

WBG Perspective on Spending Reviews in Albania and WB6

May 2026

Albania Public Finance Review (PFR) 2025

- **Closest exercise to a Spending Review** - main chapter focuses on public expenditure trends, composition, and allocative/technical efficiency across health, education, social protection, infrastructure, and climate/DRM
- **Key focus areas:** expenditure pressures, rigidities, fiscal space constraints, public investment quality, prioritization, execution, and expenditure-related fiscal risks
- **Recurring flagship analytical report** — previous one was in 2014 and solely focused on expenditures
- **Deep dives** included on pensions and early childhood education
- **Other PFRs in region:** Serbia (2025), BiH (2026), North Macedonia (2024), Montenegro (under preparation), Kosovo (forthcoming)
- **Prepared in close consultation** with the Government of Albania, especially the Ministry of Finance and Economy, ensuring alignment with national policy priorities and reform directions

Albania Public Finance Review (PFR) 2025

PFR: high-level diagnostic/the big picture: it shows where money goes and where the pressures are.

PFR main recommendation: do regular spending reviews to find savings and better priorities inside sectors/programs.

Spending reviews: the “how” - they turn that big picture into a few practical, costed options you can put in the budget

Examples from PFR

Figure 3.2: Functional classification of public expenditure (% of Total) (2015–2024)*

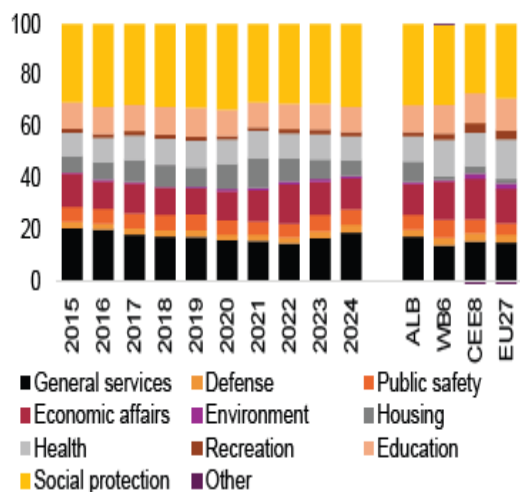


Figure 3.23: Potential gains: Quality of electricity supply¹⁰⁷

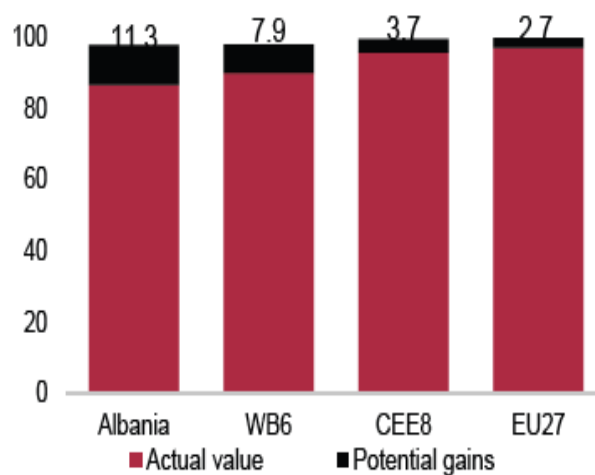
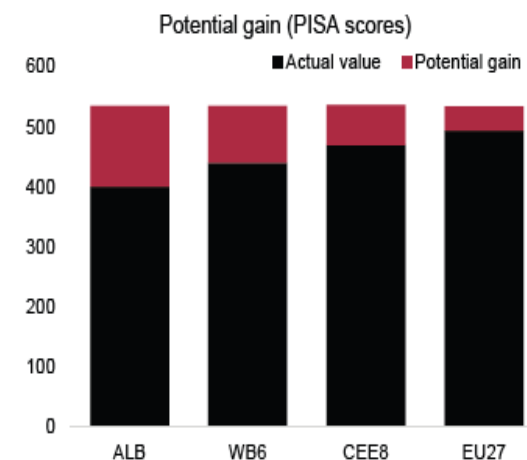


Figure 3.18: Potential efficiency gain (PISA Score)



Source: WB staff calculations based on output-oriented scores.

PFR Analytical Approaches & Deep Dives

Approaches

- **Benchmarking**
Comparing Albania's outcomes against peer countries (WB6, CEE8, EU27) at similar spending levels across health, education, infrastructure, and environment
- **Efficiency Frontier Analysis**
Measures the gap between Albania and best-performing countries — if Albania falls below the frontier, better results are achievable with the same spending
- **Data Envelopment Analysis (DEA)**
Non-parametric method comparing spending inputs vs. outputs across countries and sectors to identify where resources underperform
- **Stochastic Frontier Analysis (SFA)**
Estimates the efficiency frontier while accounting for statistical noise and random factors

Deep Dives

- Targeted analyses beyond headline numbers into specific sectors or programs
- Selection driven by: team expertise, policy relevance, and active reform momentum
- Pensions: Long-term fiscal sustainability pressures
- Early Childhood Education: High-impact, under-invested sector
- Prepared by specialized teams with sector expertise and ongoing engagement
- Deep dives turn the PFR's big-picture diagnostic into budget-ready recommendations

EU Trust Fund on Strengthening Fiscal Governance in WB6

Building on country-level work such as the Albania PFR, the WBG also supports spending review capacity across the region through the EU Trust Fund — developed in close partnership with national Ministries of Finance.

COMPONENT I: STRENGTHENING FISCAL RESPONSIBILITY FRAMEWORKS

- Pillar 1 - Strengthening fiscal rules and fiscal councils
- Pillar 2 – Strengthening macro-modeling and forecasting
- **Pillar 3 - Introducing spending review to inform fiscal policy**
 - **Montenegro:** the public sector wage system review and workshop to present experience of relevant countries
 - **Kosovo:** Workshop on spending reviews followed by analytical capacity building training
 - **North Macedonia:** WBG supported the development of an institutional framework to embed spending reviews in the regular budget process. Guidelines and template ToRs were delivered to the MoF in March 2025. The work also contributes to the EU Growth Plan reform action, which targets spending reviews covering 20% of central government expenditure.
 - Under this pillar, training on tax expenditures were conducted in several countries (as one form of spending review but from the revenue side)
 - Regional Conference on Spending Reviews (April 2024) in Vienna for representatives from MoFs and state audit offices
- Pillar 4 – Strengthening fiscal risk assessment

Lessons learned from regional experience

- **Methodology is rarely the bottleneck:** the risk is not “can we do the analysis?”, but “will decisions be taken and implemented?” (mandate, timing, ownership).
- **Hybrid set-up:** line ministries co-lead the analysis, while the Ministry of Finance tests assumptions and costing, checks feasibility (legal/operational), compares options consistently, and prevents cost-shifting.
- **Start small/targeted, then scale:** one well-scoped, data-ready pilot first; expand later to comprehensive or cross-cutting reviews (wages, procurement, IT) once templates and credibility are built.
- **Capacity + clear ownership:** a stable SR team/secretariat, agreed templates, and named owners for each option (who delivers what, by when).
- **Communication:** be transparent on scope and objectives (publish ToR) and communicate results as a short note (options + impacts)
- **From pilot to permanent:** align to the budget calendar, lock adopted measures into ceilings/baselines and instituting regular stock-takes to monitor implementation