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Financial crimes in public administration and the impact on the efficiency of budget expenditures: Legal-economic analysis

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Abstract

Financial crimes in public administration represent one of the most significant challenges to fiscal sustainability and the effective implementation of public policies. This study examines the relationship between criminal law and public finance, with particular emphasis on the impact of corruption, abuse of office, and financial fraud on the efficiency of public expenditure. Unlike traditional approaches that address these issues separately, this article adopts an integrated legal-economic perspective. The research methodology combines a comparative analysis of criminal and fiscal legal frameworks with the interpretation of data and reports from international organizations. The findings indicate that financial crimes not only increase public expenditures but also distort the allocation of financial resources, resulting in inefficient investments and a decline in the quality of public services. Furthermore, the study demonstrates that inadequate institutional coordination and weaknesses in oversight and control mechanisms create favorable conditions for misconduct and abuse. The article concludes by recommending reforms aimed at strengthening fiscal transparency, enhancing accountability, and aligning domestic criminal legislation with international standards and best practices.

Keywords: financial crimes, public administration, budget efficiency, corruption, public finances.

1. Introduction

Public administration constitutes the main pillar on which the functioning of the modern state is built. Through it, public policies are implemented, budget revenues and expenditures are administered, public services are guaranteed and conditions are created for the economic and social development of the country. The effectiveness

of public administration is not measured only by the ability to implement the law, but also by the way in which the state's financial resources are managed, respecting the principles of economy, efficiency and effectiveness (OECD, 2017). In the conditions of modern economies, the correct administration of public funds is considered one of the fundamental elements of good governance. The rational use of the public budget directly affects the quality of education, health, infrastructure, social protection and other public services. For this reason, any deviation from the legal administration of public finances constitutes not only a legal violation, but also a serious obstacle to the economic development of the country (Stiglitz, 2000). In recent decades, the phenomenon of financial crimes has become a global problem. Economic globalization, the digitalization of financial systems and the increase in the complexity of transactions have created new forms of economic crime, which also affect public administration. International organizations have shown that corruption and financial crimes cause losses of hundreds of billions of dollars each year, reducing the capacity of states to invest in strategic sectors and to guarantee sustainable development (United Nations, 2004). In Albania, the fight against corruption and financial crimes has taken on particular importance, especially in the context of the European integration process. Justice reforms, the strengthening of specialized institutions and the improvement of criminal legislation have aimed at creating a more efficient system for the prevention and punishment of criminal offenses that affect public finances. However, reports from national and international institutions show that the public administration continues to face problems related to corruption, conflict of interest, abuse of office and violations in public procurement procedures. These phenomena not only have criminal consequences for their perpetrators, but also create broad economic effects. The misuse of public funds leads to increased costs of public projects, reduced quality of investments, distortion of competition between economic operators and increased fiscal burden on citizens. As a result, the efficiency of budget expenditures is significantly reduced, while public policy objectives remain unrealized. In contemporary literature, the concept of budget expenditure efficiency is closely linked to the principle of "Value for Money", according to which any public fund should produce the maximum economic and social benefit for citizens. This principle is based on three main elements: economy, efficiency and effectiveness. When public funds are misappropriated or used for private interests, this principle loses its function, as public resources fail to achieve the purpose for which they were intended (OECD, 2011). From a legal perspective, financial crimes violate the public interest and the legal order of the state. They violate the constitutional principles of equality before the law, legality, accountability and good administration. At the same time, they create a climate of distrust towards public institutions, weakening the legitimacy of the administration and fostering a perception of impunity. From an economic perspective, the impact of financial crimes is multidimensional. In addition to the direct loss of public funds, they reduce private investment, hinder fair competition, increase transaction costs and negatively affect the business climate. This has long-term consequences for economic growth and the social well-being of

citizens.

In this context, the main purpose of this article is to analyze the relationship between financial crimes in public administration and the efficiency of budget expenditures through an integrated legal-economic approach. The study aims to:

- to analyze the concept and main forms of financial crimes in public administration;
- to review the Albanian legal framework and international standards in this field;
- to assess the economic impact of these works on the management of public finances;
- to highlight the role of institutions responsible for controlling and fighting corruption;
- to propose recommendations for strengthening transparency and efficiency in the administration of public funds.

The methodology used in this study is based on the legal analysis of Albanian legislation, the economic analysis of scientific literature and the comparative method with the standards of the European Union and international organizations. Also, reports of national and international institutions that address the phenomenon of corruption and financial crimes in the public sector have been taken into consideration.

2. The meaning and legal nature of financial crimes in public administration

The phenomenon of financial crimes has acquired a special importance in modern criminal law due to its direct impact on the national economy, the functioning of public institutions and the trust of citizens in the state. Unlike traditional forms of crime, financial crimes are characterized by the complexity of the mechanisms used, the high level of organization and the economic damage they cause to the public interest. In public administration, these criminal offenses pose an increased risk, as the perpetrators are often persons who exercise public functions and have a legal obligation to protect the interest of the state.

There is no single definition of the term “financial crime” in legal doctrine. However, most authors consider it to be any unlawful act or omission aimed at economic gain through the violation of the rules that protect the financial system, the public budget and state property. In this sense, financial crimes include a wide range of criminal offenses, such as corruption, fraud, embezzlement of public funds, laundering of the proceeds of crime and violations in public procurement procedures.

3. Financial crimes in public administration: understanding, classification and legal analysis

3.1. The concept of financial crimes in public administration

Financial crimes constitute a distinct category of economic crime that targets legal relationships associated with the administration of public assets, the state financial system, and the management of economic resources. Unlike conventional forms of

criminal activity, these offenses extend beyond the infringement of individual rights and interests, directly affecting the public interest, the effective functioning of public administration, and the economic development of a country (United Nations Office on Drugs and Crime [UNODC], 2020). In legal scholarship, the concept of financial crime lacks a universally accepted definition due to its dynamic nature and the continuous evolution of financial systems and mechanisms (Rider, 2015). Nevertheless, financial crimes are generally understood as unlawful acts or omissions committed with the intent of obtaining an unjust economic advantage through the misuse of public funds, fraud, corruption, or the manipulation of financial procedures (Organisation for Economic Co-operation and Development [OECD], 2017). When such offenses are committed by public officials, or with their involvement, they acquire particular significance because they undermine not only public finances but also public trust in governmental institutions (Transparency International, 2023). Consequently, contemporary legal doctrine identifies financial crimes in public administration as one of the most serious forms of economic criminality due to their extensive and multidimensional consequences (Rose-Ackerman & Palifka, 2016). From an economic perspective, the harm caused by financial crimes extends beyond the direct loss of misappropriated funds. Acts of corruption and the misuse of public resources generate substantial indirect costs, including increased administrative expenditures, reduced efficiency of public investments, distortion of market competition, and diminished investor confidence in public institutions (World Bank, 2020). These effects ultimately hinder sustainable economic growth and weaken the overall effectiveness of public governance (Mauro, 1995). In this context, financial crimes should not only be seen as violations of criminal law, but also as factors that negatively impact economic development and the quality of governance.

3.2. Characteristics of Financial Crimes in Public Administration

Financial crimes in public administration possess distinctive characteristics that differentiate them from other forms of criminal conduct. These characteristics stem from the nature of the legal interests protected, the status of the offenders, the economic motivations underlying the offenses, and the sophisticated mechanisms through which such crimes are committed (Rider, 2015).

3.2.1. Legal Object

The primary legal object of financial crimes in public administration is the protection of legal relations that ensure the proper administration of public finances, the legality of governmental activities, and the lawful management of state assets. In democratic societies, public funds constitute collective resources entrusted to public institutions for the benefit of citizens. Consequently, any unlawful interference with these resources represents not only a violation of legal norms but also an infringement upon the public interest (United Nations Office on Drugs and Crime [UNODC], 2020). The integrity of public financial management is fundamental to maintaining public trust and ensuring the effective delivery of public services. Therefore, criminal

law provides special protection against conduct that jeopardizes the transparency, accountability, and efficiency of public administration (Organisation for Economic Co-operation and Development [OECD], 2017).

3.2.2. Subject of the Criminal Offense

Financial crimes in public administration are most frequently committed by public officials or individuals exercising public authority. Due to their institutional position, these individuals have access to public resources and decision-making processes, creating opportunities for abuse of power and financial misconduct (Rose-Ackerman & Palifka, 2016).

However, criminal liability is not limited to public officials. In many cases, private-sector actors may also participate in financial crimes involving public administration. Such actors include company directors, economic operators participating in public procurement procedures, financial experts, accountants, consultants, and legal entities. The involvement of both public and private actors demonstrates the complex and often collaborative nature of financial criminality, which frequently operates through networks linking public institutions and private interests (Transparency International, 2023).

3.2.3. Economic Purpose

An essential characteristic of financial crimes is the pursuit of economic benefit. The offender's objective is typically to obtain an unlawful financial advantage through the misuse of public authority, public funds, or administrative procedures.

The expected benefit may take various forms, including direct monetary gain, acquisition of assets, tax advantages, preferential treatment in public contracts, or other economic privileges. In many instances, the benefit is not received directly by the public official but is transferred to relatives, associates, intermediary entities, or commercial companies established for that purpose (World Bank, 2020).

3.2.4. Complexity of Criminal Mechanisms

Financial crimes are generally characterized by sophisticated operational methods. Unlike conventional crimes, which often involve visible and immediate criminal acts, financial offenses are typically concealed within administrative documentation, accounting records, procurement procedures, and financial transactions (Levi & Reuter, 2006).

The use of apparently legitimate documentation and formal administrative procedures makes these offenses particularly difficult to identify and investigate. As a result, the detection of financial crimes frequently requires specialized auditing techniques, forensic accounting expertise, and interinstitutional cooperation among law enforcement agencies and financial oversight bodies (UNODC, 2020).

3.3. Classification of Financial Crimes in Public Administration

In legal theory and economic practice, financial crimes may be classified according to

the legal interests they violate and the methods through which they are committed. The most significant categories include corruption, abuse of office, misappropriation of public funds, financial fraud, and money laundering.

3.3.1. Corruption

Corruption is widely regarded as the most prevalent form of financial crime within public administration. It generally refers to the abuse of entrusted public power for private benefit (Transparency International, 2023).

Corruption may manifest in several forms, including bribery, solicitation of undue advantages, favoritism toward economic operators, unlawful influence over public decision-making, and conflicts of interest. Such practices undermine the principles of fairness, transparency, and accountability that should govern public administration. From an economic perspective, corruption distorts the allocation of public resources by directing funds toward projects and activities that serve private interests rather than genuine public needs. Rose-Ackerman and Palifka (2016) describe corruption as an “informal tax” that increases transaction costs, discourages investment, and reduces administrative efficiency. Empirical studies further indicate that corruption negatively affects economic growth, public investment quality, and institutional performance (Mauro, 1995).

3.3.2. Abuse of Office

Abuse of office represents one of the most significant criminal offenses committed within public administration. This offense occurs when a public official intentionally acts or fails to act in violation of legal obligations, causing harm to public interests or the rights of individuals (OECD, 2017).

The offense generally consists of three essential elements: the existence of a legal duty, the violation of that duty, and the occurrence of harmful consequences resulting from such conduct. Abuse of office undermines the rule of law and weakens public confidence in governmental institutions.

From an economic standpoint, the financial damage caused by abuse of office often exceeds the direct benefit obtained by the offender. Such misconduct can delay public projects, reduce the quality of public services, distort administrative decision-making, and increase public expenditures (World Bank, 2020).

3.3.3. Misappropriation of Public Funds

Misappropriation of public funds is among the most serious forms of financial crime affecting public administration. This offense occurs when an individual entrusted with managing public resources unlawfully uses or transfers those resources for personal benefit or unauthorized purposes (UNODC, 2020).

Common methods of misappropriation include the use of fictitious invoices, unauthorized payments, simulated contracts, non-existent projects, and the manipulation of financial documentation. These schemes are particularly dangerous because they often rely on apparently lawful administrative procedures, making

detection through routine audits more difficult.

The economic consequences of such conduct extend beyond direct financial losses, as they reduce the availability of resources for essential public services and undermine public trust in governmental institutions (World Bank, 2020).

3.3.4. Financial Fraud

Financial fraud involves the intentional presentation of false or misleading information to obtain public funds or evade financial obligations. It may be carried out through false declarations, document falsification, manipulation of accounting records, or concealment of relevant information (Levi & Reuter, 2006).

Within public administration, financial fraud frequently occurs in relation to public procurement, subsidy programs, development projects, and internationally funded initiatives. Such conduct compromises the integrity of financial management systems and may result in substantial financial losses for public institutions.

3.3.5. Laundering of Criminal Proceeds

A significant proportion of illicit funds generated through corruption and other financial crimes are subsequently integrated into the legal economy through money laundering activities. Money laundering refers to the process of concealing the illegal origin of criminal proceeds in order to present them as legitimate assets (Financial Action Task Force [FATF], 2023).

The laundering process typically consists of three stages: placement, layering, and integration. During placement, illicit funds are introduced into the financial system. Layering involves a series of complex transactions designed to obscure the source of the funds, while integration allows the funds to re-enter the economy as apparently legitimate assets.

In the context of public administration, money laundering is frequently associated with public procurement contracts, real estate investments, shell companies, and cross-border financial transactions. These activities enable offenders to conceal the proceeds of corruption and other financial crimes while further undermining the integrity of public institutions and financial systems (FATF, 2023).

3.4. Legal Analysis Under Albanian Legislation

Albanian legislation has established a relatively comprehensive legal framework for the protection of public finances and the prevention of financial crimes within public administration. This framework combines criminal, administrative, and financial regulations aimed at ensuring the lawful management of public resources, promoting transparency, and strengthening accountability in public institutions (Council of Europe, 2022).

The principal legal basis for the protection of public finances consists of:

- The *Criminal Code of the Republic of Albania*, which criminalizes offenses against state activity, public administration, and public finances;
- The *Code of Criminal Procedure*, which regulates the investigation, prosecution, and

adjudication of criminal offenses;

- Law No. 9936/2008, *On Budget System Management*;
- Law No. 162/2020, *On Public Procurement*;
- Law No. 154/2014, *On the Organization and Functioning of the Supreme State Audit Office*;
- Law No. 60/2016, *On Whistleblowing and Whistleblower Protection*;
- Law No. 9917/2008, *On the Prevention of Money Laundering and Financing of Terrorism*.

These legal instruments collectively establish mechanisms for financial control, public accountability, transparency, and criminal liability. Their primary objective is to protect state resources from misuse, corruption, fraud, and other forms of financial misconduct that may undermine the effective functioning of public administration (United Nations Office on Drugs and Crime [UNODC], 2020).

The Criminal Code of the Republic of Albania contains several criminal offenses that directly protect public finances and the integrity of public administration. Among the most significant offenses are:

- Abuse of office;
- Active corruption of public officials;
- Passive corruption of public officials;
- Exercising unlawful influence over public officials;
- Violation of equality in public tenders and auctions;
- Forgery and falsification of official documents;
- Laundering of the proceeds of crime.

These criminal provisions are designed not only to punish offenders but also to prevent conduct that may damage the financial interests of the state. In particular, corruption and abuse-of-office offenses serve an important preventive function by discouraging public officials from misusing their authority for personal gain (Rose-Ackerman & Palifka, 2016). Furthermore, the criminalization of violations related to public procurement reflects the importance of safeguarding public expenditure processes. Public procurement constitutes a significant portion of government spending and is widely recognized as one of the sectors most vulnerable to corruption and financial fraud (Organisation for Economic Co-operation and Development [OECD], 2016). Consequently, Albanian legislation seeks to guarantee fairness, transparency, and equal treatment in procurement procedures through both administrative and criminal law mechanisms. The offense of money laundering also plays a crucial role in protecting public finances. Financial crimes committed within public administration often generate illicit proceeds that offenders attempt to conceal through complex financial transactions. By criminalizing the laundering of criminal proceeds, Albanian legislation aims to deprive offenders of the economic benefits derived from unlawful conduct and facilitate the recovery of illicit assets (Financial Action Task Force [FATF], 2023). Despite the existence of a robust legal framework, the effective protection of public finances depends largely on the practical implementation and enforcement of these provisions. Successful prevention and prosecution of financial crimes require

close cooperation among prosecution authorities, courts, audit institutions, anti-corruption bodies, financial intelligence units, and public administration entities. Effective interinstitutional coordination is essential for detecting complex financial schemes, conducting thorough investigations, and ensuring accountability for offenses affecting public resources (European Commission, 2024). Therefore, while Albanian legislation provides an adequate legal basis for combating financial crimes, continuous efforts are required to strengthen institutional capacity, improve enforcement mechanisms, and align domestic practices with international anti-corruption and financial integrity standards.

4. The impact of financial crimes on the efficiency of budget expenditure: An economic analysis

4.1. Budget Expenditure Efficiency and Public Financial Management

In public economics, one of the fundamental objectives of financial management is the rational, transparent, and efficient use of public resources. The state budget is not merely a financial document that records government revenues and expenditures; rather, it represents the principal instrument through which governments implement economic, social, and developmental policies. Through budgetary decisions, public authorities allocate resources among competing priorities, finance public services, and pursue broader goals such as economic growth, social inclusion, poverty reduction, and infrastructure development (Stiglitz & Rosengard, 2015). The quality of budget management is therefore a crucial indicator of governmental effectiveness and institutional performance. Efficient budget expenditure contributes to sustainable economic development, enhances citizens' trust in public institutions, and improves the delivery of public services. Conversely, weaknesses in financial governance may lead to resource wastage, fiscal imbalances, and reduced public welfare (World Bank, 2020). In economic literature, the concept of budget expenditure efficiency refers to the ability of public institutions to achieve predetermined objectives while utilizing financial resources in the most economical and productive manner possible. Efficiency is not limited to reducing public spending; rather, it concerns maximizing the value generated from each unit of public expenditure and ensuring that public resources produce the greatest possible social and economic benefits (OECD, 2023).

According to public financial management theory, efficiency is commonly assessed through the framework of the three "E"s:

- Economy, which refers to acquiring resources at the lowest possible cost while maintaining the required quality standards;
- Efficiency, which measures the relationship between resources utilized and outputs produced;
- Effectiveness, which evaluates the extent to which public policies and programs achieve their intended objectives and outcomes (INTOSAI, 2019).

These principles constitute the foundation of the internationally recognized concept of Value for Money (VfM). Under this approach, every monetary unit spent from

public funds should generate the maximum possible benefit for society. Modern public financial management systems increasingly emphasize performance-based budgeting and results-oriented governance in order to ensure that public expenditures contribute effectively to economic and social development (OECD, 2023). However, the achievement of these objectives becomes significantly more difficult when public administration is affected by financial crimes. Corruption, fraud, embezzlement, abuse of office, and money laundering undermine the principles of economy, efficiency, and effectiveness by diverting resources away from their intended purposes and reducing the overall productivity of public spending (Rose-Ackerman & Palifka, 2016).

4.2. Financial Crimes as a Source of Budgetary Inefficiency

Financial crimes impose substantial direct and indirect costs on public finances. Direct costs include the immediate loss of public funds through embezzlement, fraudulent procurement contracts, bribery schemes, and other unlawful activities. Indirect costs are often even more significant because they affect the overall functioning of public institutions and economic systems (World Bank, 2020). From an economic perspective, financial crimes create a phenomenon known as allocative inefficiency, whereby public resources are directed toward projects or expenditures that do not correspond to societal priorities. Instead of funding investments with the highest social returns, governments may allocate resources according to the interests of corrupt officials, politically connected businesses, or criminal networks (Tanzi, 1998). For example, a public infrastructure project may be selected not because it addresses genuine developmental needs but because it provides opportunities for kickbacks and illicit payments. As a result, public funds are invested in projects with limited economic value, while critical sectors such as education, healthcare, and social protection remain underfunded (Mauro, 1998). Economic studies consistently demonstrate that countries with higher levels of corruption tend to experience lower public investment efficiency, slower economic growth, and poorer public service delivery (Mauro, 1995). Consequently, financial crimes should not be viewed merely as legal violations but as significant obstacles to sustainable economic development.

4.3. Corruption and Distortion of Public Expenditure Priorities

Corruption is widely recognized as one of the principal causes of budgetary inefficiency. It affects public expenditure at every stage of the budget cycle, including planning, allocation, implementation, monitoring, and evaluation (OECD, 2017). Corrupt practices distort governmental priorities by encouraging investments in sectors where opportunities for illicit enrichment are greatest. Large-scale infrastructure projects, defense procurement, energy investments, and public construction contracts are particularly vulnerable because they involve substantial financial resources and complex technical specifications (Transparency International, 2023).

According to Mauro (1998), corruption often shifts public expenditure away from sectors with high social returns, such as education and healthcare, toward capital-intensive projects that provide greater opportunities for rent-seeking behavior. This

distortion results in lower overall welfare and reduces the effectiveness of public policy interventions. Furthermore, corruption increases transaction costs throughout the economy. Businesses may be required to pay bribes to obtain permits, participate in procurement procedures, or secure government contracts. These additional costs are ultimately transferred to consumers and taxpayers, reducing economic efficiency and discouraging investment (Rose-Ackerman & Palifka, 2016).

4.4. Public Procurement Fraud and Economic Losses

Public procurement represents one of the areas most exposed to financial crimes. Since procurement expenditures often account for a substantial share of government budgets, irregularities in this sector can have severe fiscal consequences. Procurement fraud may take various forms, including bid-rigging, collusion among contractors, contract manipulation, false invoicing, overpricing, and delivery of substandard goods or services (OECD, 2016). These practices increase project costs while simultaneously reducing the quality of outcomes. From an economic perspective, procurement fraud undermines market competition. Instead of rewarding the most efficient suppliers, contracts may be awarded based on political influence or corrupt arrangements. This reduces incentives for innovation, increases costs, and lowers the quality of public investments (World Bank, 2020). Empirical research suggests that corruption-related procurement irregularities can increase project costs by 20% to 30% or more, depending on the sector and institutional environment (OECD, 2016). Such losses represent a significant burden on public finances and reduce the government's capacity to fund essential services.

4.5. Long-Term Economic Consequences of Financial Crimes

The consequences of financial crimes extend far beyond immediate fiscal losses. Persistent corruption and financial misconduct weaken institutions, reduce public trust, and undermine the legitimacy of government actions. One of the most significant long-term effects is the deterioration of investor confidence. Domestic and foreign investors are less likely to invest in countries where corruption is widespread and legal enforcement is weak. This leads to reduced capital inflows, lower productivity growth, and fewer employment opportunities (World Bank, 2020). Financial crimes also contribute to social inequality. Resources intended for public services are diverted for private gain, disproportionately affecting vulnerable populations who depend most heavily on government programs. Reduced funding for education, healthcare, and social protection exacerbates socioeconomic disparities and limits opportunities for human development (United Nations Development Programme [UNDP], 2022). Moreover, widespread corruption can create a vicious cycle in which institutional weakness facilitates further criminal activity. As public trust declines, compliance with tax obligations decreases, governance becomes less effective, and the state's capacity to deliver services is weakened (Tanzi, 1998).

4.6. Economic Benefits of Preventing Financial Crimes

Preventing financial crimes generates substantial economic benefits. Strong anti-corruption frameworks, transparent procurement systems, effective auditing mechanisms, and independent oversight institutions contribute to improved budgetary performance and more efficient allocation of public resources (INTOSAI, 2019). Research conducted by international organizations indicates that countries with robust governance systems achieve higher levels of public investment efficiency and better development outcomes. Effective financial controls reduce resource leakage, improve service delivery, and strengthen fiscal sustainability (World Bank, 2020). Furthermore, the recovery of assets derived from corruption and financial crimes can provide additional resources for public investment and social programs. Asset recovery initiatives have increasingly become a key component of international anti-corruption strategies because they restore public resources and enhance accountability (UNODC, 2020). Therefore, combating financial crimes should be viewed not only as a legal or ethical obligation but also as an essential economic strategy for improving public sector performance, promoting sustainable development, and maximizing the social value of public expenditure.

5. Institutional mechanisms in the fight against financial crimes and implementation challenges in Albania

5.1. The Importance of Institutional Mechanisms in Protecting Public Finances

The fight against financial crimes cannot rely solely on the existence of a comprehensive legal framework. International experience demonstrates that the effectiveness of anti-corruption and financial crime legislation depends largely on the capacity, independence, and effectiveness of the institutions responsible for preventing, detecting, investigating, and prosecuting such offenses (United Nations Office on Drugs and Crime [UNODC], 2020). In the absence of strong institutional mechanisms, even the most sophisticated legal provisions may produce limited practical results. In modern democratic states, the protection of public finances is achieved through an integrated system of financial governance and accountability. This system typically includes internal controls, internal and external audits, parliamentary oversight, independent regulatory authorities, anti-corruption agencies, criminal prosecution bodies, and public transparency mechanisms (Organisation for Economic Co-operation and Development [OECD], 2017). These mechanisms operate in a complementary manner and collectively seek to ensure that public resources are managed lawfully, efficiently, and in accordance with the public interest. Effective institutions contribute not only to the prevention of financial crimes but also to the promotion of public trust, fiscal discipline, and sustainable economic development (World Bank, 2020). In Albania, the judicial reform process initiated in 2016 and the country's European Union integration agenda have significantly transformed the institutional framework for combating corruption and financial crimes. However, the effectiveness of these reforms depends not only on the formal legal powers granted to institutions but also

on their operational independence, professional expertise, financial resources, and capacity for interinstitutional cooperation (European Commission, 2024).

5.2. The Role of the Supreme State Audit in Protecting Public Finances

The Supreme State Audit Institution of Albania (ALSAI) is the highest external public audit authority in the country. Its constitutional mission is to audit the management and use of public funds and to ensure compliance with the principles of legality, economy, efficiency, and effectiveness in public administration (INTOSAI, 2019). The activities of ALSAI extend beyond the identification of procedural irregularities. Modern public-sector auditing increasingly focuses on performance audits, which evaluate whether public programs and expenditures achieve their intended objectives and deliver value for money. Consequently, ALSAI plays a significant role in assessing the economic impact of public spending decisions and identifying cases of waste, inefficiency, and misuse of public resources (OECD, 2023). The findings of ALSAI audits have frequently served as the basis for administrative sanctions, disciplinary measures, and criminal investigations. By identifying irregularities in procurement procedures, budget execution, and financial management practices, the institution contributes directly to the detection of financial crimes and corruption risks. Despite its importance, one of the principal weaknesses of the Albanian audit system concerns the implementation of audit recommendations. Although public institutions are generally expected to address identified deficiencies, audit recommendations are not always fully implemented. This reduces the overall effectiveness of external oversight and limits the preventive impact of auditing activities (European Commission, 2024).

5.3. The Role of SPAK and the National Bureau of Investigation in Combating Financial Crimes

One of the most significant achievements of Albania's judicial reform has been the establishment of the Special Structure Against Corruption and Organized Crime (SPAK) and the National Bureau of Investigation (NBI). These institutions were created to investigate and prosecute high-level corruption, organized crime, and serious financial offenses involving public officials and significant public resources (Council of Europe, 2022). SPAK represents a specialized prosecution authority with jurisdiction over complex corruption and financial crime cases. Its establishment reflects international best practices, which emphasize specialization as a key factor in the effective prosecution of sophisticated economic crimes (UNODC, 2020).

Several factors contribute to the strategic importance of SPAK:

- Specialized prosecutors and investigators;
- Advanced investigative and surveillance techniques;
- Enhanced cooperation with international law enforcement agencies;
- Focus on high-level corruption and organized criminal networks;
- Greater institutional independence from political influence.

From an economic perspective, the effective investigation and prosecution of corruption create a deterrent effect. According to the economic theory of crime,

individuals are less likely to engage in illegal conduct when the probability of detection and punishment increases (Becker, 1968). Consequently, successful anti-corruption prosecutions contribute to reducing incentives for financial misconduct, improving investor confidence, and strengthening public trust in institutions. However, criminal prosecution alone cannot eliminate financial crimes. International experience demonstrates that sustainable success requires a balance between punitive measures and preventive mechanisms that reduce opportunities for corruption and fraud before they occur (Rose-Ackerman & Palifka, 2016).

5.4. The Role of HIDAACI and the Prevention of Conflicts of Interest

A fundamental component of financial crime prevention is the monitoring of public officials' assets and the management of conflicts of interest. In Albania, this responsibility is entrusted to the High Inspectorate for the Declaration and Audit of Assets and Conflicts of Interest (HIDAACI). The institution administers the system of asset declarations, verifies the legality of declared wealth, monitors conflicts of interest, and investigates potential cases of illicit enrichment. Such mechanisms are widely recognized as essential tools for promoting transparency and accountability in public administration (OECD, 2017).

The periodic declaration and verification of assets serve several important objectives:

- Increasing transparency in public service;
- Preventing illicit enrichment;
- Detecting potential conflicts of interest;
- Enhancing institutional integrity and accountability;
- Strengthening public confidence in government institutions.

From an economic perspective, effective asset-control mechanisms reduce the likelihood that public authority will be used for private financial gain. This contributes to more efficient public resource allocation and decreases opportunities for corruption-related losses (World Bank, 2020). Nevertheless, asset declaration systems are most effective when supported by comprehensive verification procedures, digital databases, information-sharing mechanisms, and meaningful sanctions for non-compliance (Transparency International, 2023).

5.5. Public Procurement as the Sector Most Exposed to Financial Crimes

International research consistently identifies public procurement as one of the sectors most vulnerable to corruption and financial crime. Procurement processes involve substantial financial resources and intensive interaction between public officials and private economic operators, creating opportunities for collusion, bribery, favoritism, and fraud (OECD, 2016).

In Albania, public procurement is regulated by Law No. 162/2020 "On Public Procurement," which is founded upon the principles of:

- Competition;
- Equal treatment;
- Transparency;

- Non-discrimination;
- Proportionality.

These principles are intended to ensure that public contracts are awarded fairly and efficiently while maximizing value for public expenditures. Despite the existence of this legal framework, several forms of procurement-related abuse continue to pose significant challenges, including:

- Tailoring eligibility criteria to favor specific operators;
- Artificial restriction of competition;
- Unjustified use of negotiated procedures without competition;
- Overpricing of goods and services;
- Unlawful contract modifications during implementation;
- Bid-rigging and collusion among competitors.

Such practices directly affect the efficiency of public spending because they increase project costs, reduce competition, and compromise the quality of public investments. Research conducted by the OECD (2016) indicates that procurement corruption can substantially inflate project costs while reducing the overall value generated by public expenditures. As a result, strengthening procurement oversight remains one of the most important priorities for protecting public finances and enhancing fiscal sustainability.

5.6. International Standards and the European Integration Process

The fight against corruption and financial crime constitutes one of the key requirements of Albania's European Union accession process. Consequently, Albania has undertaken extensive legislative and institutional reforms to align its legal framework with European and international standards. Among the most important international instruments influencing Albanian anti-corruption policy are:

- The United Nations Convention against Corruption (UNCAC);
- The Council of Europe Criminal Law Convention on Corruption;
- OECD recommendations on public integrity and anti-corruption governance;
- The monitoring mechanisms of the Group of States against Corruption (GRECO).

These instruments emphasize transparency, accountability, institutional independence, effective law enforcement, and preventive anti-corruption policies (United Nations, 2004). European Commission progress reports have acknowledged Albania's progress in strengthening anti-corruption institutions, particularly SPAK and the NBI. However, they have also highlighted the need for more consistent results in the investigation, prosecution, and final adjudication of high-level corruption cases, as well as stronger implementation of preventive integrity measures (European Commission, 2024).

5.7. Current Challenges in the Fight Against Financial Crimes

Despite significant reforms, Albania continues to face several structural and operational challenges in combating financial crimes.

Among the most important challenges are:

- Limited institutional capacity in certain oversight bodies;
- Insufficient interinstitutional coordination;
- Bureaucratic fragmentation and overlapping competencies;
- Underreporting of corruption and financial misconduct;
- Weaknesses in internal control systems;
- Limited use of digital technologies and risk-based monitoring tools;
- Difficulties in asset recovery and financial investigations.

Another significant challenge concerns the development of a culture of integrity within public administration. International experience demonstrates that legal sanctions alone are insufficient to prevent corruption. Effective anti-corruption strategies must also promote ethical leadership, professional standards, transparency, and accountability throughout public institutions (OECD, 2017). Furthermore, technological innovation has become increasingly important in financial crime prevention. Digital procurement systems, electronic asset declarations, data analytics, artificial intelligence, and integrated financial management systems can significantly improve the detection of irregularities and reduce opportunities for corruption (World Bank, 2020).

Ultimately, the sustainability of anti-corruption efforts depends on the creation of institutions capable not only of punishing wrongdoing but also of preventing it through strong governance, transparency, and effective oversight mechanisms.

6. Conclusion

The legal-economic analysis of financial crimes in public administration demonstrates that this phenomenon constitutes one of the most significant challenges to the rule of law, sustainable economic development, and the effective management of public finances. Financial crimes extend beyond the mere violation of criminal and administrative norms; they directly undermine the state's capacity to perform its constitutional functions, implement public policies, and deliver high-quality public services to citizens (United Nations Office on Drugs and Crime [UNODC], 2020). The findings of this study indicate that the consequences of financial crimes are multidimensional. From a legal perspective, such offenses violate the fundamental principles of legality, transparency, accountability, integrity, and equality before the law. They weaken institutional credibility and erode public confidence in governmental authorities. From an economic perspective, financial crimes result in the misallocation of public resources, increased transaction and investment costs, reduced efficiency of budget expenditures, and diminished economic growth potential (Rose-Ackerman & Palifka, 2016; World Bank, 2020). The analysis further confirms the existence of a strong relationship between corruption and the efficiency of public financial management. Empirical studies suggest that higher levels of corruption are associated with lower levels of public sector performance, reduced effectiveness of government expenditure, and weaker institutional capacity to achieve public policy objectives (Mauro, 1995, 1998). When public funds are diverted for private benefit, governments are less able to allocate resources according to

societal needs and development priorities. As a result, public investments often fail to generate their intended economic and social returns. At the institutional level, Albania has undertaken significant reforms aimed at strengthening the prevention, detection, and prosecution of financial crimes. Judicial reform, the establishment of the Special Structure Against Corruption and Organized Crime (SPAK) and the National Bureau of Investigation (NBI), the strengthening of the Supreme State Audit Institution, and improvements in legislation governing public procurement, anti-money laundering measures, and conflict-of-interest regulation represent important achievements in the country's efforts to enhance public sector integrity (European Commission, 2024; Council of Europe, 2022). Nevertheless, the study identifies several persistent challenges. These include difficulties in the effective implementation of legal provisions, limited institutional capacities, insufficient interinstitutional coordination, weaknesses in internal control mechanisms, and the continued need to strengthen professional expertise within oversight and law-enforcement institutions. Furthermore, the development of a culture of integrity, ethics, and accountability within public administration remains a critical prerequisite for the long-term success of anti-corruption policies (Organisation for Economic Co-operation and Development [OECD], 2017). From an economic standpoint, the inefficient use of public resources produces consequences that extend far beyond immediate financial losses. Misappropriated or wasted public funds represent lost opportunities for investment in infrastructure, education, healthcare, social protection, environmental protection, and other strategic sectors that contribute to economic growth and social welfare. Consequently, financial crimes impose substantial opportunity costs on society and hinder the achievement of sustainable development objectives (Stiglitz & Rosengard, 2015). Another important conclusion emerging from this study is that combating financial crimes should not depend exclusively on criminal prosecution and punitive measures. While effective investigation and punishment remain essential components of any anti-corruption strategy, international experience demonstrates that the most successful approaches combine enforcement mechanisms with preventive policies, transparent governance practices, independent auditing systems, effective internal controls, public participation, and the use of modern digital technologies for monitoring public expenditure and detecting irregularities (OECD, 2023; World Bank, 2020). In conclusion, the legal-economic analysis confirms that the protection of public finances is not solely a legal obligation but also an economic, social, and political necessity. Ensuring the integrity of public financial management is fundamental to strengthening democratic governance, promoting economic development, enhancing public trust, and advancing Albania's European integration objectives. Therefore, continued efforts to improve institutional effectiveness, reinforce accountability mechanisms, and cultivate a culture of transparency and integrity should remain central priorities of public policy and legal reform.

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