

Albania's Public Investment Execution Crisis

Why delays cost more than the investments themselves — and what to do about it

ALTAX Observatory | Tirana, May 2026 | AO-PP-26-003 | Based on ALTAX Research Report AO-RES-26-003

5–8%

Finish Rate (projects on time)

1 in 14 complete

2.25×

Over-programming

€16.6bn vs €7.4bn

0.8–1.4%

GDP Lost / Year

159–260 bn ALL 2020–2028

120–170

bn ALL

Savings if Reforms Implemented

By 2030 (CGE-lite)

The Problem

Albania invests 5–7% of GDP annually in public infrastructure — above the regional average. Yet this high spending does not translate into results. **92–95% of major public projects are not completed on time.** Average delays run 2.5–5 years. Cost overruns average 25–40%, reaching 60% in some urban and tourist projects. The consequence is an economy that pays for infrastructure but does not receive its full benefit.

Albania does not have a shortage of public investment. It has a systemic execution crisis that costs 0.8–1.4% of GDP every year — equivalent to losing the entire annual health budget.

Analysis of **350–400 projects** across four key sectors (Road, Water & Sewerage, Drainage & Irrigation, and Urban/Tourist Development through AADA) and the official Priority Policy Documents (PPD 2026–2028 and PPD 2027–2029) reveals three compounding failures:

- **Over-programming:** The PPD 2027–2029 investment portfolio (€14.83 bn) is 2.25 times greater than real fiscal execution capacity (€7.38 bn). Only 36% of planned project value is classified as "fully mature."
- **Institutional stagnation:** 73% of projects compared across the two consecutive PPDs show no status change — no progress from concept to execution.
- **Multiplier collapse:** The public investment fiscal multiplier has fallen from a theoretical 1.2–1.5 to below 1.0. Every lek invested today produces less than one lek in economic value.

Figure 1 | Key Inefficiency Indicators - ALTAX Observatory 2026

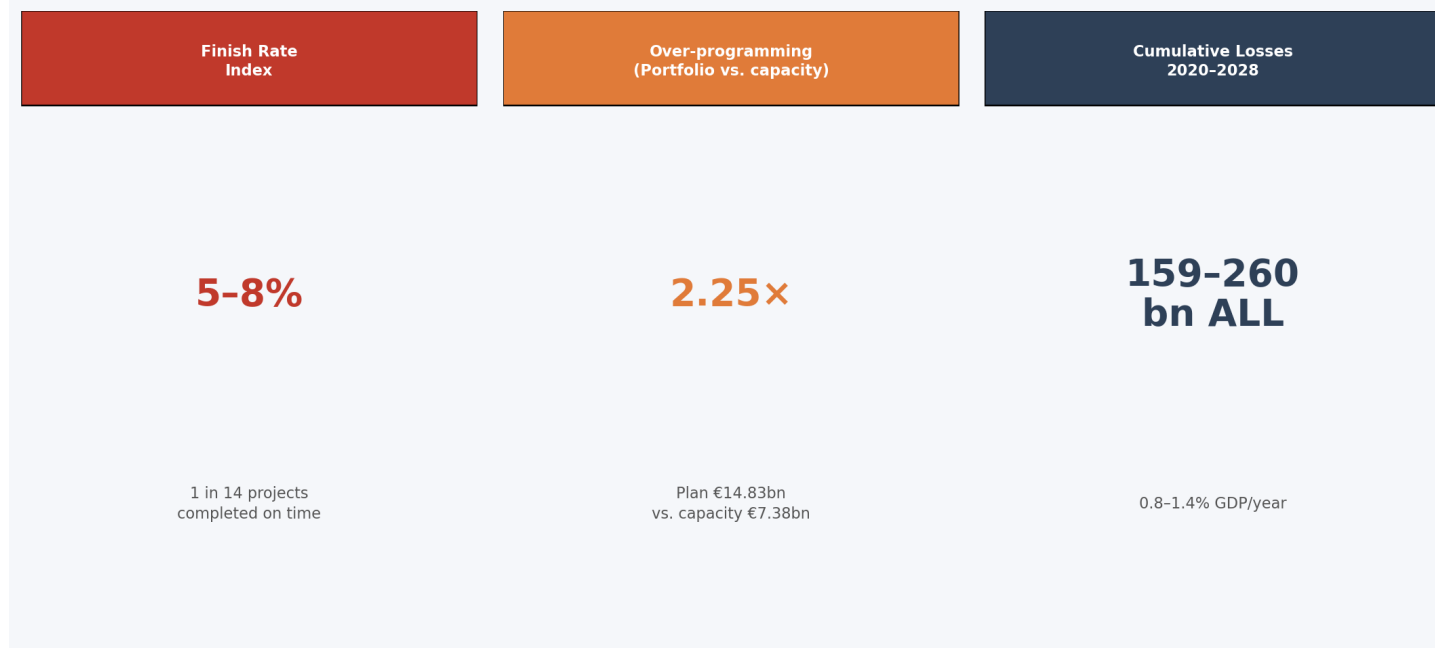


Figure 1. Key inefficiency indicators | Source: ALTAX Observatory 2026

How Delays Damage the Economy

Delays transmit damage through three interconnected channels:

Direct channel

- Higher logistics and transport costs (15–35%) from delayed roads.
- Agricultural output losses from delayed irrigation (10–20% in affected zones).
- Higher household costs from delayed water supply.
- Lost seasonal tourism revenue from unfinished coastal and mountain projects.

Indirect & Fiscal channels

- Productivity reduced by 1–1.5% for each 10% of travel time not saved.
- PPP concession payments (5–6 bn ALL/year) continue regardless of works progress.
- Budget deficit pressure and higher public debt from addenda and inflation.
- 13–36 bn ALL/year in lost VAT, profit tax and excise revenues.

The cumulative macroeconomic cost for **2020–2028 is estimated at 159–260 billion ALL** under the status quo — equivalent to 0.8–1.4% of GDP per year. Each additional year of delay increases this cumulative loss by a further 33–40%.

Figure 2 | Sectoral Risk Heatmap - ALTAX Observatory 2026



Figure 2. Sectoral risk heatmap | Source: ALTAX Observatory 2026

Sector Performance Snapshot

Sector	% Delayed	Avg. Delay	Cost Overrun	Finish Rate
Road	80%	2.2–3.8 yrs	25–40%	8–15%
Water & Sewerage	97–98%	3.2–4.8 yrs	20–35%	2–5%
Drainage & Irrigation	70–80%	1.2–2.7 yrs	15–35%	20–25%
AADA (Urban & Tourism)	92–95%	2.5–5.0 yrs	20–60%	18–35%
NATIONAL AVERAGE	92–95%	2.9–4.25 yrs	28–42%	5–8%

Source: ALTAX Observatory, based on PPD 2026–2028, PPD 2027–2029 and project-by-project files for 350–400 projects. | WB6 average Finish Rate: 17%.

What the Evidence Shows

Three reform scenarios modelled with a CGE-lite framework (calibrated on INSTAT I-O matrix 2020 and WB/IMF parameters) show a sharp divergence in outcomes by 2030:

	Scenario A Status Quo	Scenario B Moderate Reform	Scenario C Full Reform
Finish Rate 2030	8–12%	22–28%	35–42%
Avg. fiscal multiplier	0.70–0.85	0.95–1.10	1.20–1.35
Cumul. GDP loss 2025–2030	300–450 bn ALL	180–280 bn ALL	80–140 bn ALL

	Scenario A Status Quo	Scenario B Moderate Reform	Scenario C Full Reform
Extra public debt by 2030	+3.5–5.0 pp GDP	+1.5–2.5 pp	+0.3–0.8 pp
Reform cost (institutional)	—	€8–12 mn	€15–25 mn
Return on investment (5 yr)	—	1 : 12–18	1 : 20–35

Note: CGE-lite model is indicative. Parameter changes within sensitivity ranges affect results by ±15–25%. Full CGE model recommended as WB/IMF technical assistance priority 2026–2027.

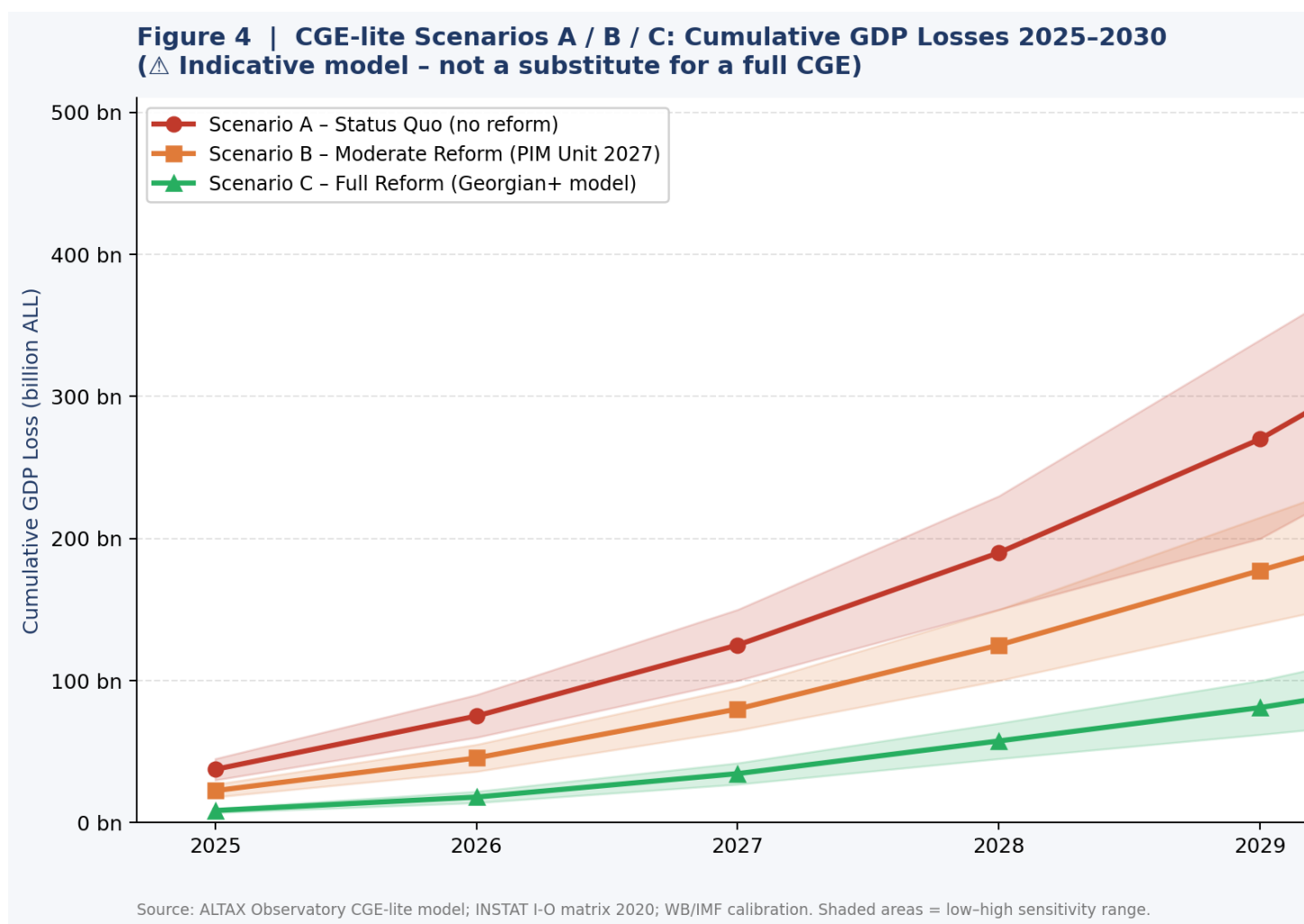


Figure 3. CGE-lite scenarios: cumulative GDP losses 2025–2030 | Source: ALTAX Observatory 2026

The Georgian Benchmark

Georgia in 2017 had over-programming of 2.1× and a Finish Rate of 12% — nearly identical to Albania today. After four years of PIM reform (mandatory gatekeeping unit, strict maturity filter, public pipeline updated quarterly), Georgia achieved: over-programming 2.1× → 1.2× | Finish Rate 12% → 31% | Cost overrun 35% → 19%. Albania can replicate this trajectory within 3–4 years.

Five Policy Recommendations

The following reforms constitute a sequenced, costed and benchmarked action package. Together they can raise the Finish Rate from 5–8% to 25–30% within three to four years and save 120–170 billion ALL by 2030.

R0

Digital Single Project Pipeline *Launch by Q1 2027*

Create an open, real-time platform (DREAM Ukraine / GovHub Georgia model) covering all projects >€2 mn. Integrated with AFMIS. Projects not listed as "fully mature" cannot enter the budget. Cost: €1.5–3 mn. Institutional ROI: 1:50+. This is also a prerequisite for IPA III and WB6 Growth Plan absorption.

R1

Independent PIM Unit within Ministry of Finance *Operational by Q3 2027*

12–15 expert unit (economists, engineers, lawyers) with statutory gatekeeping authority over all projects >€5 mn. Every project must pass maturity + CBA + fiscal risk assessment before budget approval. Cost: €1–2 mn/year. Proven model in Georgia (2018) and North Macedonia (2025).

R2

Statutory Fiscal Ceiling on PPD Portfolio *Law enacted by Q4 2026*

Amend Law No. 9936 to cap the PPD portfolio at ≤80–130% of mature real fiscal capacity. Ends the 2.25× over-programming that paralyzes execution. Requires Council of Ministers + Parliament approval. Target: over-programming reduced to ≤1.3× within 24 months.

R3

Performance Contracts + Mandatory CBA *Pilot Q2 2027 (5–10 projects)*

Contracts with real financial penalties (min. 0.5% of value per month of delay >90 days) for all projects >€5 mn. Independent Cost-Benefit Analysis required before works commence. Pilot Finish Rate target: >40% for participating projects. Model: Croatia JASPERS / Serbia.

R4

Annual Spending Review + Climate-PIMA *First review June 2028*

Annual review of all public investments by PIM Unit + application of WB/IMF Climate-PIMA methodology for projects >€10 mn. Publish quarterly Finish Rate, Delay Intensity, Cost Overrun and Fiscal Risk indices for every project >€2 mn. National Finish Rate target: 25% by 2030.

Implementation Calendar

Timeline	Key Action	Lead	Expected Outcome
2026 Q3–Q4	Fiscal ceiling law enacted; project database construction begins	MoF + Parliament	Legal foundation
2027 Q1	Public Dashboard launched (R0)	MoF + IT Directorate	100% transparency large projects
2027 Q2	Performance contract pilot started (5–10 projects)	PIM Unit + contracting authorities	Pilot Finish Rate >40%
2027 Q3	PIM Unit fully operational (R1)	Ministry of Finance	100% projects >€5 mn filtered

Timeline	Key Action	Lead	Expected Outcome
2028	First annual spending review + Climate-PIMA applied	MoF + PIM Unit	Finish Rate reaches 15–20%
2030	Full reform impact	All institutions	Finish Rate 25–30%; savings 120–170 bn ALL

The European Integration Dimension

These reforms are not only fiscal-technical measures. They are **explicit conditions for Albania's European integration path**:

- **Chapter 22** (Regional Policy & Structural Instruments): requires demonstrated PIM capacity before structural and cohesion funds can be accessed.
- **IPA III funds and WB6 Growth Plan** (€6 bn, 2024–2027): project management conditions require a Finish Rate above 25% and over-programming below 1.4x. Without reform, Albania risks failing to absorb the largest funding package ever offered to it.
- **Institutional convergence**: The PIM Unit (R1), fiscal ceiling (R2), public dashboard (R0) and performance contracts (R3) are comparable to EU standards required in JASPERS and DG-REGIO processes.

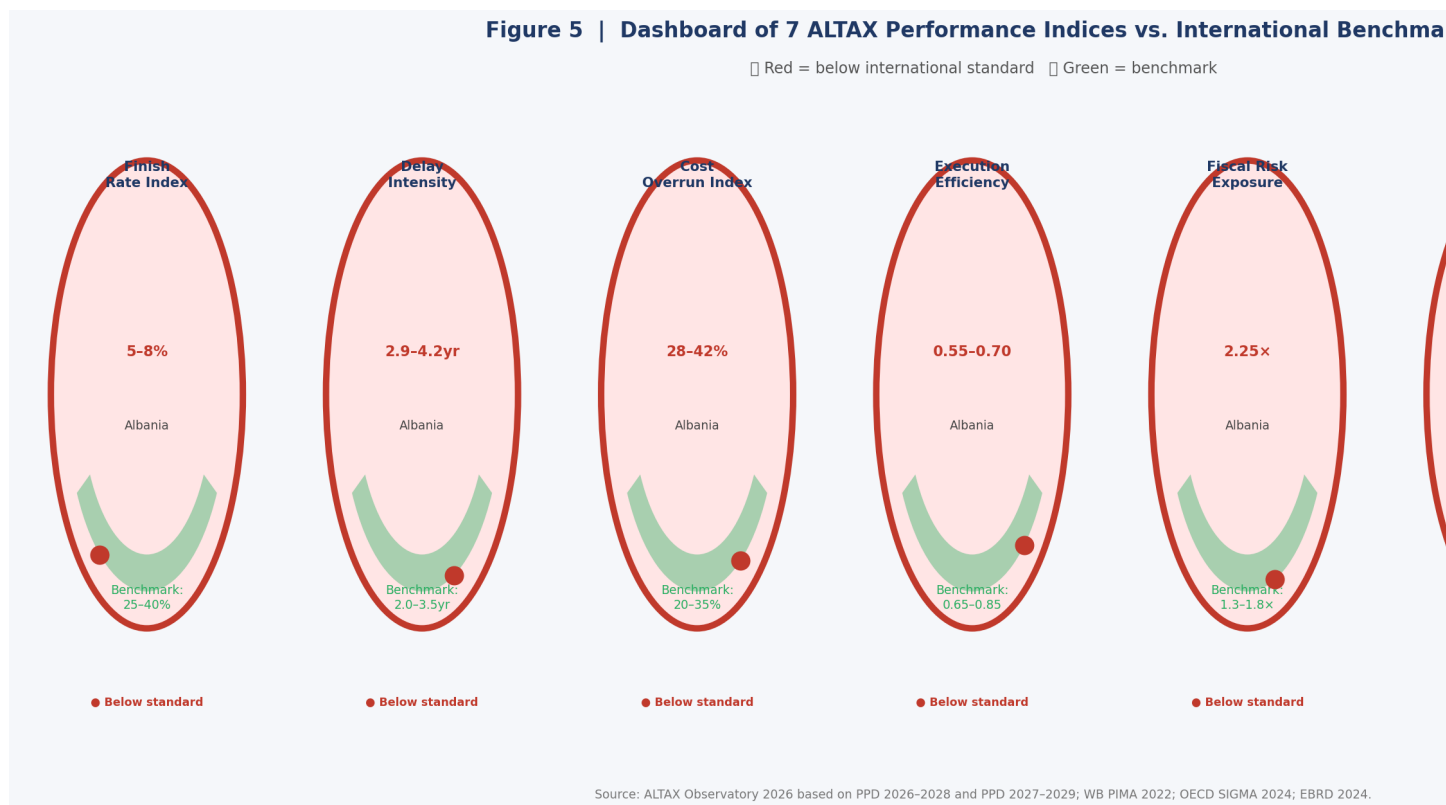


Figure 4. ALTAX performance index dashboard vs. international benchmarks | Source: ALTAX Observatory 2026

Conclusion

Albania's public investment challenge is not about the **quantity** of money spent — it is about the **quality of execution**. Every year of systemic delay costs more than a year of new investment

would gain. The reforms proposed here do not require new billions: they require political will to change the rules of the game.

From quantitative planning to qualitative planning. From project lists to implementable pipelines. From strategic optimism to institutional accountability. **The cost of doing nothing — 300–450 billion ALL in cumulative GDP losses by 2030 — dwarfs the €15–25 million needed to implement full reform.**

Institutional ROI: every €1 invested in PIM reform (PIM Unit + dashboard + pipeline) prevents €20–35 in GDP losses and unlocks access to €6 billion in EU and Growth Plan funds. Albania has a narrow window of opportunity. The time to act is 2026.

About ALTAX Observatory

ALTAX Observatory is the research platform of ALTAX – Center for Fiscal and Economic Research, an independent non-profit based in Tirana. It produces data-driven, impartial analysis of Albania's fiscal and economic policy. This policy paper is based on ALTAX Research Report AO-RES-26-003 (May 2026).

Contact & Download

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Full research report, data annexes and index methodology available at altax.al/data (Q3 2026).

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