

Keynote: From Baseline Inertia to Allocative Excellence — Securing Albania's EU Horizon

Ladies and gentlemen, distinguished colleagues,

It is a real pleasure to be back in Tirana. I come from the Netherlands — a country that is very good at designing methodologies. But we have learned, sometimes the hard way, that methodology alone does not save a single euro. What saves money — and creates fiscal space for priorities — is implementation.

0. What is it

Let me first briefly explain what a Spending Review is: **At its core, a Spending Review is a collaborative and systematic scrutiny of baseline expenditure, moving beyond passive, historical budgeting to identify "smart" changes that protect core priorities while contributing to the country's fiscal health.** Such reviews are driven by one or more objectives: managing the aggregate level of spending, reallocating resources toward evolving priorities, improving programme effectiveness, reducing waste through enhanced implementation efficiency, and strengthening the performance information within the Medium-Term Budget Framework.

The spending review process come across two critical dimensions—**robust design and disciplined implementation.** The design dimension ensures clear objective setting and the selection of high-impact topics based on objective fiscal data and strategic alignment. The implementation dimension demands analytical rigor, moving from comprehensive data collection to deep-dive assessments using methods such as Value for Money and Cost-Effectiveness analysis.

An annual Spending Review cycle is structured into six distinct phases: Design, Implementation, Decision-making, Monitoring of implementation, Publication, and a final Review stage to foster institutional learning and improvement. **The underlying business processes** are strategically aligned with the national budget calendar to ensure that evidence-based policy options and savings are directly integrated into the Medium-Term Budget Plan and annual expenditure ceilings.

The EU4GG project has supported the Ministry of Finance in preparing a draft methodology. Today I want to focus on one practical question: How do we move from a sound, EU-aligned - Spending Review methodology to concrete, implementable results — the “low-hanging fruit”?

I. The macroeconomic reality: the cost of inaction

This event takes place under the shadow of a challenging global economic environment. The most recent IMF World Economic Outlook projects global growth to slow to 3.1% in 2026, driven by geopolitical tensions, high public debt, and resurging inflation pressures. The outlook remains fragile with downside risks. In practice, that means debt-servicing costs are competing aggressively with vital public investments. Every Lek spent on inefficient legacy programmes — or lost to rising interest costs — is a Lek taken away from human capital, infrastructure, and the green transition.

For Albania, the case for Spending Reviews is strong, and it is urgent. It matters now because of continued fiscal consolidation; because of the need to improve value for money; and because Spending Reviews are increasingly part of EU-aligned Public Finance Management. **And Albania's mandate is clearly defined:** Albania has committed, as part of its PFM Sector Strategy aligned with European standards, to develop a Spending Review methodology, to pilot reviews in selected sectors, and to roll them out more broadly.

At the same time, international partners are very explicit: The OECD SIGMA assessment notes that Albania does not yet have an operational Spending Review system that systematically supports reallocation and efficiency

gains. And the IMF has repeatedly emphasised that regular spending reviews are a reliable mechanism to ensure that spending is closely aligned with evolving, rather than historical, priorities.

This combination — ambition with limited operational experience — is not a weakness. It is actually an opportunity. Because it is precisely in this situation that low-hanging fruit can be found.

Global meta-analyses underline the scale of the prize: a 34 percent efficiency gap in public spending across emerging markets. Closing that gap cannot be achieved simply through increased taxation or by borrowing more on international markets, especially under current monetary conditions. So the path to the EU Accession horizon — and specifically fulfilling the requirements of Cluster 1, “Fundamentals” — requires a profound shift.

A shift on examining both technical efficiency and allocative efficiency of the spending side of the budget.

Technical efficiency is doing things the right way: ensuring procedures are followed, procurement is compliant, and audits are clean. Allocative efficiency is doing the right things: ensuring the budget funds the future of the country rather than its past. **A Spending Review is designed exactly for that.** It is a collaborative process of developing and adopting policy options by analysing existing expenditure and linking these options directly to the budget process. It is a strategic reassessment — a tool to reclaim fiscal authority from baseline inertia.

Across Europe, many governments have introduced Spending Reviews. And they all face the same risk: **Very good analysis — and very little implementation. The draft methodology** deliberately tackles that risk. It draws on recent EU and international practice, but it is explicitly adapted to the Albanian context — including institutional capacity and data availability.

But even the best methodology will fail if it tries to answer too many questions; aims for perfect evaluation with overly sophisticated methods; or produces recommendations that cannot be implemented within the budget cycle.

Low-hanging fruit requires focus and discipline. And it requires political economy realism.

II. Mastering the political economy of reform

As seasoned PFM professionals recognise, public finance reforms are rarely unsuccessful because of a lack of macroeconomic data or technical expertise. They fail because of the political economy of the budget cycle. The natural inclination of any institution is to defend its baseline allocations — regardless of programme performance. Baseline spending becomes the default truth: last year’s programme becomes next year’s entitlement. And, over time, resources stay trapped in the past. **The Spending Review methodology does not ignore this inherent institutional friction. It proposes a structured, rules-based solution to overcome it.**

Line ministries are essential partners — not passive stakeholders

International experience — including recent EU-supported Spending Reviews — points to one lesson very clearly: Spending Reviews may fail not because the analysis is weak, but because line ministries are insufficiently involved. At the same time, roles must be clear.

- Spending Reviews are not decentralised policy evaluations.
- They are centrally steered instruments to support fiscal decision-making.
- So the challenge is not whether to involve line ministries. **The challenge is how.**

A clear and balanced division of roles

The methodology sets out a sensible governance model:

- Central authorities must define scope and objectives; frame the review questions; ensure alignment with the budget calendar; and decide how findings are reflected in budget decisions.
- Line ministries must suggest topics and contribute to analytical questions; provide programme, cost, and performance information; explain how spending works in practice; and help identify realistic options — including savings options.

This is about using everyone’s knowledge to make better decisions.

Line ministries are crucial for low-hanging fruit

Low-hanging fruit is rarely visible from the centre alone. Line ministries know which programmes are legacy arrangements; where overlaps exist; and which activities no longer reflect current priorities. If line ministries are asked only to defend their budgets, that is exactly what they will do. **But if they are asked: “Help us identify savings so that your core priorities can be protected,” then the conversation changes.**

International experience shows that many of the most implementable savings are identified by line ministries themselves — once incentives and expectations are clear. It is a practical observation that the people closest to delivery often know where duplication and waste sit.

How to involve line ministries without losing control - Four practical principles matter.

- **First: joint working groups, centrally led:** Reviews should combine central budget expertise and line-ministry policy knowledge, but coordination and leadership must remain at the centre.
- **Second: clear rules from the start:** Line ministries need clarity on data requirements, timelines, and how findings will be used.
- **Third: focus on options, not recommendations:** Line ministries should present policy-consistent options with quantified impacts. Decisions remain with political leadership.
- **Fourth: credible follow-through:** When line ministries see that review results genuinely influence budget decisions, cooperation improves over time.

And the methodology adds safeguards to prevent two common traps:

- **The first trap is “silo defence”** — where an institution effectively judges its own continued relevance. The methodology addresses this by requiring an independent chair for each Spending Review working group. Independence creates space for a more impartial discussion grounded in evidence.
- **The second trap is “minimum impact”** — where bold reform ideas are watered down to achieve consensus, resulting in recommendations that change almost nothing. Here the methodology introduces a non-veto principle: members cannot veto options simply because they are uncomfortable.

And each review must develop at least two distinct policy options — including at least one savings option — so that the process cannot settle for merely shaving the edges.

III. Addressing capacity concerns

A frequent concern in public administration reform I am reminded often is capacity. We are asking already-busy financial and policy officers to take on complex new analytical tasks. **If we overload the system, reform will not be sustainable.** That is why the methodology foresees a dedicated Spending Review Coordination Unit. This unit supports the Steering Group, consolidates institutional expertise, and acts as an analytical engine — doing the deep technical work, cross-matching data, and conducting analysis.

To address current concerns about capacity, in a piloting phase, we may use the “Shadow Unit” model. This “unit”—supported by EU4GG project experts can help test the methodology and handle the analytical heavy lifting. For example, data matching between AFMIS and AGFIS records and other sources such as census data. This allows line ministry staff to focus on strategic validation and the design of feasible options.

The principle is simple: separate the heavy analytical lifting from the people who must own the decisions. That is how you build institutional muscle without exhausting the administration.

IV. The evidence-based ‘laboratory’: the Spending Review pilot

To tackle the rigid core of the budget — highly sensitive areas such as the public wage bill, pensions, and energy subsidies — **institutional muscle must first be built.** Examining politically sensitive expenditures without a validated methodological framework increases the risk of failure. Therefore, an upcoming pilot may be treated as a strategic laboratory. **In the Netherlands, we say: you cannot mend a roof during a storm; you do it while the sun is shining. Albania is in a period of economic sunshine — now is the time to optimise the house.**

What low-hanging fruit really means

Low-hanging fruit does not mean across-the-board cuts, weakening public services, or politically explosive reforms. In Spending Reviews, it usually means: **technically simple, including using existing data; politically feasible; administratively implementable savings.**

International experience shows that early Spending Reviews almost never deliver radical reform. They deliver practical budgetary improvements. **The methodology provides a useful way to do this by creating a pilot track that decouples analytical work from the most intense moments of annual budget preparation.** This gives working groups time to do basic expenditure analysis properly, develop options, and finalise them after the annual budget law is approved — ready for integration into the subsequent medium-term budget plan.

Where does this “fruit” typically sit? Initial efforts will deliberately target the easiest efficiencies. Early initiatives often target the **“low-hanging fruit”—high-impact, highly feasible savings found in programme duplication and fragmentation, administrative overhead, shared services, and fragmented procurement. Sometimes it is as concrete as consolidating IT licences across ministries, centralising vehicle fleet maintenance, or reducing overlapping grant schemes. These are not glamorous reforms — but they are implementable, and they free resources for priorities.** One may also get inspired from your own analytical knowledge and assessments or from others, such as the World Bank Public Finance Review.

Think of it like an orchard. The ripest fruit hangs at eye level. You do not need complex ladders — or advanced techniques — to reach it. **But you do need timing.** Identifying these opportunities now is like picking **a ripe molla (apple) or sun-ripened pjeshkë (peaches).** It provides the immediate fiscal “sweetness” needed to fund other essential expenditure. Once this initial “fruit” is harvested and the working groups gain confidence, deeper structural anomalies can be addressed. If left unharvested past the optimal season, the fruit loses its nutritional value and cannot be served anymore for the Spending Efficiency Breakfast Table.

And there is another practical image. Sometimes the budget contains “ghost lines”: items that continue to be funded year after year even though the underlying activity has changed. Spending Reviews are the instrument that helps you find those ghost lines — and trade them for investments that match today’s needs.

Once this initial low-hanging fruit is harvested, working groups gain confidence. Then deeper anomalies can be addressed. And the most important thing happens: trust begins to build. Line ministries see that **spending efficiency is not synonymous with “less”, but with modernisation — a way to protect core priorities by removing waste.**

And the benefits spill over. The analytical rigour required for pilots — cost-effectiveness thinking, defining SMART objectives, and critically evaluating baseline assumptions — strengthens the standard PFM ecosystem.

It improves the quality of routine annual budget submissions. It changes the culture from “how much did we get last year?” to “what did we achieve, and at what cost?” By providing joint training to financial and policy staff to systematically scrutinise historical expenditure and ask performance-based questions, you elevate the capacity to prepare, evaluate, and negotiate routine annual budget submissions. In other words: **running Spending Reviews ahead of the medium-term budget plan upskills the entire budgeting apparatus.**

V. The equity multiplier: leveraging gender-responsive budgeting

When discussing allocative efficiency, we should also recognise that true optimisation is impossible if half of the demographic potential is structurally under-targeted. **Gender-Responsive Budgeting has evolved into a mechanism for smarter fiscal allocation.** It moves equity from passive monitoring to a dynamic tool for reallocation. And **Albania is exceptionally well prepared for this integration.** UN Women supported the embedding of gender markers within AFMIS, which means budget execution can now be tracked with greater precision. The GRB architecture provides execution data that can support the basic expenditure analysis.

Let me give one concrete example: UN Women analysis describes how reallocating baseline educational spending, using GRB principles, supported scholarships for girls entering non-traditional vocational fields. That targeted measure was associated with increased female enrolment in ICT programmes between 2020 and 2023.

VI. Institutional permanence and public trust

International experience also offers clear recommendations on two pillars that determine whether Spending Reviews become a one-off exercise or a durable reform.

First: transparency: Reform cannot happen in a black box. The methodology requires a dedicated public information space and argues for publishing approved Spending Review reports. That transparency communicates diagnostic findings, identified inefficiencies, and the resulting reallocation decisions — to citizens, civil society, and partners. Transparency is a currency of trust. **Sometimes it even transforms resistance into demand for reform.**

Second: statutory permanence: Clear definitions of roles, responsibilities, and procedural timelines should be embedded in primary legislation. A practical route would be to introduce provisions into the Organic Budget Law — the Law on the Management of the Budgetary System of the Republic of Albania. When anchored in law, Spending Reviews become a mandatory feature of the fiscal architecture, not a time-bound project. Hopefully, the upcoming review of the OBL, to be supported by the EU4GG project, will take this up.

VII. Conclusion: the decision to implement

There is a Dutch proverb: “*Vertrouwen komt niet uit plannen, maar uit uitvoering.*” **Trust comes from implementation, not from plans.** Dear colleagues, The methodology for Spending Reviews has been finalised, peer-reviewed, and aligned to the Albanian context. **The next step is for the Ministry of Finance to approve it.** Governance structures — from the Strategic Planning Committee to Working Groups and a coordination function — are defined. And the analytical foundations, strengthened by AFMIS and years of GRB execution tracking, are increasingly in place.

The blueprint for allocative excellence exists. The tools have been forged. So let us take the coming period to build Spending Review muscle via a pilot.

A practical time schedule can be:

- June to July: select the pilot area and run hands-on training on the methodology and basic analytical tools.
- August to November: the working group, incl. line ministry staff — supported by the EU4GG shadow capacity — collects data, runs the basic expenditure analysis, and develops options.
- January to February: bring options to the Strategic Planning Committee for decision-making, so preferred measures can be hard-wired into the next medium-term budget plan and, ultimately, into the next budget circular.

By harvesting the seasonal fruit at the right time and by actively identifying efficiency improvements hidden within the baseline while the data is fresh, we lower the risk allowing public resources to stay 'trapped' in the past. It is how you secure an efficiency dividend for modernisation — including a more equitable economic impact across all demographics.

Because in the end, Spending Reviews are not about cutting for the sake of cutting. They are about freeing resources so Albania can invest in what matters most — competitiveness, skills, resilience, and the European future. It will send a powerful message — to markets, to citizens, to the European Union, and to Development Partners.

Thank you very much. Faleminderit.