EU Instrument for Reforms and Growth for the Western Balkans 2024 – 2027; Presentation of the 2025 Budget Plan and "2026 – 2027" Budget Ceilings; Approval of key objectives and preparation timelines of sectoral strategies; Approval (mid-year review) of the Priority Policies Document and NSPP 2026-2028; Inclusion of strategic projects in the National Single Project Pipeline (NSPP); Approval of the projects which will be financed via the WBIF instrument. SASPAC, as Technical Secretariat, ensured policy coherence. At the administrative level, IPMG as coordination mechanism were partially operational during 2025. The IPS effectively linked policy priorities with the budgeting process through the DPP and NSPP and ensured alignment with NSDEI 2022–2030 and the SDGs, supported by continuous methodological guidance from SASPAC.

A preliminary review of the relevant laws, by-laws, and guidelines was completed to assess their alignment with Integrated Planning System (IPS) requirements. The review examined key provisions related to strategic programming, monitoring, reporting responsibilities, and the links with the Medium-Term

Budget Programme (MTBP). It identified specific gaps and overlaps affecting the consistency of planning and reporting across institutions. These findings are being used to define targeted adjustments and follow-up actions to strengthen the integrated planning framework.

Technical work to upgrade IPSIS is currently in progress. These efforts aim to improve system data integration, and the overall quality of strategic monitoring and reporting. In the reporting period, manual monitoring of strategies has been applied to ensure continuity of reporting and compliance with IPS requirements. This approach has allowed institutions to continue tracking progress and reporting on strategic objectives despite the temporary absence of a fully operational system.

During the reporting period, the training needs assessment for civil servants on the Integrated Planning System (IPS) was completed. The assessment also identified the relevant institutions and target groups with whom the training activities will be implemented in the subsequent reporting period.

SASPAC's work with the National Agency for Information Systems (NAIS) is still in progress to maintain and further improve the EAMIS and its reporting structure/plan, in close collaboration with beneficiary institutions and the donors' community.

**Progress in expanding mid-term review and ex-post evaluations of strategies and actions plans has been partially on track.** SASPAC is drafting the methodology manual for conducting mid-term reviews and ex-post evaluations of strategies and action plans.

### Specific Objective 2.2 Medium Term Budget Planning

**Performance Indicators**

**Concerning the PEFA Indicator 16: "*Medium Term Perspective in expenditure budgeting*" the fact value for 2025** is rated C$^{+}$. The reasons for this scoring would be the following: (i) Approval of the ceiling for the first phase of MTBP after the approval of the budget instruction. Because the Ministry-level ceilings were only approved by the Council of Ministers after their issue by MoF, the score for this indicator is C. If approval had been given before their issue, as the OBL timetable requires, the score would have been A. This is beyond MoF responsibility because the ceilings were submitted on time by MoF and delayed by CoM; (ii) Consistency of budgets with previous year's estimates. This is mainly due to changes in macroeconomic environment and fiscal performance both on the revenue and expenditure side.

**Regarding SIGMA Indicator 6.7.1 - Functioning of internal control (Alignment between management and budget structures)**, the data were not available.

**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)**, cannot be evaluated anymore since SIGMA has changed the methodology used in 2021. Meanwhile, Directorate of Analysis and Budget Programming (DABP) is working to produce guidelines for the publication of deviation of budget estimation during the budget process and will use this approach in the next reports for evaluating the operational alignment between MTBP and annual budget.

**Regarding OBI assessment - Public Participation score,** Albania recorded a slight improvement, increasing from 6 points in 2021 to 9 points in 2023. This progress reflects incremental advances in creating opportunities for public engagement during the budget process, although participation mechanisms remain limited and only partially functional. To further strengthen compliance with international standards, additional efforts are needed to institutionalize participatory practices across all stages of the budget cycle and to ensure more inclusive, structured, and transparent engagement with citizens and civil society.

**Concerning OBI assessment – Transparency**, in the 2023 Open Budget Survey, Albania's transparency score increased from 52 in 2021 to 57, reflecting moderate progress in improving the availability of budget information, particularly through the timely publication of the Audit Report. Despite this improvement, the transparency level remains below the threshold of 61, considered sufficient to enable informed public debate. To further strengthen transparency, Albania should restore the timely public release of the Citizens Budget, enhance the Executive's Budget Proposal with comprehensive macroeconomic forecasts, detailed debt and tax expenditure information, and improve the completeness of Mid-Year and Year-End Reports, including clearer comparisons between planned and actual fiscal and non-financial outcomes.

**The performance indicator related to the introduction of the spending reviews has been achieved**. The methodology has been prepared by the technical assistance team and is currently in the translation phase. There were delays in its update by the technical assistance, due to technical discussions as well as comments and suggestions provided by the Ministry's internal structures. Despite these challenges, the draft was finalized by the TA team within December 2025. Immediately after the completion of the translation process, will be proceed with its review and adaptation to the national legislation and subsequently present it to the Minister for approval.

The **Gender Gap Analysis methodology was piloted.** 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)",** CCRB was piloted. 5 Line Ministries have been trained with the support of GIZ to implement climate change measures with their budgetary requests.

**Concerning the indicator approval of the PPD together with the NSPP, Cooperation with Line Ministries and approval with DCM every beginning of the year is achieved.**

**Measures and activities**

**Regarding measure "to further improve methods, procedures and managerial accountability for MTBP formulation", one activity is completed, while three are on track.** The activity to strengthen the concept of managerial accountability in MTBP formulation is in progress. Terms of reference for the upgrade of AFMIS system are being drafted. However, the activity related to rolling out the updated managerial accountability framework through pilots, awareness-raising, and training activities will be completed after AFMIS upgrade and the respective changes of the secondary legislation. The activity aimed at improving procedures for internal budget hearings between the Ministry of Finance and Budget Institutions and updating the regulatory framework, has been completed. The revised standard budget guideline no.12, approved on 18.10.2024 has improved the process of budget hearings by creating a standard procedure of documentation of hearings to improve the quality of this process. The activity regarding introduction and regulation as part of the MTBP procedures and budget documentation of an overview of deviations between MTBP ceilings and budget ceilings as approved by parliament is partially on track. The guideline has been prepared and coordinated internally with other MoF general directories in December 2025. Currently, the guideline is being coordinated with EU. Representatives from DG ECFIN have made comments and suggestions which are being discussed. This guideline will consist of the deviation of Budget for 2026 ceilings with MTBP 2026-2028 ceilings and the respective explanations and is expected to be approved.

**The measure to enhance budget documentation and in particular the element of performance information** has been completed during March-April 2025 with a series of training organized in cooperation with UN Women. Main objective of the workshops was to present changes of 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 has been on track[10].** With the support of technical assistance provided under the implementation of the Public Financial Management Strategy, the drafting of the methodological guideline for conducting expenditure reviews in Albania has been completed. The guideline has been further enriched with a detailed analytical toolkit outlining the methods and approaches that can be applied during expenditure review processes, aiming to standardize analytical practices across government institutions.
The document is currently undergoing translation to enable linguistic and technical review and ensure full alignment with the national legal framework and administrative practice. Upon finalization of the draft, a presentation of the proposed methodology will be organized for the Minister of Finance, with the aim of securing endorsement and proceeding toward its formal approval.
**Regarding the measure to further development and introduction of GRB and climate responsive budgeting,** the activity relating the Review budget methodology to include ex ante and ex post gender analysis as a procedure to be undertaken by LM and BI in the process of proposing NPI is on track[11]. The revised standard guideline of MTBP preparation in October 2024 is in line with the changes of new law of Gender Equality. This law makes mandatory the GIA for all new policy initiatives. Law 64/2025 "On gender equality" was approved by Parliament on 6 November 2025. The activity aimed at building the capacity of LM and BI for conducting ex ante and ex post Gender Analysis was completed during October 2025. With the assistance of UN Women, a round table with representative of MoF and Ministry of Health and Social Protection has been organized with the aim of increasing capacities of lead ministries in the process of conducting ex ante and ex post Gender Analysis.

### Specific Objective 2.3 Public Investment Management

**Performance Indicators**
**The performance indicator "The Improved procedures for PIM introduced (including relevant decision-making mechanism)"** was achieved. Public Investment Management (PIM) procedures have been effectively implemented, reflecting progress in strengthening public investment management practices. Specifically, in 2025, Decision of the Council of Ministers (DCM) No. 887, dated 27 December 2022, "On Public Investment Administration Procedures," was further amended by DCM No. 180 of 20 March 2025, with the aim to further strengthen and discipline the Public Investment Management Procedures. The legal framework established under DCM No. 887 was further completed through the issuance of Instruction No. 11 of the Minister of Finance, dated 28 May 2025, "On Setting the Financial Threshold for the Total Value of Projects in Accordance with Sector-Specific Characteristics." In addition, Guideline No. 22, dated 15 September 2025, "On Determining the Methodology for the Preparation of Full and Simplified Feasibility Studies," was adopted, thereby strengthening the Ministry of Finance's gatekeeping function and enhancing its oversight capacity over public investment processes.
**Concerning the share of public investment projects that are proposed based on the strategic priorities of the government (value of projects in specific year), the fact value for 2025 is 96%.** This indicator is measured as a ratio of the total amount of public investment that reflects strategic priorities and total amount of investment projects.
**Concerning the actual disbursements for major investment projects compared to planned disbursements along with explanation of variations, the fact value for 2025 is 98.5%.** This indicator

[10] The timelines of the activities linked to the performance indicators revised at the 18th PFM Steering Committee Meeting (31 October 2024) are affected accordingly.
[11] The timelines of the activities linked to the performance indicators revised at the 18th PFM Steering Committee Meeting (31 October 2024) are affected accordingly.

is measured as a ratio of the total annual disbursement of investment projects and total planned annual budget for respective projects.

**Concerning the ratio of new public investments submitted within the MTBP Cycle versus total new public investments approved in one year, the fact value for 2025 is 82.4%.**

**Measures and activities**

**Concerning the measure: “Operationalization procedures for improved public investment management**”, the activity “Upgrade PIM module of AFMIS to reflect changes in the new PIM procedures (Decision 887)”, has been partially on track. The PIM module in AFMIS will be updated, with supervision of activities within the system. A working group has been established by Order of the General Director of NAIS no. 359, dated 05.11.2024, and concrete requests for changes are being pursued (GovTech2). The activity “Develop and deliver training for the implementation of the PIM procedures (Decision 887)”, has been on track. All training sessions with Line Ministries and Budgetary Institutions were completed in full (100%) by January, and an agreement was reached with the World Bank to continue this cycle of training throughout 2025, in cooperation with ASPA and the World Bank. During the period January–May 2025, two training sessions were delivered under the theme “New Procedures in the Field of Public Investments,” through which 57 participants were trained, with a total of 24 training hours provided. Furthermore, during July–August 2025, two additional training sessions were conducted with various public administration institutions, in cooperation with ASPA, focusing on public investment management. In collaboration with ASPA and the World Bank, it was also agreed that this cycle of training activities will continue into 2026. The activity “Monitor the implementation of the PIM procedures; review and update the decision for PIM procedures if needed” has been completed. Central government units report to the structure responsible for monitoring public investment projects in the Ministry of Finance according to annex no. 2 of decision no. 887, dated 27.12.2022 “On Public Investment Administration Procedures, which was further amended by DCM No. 180 of 20 March 2025, with the aim to further strengthen and discipline the Public Investment Management Procedures.

**Regarding the measure to strengthen NSPP and enhance the gatekeeper role of the Ministry of Finance**, the activity to develop and implement a plan to further improve the concept of the SPP and the gatekeeper role of MoF has been completed. The legal framework of DCM No. 887 was completed with the issuance of Instruction No. 11 of the Minister of Finance, dated May 28th, 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 15th, 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.

In addition, the issuance of Order of General Director of SASPAC no. 446, dated 23.12.2025 "On the approval of the format, deadlines, and detailed procedure for completing the progress update form for investment projects included in the NSPP", further complements the legal and procedural framework.

Within the framework of integrating PPP-financed projects into public investment management procedures, Law No. 88/2025 ‘On Concessions and Public–Private Partnerships’ has been adopted”. Moreover, cooperation with EU4GG project is ongoing to enhance the existing NSPP formats and align them with European Union best practices.

## Specific Objective 2.4 Local Finances

**Performance Indicators**

**In 2025, the formula for the unconditional transfer for the year 2026 was updated using the new Census data.** DLF will work also in 2026 for the review and improvement of formula.

**Regarding the additional Performance Based Grant Scheme (PBGS), in 2025 the PBGS was implemented.** 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.

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

The **Percentage of municipalities using new LBMS software is 100%.** 61 municipalities and 12 regions have used the online local budget management system. In 2025 DLF has worked also for the monitoring module in LBMS that will be part of the online system.

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, related to service delivery.

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, related to service delivery.

In relation to the indicator "**Local Budget Management Software and E-Platform introduced by MoF**", in 2025, the new online system is fully operational and introduced to all municipalities. Regional meetings were held to train 61 municipalities and 12 districts regarding the use of the New Budget Management System for the preparation of the 2026-2028 PBA.

**Measures and activities**

Regarding the measure to **improve the grant formula and calculation system for local government**, in 2025, the activity "Review and update the unconditional transfer formula, using the new data based on the population census" was completed. In 2025, the formula for the unconditional transfer for the year 2026 was updated with the new Census data. DLF will work also in 2026 for the review and improvement of formula depending on the decisions of the Parliamentary Commission of the new territorial administrative reform. The activity "Develop and gradually implement an additional performance-based grant system based on measurable and verifiable indicators" was on track. 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 applied according to the criteria set out in the instruction for receiving the grant. In December 2025, the grant was transferred to the municipalities. The activity "Review and if necessary, update the grant mechanism / formula in connection to the local government and decentralization reforms" was partially on track. It is in the process of discussion regarding indicators that may change in the calculation of the unconditional transfer formula.

Regarding "**Strengthen MTBP formulation and monitoring implementation in Municipalities",** all activities were on track. 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 monitoring reports for 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 training sessions 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 also in preparation of the MTBP 2026-2028. The using of the standards formats and processes will help them for the implementation of the Albanian Financial Management Information System (AFMIS) in the future.

**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**", based on the PEFA Assessment, for FY2025 the fact value related only to the reports under the responsibility of Budget Department would be B+, based on the detailed arguments provided below:

- Regarding Dimension 28.1 – Coverage and Comparability of Reports, the appropriate score should be A, as for Budget Department the following criteria is met: "Coverage and classification of data allows direct comparison to the original budget. Information includes all items of budget estimates. Expenditures made from transfers to de-concentrated units within central government are included in the reports". This assessment is supported by the fact that DMB publishes consolidated quarterly reports that fully meet the requirements for an A score under this dimension.
- Regarding Dimension 28.2 – Timing of In-Year Budget Reports, the assessment remains B, consistent with the previous evaluation.
- Regarding Dimension 28.3 – Accuracy of In-Year Budget Reports, the score shall be B, as the following criteria are fulfilled: "There may be concerns regarding data accuracy. Data issues are highlighted in the report, and the data is consistent and useful for analysis of budget execution. An analysis of the budget execution is provided on at least a half-yearly basis. Expenditure is captured at least at payment stage".

Under these conditions and considering that the PEFA methodology applies the M1 (weakest link) method for aggregation, the resulting overall score for this indicator is for sure B+.

The Budget Management Directorate coordinated with the General Directorate of State Debt, the General Directorate of Tax Policies, the General Directorate of Macroeconomic and Fiscal Programming, and the General Directorate of Treasury to collect periodic reports relevant to budget execution. Based on the inputs received, an updated consolidated table was prepared with the aim of ensuring comprehensive reporting in the future.

**Citizens Budget Execution Report 2024** is published on the official website of the Ministry of Finance[12].

**Development of a dedicated information system for monitoring and reporting on PPPs and concession contracts** has not been achieved.

[12] https://financa.gov.al/buxheti-faktik-per-qytetaret/

**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 199 concession contracts.

**Measures and activities**

**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[13].

**For monitoring and reporting on Public Investment Projects,** activity to adapt AFMIS to reflect changes related to the newly approved PIM procedures, has been partially on track. It was initially planned for completion within 2024. However, during 2024, Council of Ministers Decision (CMD) No. 887/2022, "On Public Investment Management Procedures," was amended, creating the need for improvements to the PIM (Public Investment Management) module. Furthermore, throughout 2024, continuous negotiations were conducted with the World Bank regarding the implementation of this measure. Following the agreement reached with the World Bank, the finalization of this process will take place within the framework of the GovTech-2 project. In this context, a loan has been negotiated with the World Bank to support the project, covering several areas, including amendments to the PIM–AFMIS module. Since the beginning of 2025, discussions with the World Bank have continued to ensure the successful implementation of this program. The Public Investment Management Directorate has forwarded the relevant requests to the members of the working group established for the purpose of analyzing the identified issues and proposing revisions. Regarding training activities for monitoring and reporting on Public Investment Projects, in cooperation with the World Bank and ASPA, it has been agreed that the training sessions, which have been ongoing since 2024 will continue throughout 2026.

**Regarding the measure to improve the monitoring and reporting of PPP and concession contracts**, Law No. 88/2025 'On Concessions and Public–Private Partnerships' was approved by Parliament on 12 December 2025. The amendments to Instruction No. 35/2019 should be completed within three months from the entry into force of the law and preliminary work on the draft instruction is ongoing.

Both activities: the development of a dedicated information system for monitoring and reporting on PPPs and concession contracts; and the planning and delivery of training activities for civil servants responsible for monitoring and reporting of PPP and concession contracts, have not yet started. Regarding the training activities, they will be carried out after the law enters into force and Instruction No. 35 is approved.

### Key challenges and next steps

Under Pillar 2, several challenges have been identified in the implementation of planned measures. The Integrated Planning System Information System (IPSIS) is not yet fully operational, which continues to pose significant challenges to the systematic monitoring and reporting of national and sectoral strategies. In the absence of a functional IPSIS, institutions remain largely dependent on manual and fragmented reporting processes, which increases the risk of inconsistencies, data gaps, and delays in the

[13] https://financa.gov.al/buxheti-faktik-per-qytetaret/

consolidation of strategic information. This situation limits the reliability and comparability of performance data across institutions and weakens the overall evidence base for monitoring policy implementation under the Integrated Planning System (IPS). The non-operational status of IPSIS also has direct implications for the quality of the linkage between strategic planning and medium-term budgeting. Without an integrated digital platform, the monitoring of strategic objectives and their alignment with the Medium-Term Budget Programme (MTBP) cannot be carried out in a systematic and automated manner. As a result, performance-based reporting remains weak, and the use of strategic monitoring data to inform budgetary decisions is constrained. This creates risks within the Public Financial Management (PFM) framework, particularly in terms of ensuring coherence between policy priorities, resource allocation, and achieved results.

In this context, the evolution of existing systems such as the External Assistance Management Information System (EAMIS) is of critical importance. The forward-looking vision for EAMIS is to move beyond its current role as a reporting database and to evolve into a comprehensive strategic decision-making and coordination platform. This transformation would include full integration with the national planning and budgeting system, enhanced support for donor coordination and trust, and strengthened institutional capacities to ensure long-term sustainability. A more integrated and interoperable system landscape, anchored by a fully operational IPSIS and an upgraded EAMIS, would significantly improve strategic monitoring, fiscal planning, and informed decision-making across government. The upgrade of the AFMIS PIM module, initially planned for 2024, has been postponed. A working group has been established by Order of the General Director of NAIS no. 359, dated 05.11.2024, and concrete requests for changes are being pursued (Gov-Tech2). In the area of local finances, the activity "Review and if necessary, update the grant mechanism / formula in connection to the local government and decentralization reforms" was partially on track as it is in the process of discussion regarding indicators that may change in the calculation of the unconditional transfer formula. The measure to improve the level of financial resources from shared taxes has not yet started. In the area of Budget Execution Monitoring and Reporting, both activities: the development of a dedicated information system for monitoring and reporting on PPPs and concession contracts; and the planning and delivery of training activities for civil servants responsible for monitoring and reporting of PPP and concession contracts, have not yet started.

## 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.** By the end of 2025, **62.5%** of the **PI targets** for **Pillar 3** were achieved, **25%** were partially achieved, and **12.5%** were not achieved. The table below summarizes the status of the achievement of performance indicators for Pillar 3 Revenue Mobilization and Management.

**Table 4: Performance Indicators and Targets of Pillar 3**

| Indicator | | Baseline value (year) | Target Value 2025 | Fact Value 2025 |
|---|---|---|---|---|
| **Specific Objective (Component) 3.1 Tax management** | | | | |
| 1 | Increase in revenues from MTRS (in total from tax and customs administration according to MTRS) | (2023) 0.57% of GDP | 0.62% Increase compared to 2024 | 0.76% Increase compared to 2024 |

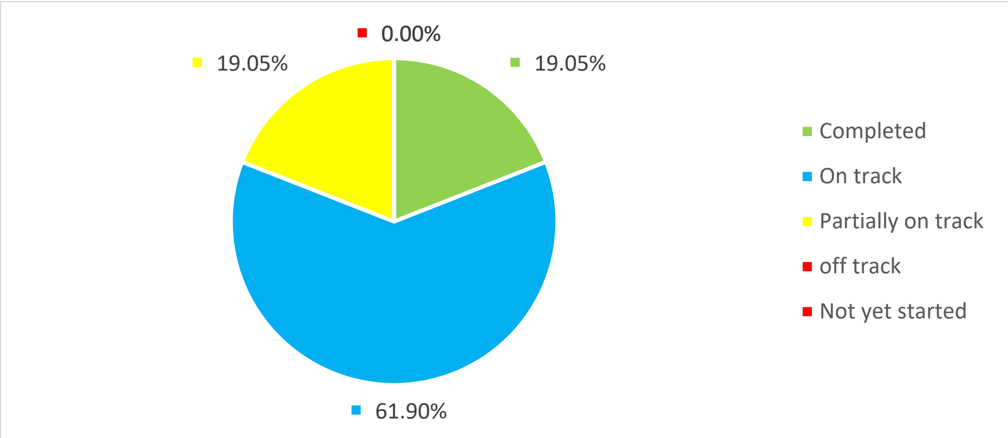
| | | | | |
|---|---|---|---|---|
| 2 | Increase of revenues from VAT (measured on non-cumulative basis) | (2023)<br>1,98% of GDP | 0.2% of GDP Increase compared to 2024 | 0.35% of GDP Increase compared to 2024 |
| 3 | Increase of revenues from reduction of under and un declared work (measured on non-cumulative basis) as a result of the introduction of 40 000 new employees into the scheme and the increase of the salary declaration of 120 000 employees, according to the growth calendar in MTRS. | (2023)<br>0.08 of GDP | 0.05% of GDP increase compared to 2024 | 0.26% of GDP increase compared to 2024 |
| **Specific Objective (Component) 3.2 Property Tax Management** | | | | |
| 1 | Law on “property tax” prepared and adopted[14] | - | Property tax law adopted[15] | The draft-law is foreseen to be submitted for consideration to the CoM within June 2026. |
| 2 | Sub-legal acts for the implementation of the law on property tax adopted[16] | - | Sub-legal acts prepared and adopted | Once the draft-law is approved by the parlia-ment and entered into force, work will continue with the drafting and approval of the respective sub-legal acts. Meanwhile, to further improve and clarify the current legal framework in the field of immova-ble property tax, there have been drafted the amendments to the current sub-legal acts. By the end of year 2025, only one of the amending draft-DCM was approved, mean-while, the re- |

[14] Law “On immovable property tax” prepared and adopted
[15] Immovable Property tax law adopted
[16] Sub-legal acts for the implementation of the law “On immovable property tax” adopted”

| | | | | |
|---|---|---|---|---|
| | | | | maining amending draft-DCMs were in the process of being approved. |
| **Specific Objective (Component) 3.3 Customs Management** | | | | |
| 1 | Percentage utilisation of Green Channel | - | 33% | 33.13% |
| 2 | Custom declaration processing time | - | Decreasing trend | 101 min |
| 3 | Number of Authorised Economic Operators | - | Increasing trend | 18 |

**Satisfactory progress was also recorded in implementing and completing the activities planned for 2025. The majority of activities (80.95%) were either on track or completed and 19.05% were assessed as partially on track.**

**Graph 8: 2025 status of Pillar 3 activities**




## Components (Specific Objective) progress made during 2025

### Specific Objective 3.1 Tax Management

**Performance Indicators**

The Government continued to advance reforms in tax administration and the implementation of the Medium-Term Revenue Strategy (MTRS) throughout 2025.

**Concerning the increase in revenues from MTRS (in total from tax and customs administration according to MTRS),** the additional revenue (covering both tax and customs administration) from the MTRS reached 0.76% of GDP, exceeding the initially projected 0.62%. This strong performance was primarily driven by progress in reducing the VAT compliance gap and implementing measures to curb informality in the labor market, including the reduction of undeclared and underreported employment. These efforts contributed to higher domestic VAT revenues as well as increased revenues from social and health contributions. Key indicators related to VAT and social contributions performed significantly above expectations, supported by improved compliance and an expanded taxpayer base.

**Concerning the increase of revenues from VAT,** for 2025, the strategy projected an increase of around 0.21% of GDP in net domestic VAT revenues compared to the previous year. This target was not only achieved but exceeded, with net domestic VAT revenues increasing by around 0.35% of GDP year-on-year.

**Concerning the increase in revenues from the reduction of under- and undeclared work**, revenues from social contributions and personal income tax rose by approximately 0.26% of GDP, compared to an initial projection of about 0.05%.

**Measures and activities**

**With the aim to enhance institutional capacity in tax policy development and tax reform management**, significant progress was achieved through technical assistance from the IMF and the World Bank. A key milestone was the preparation of the Tax Expenditures Report in June 2025, as well as participation for the first time in the EU VAT Gap project, contributing to alignment with European standards.

**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 2025, 13 meetings of the risk committee were held with 143 phenomena discussed and 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 treatment of informality in the labour market and the risk of VAT evasion 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 possible 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 2024 VS 2025 results in an increase of about 14.43% or about 122 million euros more.

During 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 analysing 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.

**All of the activities contributing to the improvement of the service delivery to taxpayers have been on track.** In cooperation with the STA – Swedish Tax Administration, the GDT has completed the drafting of the Taxpayer Service Strategy, which was approved by the Tax Administration Reform Committee by Decision No. 38, dated 8 January 2026. The call centre is fully functional and is involved in all tax administration initiatives related to promoting taxpayer self-fulfilment, 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 has a series of ongoing training initiatives related to human capacity development. These include training programs provided by QTATD, CEF, IMF, AIOTA, and TAIEX; cooperation with the STA (Swedish Tax Administration); and the Project financed by the Embassy of the United Kingdom.

### Specific Objective 3.2 Property Tax Management

**Performance Indicators**

**Concerning Property Tax Management, both performance indicators are partially achieved.**

**Regarding the preparation and adoption of the law "On immovable property tax",** based on the decision of the higher decision-making levels in the Ministry of Finance, the draft-law is foreseen to be submitted for consideration to the Council of Ministers within June 2026. Once the draft-law is approved by the parliament 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 immovable property tax ", a working group has been established which will review the previous version of the draft-law *(drafted by the Ministry of Finance in collaboration with the General Directorate of Property Tax and the project "ProTax Albania, which was funded by Swedish International Development Cooperation Agency (SIDA))* 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. General Directorate of Property Tax clarify that 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".

**Regarding the adoption of Sub-legal acts for the implementation of the law "On immovable property tax"**, once the draft-law is approved by the parliament and entered into force, work will continue with the drafting and approval of the respective sub-legal acts.

Meanwhile, to further improve and clarify the current legal framework in the field of immovable property tax, there have been drafted the amendments to the current sublegal acts. By the end of year 2025, only one of the amending draft-DCM was approved, meanwhile, the remaining amending draft-DCMs were in the process of being approved.

**Measures and activities**

**All activities contributing to the improvement of the fiscal cadastre and the immovable property tax collection system have been on track, except for the activity related to the development and adoption of the legal framework (laws and by-laws) for the fiscal cadastre and land and immovable property tax, as well as the sub-legal act on land and immovable property valuation, which is partially on track.** Based on the decision of the higher decision-making levels in the Ministry of Finance, the draft-law is foreseen to be submitted for consideration to the Council of Ministers within June 2026. Once the draft-law is approved by the parliament 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 immovable property tax ", a working group has been established which will review the previous version of the draft-law *(drafted by the Ministry of Finance in collaboration with the General Directorate of Property Tax and the project "ProTax Albania", which was funded by Swedish International Development Cooperation Agency (SIDA)))* 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. GDPT clarify that 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". Once the draft-law is approved by the parliament and entered into force, work will continue with the drafting and approval of the respective sub-legal acts. Meanwhile, to further improve and clarify the current legal framework in the field of immovable property tax, there have been drafted the amendments to the current sublegal acts. By the end of year 2025, only one of the amending draft-DCM was approved, meanwhile, the remaining amending draft-DCMs were in the process of being approved.

**The finalization of the fiscal cadastre information system, its interoperability with other systems, and its rollout to municipalities have been on track.** The Fiscal Cadastre is an important component of the reform for the implementation of immovable property tax based on market value. It contains nationwide data for the purposes of calculating the tax on immovable properties. Version 4.0 of the

Fiscal Cadastre Information System has been developed and supports the following functionalities: (i) Registration of building units and taxpayers; (ii) Tax calculation; (iii) Generation of building tax bills; (iv) Bill payment; (v) Recording of payments; (vi) Application of fines and late payment interest; (vii) Access through Single Sign-On (SSO); (viii) Issuance of proof of tax obligation settlement; (ix) Sending notifications and invoices to “My Space” (My Messages and My Documents) on e-Albania: For every taxpayer with a valid NID, a message is sent via e-Albania regarding bill generation, and it can be downloaded from the documents section.; (x) Implementation of electronic sealing: Integration for the electronic sealing of bills has been completed and is fully functional for all 61 municipalities. New building tax bills are electronically sealed. (xi) Within the framework of developments in the Fiscal Cadastre Information System and cooperation with the General Directorate of Civil Status, integration has been carried out with the National Address Register (NAR) for the accurate identification of property units, as well as with the National Civil Status Register (NCSR) for the identification and search of taxpayers. (xii) The Fiscal Cadastre Information System (FCIS) interoperates with the Commercial Register administered by the National Business Center, for the purpose of identifying business units. (xiii) Integration has been completed with the State Cadastre Agency for access to identification data of buildings and parcels, as well as ownership information of buildings and parcels. (xiv) Import of local registers for buildings used for economic activity.

**Regarding the activity “*Pilot, build capacity and institutionalise procedures for evaluating property and populating and maintaining immovable property data in the FCIS*”,** the system has been developed and updated in line with the needs and the transitional phase for 2026–2027, and supports the processes of search, registration, calculation of tax liabilities, and bill generation.

One of the main responsibilities of GDPT is the continuous assistance to the staff of local self-government units. **In order to improve processes for immovable property tax collection and increase awareness of taxpayers**, GDPT has set up a "Help Desk" unit, which has maintained direct communication with municipal employees for any clarifications or issues related to immovable property tax, as well as problems encountered in the Fiscal Cadastre system. Additionally, GPTP 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 immovable property tax. Furthermore, GDPT has prepared informational materials to assist municipalities in uniform implementation of the legal framework in the field of immovable property tax, as well as informing taxpayers about any doubts or questions regarding immovable 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 an increase in the number of Authorized Economic Operators (AEOs) and improved utilization of the green channel.

**The utilization of the green channel** in 2025 **increased** to 33.13%, compared to the target of 33% for that year. In 2024, the utilization rate was 31%.

**General Directorate of Customs (GDC) had a slight increase in the processing time of declarations in all risk channels, which is generally due to problems with the processing capacities of the IT system.** The average processing time of customs declarations increased to 101 minutes in 2025 compared to 90 minutes in 2024.

**The performance indicator related to the number of Authorized Economic Operators was achieved**. In 2024, the number of Authorized Economic Operators was 16, due to continued successful applications by economic operators, as well as timely inspections and approvals by the Customs working group. During 2025 two additional companies obtained AEO status from Customs. **The number of AEOs increased from 16 in 2024 to 18 during 2025.**

**Measures and activities**

**Regarding the improvement of human resources practices and the delivery of capacity development,** training for existing and newly recruited employees is conducted on a continuous basis. **Regarding the investment in IT systems for the Integrated Tariff Management System (ITMS),** the modules were fully developed in 2025. The European Commission now needs to procure the maintenance service.

**GDC drafted and approved its Integrity Plan** in implementation of the Intersectoral Anti-Corruption Strategy. In addition, the Risk Register for Customs for 2025 was approved.

**The activity contributing to the increase in the number of Authorized Economic Operators has been on track.** Applications from economic operators are ongoing, as are the inspections and approvals by Customs for obtaining AEO status. The number of Authorized Economic Operators increased to 18 in 2025. There are five new applications awaiting review.

**The activities contributing to the implementation of the National Single Window have been partially on track.** Regarding its implementation, the previous procurement was cancelled by the World Bank. The World Bank is currently in the process of selecting the company that will develop the NSW information system. The selection phase has not yet been completed, and the company to be awarded the contract is still pending.

**Both activities contributing to the improvement of the utilization of the New Computerized Transit System (NCTS) have been on track. In order to review and update the legal provisions for the NCTS**, a reform in NCTS began in 2020 as part of the World Bank-supported project "Supervisory and Quality Control Services"[17] for the full implementation of NCTS in Albania. The winning consultant was selected and contracted by the CFCU and the Ministry of Economy and Innovation. The company responsible for the system implementation has installed the ERMIS (NCTS) P5 in the test environment, completed the infrastructure setup, developed the necessary artifacts, created user accounts, and presented the DEMO at the customs premises. Regarding the terms of reference/technical specifications for the upgrade of phase 6 in the OPT-Out option, have been prepared by the PIU approved by the World Bank. The Ministry of Finance will start negotiations with the company for the final phase. The ERMIS (NCTS) P5 system is installed in the test environment and the users are created. The start of common NCTS P5 is planned for 01.07.2027, but in the end Albania has to upgrade to phase 6.

**To further develop the IT environment for NCTS**, the Albanian Customs Administration has established a working group for the implementation of the New Computerised Transit System. This group is composed from different experts from various fields such as customs procedures, legal, guarantees, payments, IT, and risk management.

### Key challenges and next steps

During 2025 several challenges were faced. The draft-law on immovable property tax is foreseen to be submitted for consideration to the Council of Ministers within June 2026. Once the draft-law is approved by the parliament and entered into force, it will be continued with the drafting and approval of the respective sub-legal acts. Regarding the implementation of the NSW, the previous procurement was

[17] Supervision Services and Quality Control for the full implementation of the NCTS in Albania, No. Ref. WBTTF-ALB-121D, dated 03.06.2022.

cancelled by the World Bank. The World Bank is currently in the process of selecting the company that will develop the NSW information system. The selection phase has not yet been completed, and the company to be awarded the contract is still pending.

## 3.4 Progress under Pillar 4 "Accounting and Budget Execution Management"

**Accounting and Budget Execution Management** has shown significant improvement with most of **PI targets** planned for 2025 being achieved. By the end of **2025**, **63.64%** of the PI targets for Pillar 4 were achieved, **27.27%** were partially achieved, and **9.09%** were not achieved. The table below presents the status of the achievement of performance indicators for Pillar 4.

**Table 5: Performance Indicators and Targets of Pillar 4**

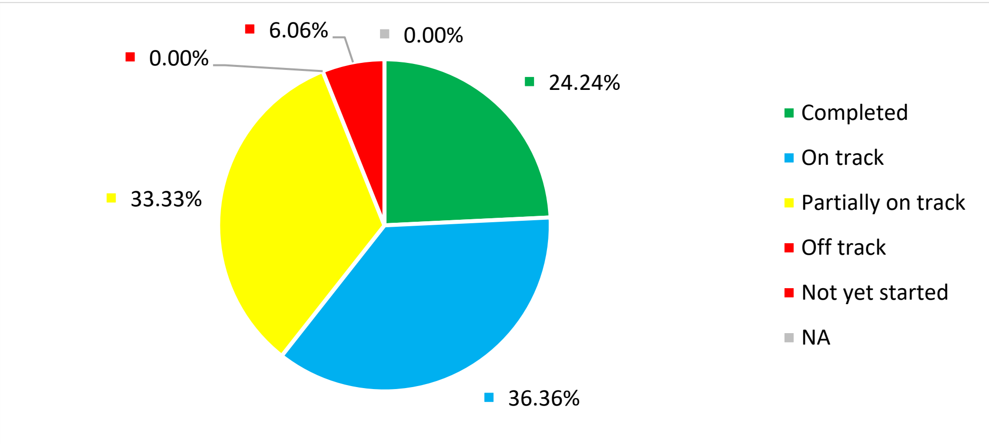
| Indicator | | Baseline value (year) | Target Value 2025 | Fact Value 2025 |
|---|---|---|---|---|
| **Specific Objective (Component) 4.1 National Government Accounts** | | | | |
| 1 | The information exchange system (Web service) to facilitate the exchange of data between MoF, INSTAT and BoA established. | - | Development of the Information Exchange | System not Developed |
| 2 | Data on PPPs and Concession contracts included in the GFS. | - | PPPs and CCs included in GFS | INSTAT is extracting information on PPPs and CCs |
| | | | | |
| **Specific Objective (Component) 4.2 Accounting** | | | | |
| 2 | Production of legal and sub-legal regulatory framework based on IPSAS as per plan. | - | Legal framework drafted | Legal framework drafted |
| 4 | Percentage of government accountants that have completed IPSAS training | - | 80% | 80% |
| **Specific Objective (Component) 4.3 Public Procurement**[18] | | | | |
| **Specific Objective (Component) 4.4 Debt Management** | | | | |
| 1 | Annual Borrowing Plan and DMS Monitoring Report prepared and published | - | Documents published in the MoF Website | Document of the DMS Monitoring Report was prepared and published in the MOF Website. Annual Borrowing Plan (for 2026) prepared and published. |
| 2 | Concept note on green / alternative financing instruments developed. | | Assessment Report prepared | The Ministry of Finance has engaged with line |

[18] For component 4.3 Public Procurement, no target values have been established for 2025.

| | | | | |
|---|---|---|---|---|
| | | | | ministries to establish the inter-ministerial working group |
| **Specific Objective (Component) 4.5 Cash Management** | | | | |
| 1 | Monthly cash forecast accuracy rate | 88% (2022) | 93% | 94% |
| 2 | Detailed inflow and outflow items in Cash Flow Forecasting included | 0 | 2 | 2 |
| 3 | Increase of the number of instruments for active cash management | 1 | 1 | 1 |
| **Specific Objective (Component) 4.6 Asset Management** | | | | |
| 1 | Establishment of the proper regulatory framework regarding evaluation and inventory of public assets | - | Regulatory framework approved | Regulatory framework drafted |
| 2 | Preparation of a consolidated asset register in central institutions, at the controlling unit level. | - | Drafted | Regulatory framework drafted |

**Satisfactory progress was also recorded in implementing and completing the activities planned for 2025. Most activities (60.61%) were either on track or completed, 33.33% were assessed as partially on track, and 6.06% of the activities were not yet started in the reporting period.**

**Graph 9: 2025 status of Pillar 4 activities**




## Components (Specific Objective) progress made during 2025

### Specific Objective 4.1 National Government Accounts

**Performance Indicators**

During the reporting period, no budget was allocated for **the establishment of the information exchange system (Web service)** aimed at facilitating data sharing between the Ministry of Finance, INSTAT, and the Bank of Albania. 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. Although, full inclusion into the Government Finance Statistics (GFS) awaits completion of methodological assessments.

**Measures and activities**
**During 2025 progress was made in strengthening Government Finance Statistics (GFS) and EDP reporting, with improved alignment to ESA 2010 requirements.** In this regard data quality, coverage, and consistency were improved through enhanced reconciliation of budgetary and extra-budgetary units, refined accrual adjustments, and better integration of source data. Furthermore, *EDP and GFS tables were transmitted* on time for the April and October notification rounds, in line with the ESA 2010 Transmission Programme. **For the first time in October 2025, the 2021–2024 time series were transmitted with the status *"free for publication."*** In December 2025, INSTAT submitted the annual questionnaires on government-controlled entities classified outside the general government sector and on taxes and social contributions, supporting improved transparency and data completeness. T*he development of the web service* intended to facilitate data exchange between the Ministry of Finance, INSTAT, and the Bank of Albania was not done because of the foreseen budget for this development in 2025 was not approved. Also, *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. As financial data are not yet fully reported on an accrual basis in line with IPSAS, INSTAT does not rely on IPSAS-standard data in the compilation of Government Finance Statistics (GFS) and EDP reporting. Still the data on cash – accrual are used based on actual system in place by MoF. INSTAT has initiated the process of systematically gathering data on *Public–Private Partnerships (PPPs) and concessions*. INSTAT is assessing information on PPPs and concession contracts from official sources, including the ACTRACO registry. Work is ongoing to build a structured inventory and assess budgetary involvement and risk allocation. PPPs and concessions are not yet included in EDP/GFS headline aggregates, pending completion of the methodological assessment.

### Specific Objective 4.2 Accounting

**Performance Indicators**
The reform process aimed at aligning public sector accounting with International Public Sector Accounting Standards (IPSAS) with the strategic objective of preparing financial statements for public sector institutions based on selected IPSAS has entered a critical phase. One main objective of this second phase of the project is the approval of public sector accounting law and other sublegal acts, based on IPSAS as per plan. During 2025, significant progress was made toward the development of the legal and sub-legal framework required for this transition. **The World Bank contracted 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 (DHFMCA), the consultants prepared the **first draft of the law**, which was subsequently discussed with ministry staff to define its structure and scope. In June 2025, a series of meetings, consultations, and workshops were held at the World Bank premises with the participation of senior officials of the Ministry of Finance and Executing Officers from line ministries. During these events,

various challenges and issues related to accounting guidelines and the regulatory framework were discussed, along with the most effective solutions to address them. The preliminary draft of the Public Sector Accounting Law was also reviewed. Subsequently, two additional meetings took place between representatives of the DHMFCA, the General Directorate of Treasury, and the World Bank consultant, where the draft law examined article by article. The draft law prepared by the consultants has been made available to the management of the Ministry of Finance. After being reviewed by the management, it will be forwarded to other key directorates of the ministry for further consultation. Also, during this period, **the first draft of the public sector accounting methodology was prepared.** This document describes all the accounting entries related to the elements of the financial statements. The public sector draft-law and accounting methodology are foreseen to be approved within 2026.

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, one main objective was the capacity building of the public sector accountants in the public sector institutions. During the first phase 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. Also, during 2021 - 2022, for the first time the piloting of the training of 100 finance officers and accountants from about 17 different public sector institutions were carried out. 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. During 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. The main topics covered were those on “Accounting and Financial Reporting in the Public Sector.” Also, at the premises of the Albanian School of Public Administration, two trainings were held on the topic "Introduction to Public Sector Accounting Standards (IPSAS)", attended by about 50 new public administration employees who came from excellence programs. During 2026, through the second phase of IPSAS project, training will be carried out by all the public sector accountants in public institutions.

**Measures and activities**

To **increase access to and utilization of AGFIS** 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 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 within ministry staff to define its structure and scope and World Bank consultants. The draft law prepared by the consultants has been made available to the management of the Ministry of Finance. After being reviewed by the management, it will be forwarded to other key directorates of the ministry for further consultation. In collaboration with World Bank consultants, DHFMCA drafted the instruction on ‘*public sector accounting methodology.* The accounting methodology is drafted in collaboration with the World Bank consultants, and it will be discussed with the public accountants of the Line ministries, in practical manner. The activity *of assisting the budgetary institutions in compiling opening* *balances and implementing the new accounting framework* has not yet commenced. Its implementation depends on the approval of the Public Accounting Law and the instruction on public sector accounting methodology**.** During this period, through consultants of WB, MoF has been collecting information regarding the main financial transactions that occur in the line ministries.

During 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'* relies on the advancement of the procurement procedure of the implementing company (related to the contract titled "Improvement of the Treasury System") and the progress of the IPSAS project. The progress of the project will determine the timeline for testing and deployment. During 2025, some preparatory steps were taken under the measure**: Prepare, Deliver and Institutionalize Capacity Development of Accountants to Absorb Accounting Reforms'**, but its progress is dependent on the approval of the Public Sector Accounting Law. However, in the draft-law of public sector are defined the functions of the accounting methodology and treasury. Also, Ministry of Finance has taken some measures to amend and adapt the structure responsible for accounting methodology.

### 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 2025, progress was made to integrate green criteria into public procurement procedures,** 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 technical manual titled "*On Utilisation of Life Cycle Costing Tool (LCC)*". This manual is accompanied by an explanatory Excel document for 14 products under LCC manual, which will 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. Within the framework of the implementation of the Life Cycle Costing tool in public procurement, a two-day technical workshop was conducted on 5–6 May 2025, at the Plaza Hotel, Tirana. The workshop focused on the presentation of the LCC manual, practical demonstrations of the Excel-based tool, and discussions on the legal, technical, and operational aspects related to the application of life cycle costing in public procurement procedures. Additionally, the Centralized Purchasing Body (CPB) has contributed to the design and implementation of Green Public Procurement through the adoption of the Action Plan on Sustainable Procurement and the Circular Economy, integrating environmental and social criteria into procurement procedures in line with EU standards. The document can be accessed at the link https://obp.al/wp-content/uploads/2025/09/Strategji_Prok_Qendrueshem.pdf.

**During 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. This initiative is part of the National Public Procurement Strategy 2025–2030 too, and focuses on upgrading the electronic complaints system, including the establishment of a digital archive for all electronic case files. Furthermore, the continued use of electronic signature technology has improved the efficiency of document submission and review procedures, contributing to shorter processing times.

**During 2025, important legislative steps were taken to align the national framework for concessions and public-private partnerships (PPPs) with EU standards.** In this regard**, t**he 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 Parliament for further review. Law No. 88/2025 'On Concessions and Public-Private Partnership was approved in 2025[19]. 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. In March 2025, **the Monitoring Report (for year 2024) of the Medium-Term Debt Management Strategy (MTDMS)** was prepared and submitted to the Parliamentary Committee on Economy and Finance. The report was published on the official website of the Ministry of Finance[20], 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 2026** was also prepared and published[21], 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 on this input, the draft was revised and submitted to the World Bank for review in October 2024. In the Debt Management Strategy 2026–2030 (DCM 743, dated 12 December 2025), alternative financing options to be considered for the ongoing are domestic market retail instruments. The alternative financing instruments such as green bonds are not yet relevant. The decision to exclude alternative financing instruments such as green bonds was intentional

[19] https://app.gov.al/legjislacioni/koncesionetppp/ligji/
[20] https://financa.gov.al/strategjia-afatmesme-e-menaxhimit-te-borxhit/
[21] https://financa.gov.al/plani-vjetor-i-huamarrjes/

and driven by a broader reassessment of the government's funding priorities. This strategic shift reflects a preference for strengthening the use of domestic market instruments, which currently offer greater market depth, more predictable investor demand, and improved cost efficiency relative to emerging thematic products. As market conditions evolve, the potential introduction of green or thematic bonds may be revisited, but for the present strategic cycle, the emphasis remains on consolidating and optimizing existing financing mechanisms.

**Measures and activities**

During 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 [22]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[23]. 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 has strengthened its analytical and assessment capacities for risks and budgetary impacts arising from guarantees and sub-loans by using a Credit Risk Assessment and Quantification Model, developed by 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 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 and in the short-medium term the Debt Directory will continue its work to build a consolidated framework for issuing new sub-loans and guarantees.

**During 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 first 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. In the approved Debt Management Strategy 2026–2030 (DCM 743, dated 12 December 2025), alternative

[22] https://financa.gov.al/buletini-makroekonomik-2/

[23]https://financa.gov.al/wp-content/uploads/2025/03/Raporti-i-Monitorimit-te-Strategjise-Afatmesme-te-Menaxhimit-te-Borxhit-viti-2024.pdf

financing options to be considered for the ongoing are domestic market retail instruments. The alternative financing instruments such as green bonds are not yet relevant. The decision to exclude alternative financing instruments, such as green bonds, was intentional and driven by a broader reassessment of the government's funding priorities. This strategic shift reflects a preference for strengthening the use of domestic market instruments, which currently offer greater market depth, more predictable investor demand, and improved cost efficiency relative to emerging thematic products. As market conditions evolve, the potential introduction of green or thematic bonds may be revisited, but for the present strategic cycle, the emphasis remains on consolidating and optimizing existing financing mechanisms. 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 2025 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 **94%**. This reflects a strong alignment between projected and actual cash balances, indicating 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 **detailed inflow and outflow items in 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 daily, thereby improving the timeliness and accuracy of forecasts.

During 2025, the Ministry of Finance undertook important steps **to increase the number of instruments for active cash management** by optimizing the use of available **financial instruments** in cooperation with the Bank of Albania (BoA). The 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 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 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), respectively, by March 17-21 and by October 28-31. 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 (TGCFF)*', developed with IMF support. The first *TGCFF* 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 *TGCFF* 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 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. Following the IMF technical assistance on enhancing liquidity forecasting through the bottom-up approach applied by the member institutions of the Inter-institutional Technical Group on Liquidity Forecasting, the second TGCFF meeting held on November 25, 2025, finalized the redistribution of the unused cash plan remaining at the end of the 12-month period of 2025.

**During 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*. During 2025 the monthly cash forecast accuracy rate reached 94%, 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 *key performance indicators* have been defined to assess the compliance and quality of public expenditure management. These indicators include the timely execution of commitments and invoices, the proper handling of multi-year commitments, the intensity of spending at the end of the year, and the forecasting and review of monthly liquidity plans. New performance indicators were addressed at the second meeting of *TGCFF.*

**During 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 instruction 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, strengthening fiscal sustainability and liquidity planning. The instrument of investment in local and foreign currency deposits is continuously used depending on the state of the government's main account to maintain the level of cash reserves approved in the above instruction. 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 income from unused money.

### 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 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 draft 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. This PI will be concluded when the regulatory framework of the field is approved with the law and accounting methodology.

**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. The final strategic objective of the reform is the preparation of the financial statements of public sector institutions based on selected IPSAS. Following the completion of the first phase of the public sector accounting reform in December 2022, during 2023, the concept of the project for the implementation of the new accounting methodology in the public sector, discussed with the World Bank and SECO, has been drawn up. The second phase of the project was launched in 2024. 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 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. It will be concluded when the regulatory framework of the field will be approved with the law and accounting methodology and the central institutions will register financial transactions based on this methodology.

**Measures and activities**

During 2025, some 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, during 2025 were engaged the consultants that are in process of drafting the regulatory framework based in IPSAS (law on public sector accounting, instructions and manuals on financial transactions). This activity will be concluded when the regulatory framework of the field is approved with the law and accounting methodology.

*Significant progress was achieved in the migration of fixed asset inventories into the AGFIS system.* One institution successfully migrated fixed asset data to AGFIS and worked advanced on a consolidated asset register. Notably, the Ministry of Infrastructure and Energy finalized its inventory migration. However, the University Hospital Center of Tirana due to encountered issues such as the lack of an accurate fixed assets inventory and staff shortages, has not yet submitted the fixed assets inventory information to be migrated to AGFIS. The total number of institutions with direct access to AGFIS that have migrated their fixed assets is 14. 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 and the absence of integrated systems for inter-institutional data exchange, PPPs and concessions are not yet included in EDP/GFS headline aggregates, pending completion of the methodological assessment. 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. Work is ongoing to build a structured inventory and assess budgetary involvement and risk allocation. 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 improvment of AGFIS funciomalites 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 and initiating the technical development phase to align AGFIS with the new accounting standards.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. In the recently approved Debt Management Strategy 2026–2030 (DCM 743, dated 12 December 2025), alternative financing options to be considered for the ongoing are domestic market retail instruments. The alternative financing instruments such as green bonds are not yet relevant. The main challenges in the *Cash Management* component relate to strengthening institutional discipline in daily data updates, expanding training and methodological improvements in bottom-up cash-flow forecasting. Additional challenges include ensuring regular and results-oriented TGCFF meetings, enhancing Cash and Debt Management Committee (CDMC) role in monitoring forecasting performance, and increasing the use of KPIs and AI-based data analysis to improve accuracy and decision-making. 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”

**The system of Public Internal Financial Control has been further professionalized in all Budget Institutions to align with EU integration requirements.** By the end of 2025, 58.33% of the PI targets under Pillar 5 had been achieved, 16.67% were not achieved, and for 25% of the targets, data were not available at the time of reporting. The table below presents the status of performance indicators achievement for Pillar 5: Public Internal Financial Control.

**Table 6: Performance Indicators and Targets of Pillar 5**

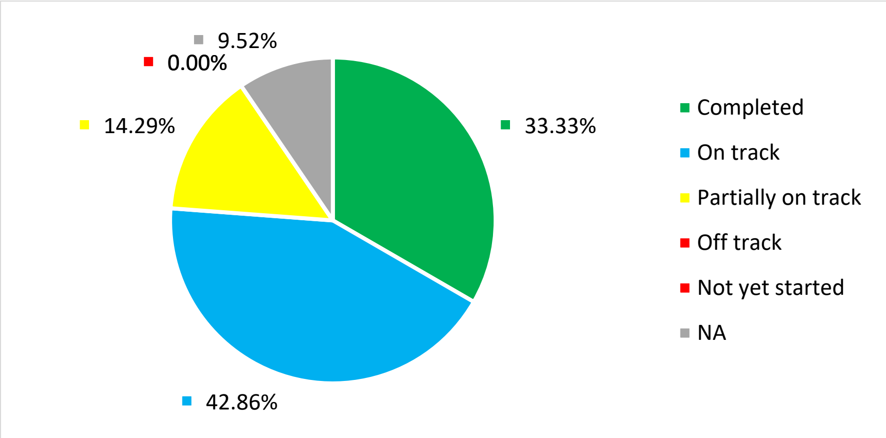
| Indicator | | Baseline value (year) | Target Value 2025 | Fact Value 2025 |
|---|---|---|---|---|
| **Specific Objective (Component) 5.1 Financial Management and Control** | | | | |
| **1** | Percentage of Public Institutions that comply with FMC requirements. | 69% (2022) | 75% | NA |
| **2** | Percentage of Public Institutions that have adequate Managerial accountability mechanisms in place. | 68% (2022) | 75% | NA |
| **3** | FMC law and sublegal acts amended and approved. | NA (2022) | Methodology on monitoring the performance of general government units adopted | Methodology on monitoring the performance of general government units adopted. |
| **4** | Percentage of public institutions that have adopted all risk management tools. | 68% (2022) | 75% | NA |
| **Specific Objective (Component) 5.2 Internal Audit** | | | | |
| **1** | Number of public institutions that are covered by annual internal audits. | 136 | Growing trend | 155 |
| **2** | Number of public institutions that have a functional audit committee. | 6 | Growing trend | 10 |
| **3** | Percentage of active internal auditors that are fully certified[24]. | 80% | Growing trend | 76% |
| **4** | Percentage of internal audit units that have established and implemented QAIPs in accordance with the applicable standards. | 52% | Growing trend | 89% |
| **5** | Percentage of internal auditors that comply with CPD requirements | 100% | 100% | 100% |
| **Specific Objective (Component) 5.3 Public Financial Inspection and Anti-Fraud Coordination Services** | | | | |
| **1** | National Anti-fraud strategy (NAFS) for the protection of the EU financial interests approved and monitored. | - | NAFS reported and monitored | NAFS approved, reported and monitored |
| **Specific Objective (Component) 5.4 Management of EU funds** | | | | |
| **1** | IPA-III entrustment package developed and approved. | - | IPA-III entrustment package implemented | IPA III entrustment package implemented |
| **2** | Guideline for adjustment and recovery (GAR) of EU funds introduced | - | GAR implemented | GAR not adopted |

**Satisfactory progress was also recorded in implementing and completing the activities planned for 2025. The majority of activities (76.19%) were either on track or completed, 14.29% were**

[24] All internal auditors should be certified within 3 years according to the Law.

**assessed as partially on track, and for 9.52% of the activities, data were not available at the time of reporting.**

**Graph 10: 2025 status of Pillar 5 activities**




## Components (Specific Objective) progress made during 2025

### Specific Objective 5.1 Financial Management and Control

**Performance Indicators**

**The data were not available at the time of reporting[25] for the targets set in the PFM action plan 2023-2026 for the indicators: (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.**

**Meanwhile, the target for FMC law and sublegal acts amended is achieved.** The methodology for assessing the performance of the internal control system has been revised and approved through Order No. 49/1, dated 21 October 2025, "On the approval of the methodology for assessing the performance of the internal control system of general government units". The methodology sets out performance indicators for evaluating the quality of internal control systems, defines the assessment process to be carried out by the responsible structures within the Ministry of Finance, and establishes a standard approach for Heads of Institutions when monitoring and preparing the annual declaration on the quality of internal control systems. Overall, the updated framework strengthens accountability and promotes a more structured and performance-oriented evaluation process across general government units.

**Measures and activities**

**The Ministry of Finance (DHFMCA) 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 is completed. 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-

[25] The data will be available after the approval of the 2025 PIFC annual report which will be prepared by May 2026.

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. On 22 September 2025, the draft was circulated to line ministries for a 15-day review period.

The Order No. 49/1, dated 21 October 2025 "On the approval of the methodology for assessing the performance of the internal control system of general government units" has been drafted and approved. This methodology establishes a structured approach for evaluating the performance of general government units by focusing on the quality, organization and functioning of internal controls in the execution of public functions. It also defines the assessment process to be carried out by the responsible structures of the ministry in charge of finance and provides a standardized methodological framework to be applied by authorizing officers when conducting annual monitoring and reporting on the quality of internal control systems across central authorities, subordinate institutions and public entities under their ownership or control.

**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 is completed. 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 20 selected units. Following the recommendations outlined in the Progress Report, the second half of 2025 placed particular emphasis on increasing the number of delegation decisions and strengthening institutional understanding of delegation as a core principle of the Financial Management and Control framework. This dimension received heightened attention during the quality assessments, where the effective implementation, documentation, and practical application of delegation arrangements were specifically examined and reinforced.

The activity of raising awareness about managerial accountability and disseminate experiences to senior management of public institutions through training and technical assistance during the IC quality assessment is completed. Following the evaluation of the quality of internal control systems, DHFMCA selected five institutions to receive targeted technical assistance. During this support process, institutions assessed as weaker were supported in the technical implementation of the PIFC instruments. An online meeting was held with the institutions, focusing on financial management and control instruments, as well as on their development and preparation in accordance with the FMC Manual.

**Efforts have 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 is completed. 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 duties. Furthermore, in June, a training session on FMC was organized for 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. In October 2025, a large-scale training programme on "The Role and Importance of Financial Management and Control and Budget Planning" was delivered, reaching a total of 300 employees.

**The Ministry of Finance (DHFMCA) has continued to enhance the quality assessment and improvement of FMC in public institutions.** The MoF/DHFMCA has continued to enhance the quality assessment and improvement of FMC in public institutions. This is an ongoing activity, which will be reflected in the 2025 PIFC annual report, expected to be approved by May 2026.

### Specific Objective 5.2 Internal Audit

**Performance Indicators**

**By the end of 2025, a total of 155 annual internal audit reports had been finalized covering public institutions** in accordance with Article 10 of IA Law No. 114/2015, as amended**.** Of these institutions, 135 had established Internal Audit (IA) units as a permanent function, reporting directly to the Board or the Head of the Institution. Meanwhile, 20 IA units underwent their second-cycle assessment.

**As of 2025, 10 public institutions have established their own functional Audit Committees, up from nine by the end of 2024.** Currently, an Audit Committee has been established in the Ministry of Economy and Innovation. This number is expected to grow further with the approval of DCM, which sets criteria for public entities required to establish an Audit Committee. This initiative aims to strengthen good governance and provide additional safeguards for the independence of internal auditors.

**By the end of 2025, the percentage of active internal auditors that are fully certified remained the same as in 2024**[26]. During 2025, the DHIA continued its work on updating the internal audit secondary legislation. The certification process for internal auditors in the public sector for the 2026 cycle was launched through Order of the Minister of Finance No. 159, dated 22 December 2025. Currently, 307 candidates have applied for the internal auditor certification process, of which 200 candidates were selected to continue (126 of them are internal auditors). In this process, 9 trainers will also be engaged, selected by the Qualification Committee of Internal Auditors in the public sector through a procedure defined within the regulatory framework. The process of presenting the certification modules will begin in April 2026 and the full certification cycle will be completed in November 2026. Throughout this process, the DHIA ensures that internal auditors acquire knowledge and competencies aligned with the Global Internal Audit Standards (GIAS), professional ethics, and international good practices, thereby enhancing the quality and reliability of audit work. Achieving a higher professional qualification such as certification strengthens the independence and objectivity of internal auditors. Certified auditors are better equipped to identify risks, detect weaknesses in internal controls, and support improvements in organizational processes, directly contributing to stronger governance and more effective risk management.

**89% of internal audit units have established and implemented the Quality Assurance and Improvement Programs (QAIPs) in line with applicable standards, showing a growing trend.** More detailed data will be available upon the completion of the PIFC Annual Report for the public sector for 2025, which is scheduled to be finalized in May 2026.

**100% of internal auditors have complied with the Continuing Professional Development (CPD) requirements[27].** The Continues Professional Development Training Program for internal auditors in public sector, approved annually by the Minister of Finance, is organized, and implemented by the

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[26] 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'.*

[27] All public sector internal audit practitioners have completed over 40 hours of face-to-face training during the year. The implementation of the Annual Continuous Training Program for internal auditors included not only certified auditors but also newly recruited staff in internal audit units who have not yet obtained certification (linked to indicator 3).

DHIA for all active internal auditors (both certified and non-certified). As a result, in 2025, all active internal auditors attended more than 40 hours professional training. In this context, the DHIA organized several CPD activities in cooperation with international partners:

- The *EU for Good Governance Project* of the Centre for Financial Reporting Reform delivered a Training of Trainers programme for 22 internal auditors.
- The World Bank Project provided training on *"Improving Financial Reporting Practices and Performance Monitoring of State-Owned Enterprises in Albania"* to 27 internal auditors from joint-stock companies.
- PEMPAL IA/COP – a World Bank initiative – conducted an online training on *"Challenges of the Central Harmonization Unit and Auditing in Practice"*, attended by 227 internal auditors.
- The SECO *Local Finances* Project delivered training on *"Auditing the Effectiveness of the Internal Control System in Local Government"* for 31 internal auditors.

**Measures and activities**

**The oversight and the expansion of support services to public institutions and internal audit teams are on track.** The DHIA has enhanced the quality assurance management system, in order to ensure effective monitoring of internal audit work throughout public sector entities. In Chapter XI of the Internal Audit Manual, approved by Order of the Minister of Finance No. 134, dated 17 October 2025, the procedures for conducting Internal Quality Assurance and the methodology for assessing performance indicators for each Internal Audit (IA) units are set out. The DHIA has implemented Internal Quality Assurance in full alignment with the GIAS, ensuring that the evaluation of IAUs is carried out consistently, objectively, and in accordance with international best practices. Internal quality assurance of the audit activity is a fundamental component for ensuring professionalism, effectiveness, and the credibility of internal audit. It encompasses systematic procedures and continuous evaluation practices designed to assess and enhance the quality of audit work, thereby ensuring that internal audit services are delivered in a consistent, reliable, and improvement-oriented manner.

Concerning the capacitating the Audit Committees through customized training activities, in 2025, one committee member, certified as a Public Sector Internal Auditor, has received periodic training to maintain and enhance professional competence. In addition, as part of the continuing professional development programme for public sector internal auditors in 2026, dedicated training sessions will address topics related to the effective functioning of Audit Committees, with particular emphasis on supporting newly established committees. In parallel, the DHIA continues its efforts to raise awareness among heads of public institutions to ensure a clear understanding of the roles and responsibilities of Audit Committees. Ongoing initiatives also aim to further professionalize key internal audit practices through the development of guidance materials and targeted capacity-building activities.

**The professionalization of core internal audit practices through the development of guidelines and capacity-building activities is on track.** The development of the new Internal Audit (IA) Manual is completed and approved by Order of the Minister of Finance No. 134, dated 17 October 2025 'On the approval of the Internal Audit Manual in the public sector'. Its implementation by internal auditors will commence on 1 January 2026. Fully aligned with the Global Internal Audit Standards, this key document was developed by a working group composed of representatives from DHIA, heads of internal audit units, and SIGMA experts. The Manual provides a unified reference framework for internal auditors across public sector institutions and serves as an essential coordination tool for all stakeholders involved in the internal audit environment and methodology in Albania.

The activity of developing and implementing the Training of Trainers (ToT) Program focused on the new IA Manual and GIAS is completed. Throughout 2025, DHIA in close cooperation with the SECO *Local Finances* Project, delivered the training on *"Auditing the Effectiveness of the Internal Control*

*System in Local Government"* with the participation of 31 internal auditors. Meanwhile, the activity aimed at strengthening compliance audit practices is completed. The Internal Audit Manual provides clear guidance on audit reporting, the formulation of the audit opinion on internal control systems, and the presentation of recommendations in the management letter. These topics are covered in the training delivered in cooperation with the SECO "Local Finances" Project on *"Auditing the Effectiveness of the Internal Control System in Local Government",* with the participation of 31 internal auditors. In addition, three training sessions were delivered during January–February 2026 with the participation of 88 internal auditors. The activity of developing guidelines and delivering training on risk-based audit approaches related to preventing, detecting or addressing irregularities, fraud and corruption is on track. These topics are comprehensively addressed in the Internal Audit Manual and further training will be incorporated into CPD activities planned for 2026.

### 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 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 involved institutions. The Minister's Order has been formally communicated to all relevant entities to ensure their engagement and participation in the implementation process. On 24 September 2025, the Directorate of Public Financial Inspection organized the first Technical Working Group meeting and, together with the Lead Institutions, reviewed monitoring tools, reporting processes, and prepared work plans for implementing the NAFS measures for June–December 2025. Additionally, the first NAFS Steering Committee met on 19 December 2025, while the Directorate, in cooperation with the Lead Institutions, is drafting the 2025 NAFS Monitoring Report.

**Measures and activities**

**Enhancing collaboration with Internal Audit and ALSAI is on track.** 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.

**The coordination of drafting and monitoring of the National Anti-fraud Strategy 2025-2027 for the protection of the EU financial interests is on track.** 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. On 24 September 2025, the first meeting of the Technical Working Group on the implementation of the NAFS was held, organized by the Directorate of Public Financial Inspection. The meeting focused on identifying and discussing the existing monitoring instruments, the ongoing reporting and evaluation processes, and the steps undertaken by the respective structures in their role as Lead Institutions for implementing the NAFS during the period June–December 2025. The Lead Institutions, in cooperation with the other designated institutions and structures outlined in the strategic document, prepared work plans aimed at ensuring the implementation of the relevant measures and activities of the Action Plan up to 31 December 2025. Furthermore, on 19 December 2025, the first NAFS Steering Committee meeting was held, chaired by the National Authorizing Officer at the Ministry of Finance, with the objective of overseeing progress in the implementation of the NAFS for 2025. Meanwhile, the Directorate of Public Financial Inspection, in cooperation with the respective Lead Institutions and structures, is in the process of drafting the Monitoring Report on the implementation of the NAFS for 2025.

### Specific Objective 5.4 Management of EU funds

**Performance Indicators**

**Regarding the Management of EU funds, IPA III entrustment package is implemented**. 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)[28], 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.

Meanwhile, **the Guideline for Adjustment and Recovery (GAR) of EU funds has not yet been adopted.** The activity was initially requested to be financed through the IPA project "Support to EU Financial Assistance Management in Albania" for implementation in 2025. However, it has not yet been carried out. The request will therefore be resubmitted to be covered in the 2026 work plan.

**Measures and activities**

**Concerning the development and implementation of regulations and procedures for IPA III management and the enhancement of the capacities of IPA III structures, the activity related to existing human resource capacities is on track.** With support from EUSFAM project, a comprehensive Training Needs Assessment (TNA) methodology was developed and formally approved by the National

[28] OP "EU for Digital Economy and Society"- ratified by law 35/2025, dated 05.06.2025; OP "EU for Energy Efficiency"- ratified by law 36/2025, dated 05.06.2025; OP "EU for Youth Employment"- ratified by law 34/2025, dated 05.06.2025.

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 are partially on track, despite the activity related to developing training modules for staff involve in executing the procedures which is on track.** The activities were initially requested and planned to be covered under the IPA project Support to EU Financial Assistance Management in Albania (NEAR/TIA/2023/EA-RP/0136) for 2025. Throughout the year, several meetings and consultations were held with the Technical Assistance (TA) team. However, the GAR has not yet been implemented and will therefore be resubmitted for coverage under the 2026 work plan. Regarding the training modules, during 2025, the EUSFAM TA team delivered numerous training sessions on procurement and financial procedures. Additional training modules are foreseen to be adapted and further developed during 2026.

**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), the activity is partially on track.** Meetings and training sessions on SCOs were conducted during 2025. Nevertheless, the methodology for SCOs has not yet been developed by the EUSFAM TA team and will continue to be elaborated during 2026.

### Key challenges and next steps

There were no key challenges, except the activities related to enhancing the financial adjustment and recovery procedures for EU Funds in line with national and IPA III legal requirements, as well as the development of Simplified Cost Options. However, these activities will be prioritized for completion during 2026.

## 3.6 Progress under Pillar 6 "External Oversight"

**During 2025 the Albanian Supreme Audit Institution (ALSAI) and the Parliamentary Committee on Economy, Finance and Employment continued to strengthen the external oversight mechanism**. Both institutions are actively working to complete the performance indicators according to the action plan and passport of indicators. By the end of 2025, 66.67% of the PI targets under Pillar 6 had been achieved and 33.33% were not achieved.

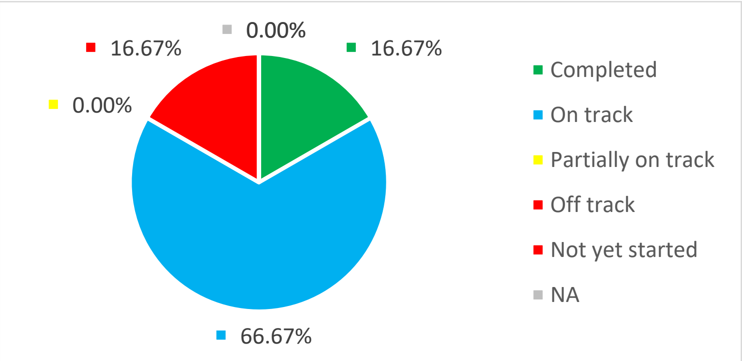
The table below presents the status of performance indicators' achievements for Pillar 6: External Oversight.

**Table 7: Performance Indicators and Targets of Pillar 6**

| Indicator | | Baseline value (year) | Target Value 2025 | Fact Value 2025 |
|---|---|---|---|---|
| **Specific Objective (Component) 6.1: External Audit** | | | | |
| 1 | PEFA Indicator 30.1 Audit coverage and standards | B (2017) | A | B[29] |
| 2 | SIGMA Indicator 4.3.1.5: Effectiveness of scrutiny of public authorities by independent oversight institutions (Implementation of SAI recommendations). | 4/8 | 5/8[30] | 7.22/11[31] |
| 3 | Guideline for auditing of budget institutions prepared and implemented | | Guideline implemented | Guideline not implemented |
| 4 | Computer Aided Audit Techniques (software) is in use. | | Training provided | Training provided |
| 5 | Methodology for audit of PPPs and concession institutionalized. | | Methodology implemented | Methodology implemented |
| **Specific Objective (Component) 6.2: Parliamentary Oversight** | | | | |
| 1 | Development plan prepared and implemented | | Approved | Approved |

**Satisfactory progress was also recorded in implementing the activities planned for 2025. Overall, 83.34% of the activities were either on track or fully completed and 16.67% were off track.**

**Graph 11: 2025 status of Pillar 6 activities**




[29] The value for this indicator is taken from 2024 PEFA Assessment.
[30] To determine whether the indicator is achieved, the target set under the old methodology (5 out of 8) is first converted into the scale of the new methodology (11 points). The equivalent value is calculated as: 5/8×11=6.875. Comparing this converted target (6.875/11) with the actual 2025 score (7.22/11) shows that performance exceeds the target level. Therefore, the indicator is considered achieved.
[31] In the 2024 SIGMA Assessment, the indicator assessing the effectiveness of scrutiny of public authorities by independent oversight institutions (Implementation of SAI recommendations) underwent a significant change. Previously considered a sub-indicator under Indicator 4.3.1 – 'Effectiveness of scrutiny of public authorities by independent' and awarded 8 points, it has been reclassified as a criterion within the indicator 16.1 ' Effectiveness of scrutiny of public authorities by independent oversight institutions', with a maximum of 11 points under the new methodology.

## Components (Specific Objective) progress made during 2025

### Specific Objective 6.1 External Audit

**Performance Indicators**

**PEFA Indicator 30.1 – Audit Coverage and Standards is not achieved.** 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. However, according to the PEFA Final Assessment Report 2024, this indicator is rated B. Although audit coverage over the three-year cycle reaches almost 100 per cent of total revenue and expenditure, the assessment notes that assets and liabilities are not included in the audit scope. Consequently, the score for this dimension remains B as the baseline.

**The indicator of strengthening the effectiveness of scrutiny over public authorities through independent oversight institutions (the implementation of Supreme Audit Institution (SAI) recommendations) is achieved.** 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. In addition, ALSAI has issued the follow-up report on the implementation of the recommendations provided during 2024. The verification shows that 99% of the recommendations have been accepted. Regarding implementation progress, 70% of the recommendations are fully implemented, partially implemented, or currently under implementation, specifically, 37% have been fully implemented, 15% partially implemented, and 17% are in progress. Based on the new SIGMA methodology, the indicator scores 7.22 points (reflecting only the recommendations issued in 2024). It is important to note that ALSAI has requested the full implementation of the remaining unimplemented measures, as well as an acceleration of efforts for those still in progress.

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

**The indicator of Computer Aided Audit Techniques (CAATs) in use is achieved.** 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.** 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 methodology is now fully applied in all audits of PPPs and concession contracts. The trainings 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. 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). Despite the progress made, the working plan has not been approved yet.

### Specific Objective 6.2 Parliamentary Oversight

**Performance indicators**

**The indicator "Development plan prepared and implemented" is achieved.** The Development Plan was drafted by the chairmanship of the Parliamentary Committee on Economy, Finance and Employment (CEFE) in close cooperation with the National Democratic Institute (NDI). As part of the preparation process, a dedicated consultation meeting was held to define the structure, priorities, and expected outcomes of the plan. Following these consultations, the final version of the Development Plan was formally approved in December 2025 by the Chair of the Committee. The preparation and adoption of this plan reflects a structured and collaborative approach, ensuring that the Committee's strategic objectives are clearly articulated and aligned with institutional development needs.

**Measures and activities**

**The Parliamentary Committee on Economy, Finance and Employment has worked toward professionalizing its support structures.** During 2025, the Committee worked on drafting the Development Plan in close cooperation with the NDI. As part of the preparation process, the Committee organized a dedicated consultation meeting to define the structure, priorities, and expected results of the plan. Following these consultations, the final version of the Development Plan was formally approved

in December 2025 by the Chair of the Committee. The preparation and adoption of this plan demonstrate a structured and collaborative approach, ensuring that the Committee's strategic objectives are clearly defined and aligned with institutional development priorities. The Development Plan includes several key activities, such as the drafting and approval of the post-legislative review of the Law on Excise Duties in the Republic of Albania; and the re-establishment of the Subcommittee on Public Sector Audit, following the conclusion of the 2025 parliamentary elections and the subsequent reorganization of the Committee. For 2026, the Committee has planned two study visits: one to the UK Parliament and another to the Italian Senate, with the objective of acquiring and exchanging best practices and experiences. In addition, the Committee and its support staff participated in several trainings organized in cooperation with NDI and international experts, aimed at strengthening their knowledge in the field of public financial management.
Meanwhile, following the approval of the Development Plan, the Committee worked on its implementation and monitoring. In this context, and in line with the conclusion of the 2025 parliamentary election cycle, the parliamentary committees were reorganized, including the former Parliamentary Committee on Economy and Finance, which was renamed the Parliamentary Committee on Economy, Finance and Employment. As a result of this reorganization, the Subcommittee on Public Sector Audit was re-established, fulfilling one of the activities foreseen in the Development Plan.

### Key challenges and next steps

No challenges were encountered during 2025.

## 4 Risks and steps to address them

Multiple risks that could negatively affect the implementation of the Action Plan have been materialized, including delays in legal and regulatory changes, inadequate financial provisions, insufficient availability of qualified human resources, non-sustainable capacity development, IT development and procurement challenges, limited and untimely access to technical assistance, and inadequate coordination among stakeholders. To effectively manage the reforms, and based on the experience during the period 2014-2024, risks that negatively impact the implementation of the action plan are actively managed.

**Pillar 1 Macroeconomic Programming and Fiscal Risk Monitoring.** There are no identified or materialized risks.

**Pillar 2 Integrated Strategic and Budget Planning, Monitoring and Transparent Reporting.** In the area of Integrated Strategic Planning, the risk related to IT development or procurement challenges materialized during 2025. With regards to Integrated Strategic Planning, IPSIS is not yet operational, creating significant challenges for the systematic monitoring and reporting of strategies. This increases reliance on manual processes and limits the consistency and reliability of data across institutions. Weak linkage between strategies and medium-term budgeting. Due to the absence of a functional IPSIS, the monitoring of strategic objectives and their linkage with the Medium-Term Budget Program (MTBP) remains weak, posing risks to performance-based reporting and informed decision-making within the PFM framework. The vision forward for EAMIS is to evolve from a reporting database into a strategic decision-making and coordination platform with full integration into national planning and budgeting system, donor engagement and trust, capacities and sustainability. SASPAC has been in continuous coordination with NAIS to support the development and operationalization of the Integrated Planning System Information System (IPSIS). SASPAC maintains regular communication with OECD/SIGMA to strengthen the methodological and operational linkages between the Integrated Planning System

(IPS) and the Medium-Term Budget Program (MTBP). EAMIS challenges were discussed in the Donors Conference organized by SASPAC on 30 September 2025. For EAMIS to deliver its full potential, Albania still needs data quality & completeness, coordination across donors and government, and system functionality. Mitigation measure for 2026 is: full and more intensive follow-up with NAIS and national institutions/ beneficiaries, regarding the maintenance and operational solutions. In the area of Medium-Term Budget Planning, the risks related to delayed legal and regulatory changes, alongside insufficient human resource availability, materialized and impacted on the implementation process. Once these risks materialized, corrective measures were adopted to limit their adverse effects on the implementation of duties and responsibilities. Specifically, internal structures increased engagement to accelerate pending amendments, introduced short-term internal reallocations of staff to cover essential analytical and coordination functions. Mitigation measures for 2026 are: Reallocation of internal staff to priority workstreams; Establishing a clear timeline and accountability matrix for each legal act, including escalation procedures in case of delay. Capacity-building activities (training, workshops, peer-learning) to strengthen the analytical and regulatory drafting skills of existing staff. More structured coordination with technical assistance providers, ensuring that expertise is available at the right time. In the area of Public Investment Management, the risks related to IT development or procurement challenges materialized during 2025. Measure taken and planned to address this issue is the improvement of the PIM module in AFMIS in collaboration with the World Bank (GovTech2). Regarding Local Finance, the materialized risk was related to the lack of capacities in Human Resources to use the new system for the preparation of the MTBP 2026-2028. Mitigation measures include regional trainings with all budget directors and some of the Head of Programs, as well as trainings covering all the phases of budgeting process. In area of Budget Execution Monitoring and Reporting the risks related to IT development or procurement challenges materialized during 2025. Measure taken and planned to address this issue is the improvement of the PIM module in AFMIS in collaboration with the World Bank (GovTech2).

**Pillar 3 Revenue Mobilization and Management.** During 2025, the General Directorate of Tax faced low level of engagement of local self-government units in the Fiscal Cadastre Information System; and from the review of the Municipal Council Decisions (DCM) submitted by the municipalities, it appears that, in general, municipalities do not have a good understanding of the legal and sub-legal provisions in the field of the immovable property tax, and they apply these legal and sub-legal provisions incorrectly. The Ministry of Finance did not send the draft-law "*On immovable property tax*" to the Council of Ministers for approval by it, in order for the draft-law to be later sent to the parliament for final consideration and approval or rejection.

During 2025, some measures were undertaken after the risks materialized. To minimize the risks, the General Directorate of Property Tax (GDPT) has continuously conducted training sessions for the staff of local government units; has prepared and published manuals on the legal and sub-legal provisions related to the immovable property tax, as well as on the use of the Fiscal Cadastre Information System, serving as informational materials and practical reference tools for local government units during the administration of the immovable property tax; has continued cooperation with partner institutions such as the National Agency for Information Society (NAIS), the State Cadastre Agency (SCA), and the General Directorate of Civil Status (GDCS) regarding the data interoperability process and their finalization, with the aim of populating the Fiscal Cadastre Information System. 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 immovable property tax* ", a working group has been established which will review the previous version of the draft-law*(drafted by the Ministry of Finance in collaboration with the General Directorate of Property Tax and the project "ProTax Albania", which was funded by Swedish International Development Cooperation Agency (Sida)))* 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. Meanwhile, to further improve and clarify the current legal framework in the field of immovable property tax, there have been drafted the amendments to the current sublegal acts. By the end of year 2025, only one of the amending draft-DCM was approved, meanwhile, the remaining amending draft-DCMs were in the process of being approved. The risks mentioned remain relevant for 2026. The mitigation measures for this year include designing effective incentives to mobilize LGU participation in using FCIS for generating bills from the 2026 tax year, providing trainings, continuing meetings and discussions with stakeholders, and communicating the reform, its importance, and clarifying the responsibilities of each stakeholder. Based on the decisions of the higher decision-making levels within the Ministry of Finance, the draft law is expected to be submitted to the Council of Ministers for consideration by June 2026. Once approved by the Parliament and entered into force, the process will continue with the drafting and approval of the respective sub-legal acts. Meanwhile, to further improve and clarify the current legal framework in the field of immovable property tax, there have been drafted the amendments to the current sublegal acts. By the end of year 2025, only one of the amending draft-DCM was approved, meanwhile, the remaining amending draft-DCMs were in the process of being approved.
Regarding Customs Management, the only materialized risk relates to procurement challenges and delays for NCTS and NSW, although the procurement is being managed by the Ministry of Finance. In 2026, coordination within the institution and with partners will continue to ensure proper budget planning and to focus on completing the procurement procedures on time.

**Pillar 4 "Accounting and Budget Execution Management".** Regarding this Pillar there were some risks identified during 2025. During the reporting period, several risks affected progress and implementation regarding the component *National Government Accounts*. The absence of an approved budget allocation for 2025 led to inadequate financial provision, directly constraining activities that required national funding. Human resource constraints also influenced performance: capacity-building efforts were hindered by staff turnover and dependence on project-based expertise, while limited HR availability increased the workload and contributed to delays in specific deliverables. Furthermore, coordination challenges emerged, particularly in aligning parallel activities across institutions, which affected the smooth execution of planned tasks. The undertaken mitigation measures to overcame the identified risks regarding this component were: Prioritizations of essential activities that could be implemented without national financial resources; adjustment of the implementation schedule and postponement of activities requiring budgetary support; internal knowledge sharing and on-the-job training to retain institutional know-how; documentation of methodologies and procedures; temporary redistribution of tasks and prioritization of critical outputs; completion of the recruitment process to fill existing vacancies and strengthen staff availability; and coordination meetings and clarification of roles and responsibilities. In this regard the 2026 mitigation measures planned are: Preparation of alternative implementation scenarios to ensure continuity in case of further delays in budget approval; Stronger integration of training outcomes into permanent job descriptions and institutional processes; Improved workload management and clearer prioritization of core activities; and strengthened coordination mechanisms.
Regarding components of *Debt Management* and *Public Procurement* there were no risks materialized during 2025. The risks identified under the *Cash Management* component included the inadequate availability of human resources, delays in legal and regulatory amendments, and slow progress in IT system development. While temporary filling of vacancies and targeted training supported mitigation during the reporting period, additional measures are planned for 2026. These include appointing and training new staff, expanding the use of the Macro-Excel shared folder tool with higher-budget institutions to ensure daily bottom-up cash flow updates, and receiving further IMF technical assistance to strengthen methodological compliance and enhance the use of CFAT and the shared folder for improved

cash flow forecasting and management. *About components of Accounting and Asset Management,* the main risks identified during 2025 were: Human Resources (staff, responsibilities, collaboration), Internal organization (management, roles and responsibilities missions), communication with interested parties; Foreign partners (the consultants' companies and foreign partners/donors), IT development or procurement challenges and adequate coordination. The measures undertaken to mitigate those risks were: Reviewing of priorities and operational work plans to adapt with the resources available; Continuous communication to raise the awareness of the decision makers and the managers of the public units on the importance of the activities in the framework of the implementation of IPSAS; Capacity building in the field of IPSAS implementation and repeatedly send official letters and emails to the institutions that have not yet submitted the inventory of their fixed assets to AGFIS. These mitigations measures will be also followed in 2026.

**Pillar 5 "Public Internal Financial Control".** No risks were identified under Component 5.3. In the area of FMC (Component 5.1), the risk related to inadequate availability of human resources materialized during 2025. In January 2025, the sector experienced a temporary shortage due to the absence of one specialist, a gap that was fulfilled in February 2025. Additionally, from the end of October until the end of the year, the position of Head of Sector remained vacant. These staffing gaps affected coordination efforts and the overall efficiency of work processes within the sector. To ensure continuity, interim measures were undertaken. The existing staff redistributed workloads and took on additional responsibilities to compensate the vacancies, while task prioritization was applied to safeguard the timely delivery of critical activities. Coordination and oversight were maintained through temporary managerial arrangements, aimed at minimizing delays and ensuring the uninterrupted performance of key functions until full staffing was restored. To mitigate the risk of inadequate availability of human resources in 2026, measures are planned to strengthen staffing stability and operational continuity.
In the area of internal audit (Component 5.2), delays in legal/regulatory changes have been materialized. To mitigate this risk, stronger inter-institutional coordination is essential to ensure that all stakeholders contribute to and align around the required updates. Establishing a clear Regulatory Roadmap will further support this process by setting priorities and providing a structured timeline for the adoption of the needed regulatory measures. Also, challenges were noted in the management of EU funds under Component 5.4, specifically related to non-sustainable HR capacity development, inadequate HR availability and timely availability of TA/support. To address these issues, measures were undertaken during 2025 such as requesting technical assistance for further training and reorganizing the HR structure and announcing vacant positions on the DoPA website. For 2026, mitigation efforts will focus on implementing a consolidated and comprehensive training plan that builds on the diverse learning approaches developed during 2024–2025, alongside the preparation of a Retention Policy to ensure continuity and strengthened capacities. In addition, numerous trainings on procurement and financial procedures were delivered throughout 2025, organized by the EUSFAM Technical Assistance (TA) team. The training modules are expected to be further refined and adapted in 2026. Several meetings and training sessions on SCOs were conducted during 2025 as well. Meanwhile, the outputs originally planned for completion in 2025 are now scheduled to be finalized in 2026, in close collaboration with the Technical Assistance team.

**Pillar 6 "External Oversight".** No risks were identified under Pillar 6.

**Table 8. Main risks materialized**

| Risk assessment (probability and impact): H = High M = Moderate L = Low | Main Risk Factors | | | | | | |
|---|---|---|---|---|---|---|---|
| | Delayed legal/ Regulatory changes | Inadequate Financial provision | Non-sustainable human resource capacity development | Inadequate availability of Human Resources | IT development or procurement challenges | Timely availability of TA / support | Inadequate co-ordination |
| **Pillar 1 Macroeconomic Programming and Risk Monitoring** | | | | | | | |
| 1.1 Prudent and realistic macro-economic programming | | | | | | | |
| 1.2 Establishing a comprehensive Debt Sustainability Analysis | | | | | | | |
| 1.3 Fiscal Risk Management | | | | | | | |
| 1.4 Fiscal Council | | | | | | | |
| **Pillar 2: Integrated Strategic and Budget Planning, Monitoring, and Transparent Reporting** | | | | | | | |
| 2.1 Integrated Strategic Planning | | | | | H | | |
| 2.2 Medium Term Budget Planning | L | | | M | | | |
| 2.3 Public Investment Management | | | | | L | | |
| 2.4 Local Finance | | | M | | | | |
| 2.5 Budget Execution Monitoring and Reporting | | | | | L | | |
| **Pillar 3: Revenue mobilization and management** | | | | | | | |
| 3.1 Tax Management | | | | | | | |
| 3.2 Property Tax Management | M | | M | | | | |
| 3.3 Customs Management | | | | | H | | |
| **Pillar 4: Accounting and Budget Execution Management** | | | | | | | |
| 4.1 National Government Accounts | L | H | M | M | L | L | M |
| 4.2 Accounting | | | M | M | H | M | L |
| 4.3 Public Procurement | | | | | | | |
| 4.4 Debt Management | | | | | | | |
| 4.5 Cash Management | L | | | M | M | | |
| 4.6 Asset Management | M | M | M | M | M | M | L |
| **Pillar 5: Public Internal Financial Control** | | | | | | | |
| 5.1 Financial Management and Control | | | | M | | | |
| 5.2 Internal Audit | L | | | | | | |
| 5.3 Public Financial Inspection and Anti-Fraud Coordination Services | | | | | | | |
| 5.4 Management of EU funds | | | M | M | | L | |
| **Pillar 6: External Oversight** | | | | | | | |
| 6.1 External Audit | | | | | | | |
| 6.2 Parliamentary Oversight | | | | | | | |

# 5 Cost of the PFM Strategy

Below is a summary of resources used for implementing the reform during 2025, by presenting the financial data on expenditure during the implementation of each Pillar categorized in the Government budget and Donor Funding in EURO.

**Table 9. Resources used for implementing the PFM Strategy**[32][33][34][35][36]

[32] The activity, involving the monitoring and reporting of the implementation of the National Anti-Fraud Strategy, under the Component 5.3, is fully covered by the state budget.

[33] The activities under Component 5.2 "Internal Audit" (5.2.1.2; 5.2.1.4; 5.2.2.3; 5.2.2.4) were fully covered by the state budget.

[34] The activities related to drafting the new public accounting law, as well as the sub legal acts under the Measure "4.2.2. Develop the legal and regulatory framework for accounting reforms" were not originally planned in the PFM Strategy to be covered from donor support. However, during the implementation for 2025, the activities were financed from the World Bank in the amount EUR 35,000.

[35] Regarding the component 3.2 "Property Tax Menagement", based on the budget documentation financed by SIDA, for the implementation of activities within the framework of the signed agreements, with the aim of extending Phase II of the Initial Phase of the ProTax Albania Project until 31 March 2025, as well as implementing the Transitional Phase of Phase II of ProTax Albania from 1 April 2025 to 31 December 2025, a total fund of SEK 7.38 million or 642945 Euro has been allocated. The estimated costs are for covering the activities envisaged for the extension of Phase II until 31 March 2025, as well as for the Transitional Phase from 1 April to 31 December 2025 and reflect the inclusion of consultancy costs provided by the project to support the implementation of the activities envisaged under the Property Tax Management component.

[36] Regarding the Measure 3.3.5 Improve the utilization of the New Computerised Transit System (NCTS), the total cost of the project is **€938,000**, financed by the **WB**, and it is also related to other projects, including **NCTS**. For the year **2025**, a disbursement of **€450,000** was expected; however, it was not carried out due to ongoing procurement procedures. The amount of **€733,328** represents the total overall cost that will be received by Customs for this project.

*Amounts in Euro*

| PFM Pillars | Actual Expenditure 2025 | | | Planned 2025 | % of change |
|---|---|---|---|---|---|
| | MTBP | Donor Funding | Total 2025 | | |
| **Pillar 1 Macroeconomic Programming and Risk Monitoring** | 11,000 | - | 11,000 | 17,228 | -36% |
| 1.1 Prudent and realistic macro-economic programming | - | - | - | - | - |
| 1.2 Establishing a comprehensive Debt Sustainability Analysis | - | - | - | - | - |
| 1.3 Fiscal Risk Management | 11,000 | - | 11,000 | 17,228 | -36% |
| 1.4 Fiscal Council | - | - | - | - | - |
| **Pillar 2: Integrated Strategic and Budget Planning, Monitoring, and Transparent Reporting** | - | 285,090 | 285,090 | 300,000 | -5% |
| 2.1 Integrated Strategic Planning | - | - | - | - | - |
| 2.2 Medium Term Budget Planning | - | 24,390 | 24,390 | 25,000 | -2% |
| 2.3 Public Investment Management | - | - | - | - | - |
| 2.4 Local Finance | - | 260,700 | 260,700 | 275,000 | -5% |
| 2.5 Budget Execution Monitoring and Reporting | - | - | - | - | - |
| **Pillar 3: Revenue mobilization and management** | 120,029 | 646,830 | 766,859 | 2,552,653 | -70% |
| 3.1 Tax Management | - | - | - | - | - |
| 3.2 Property Tax Management | - | 642,945 | 642,945 | - | - |
| 3.3 Customs Management | 120,029 | 3,885 | 123,914 | 2,552,653 | -95% |
| **Pillar 4: Accounting and Budget Execution Management** | - | 35,000 | 35,000 | 40,000 | -13% |
| 4.1 National Government Accounts | - | - | - | 40,000 | -100% |
| 4.2 Accounting | - | 35,000 | 35,000 | - | - |
| 4.3 Public Procurement | - | - | - | - | - |
| 4.4 Debt Management | - | - | - | - | - |
| 4.5 Cash Management | - | - | - | - | - |
| 4.6 Asset Management | - | - | - | - | - |
| **Pillar 5: Public Internal Financial Control** | - | 67,000 | 67,000 | 122,000 | -45% |
| 5.1 Financial Management and Control | - | - | - | - | - |
| 5.2 Internal Audit | - | 37,000 | 37,000 | 87,000 | -57% |
| 5.3 Public Financial Inspection and Anti-Fraud Coordination Services | - | - | - | 5,000 | -100% |
| 5.4 Management of EU funds | - | 30,000 | 30,000 | 30,000 | 0% |
| **Pillar 6: External Oversight** | - | - | - | - | - |
| 6.1 External Audit | - | - | - | - | - |
| 6.2 Parliamentary Oversight | - | - | - | - | - |
| **TOTAL** | **131,029** | **1,033,920** | **1,164,949** | **3,031,882** | **-62%** |

## 6 Conclusions and Recommendations

The implementation of the PFM strategy, led by the Ministry of Finance, shows satisfactory progress with almost all targets set for 2025 achieved and most activities planned for 2025 being on track or already completed.

**Pillar 1: Macroeconomic Programming and Fiscal Risk Monitoring**
For the upcoming period, the consolidation and further improvement of monitoring and reporting on arrears methodology shall be a priority. In accordance with the Roadmap for Good Governance a fiscal council shall be established. A costed plan for the Fiscal Council shall be developed.

**Pillar 2: Integrated strategic and budget planning, monitoring, and transparent reporting**
The priorities for the coming period include the full operationalization of IPSIS is essential to ensure standardized, integrated, and reliable monitoring and reporting of national and sectoral strategies, as well as to strengthen the link between strategic planning and the Medium-Term Budget Program (MTBP). At the same time, further development of EAMIS is recommended so that it evolves into an integrated platform supporting external assistance coordination and strategic decision-making, thereby improving coherence between policy priorities, financial resources, and achieved results. In focus should be on the upgrade and improvement of the PIM module within AFMIS in line with the amendments introduced to Council of Ministers Decision No. 887/2022 “On Public Investment Management Procedures”. Furthermore, a dedicated information system for monitoring PPP and concession contracts should be developed, alongside training for responsible civil servants, in order to strengthen institutional capacities, transparency, and accountability.

**Pillar 3: Revenue Mobilization and Management**
With the overall aim of improving revenue mobilization and management, it is considered important to closely monitor the immovable property tax reform process and the implementation of the National Single Window.

**Pillar 4: Accounting and Budget Execution Management**
Key priorities for the coming period include further improving GFS and EDP statistics in line with EU standards (ESA 2010). In this context, for the first time in October 2025, the 2021–2024 time series were transmitted with the status “free for publication.” The continued use of electronic signature technology has enhanced the efficiency of document submission and review procedures, contributing to shorter processing times. However, additional efforts are still required to improve the effectiveness of the complaint review system in order to accelerate decision-making. Other important priorities include developing a comprehensive framework for guarantees and on-lending, exploring alternative financing instruments such as green or social instruments, and strengthening cash management through the preparation and submission of treasury plans by Budget Institutions and the use of the new IMF-developed Excel-based tool for forecasting and data analysis. Furthermore, work should continue toward the enactment of the new public accounting law to introduce accounting reforms, as well as the completion of asset-registration reforms for accounting purposes and the enhancement of AGFIS functionalities to accommodate these reforms.

**Pillar 5: Public Internal Financial Control**
With amended legislation financial management and control and internal audit now firmly in place, the priority should shift toward strengthening institutional capacities to ensure proper implementation and

full compliance with the new requirements. Efforts should focus on increasing the implementation rate of FMC recommendations identified through the internal control quality assessment process.
To enhance the effectiveness of internal audit across public institutions, sustained oversight, expanded support services, and targeted assistance to internal audit units are essential. Further professionalizing audit practices through clear methodological guidance and comprehensive capacity building activities will contribute to higher audit quality and stronger accountability. Implementation of the National Anti-Fraud Strategy for the protection of the EU's financial interests should continue to be closely monitored.
In the area of EU funds management, strengthening institutional capacity and ensuring full alignment with the legal and procedural requirements under IPA III remain top priorities. Enhancing financial adjustment and recovery procedures for EU funds, in accordance with national and IPA III rules, is equally important. Additionally, further development of Simplified Cost Options (SCOs) should be pursued to improve efficiency and predictability in fund management.

**Pillar 6: External Oversight**

To ensure more effective oversight and transparency, it is important to further improve the legal, regulatory, and agile methodological frameworks while expanding the use of modern audit tools. Additionally, professionalizing reporting and communication in line with communication strategy standards, along with strengthening the support structures of the Parliamentary Committee on Economy, Finance and Employment, will enhance institutional performance and informed decision-making.

## 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 |
| DBM | Directorate of Budget Management |
| DHFMCA | Directorate of Harmonization of Financial Management, Control and Accounting |
| DHIA | Directorate of Harmonization of Internal Audit |
| DIP | Development and Integration Partners |
| DLF | Directorate of Local Finances |
| DPFI | Directorate of Public Financial Inspection |
| DFR | Directorate of Fiscal Risks |
| DMS | Debt Management Strategy |
| EA | Electronic Archive |
| 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 |
| GIAS | Global Internal Audit Standards |
| GFS | Government Finance Statistics |
| GFSM | Government Finance Statistics Manual |
| GoA | Government of Albania |
| GPP | Green Public Procurement |
| GRB | Gender Responsive Budgeting |
| IA | Internal Audit |
| IC | Internal Control |
| 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 |
| MoECI | Ministry of Economy, Culture and Innovation |
| MOF | Ministry of Finance |
| MTBP | Medium Term Budget Programme |
| MTRS | Medium Term Revenue Strategy |
| NAIS | National Agency of Information Society |
| NDI | National Democratic Institute |

| | |
|---|---|
| NAFS | National Anti-Fraud strategy |
| 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 |
| VAT | Value Added Tax |

# Annex 1: Status of 2025 PFM Action Plan measures

| ACTION PLAN OF PUBLIC FINANCE MANAGEMENT 2023-2026 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Pillar 1: Macroeconomic programming and Risk Monitoring | | | | | | | Status (Choose from drop down list: 1-completed 2-on track 3-partially on track 4-off track 5-not yet started) |
| Specific Objective (Component) 1.1: Prudent and realistic macro-economic programming | | | | | | | |
| | | | | | STAKEHOLDERS | | |
| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | |
| 1.1.1 | Prudent forecasting of macroeconomic indicators in line with independent and international forecasters | Continuously benchmark MoF's macroeconomic indicator projections with independent and international forecasters and disclose such comparison annually. This comparative analysis will be disseminated through the: "Macroeconomic and Fiscal Framework"; and the "Economic Reform Programme". | Q1 2023 | Q4 2026 | GDMFP (lead) | IMF | completed |
| | | Address vacancies for specialized staff and develop and implement specialized training of GDMFP staff. | Q4 2023 | Q4 2026 | | | on track |
| 1.1.2 | Prudent and realistic medium-term revenue forecasting in line with independent and international forecasters | Continuously benchmark and disclose the MoF's medium-term revenue forecast projections with independent and international forecasters. This comparative analysis will be disseminated through the: "Macroeconomic and Fiscal Framework"; and "Economic Reform Programme". | Q1 2025 | Q4 2026 | | | on track |
| 1.1.3 | Safeguard sound public finances through the permanent compliance with the Fiscal Rules | Guaranteeing strict compliance with legislatively mandated fiscal rules. This commitment underscores the dedication to abiding by established fiscal regulations, fostering a resilient fiscal framework and reinforcing the stability and accountability of public finances. | Q1 2023 | Q4 2026 | | | completed |
| | | Enhancing transparency and providing comprehensive explanations pertaining to the adherence to fiscal rules. This commitment will be fulfilled through the regular dissemination in the: "Macroeconomic and Fiscal Framework"; "Economic Reform Programme"; and the "Report on the Implementation of the Annual Budget, Macroeconomic and Fiscal Situation". | Q1 2023 | Q4 2026 | | | completed |
| Specific Objective (Component) 1.2: Establishing a comprehensive Debt Sustainability Analysis | | | | | | | |
| | | | | | STAKEHOLDERS | | |
| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | |
| 1.2.1 | Provide technical assistance for the DSA process. | Allocate resources (staff and technology) for the DSA process | Q4 2024 | Q4 2026 | MoF (GDMFP) | IMF, EU | on track |
| | | Develop and implement capacity development activities. | Q4 2024 | Q4 2026 | MoF (GDMFP) | IMF, EU | on track |
| 1.2.2 | Introduce the DSA framework as a macroeconomic programming tool. | Prepare the customised DSA framework. | Q1 2025 | Q4 2026 | GDMFP | | on track |
| | | Periodic preparation of an informative bulletin on the main macroeconomic developments in the country for investors | Q3 2024 | Q4 2026 | GDMFP | | completed |

| ACTION PLAN OF PUBLIC FINANCE MANAGEMENT 2023-2026 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Pillar 1: Macroeconomic programming and Risk Monitoring | | | | | | | **Status** (Choose from drop down list: 1-completed 2-on track 3-partially on track 4-off track 5-not yet started) |
| **Specific Objective (Component) 1.3: Fiscal Risk Management** | | | | | | | |
| | | | | | **STAKEHOLDERS** | | |
| **NO.** | **MEASURE** | **ACTIVITY** | **START** | **END** | **RESPONSIBLE ENTITY** | **PARTNERS** | |
| 1.3.1 | **Introduce Annual Fiscal Risk Statement and gradually expand the scope of fiscal risk monitoring and reporting** | Develop and implement capacity building of staff for fiscal risk management. | Q1 2024 | Q4 2026 | DFR | IMF | completed |
| | | Develop, pilot and publish each year the Annual Fiscal Risk Statement. | Q1 2023 | Q4 2025 | DFR | IMF | completed |
| | | Expand the scope of fiscal risks reported in the FRS by also including risks related to natural disasters and climate change. | Q2 2024 | >2026 | DFR | IMF | on track |
| 1.3.2 | **Strengthen the management of Fiscal Risk related to PPP and concession contracts** | Improve the methodology and regulations for assessing and monitoring of fiscal risks of all PPPs and concession contracts at national and subnational level. | Q2 2025 | Q2 2026 | DC | IMF | not yet started |
| 1.3.3 | **Strengthen the fiscal oversight of State Owned Enterprises** | Enhance the methodology and regulations for assessing, monitoring and oversight of (fiscal) risks related to State Owned Enterprises at national and subnational level. | Q1 2025 | Q4 2026 | DFR (lead), MoF | IMF | on track |
| 1.3.4 | **Further enhance management of arrears** | Consolidate and further improve methodology of monitoring and reporting on arrears. | Q1 2024 | Q4 2026 | WG of arrears, MoF | EU | not yet started |
| **Specific Objective (Component) 1.4: Fiscal Council** | | | | | | | |
| | | | | | **STAKEHOLDERS** | | |
| **NO.** | **MEASURE** | **ACTIVITY** | **START** | **END** | **RESPONSIBLE ENTITY** | **PARTNERS** | |
| 1.4.1 | **Establish the Fiscal Council** | Prepare an options paper presenting possible modalities for a Fiscal Council tailored to the Albanian context. Identify the preferred option and develop a costed plan for establishing and operating the Fiscal Council. | Q1 2024 | Q4 2024 | Fiscal Council Working Group (lead) | WB/Regional EU Trust Fund | partially on track |
| | | Prepare and implement the necessary changes to the relevant legislation including a sub-legal act for the operations of the Fiscal Council. | Q1 2025 | Q4 2026 | Fiscal Council Working Group (lead) | | on track |

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|---|---|---|---|---|---|---|---|
| **Pillar 2: Integrated strategic and budget planning, monitoring, and transparent reporting** | | | | | | | **Status**<br>(Choose from drop down list:<br>1-completed<br>2-on track<br>3-partially on track<br>4-off track<br>5-not yet started) |
| **Specific Objective (Component) 2.1 Integrated Strategic Planning** | | | | | | | |
| | | | | | **STAKEHOLDERS** | | |
| **NO.** | **MEASURE** | **ACTIVITY** | **START** | **END** | **RESPONSIBLE ENTITY** | **PARTNERS** | |
| 2.1.1 | **Enhance the IT-supported Integrated Planning System for formulating and monitoring strategies** | Review the effectiveness of the current Integrated Planning System and develop proposals for improvement. | Q1 2024 | Q4 2025 | SASPAC (lead)<br>MoF | Line Ministries, Foreign Aid Donors | Partially on track |
| | | Enhance laws, by-laws and guidelines for integrated planning where needed. | Q1 2024 | Q4 2025 | SASPAC (lead)<br>MoF | Line Ministries, Foreign Aid Donors | Partially on track |
| | | Upgrade the IPSIS including its interfaces with other relevant computer systems | Q1 2024 | Q4 2025 | SASPAC (lead)<br>MoF | Line Ministries, Foreign Aid Donors | Partially on track |
| | | Develop and implement a comprehensive capacity development plan for civil servants engaged in the integrated planning process. | Q1 2024 | Q4 2025 | SASPAC (lead)<br>MoF | Line Ministries, Foreign Aid Donors | Partially on track |
| | | Upgrade the EAMIS to adequately plan and manage projects implemented with external partners. | Q1 2024 | Q2 2026 | SASPAC (lead)<br>MoF | Line Ministries, Foreign Aid Donors | Partially on track |
| 2.1.2 | **Expand the mid-term review and ex-post evaluation of strategies and action plans** | Develop/update methodology/guideline for mid-term reviews and ex-post evaluations. | Q1 2024 | Q4 2026 | SASPAC (lead)<br>MoF | | Partially on track |
| **Specific Objective (Component) 2.2 Medium Term Budget Planning** | | | | | | | |
| | | | | | **STAKEHOLDERS** | | |
| **NO.** | **MEASURE** | **ACTIVITY** | **START** | **END** | **RESPONSIBLE ENTITY** | **PARTNERS** | |
| 2.2.1 | **Further improve methods, procedures and managerial accountability for MTBP formulation** | Strengthen the concept of managerial accountability in MTBP formulation; amend legislation and AFMIS system. | Q1 2024 | Q4 2026 | DAPB (lead) | SIGMA, EU | on track |
| | | Rollout the updated managerial accountability framework through pilots, awareness raising and training activities. | Q1 2024 | Q4 2026 | DAPB (lead) | SIGMA, EU | on track |
| | | Improve procedures for internal budget hearings between MoF and Budget Institutions; update the regulatory framework. | Q4 2024 | Q2 2025 | DAPB (lead) | SIGMA, EU | completed |
| | | Introduce and regularise as part of the MTBP procedures and budget documentation an overview of deviations between MTBP ceilings and budget ceilings as approved by parliament. | Q3 2024 | Q4 2025 | DAPB (lead) | SIGMA, EU | partially on track |
| 2.2.2 | **Enhance budget documentation and in particular the element of performance information** | Assist Budget Institutions with improving performance information in the budget through capacity development activities and quality assurance systems. | Q4 2024 | Q2 2025 | DAPB (lead), DMB | EU | completed |
| 2.2.3 | **Introduce spending reviews** | Develop a methodology for undertaking sector-specific expenditure reviews and adapt the relevant regulation. | Q3 2024 | Q2 2025 | DAPB (lead), DBM, DPIM, DFL | EU | on track |
| 2.2.4 | **Further develop and introduce gender-responsive budgeting and climate-responsive budgeting** | Review budget methodology to include ex ante and ex post gender analysis as a procedure to be undertaken by LM and BI in the process of proposing NPI | Q1 2025 | Q3 2025 | DAPB (lead) | UN Women, WB and GIZ | on track |
| | | Capacity building for LM and BI for conducting ex ante and ex post Gender Analysis. | Q4 2025 | Q4 2025 | DAPB (lead) | UN Women, WB and GIZ | completed |

| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | Status (Choose from drop down list: 1-completed 2-on track 3-partially on track 4-off track 5-not yet started) |
|---|---|---|---|---|---|---|---|
| **Pillar 2: Integrated strategic and budget planning, monitoring, and transparent reporting** | | | | | | | |
| **Specific Objective (Component) 2.3: Public Investment Management** | | | | | | | |
| | | | | | STAKEHOLDERS | | |
| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | |
| 2.3.1 | **Operationalise procedures for improved public investment management** | Upgrade PIM module of AFMIS to reflect changes in the new PIM procedures (Decision 887). | Q1 2023 | Q4 2024 | DPIM (lead), SASPAC, Budget Institutions | World Bank, IMF, EU | Partially on track |
| | | Develop and deliver training for the implementation of the PIM procedures (Decision 887). | Q1 2023 | Q4 2026 | DPIM (lead), SASPAC, Budget Institutions | World Bank, IMF, EU | on track |
| | | Monitor the implementation of the PIM procedures; review and update the decision for PIM procedures if needed. | Q4 2025 | Q4 2026 | DPIM (lead), SASPAC, Budget Institutions | World Bank, IMF, EU | completed |
| 2.3.2 | **Strengthen the Single Project Pipeline and enhance the gatekeeper role of MoF** | Develop and implement a plan to further improve the concept of the SPP and the gatekeeper role of MoF. | Q4 2024 | Q1 2025 | SASPAC (lead for SPP), DPIM (lead for gatekeeper role) | IMF, EU | completed |
| **Specific Objective (Component) 2.4 Local Finance** | | | | | | | |
| | | | | | STAKEHOLDERS | | |
| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | |
| 2.4.1 | **Improve the grant formula and calculation system for local government.** | Review and update the unconditional transfer formula, using the new data based on the population census. | Q4 2024 | Q4 2025 | DLF (lead) | SECO, Helvetas | completed |
| | | Develop and gradually implement an additional performance-based grant system based on measurable and verifiable indicators. | Q3 2024 | Q3 2026 | DLF (lead) | SECO, Helvetas | on track |
| | | Review and if necessary update the grant mechanism / formula in connection to the local government and decentralisation reforms. | Q1 2025 | Q4 2026 | DLF (lead) | SECO, Helvetas | partially on track |
| 2.4.2 | **Strengthen MTBP formulation and monitoring implementation in Municipalities.** | Review and improve the program description of the budget classifications customised to the specific service delivery arrangements of different categories of municipalities. | Q1 2024 | Q4 2026 | DLF (lead) | SECO | on track |
| | | Implementation of the new methodology for the design of the performance-based MTBP and monitoring of the MTBP implementation. | Q1 2024 | Q4 2026 | DLF (lead) | SECO | on track |
| | | The use of performance indicators in the Medium-Term Budget Program directly influencing the increase in the quality of monitoring the implementation of the local budget. | Q1 2024 | Q4 2026 | DLF (lead) | SECO | on track |
| | | Develop and implement capacity building activities for MTBP formulation, in-year budget execution reporting and annual budget execution reporting. | Q1 2024 | Q4 2026 | DLF (lead) | SECO | on track |
| 2.4.3 | **Develop and deploy the new Local Budget Management System (LBMS) for subnational budget preparation and monitoring** | Develop and test the new LBMS. | Q2 2024 | Q1 2025 | DLF (lead) | SECO | completed |
| | | Further plan AFMIS specification and development based on experience with the web-based MTBP software. | Q4 2024 | >2026 | DLF (lead) | SECO | partially on track |
| 2.4.4 | **Improve the level of financial resources from shared taxes** | Review, adopt and consolidate the methodology for Personal tax sharing with LGUs. | Q3 2024 | Q4 2026 | DLF (lead) | SECO | not yet started |

| Pillar 2: Integrated strategic and budget planning, monitoring, and transparent reporting | | | | | | | Status (Choose from drop down list: 1-completed 2-on track 3-partially on track 4-off track 5-not yet started) |
|---|---|---|---|---|---|---|---|
| Specific Objective (Component) 2.5 Budget Execution Monitoring and Reporting | | | | | | | |
| | | | | | STAKEHOLDERS | | |
| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | |
| 2.5.1 | **Improve budget execution monitoring and reporting and introduce Citizens Budget Execution report** | Review and update instruction for procedure and content/template of annual budget execution reports including the publishing of Citizens Budget Execution Report as part of Annual Budget Execution Report | Q1 2024 | Q4 2024 | DBM (lead), GDB, GDTreasury | EU | completed |
| | | Publish the periodic Citizens Budget Execution Report | Q2 2025 | Annually | DBM (lead), GDB, GDTreasury | EU | completed |
| 2.5.2 | **Improve monitoring and reporting on Public Investment Projects** | Adapt AFMIS to reflect changes related to the newly approved PIM procedures. | Q1 2024 | Q4 2024 | DPIM (lead), Budget Institutions | World Bank | partially on track |
| | | Plan and deliver training activities for monitoring and reporting on Public Investment Projects. | Q2 2024 | Q4 2026 | DPIM (lead), Budget Institutions | World Bank | on track |
| 2.5.3 | **Improve monitoring and reporting on PPP and concession contracts** | Update PPP legislation and relevant sub-legal acts to ensure adequate monitoring and reporting at contract and portfolio/program level. | Q4 2024 | Q4 2025 | DC (lead), ATRAKO, DPIM | IMF, EU | partially on track |
| | | Develop a dedicated information system for monitoring and reporting on PPPs and concession contracts and prepare for necessary interfaces with other systems. | Q4 2025 | Q4 2026 | DC (lead), ATRAKO, DPIM | IMF, EU | not yet started |
| | | Plan and deliver training activities for civil servants responsible for monitoring and reporting of PPP and concession contracts. | Q1 2025 | Q4 2026 | DC (lead), ATRAKO, DPIM | IMF, EU | not yet started |

| Pillar 3: Revenue mobilization and management | | | | | | | Status (Choose from drop down list: 1-completed 2-on track 3-partially on track 4-off track 5-not yet started) |
|---|---|---|---|---|---|---|---|
| Specific Objective (Component) 3.1 Tax management | | | | | | | |
| | | | | | STAKEHOLDERS | | |
| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | |
| 3.1.2 | **Enhance the institutional capacity to analyse and develop tax policies and to manage tax reforms** | Develop and implement capacity building for tax policy analysis and assessment. | Q1 2023 | Q4 2026 | GDTP (lead) | IMF | On track |
| 3.1.3 | **Develop and implement initiatives to reduce the VAT compliance gap** | Improve risk management approaches for sectors identified as high risk | Q1 2023 | Q4 2026 | GDTax (lead) | IMF | Completed |
| | | Use of Fiscalization system for maximizing VAT revenues. | Q1 2023 | Q4 2026 | GDTax (lead) | IMF | Completed |
| 3.1.5 | **Ensure taxation of any unjustified wealth inside and outside the country** | Assess cases of large unexplained wealth of individuals by providing legal competence to inspectors to issue tax assessments through indirect methods especially for individuals that do not participate in the Voluntary Declaration Program. | Q1 2023 | Q4 2026 | GDTax (lead) | IMF | Completed |
| 3.1.6 | **Improve service delivery to tax payers** | Design and implement a taxpayer service delivery strategy aiming to improve tax products | Q1 2023 | Q4 2026 | GDTax (lead) | IMF | on track |
| | | Improve the efficiency of the national call center with a structured escalation process to deal with enquiries of different complexities | Q1 2023 | Q4 2026 | GDTax (lead) | IMF | On track |
| | | Develop and implement capacity development programs for GDTax staffers (by tax academy, universities and other partners) | Q1 2023 | Q4 2026 | GDTax (lead) | IMF | on track |

| Pillar 3: Revenue mobilization and management | | | | | | | Status (Choose from drop down list: 1-completed 2-on track 3-partially on track 4-off track 5-not yet started) |
|---|---|---|---|---|---|---|---|
| Specific Objective (Component) 3.2 Property Tax Management | | | | | | | |
| | | | | | STAKEHOLDERS | | |
| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | |
| 3.2.1 | **Improve the fiscal cadastre and the property tax collection system** | Develop and adopt the legal framework (laws and by laws) for the fiscal cadastre and land and property tax and the sub-legal act for valuation of land and property. | Q1 2023 | Q4 2025 | MoF (lead) GDPT (lead) | Swedish International Development Cooperation Agency (SIDA), ProTax Albania Project, and Swedish Tax Agency (STA) | partially on track |
| | | Design the institutional framework for managing and administering building tax. | Q4 2024 | Q1 2026 | MoF (lead) GDPT (lead) | Swedish International Development Cooperation Agency (SIDA), ProTax Albania Project, and Swedish Tax Agency (STA) | on track |
| | | Finalise the fiscal cadastre information system and its interoperability with other systems and rollout to Municipalities. | Q1 2025 | Q4 2026 | MoF (lead) GDPT (lead) | Swedish International Development Cooperation Agency (SIDA), ProTax Albania Project, and Swedish Tax Agency (STA) | on track |
| | | Pilot, build capacity and institutionalise procedures for evaluating property and populating and maintaining property data in the FCIS. | Q1 2025 | > 2026 | MoF (lead) GDPT (lead) | Swedish International Development Cooperation Agency (SIDA), ProTax Albania Project, and Swedish Tax Agency (STA) | on track |
| | | Improve processes for property tax collection and increase awareness of tax payers. | Q1 2025 | > 2026 | MoF (lead) GDPT (lead) | Swedish International Development Cooperation Agency (SIDA), ProTax Albania Project, and Swedish Tax Agency (STA) | on track |

| Pillar 3: Revenue mobilization and management | | | | | | | Status (Choose from drop down list: 1-completed 2-on track 3-partially on track 4-off track 5-not yet started) |
|---|---|---|---|---|---|---|---|
| Specific Objective (Component) 3.3 Customs Management | | | | | | | |
| | | | | | STAKEHOLDERS | | |
| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | |
| 3.3.1 | **Modernise business and risk management processes of the Customs Administration** | Continue to develop a more professional and agile workforce through improving HR practices and delivering capacity development. | Q1 2023 | Q4 2026 | GDC HR Directorate (lead), GDC, GDC Coordinator | EU Delegation | on track |
| | | Continue to invest in IT systems for Integrated Tariff Management System (ITMS). | Q1 2023 | Q4 2024 | | EU Delegation | completed |
| 3.3.2 | **Develop integrity framework and fight against informality and corruption** | Develop and implement an integrity framework. | Q4 2023 | Q4 2026 | GDC Anticorruption Directorate (lead) | | on track |
| 3.3.3 | **Increase the number of Authorized Economic Operators** | Continue the information campaigns and audits of potential Authorized Economic Operators | Q1 2023 | Q4 2026 | GDC Directorate of Procedures (lead) | EU / Non EU Customs | on track |
| 3.3.4 | **Implement the National Single Window** | Develop the concept and institutional set-up of the National Single Window | Q1 2023 | Q4 2026 | GDC, GDC Coordinator | WB | partially on track |
| | | Review and amend legislation and regulations for the National Single Window. | Q1 2024 | Q4 2026 | GDC, GDC Coordinator | | partially on track |
| | | Develop and deploy the IT solution for the NSW. | Q1 2024 | Q4 2026 | GDC, GDC Coordinator | | partially on track |
| 3.3.5 | **Improve the utilization of the New Computerised Transit System (NCTS)** | Review and update the legal provisions for the NCTS. | Q1 2024 | Q4 2026 | GDC, GDC Coordinator | | On track |
| | | Further develop the NCTS IT environment. | Q1 2024 | Q4 2026 | GDC, GDC Coordinator | | On track |

| Pillar 4: Accounting and Budget Execution Management | | | | | | | Status (Choose from drop down list: 1-completed 2-on track 3-partially on track 4-off track 5-not yet started) |
|---|---|---|---|---|---|---|---|
| Specific Objective (Component) 4.1 National Government Accounts | | | | | | | |
| | | | | | STAKEHOLDERS | | |
| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | |
| 4.1.1 | **Further improve the GFS and EDP statistics with EU standards (ESA 2010)** | Investment in the construction of the information exchange system (web service) which will facilitate the exchange of data between MoF, INSTAT and the Bank of Albania. | Q1 2025 | Q4 2026 | INSTAT (lead), MoF-GDMP | Eurostat | not yet started |
| | | Report the data on cash and accrual basis from MoF in accordance with International Public Sector Accounting Standards (IPSAS). | Q1 2025 | > 2026 | INSTAT (lead), MoF-GDMP | Eurostat | partially on track |
| | | Collect and include the information on the PPPs and Concession contracts in GFS and EDP statistics. | Q1 2024 | Q4 2026 | INSTAT (lead), MoF-GDMP | Eurostat | on track |

| Specific Objective (Component) 4.2 Accounting | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | STAKEHOLDERS | | |
| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | |
| 4.2.1 | Increase access to and utilisation of AGFIS | Automate process of pre-commitment control of expenditure for budget institutions that do not have a direct connection with AGFIS hardware and software AGFIS upgrade. | Q3 2024 | Q4 2026 | GDTreasury (lead), DHFMCA | | on track |
| | | Secure interoperability with the fiscalization system to improve internal controls to prevent arrears. | Q3 2024 | Q4 2026 | GDTreasury (lead), DHFMCA | | on track |
| 4.2.2 | Develop the legal and regulatory framework for accounting reforms | Develop and enact a new public accounting law introducing the accounting reforms. | Q1 2024 | Q4 2026 | DHFMCA (lead), GDTreasury | World Bank, SECO | partially on track |
| | | Develop instructions / sub-legal acts covering all adopted IPSAS and develop for each sub-legal act the manuals. | Q1 2024 | Q4 2026 | DHFMCA (lead), GDTreasury | World Bank, SECO | partially on track |
| | | Assist the budgetary institutions in compiling opening balances and implementing the new accounting framework. | Q1 2025 | Q4 2026 | DHFMCA (lead), GDTreasury | World Bank, SECO | not yet started |
| 4.2.3 | Improve functionalities of AGFIS to absorb accounting reforms | Prepare functional requirements document and AGFIS improvement plan to absorb the planned accounting reforms. | Q3 2024 | Q4 2026 | GDTreasury (lead), DHFMCA | World Bank, SECO | on track |
| | | Develop test and deploy improved / additional functionalities necessary to ensure compliance with the new legislation. | Q1 2024 | Q4 2026 | GDTreasury (lead), DHFMCA | World Bank, SECO | on track |
| 4.2.4 | Prepare, deliver and institutionalise capacity development of accountants to absorb accounting reforms | Develop a comprehensive capacity development plan, including mechanisms for CPD and certification of public sector accountants | Q1 2024 | Q4 2026 | DHFMCA (lead), GDTreasury | World Bank, SECO | partially on track |
| | | Prepare and deliver training and on-the-job support to all public sector accountants as per plan. | Q1 2024 | Q4 2026 | DHFMCA (lead), GDTreasury | World Bank, SECO | partially on track |
| | | Reorganization of the treasury branches as well as the structure responsible for the public sector accounting methodology, based on the best international practices and supporting the implementation of accrual accounting. | Q3 2024 | Q4 2026 | DHFMCA (lead), GDTreasury | World Bank, SECO | partially on track |

| Specific Objective (Component) 4.3 Public Procurement | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | STAKEHOLDERS | | |
| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | |
| 4.3.2 | **Design and Implement green public procurement** | Review and amend the regulatory framework (if needed). | Q1 2023 | Q4 2026 | PPA (lead), MIE | World Bank | On track |
| 4.3.3 | **Enhance the efficiency of the complaint review system by increasing the speed of decision-making** | Update the E-complaint system. | Q1 2024 | Q4 2026 | PPC (lead) | University of Tirana, SIGMA, other International Partners | on track |
| 4.3.4 | **Improve the legal and institutional framework for concessions and public-private partnership** | Align the Law on Concessions and PPP with the Acquis Communautaire | 2024 | 2025 | Working Group ( MEI, ATRAKO, Directorate of Concession at MF) | SIGMA | completed |

| Specific Objective (Component) 4.4 Debt Management | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | STAKEHOLDERS | | |
| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | |
| 4.4.1 | **Strengthening of debt management reporting and Investor Relations** | Provide information to investor base on main macroeconomic developments in the country | Q3 2024 | Q4 2026 | GDSD GDMFP | World Bank | completed |
| | | Prepare and publish the annual DMS Monitoring Report. | Q1 2023 | Q1 2026 | | | **completed** |
| 4.4.2 | **Developing a comprehensive framework for provision of guarantees and on-lending** | Develop a comprehensive framework for credit risk assessment of SOEs and subnational governments when providing state guarantees or on-lending. | Q1 2025 | Q4 2026 | GDSD (lead) | World Bank | on track |
| | | Building capacities of GDD staff to evaluate the creditworthiness of the SOEs and Subnational governments. | Q1 2025 | Q4 2026 | GDSD (lead) | World Bank | on track |
| 4.4.3 | **Gradually start to develop the necessary assessment for the new alternative financing instruments ((Green, Social or Sustainability or other Instruments)** | Conduct an assessment of various green bonds and other alternative financing instruments and how they could be applied. | Q3 2024 | Q4 2025 | GDSD (lead), GDB, Line Ministries | World Bank, GIZ, AFD | partially on track |
| | | Building capacities of GDD, PIM and other staff to enhance the understanding of green financing and other alternative financing instruments and respective conditions and requirements. | Q3 2024 | Q4 2025 | GDSD (lead), DGMP, GDB, Line Ministries | World Bank, GIZ, AFD | partially on track |

| Specific Objective (Component) 4.5 Cash Management | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | STAKEHOLDERS | | |
| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | |
| 4.5.1 | **Improve cash forecasting process** | Revise the process of preparing and submission of treasury plans by Budget Institutions. | Q1 2024 | Q4 2026 | GDTreasury (lead), CMU | BI, GDTax, Customs IMF | on track |
| | | Establish Technical Committee and organise technical meetings on monthly basis with largest BI, Tax and Customs to get real time crucial information. | Q1 2024 | Q4 2024 | GDTreasury (lead), CMU | BI, GDTax, Customs IMF | completed |
| | | Use a new IMF developed "tool" in Microsoft Excel for preparation of forecasts and for data analysis. | Q1 2024 | Q4 2026 | GDTreasury (lead), CMU | BI, GDTax, Customs IMF | on track |
| 4.5.2 | **Introduce a comprehensive performance monitoring system for cash forecasting** | Measure and monitor the deviations from the updated monthly forecasts. | Q1 2024 | Q4 2025 | GDTreasury (lead) | IMF | completed |
| | | Set key performance indicators (KPIs) for daily and monthly forecasts and presenting them to the Cash and Debt Management Committee (CDMC). | Q1 2024 | Q4 2025 | GDTreasury (lead) | IMF | completed |
| 4.5.3 | **Enhance cash management instruments** | Improve cash buffer policy. | Q1 2024 | Q4 2025 | GDTreasury (lead) | BoA, IMF | completed |
| | | Raise the amount and timeline of idle cash deposit investment in BoA and introduce new investment instruments. | Q1 2024 | Q4 2025 | GDTreasury (lead) | BoA, IMF | completed |

| Specific Objective (Component) 4.6 Asset Management | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | STAKEHOLDERS | | |
| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | |
| 4.6.1 | Finalise reform on asset registration for accounting purposes | Review and amend the relevant methodology for asset management in accordance with IPSAS requirements. | Q1 2024 | >2026 | DHMCA (lead for IPSAS), GDTreasury (lead for AGFIS) | | partially on track |
| | | Continue and finalise migration / entry of asset data into AGFIS by online Budget Institutions and perform the necessary checks. | Q1 2024 | Q3 2026 | DHMCA (lead for IPSAS), GDTreasury (lead for AGFIS) | | on track |
| | | Public sector institutions carries out the inventory and evaluation of their assets. | Q1 2025 | Q4 2026 | DHMCA (lead for IPSAS), GDTreasury (lead for AGFIS) | | partially on track |
| | | Preparation of a consolidated asset register in central institutions, at the controlling unit level. | Q1 2025 | Q4 2026 | DHMCA (lead for IPSAS), GDTreasury (lead for AGFIS) | | partially on track |

| Pillar 5: Public Internal Financial Control | | | | | | | Status<br>(Choose from drop down list:<br>1-completed<br>2-on track<br>3-partially on track<br>4-off track<br>5-not yet started) |
|---|---|---|---|---|---|---|---|
| Specific Objective (Component) 5.1 Financial Management and Control | | | | | | | |
| | | | | | STAKEHOLDERS | | |
| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | |
| 5.1.1 | Enhance legal and regulatory framework for FMC | Review and update sub-legal acts and further improve the FMC manual. | Q4 2023 | Q4 2025 | DH/FMCA (lead) | EU, SIGMA, SECO | completed |
| 5.1.2 | Enhance Managerial Accountability in public institutions | Support 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. | Q1 2025 | Q4 2025 | DH/FMCA (lead) | EU, SIGMA, SECO | completed |
| | | Raise awareness about managerial accountability and disseminate experiences to senior management of public institutions through training and technical assistance during the IC quality assessment. | Q1 2024 | Q4 2025 | DH/FMCA (lead) | EU, SIGMA, SECO | completed |
| 5.1.3 | Strengthen Risk Management practices | Raise awareness and providing technical assistance on risk management on how to develop the tools for (strategic and operational) Risk Management. | Q1 2024 | Q4 2025 | DH/FMCA (lead) | EU, SIGMA, SECO | completed |
| 5.1.4 | Enhance FMC quality assessment and improvement in public institutions | Improve the level of implementation of FMC recommendations from the IC quality assessment procedure through the FMC development plan. | Q1 2024 | Q4 2026 | DH/FMCA (lead) | SIGMA, SECO | on track |

| NO. | MEASURE | ACTIVITY | START | END | STAKEHOLDERS: RESPONSIBLE ENTITY | STAKEHOLDERS: PARTNERS | |
|---|---|---|---|---|---|---|---|
| **Specific Objective (Component) 5.2 Internal Audit** | | | | | | | |
| 5.2.1 | **Continue oversight and expand support services to public institutions and internal audit teams** | Enhance the quality assurance management system, in order to ensure effective monitoring of internal audit work throughout public sector entities | Q2 2025 | Q4 2026 | DHIA (lead) | EU, SIGMA | on track |
| | | Capacitate Audit Committees through customized training activities. | Q1 2024 | Q4 2026 | DHIA (lead) | EU, SIGMA | on track |
| 5.2.2 | **Professionalise core internal audit practices through developing guidelines and delivering capacity building activities** | Development of the new IA Manual under the frame of recently Global internal Audit Standards, issued by IIA. | Q3 2024 | Q4 2025 | DHIA (lead) | EU, SIGMA | completed |
| | | Develop/update Training of Trainers Program on new internal Audit Manual and GIAS. | Q1 2023 | Q4 2026 | DHIA (lead) | EU, SIGMA | on track |
| | | Strengthen compliance audit practices: develop/update guidelines and deliver training to Internal Auditors on audit reporting, formulating audit opinion on internal control systems and presenting recommendations in the management letter. | Q1 2024 | Q4 2025 | DHIA (lead) | EU, SIGMA | completed |
| | | Develop guidelines and deliver training to Internal Auditors on risk-based audit approaches in connection to preventing, detecting or addressing irregularities, fraud and corruption. | Q1 2024 | Q4 2026 | DHIA (lead) | EU, SIGMA | on track |
| **Specific Objective (Component) 5.3 Public Financial Inspection and Anti-Fraud Coordination Services** | | | | | | | |
| **NO.** | **MEASURE** | **ACTIVITY** | **START** | **END** | **STAKEHOLDERS: RESPONSIBLE ENTITY** | **STAKEHOLDERS: PARTNERS** | |
| 5.3.1 | **Enhance collaboration with Internal Audit and ALSAI** | Implement MoU between the Financial Inspection, ALSAI and Internal audit. | Q1 2024 | Q4 2026 | DPFI (lead) | | on track |
| 5.3.2 | **Coordinate the drafting and monitoring of the National Anti-fraud Strategy for the protection of the EU financial interests** | Coordinate the drafting of the National Anti-fraud strategy for the protection of the EU financial interests. | Q4 2023 | Q4 2024 | DPFI (lead) | EU, SIGMA | completed |
| | | Monitor and report on the implementation of the National Anti-fraud strategy. | Q1 2025 | Q4 2026 | DPFI (lead) | EU, SIGMA | on track |
| **Specific Objective (Component) 5.4 Management of EU funds** | | | | | | | |
| **NO.** | **MEASURE** | **ACTIVITY** | **START** | **END** | **STAKEHOLDERS: RESPONSIBLE ENTITY** | **STAKEHOLDERS: PARTNERS** | |
| 5.4.2 | **Develop and implement regulations, procedures for IPA III management and enhance the capacities of IPA III structures** | Assess existing human resource capacities, and skill gaps, develop a human resource capacity development plan, plan targeted training programs aligned with IPA III goals and foster international peer learning through partnerships and collaborative initiatives. | Q1 2023 | Q4 2026 | NAO support office, CFCU, SASPAC | EUD | on track |
| 5.4.3 | **Enhance financial adjustment and/or Recovery procedures for EU Funds in line with national and IPA III legal requirements** | Undertake a comprehensive review of the national and IPA III legal base, evaluate existing financial adjustment and recovery procedures and identify weaknesses and areas for improvement in line with legal provisions IPA III. | Q1 2023 | Q4 2024 | CFCU (lead), NAO support office | EUD | partially on track |
| | | Develop and adopt a comprehensive guide detailing the sequential steps for financial adjustments and recovery. | Q1 2023 | Q4 2024 | CFCU (lead), NAO support office | EUD | partially on track |
| | | Develop Training modules for staff involved in executing the procedures. | Q1 2023 | Q4 2025 | CFCU (lead), NAO support office | EUD | on track |
| 5.4.4 | **Take stock 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** | Stocktaking of EU fund management modalities and systems based on examples from other EU member states. | Q1 2025 | Q4 2026 | SASPAC (lead) | EUD | NA |
| | | Implement a gap analysis and develop a action plan for (accelerated) preparation and implementation of fund management modalities and required adjustment of PFM systems. | Q1 2025 | Q4 2026 | SASPAC (lead) | EUD | NA |
| 5.4.5 | **Development of Simplified Cost Options (SCO)** | Defining rules for the development and implementation of simplified cost options, including legislation, standard SCOs for specific sectors, etc. | Q2 2024 | Q4 2025 | CFCU (lead), SASPAC, Managing Authorities for Operational Programs IPA III | | partially on track |

| Pillar 6: External Oversight | | | | | | | Status (Choose from drop down list: 1-completed 2-on track 3-partially on track 4-off track 5-not yet started) |
|---|---|---|---|---|---|---|---|
| **Specific Objective (Component) 6.1 External Audit** | | | | | | | |
| | | | | | STAKEHOLDERS | | |
| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | |
| 6.1.1 | Further improve legal, regulatory and agile methodological framework and expand utilisation of audit tools | Continue regular peer reviews of the functioning of the ALSAI and on the basis of this update and implement ALSAI's strategic development plan. | Q1 2024 | Q4 2026 | ALSAI (lead) | INTOSAI-IDI | on track |
| | | Define amendments in the ALSAI's Organic Law to further strengthen the independence and the constitutional mandate of ALSAI. | Q4 2023 | Q4 2024 | ALSAI (lead) | INTOSAI-IDI | off track |
| | | Develop/introduce IT applications for the use of Computer Aided Audit Techniques in some types of audits (compliance, financial and performance). | Q1 2024 | Q4 2026 | ALSAI (lead) | INTOSAI-IDI | on track |
| 6.1.2 | Professionalise reporting and communication in | Expand monitoring, reporting and communication on follow-up on audit recommendations by auditees. | Q1 2023 | Q4 2026 | ALSAI (lead) | | on track |
| **Specific Objective (Component) 6.2 Parliamentary Oversight** | | | | | | | |
| | | | | | STAKEHOLDERS | | |
| NO. | MEASURE | ACTIVITY | START | END | RESPONSIBLE ENTITY | PARTNERS | |
| 6.2.1 | Further professionalise the support structures of the Committee for Economy and Finance of the Parliament | Prepare and approve a development plan for the Committee for Economy and Finance of the Parliament and its support structure. | Q3 2024 | Q2 2025 | Committee for Economy and Finance of the Parliament | National Democratic Institute, Westminster Foundation, EUD | completed |
| | | Implement and monitor the development plan. | Q3 2025 | Q4 2026 | Committee for Economy and Finance of the Parliament | National Democratic Institute, Westminster Foundation, EUD | on track |