

## **The role of pandemic in public investments**

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## ABSTRACT

Introduction: The pandemic we went through was one of the most powerful blows that the Albanian state received, but also the world. Funding for public institutions has declined because the focus was on the health sector.

The main purpose of this study is to identify the effect of the pandemic on the education sector in relation to its funding. The main objectives that we managed to achieve through this study are:

- Identify pre-pandemic funding in the public sector
- Analyze the role of the pandemic in the budget of the educational institution.
- Compare budget before and after the pandemic.

Methodology: This study is a case study, so as a public institution was included the educational institutions. The data were obtained in the municipality of Pogradec, Albania the economy sector. The methodological assessment was performed with Microsoft Exel and graphs.

Results: In my study I managed to conclude that the figure invested in the education sector has dropped by 15%. The value of ALL invested in educational centers in 2019 reached the value of ALL 13 million, where most of this ALL belongs to the salaries of employees. While for 2020 the value of ALL invested in educational centers reaches the figure of ALL 20 million lek, where again most of the ALL invested goes to salaries. This decrease in support funds is due to the pandemic of Covid-19 because most of the money went to salaries and assistance provided by the municipality to the population

Conclusion: Scientific research on this topic is limited, so it is suggested that more research be done by field officials and various authors.

Keywords: budget, educational institution, pandemic, decline

### 1.1. Introduction

Public Internal Financial Control (PIFC) is the entirety of the internal control system exercised by public entities, to ensure that the financial management and control of public entities is in accordance with the relevant legislation, budget requirements, and principles of financial management with transparency, effectiveness, efficiency and economy. Public internal financial control includes all activities, in order to control the revenues, expenditures, assets and liabilities of public entities. It also includes central harmonization and coordination of financial management and control, as well as internal audit.

"Public funds" are all funds, including funds of the European Union and other donors, which are collected, collected, held, distributed, and spent by public entities and which consist of revenues, expenditures, loans and grants to public entities.

"Internal control" is the integral process of the system of financial management and control, as well as internal audit, set by the head of the public entity, within its governing objectives, to help carry out the activities of the public entity, with economy, effectiveness, and efficiency

Financial management and control is a system of policies, procedures, activities and controls, through which financial resources are planned, managed and controlled, to enable and influence the

efficient and effective delivery of public services. This system is established, maintained, and regularly updated by the head of the public entity and implemented by all staff, in order to address the risks and provide sufficient assurance that the objectives of the public entity will be achieved through:

1. effective, efficient, and economical activities.
2. compliance with legislation and internal acts and contracts.
3. reliable and complete operational and financial information.
4. protection of information and assets.

Government activities nowadays have increased greatly. The growth of government functions and activities comes as a result of the complex nature of modern society. For the government, to live up to its responsibility, care must be taken in managing the scarce resources available to achieve these desirable goals. In addition to maintaining law and order, peace and stability, the government is also involved in providing social services such as providing good roads, transportation, drinking water, power and energy, and so on. All of these services need money. It is also the duty of the government to generate revenue to achieve its goals and objectives - creating social welfare and harmony in society.

Finances are a critical resource in the production chain and therefore should be used carefully to achieve results. In this premise, financial control and accountability in the public sector become essential. This research seeks to uncover the reasons for poor performance by government in relation to financial control and accountability in the public sector. Government agencies or the public sector are very heterogeneous in nature and thus the nature of financial control is completely different from that of the private sector in many ways.

### **1.2. Methodology**

This study is a case study, which analyzes the sources of income and expenditures of a public

entity in the municipality of Pogradec. The whole study focuses on the analysis of sources of income and services only in one public sector, however more work is needed to collect revenue according to the plan made in the budget as this means more investment, more quality services for residents of the Municipality of Pogradec, Albania.

### **1.3. Participants and intervention**

Data were obtained from the budget plan of the municipality of Pogradec. This data includes the sources of income that are taxes collected. Most of the expenses for this period have been the expenses for electricity payments, cleaning expenses, expenses Telecom, postal services, expenses for water, expenses for salaries and social security, but also Court decisions, liquidation of arrears as in investments, water, materials services etc. The budget plan was studied in the educational center estimating the expenditures from the income of the municipality.

### **1.4. Measurements**

The measurements were realized by measuring the value of expenditures in lek for a period of 4 months in 2019 and 2020. At first they estimated the monetary value collected from taxes and estimated the amount of lek spent in a public institution that is an educational center.

### **1.5. Search strategy**

We searched the databases in order to identify as much published literature as possible to construct the theoretical part. In addition, most of the data are taken from the budget data of the municipality of Pogradec. These data show us the monetary value that is invested and earned in a public investment.

### **The tables**

The municipality of Pogradec collected taxes that come from building taxes and taxes from businesses are more in the amount of money that is collected in the municipal budget. Then in the second place the amount of money collected from the fines, which again pass to the municipal budget. The municipality of Pogradec has access to all these

taxes. In the table there are three columns, in the first column is estimated about 99 million new lekë that are claimed to be collected in the municipal budget, but in the second column is calculated the total real taxes that have been collected and we see

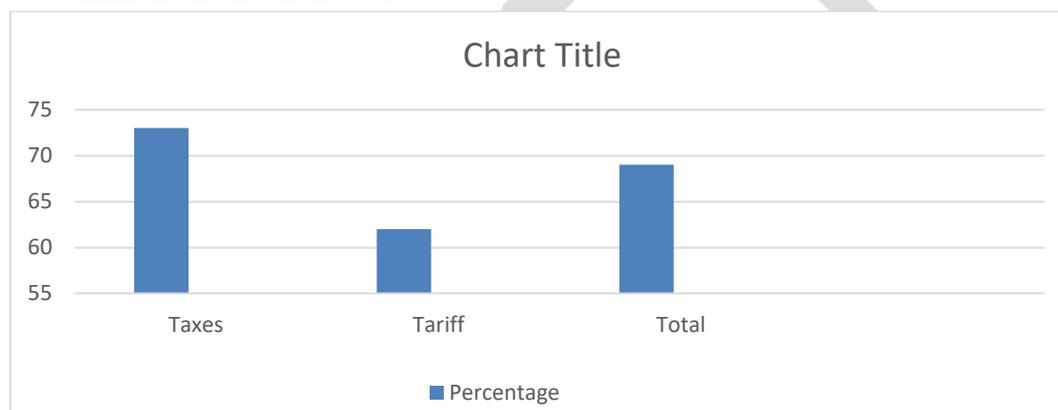
| Taxes      | Tariffs    | Percentage | Total      |
|------------|------------|------------|------------|
| 19,591,256 |            | 73%        |            |
|            | 49,616,744 | 62%        |            |
|            |            | 69%        | 69,208,000 |

Tab. 2. Summary

that their value is 69 million lekë. So, we have a very high decrease of the real budget from that planned budget. This value calculated in percentage is 69%.

In the first table are presented: in the first column we have presented a budget for 19 million ALL revenues from taxes that the municipality has access to, in the second table the budget collected from tariffs goes to the value of 49 million ALL and in total goes 69 million lekë. From the table we see

that the percentage from taxes was 73%, so despite the fact that 19 million ALL have been collected, we have managed to achieve 73% of the planned plan. While the percentage realized from tariffs is 62%, which seems low from the forecast



Graph1. Percentage of money earned from taxes

In the first graph we present the percentages that are calculated in the second table. From the graph we see that the value of lek calculated from taxes is 72%, the value of lek from fees is 62%, while in total the tax collection plan reached the value of 69%. These data were taken from the first and second table presented in the graph.

So how the money from budget are invested in 2019?

This table shows the distribution of municipal revenues in public institutions. In this table we see that the revenues of the municipality are distributed

in seven main categories. In it we see that the transferred institutions capture the maximum value of revenues invested by the municipality which reach the value of ALL 15 million. In my study I focused on investments made in educational centers such as kindergartens, kindergartens that are directly related to maintenance, buildings, salaries and materials. In this table we see that the value is 13,865,691 ALL. The educational center includes school buildings, kindergartens, maintenance, lighting, teachers' salaries, etc. Looking at the values of other categories I think this sector needs more investment.

| Nr | Institutions                       | Outlays     |
|----|------------------------------------|-------------|
| 1  | Outlays of municipality            | 181,466,737 |
| 2  | Greenery                           | 6,687,691   |
| 3  | Educational center                 | 13,865,691  |
| 4  | Cultural center "Lasgush Poradeci" | 7,241,487   |
| 5  | Multicenter Club                   | 9,111,492   |
| 6  | Maintenance enterprise             | 14,436,142  |
| 7  | Other institutions                 | 15,153,899  |

Tab 2. Outlays in institutions.

### Case study: Educational center

Table 3. This table presents the 4-month plan provided in the projected revenue sharing that the municipality of Pogradec gives to educational institutions in 2019. In the penultimate column is presented the real value of money that is distributed at each level of educational institutions, while the last column gives the percentage. In this table it is seen that most of the money is given to the salary payments of the employees of the educational institutions. In the table we see that most of the investments are made in salaries, which account for 75% of the total investments invested in education.

If we do a preliminary analysis the data belong to 2019 and we are one year before the pandemic. After salaries most of the money goes to building maintenance, lighting. While in the third place a part of the money belongs to the part of the food in the educational centers, while the smallest value of the money goes for the maintenance. If we look at the table, the value spent on heating is about 2 million ALL. This is because most educational institutions use firewood for heating, usually village schools, but also city schools. While the new schools have a boiler heating system.

| Nr | EMERTIMET                  | Plan 4 months     | Facts 4 months     | %          |
|----|----------------------------|-------------------|--------------------|------------|
| 1  | Kindergarten (10430)       |                   |                    |            |
|    | Salary                     | 1,679,000         | 1,193,640          | 71         |
|    | Health insurance           | 230,000           | 194,263            | 84         |
|    | Other outlay               | 100,000           |                    | -          |
|    | <b>Total 1</b>             | <b>2,009,000</b>  | <b>1,387,903</b>   | <b>69</b>  |
| 2  | Kindergarten (09120)       |                   |                    |            |
|    | Salary                     | 9,624,446         | 7,573,832          | 79         |
|    | Health insurance           | 1,438,000         | 757,445            | 53         |
|    | <b>Total 2</b>             | <b>11,062,446</b> | <b>8,331,277</b>   | <b>75</b>  |
|    | Food                       |                   |                    |            |
| 3  | Food in kindergarten 10430 | 770,000           | 243,468.30         | 32         |
|    | '09120                     |                   | 744,687.60         |            |
|    | <b>Total 3</b>             | <b>770,000</b>    | <b>988,155.9</b>   | <b>128</b> |
| 4  | Administrative outlay      |                   |                    |            |
|    | Printing                   |                   |                    |            |
|    | <b>Total 4</b>             |                   |                    |            |
| 5  | Operative outlay           |                   |                    |            |
|    | Energy                     |                   | 1,552,694.20       |            |
|    | Water                      |                   | 1,008,710.8        |            |
|    | Rents                      |                   | 137,000.0          |            |
|    | <b>Total 5</b>             |                   | <b>2,698,405.0</b> |            |
| 6  | Services                   |                   |                    |            |
|    | Fuel                       |                   |                    |            |
|    | Other services             | 15,223,026        | 100,000            | 1          |
|    | <b>Total 6</b>             | <b>15,223,026</b> | <b>100,000</b>     | <b>1</b>   |
| 7  | Disinfection               |                   | 359753             |            |
|    | <b>Total 7</b>             |                   | <b>359753</b>      |            |
| 8  | Aparatures                 |                   |                    |            |
|    | <b>Total 8</b>             |                   |                    |            |
|    | <b>TOTAL</b>               | <b>29,064,472</b> | <b>13,865,493</b>  | <b>48</b>  |

Tab 3

### Public institution expenses

There are three important factors that affect the non-implementation of the plan.

-Low collection of revenues from Administrative Units.

-Decisions for "On the creation of fiscal facilities to business in the context of the situation created by the spread of COVID-19 infection" with an impact in the amount of 13,000,000

-Difficult situation created by the COVID-19 pandemic.

In the chart below we see a decrease in tax collection for 2020 and we have a new tax redistribution compared to 2020. This is due to the fact that in 2020 we have been closed for almost three months and no institution except hospitals and grocery stores. This results in low tax collection. In this way we have had more help from the state for the needy.

As we can see from the table we have a decrease of investments made in the sector that we have taken in the study which is the education sector. This comes as the school closed from March to September.

## Year 2020

The table shows the taxes collected in all sectors that the municipality of Pogradec has access to. As we see the revenues that come from building taxes and taxes from businesses are more in the amount of money that is collected in the municipal budget. Then in the second place the amount of money collected from the fines, which again pass to the

municipal budget. The municipality of Pogradec has access to all these taxes. There are three columns in the table, in the first column it is estimated about 69 million lek that were collected in 2019 and that their value is 45 million lek in 2020. So we have a very high decrease of the real budget from that budget of planned This value calculated as a percentage is 65%.

| Nr | EMERTIMET                  | Plan 4 months     | Facts 4 months     | %          |
|----|----------------------------|-------------------|--------------------|------------|
| 1  | Kindergarten (10430)       |                   |                    |            |
|    | Salary                     | 679,000           | 1,193,640          | 71         |
|    | Health insurance           | 230,000           | 194,263            | 84         |
|    | Other outlay               | 100,000           |                    | -          |
|    | <b>Total 1</b>             | <b>1,009,000</b>  | <b>1,387,903</b>   | <b>69</b>  |
| 2  | Kindergarten (09120)       |                   |                    |            |
|    | Salary                     | 7,624,446         | 7,573,832          | 79         |
|    | Health insurance           | 1,438,000         | 757,445            | 53         |
|    | <b>Total 2</b>             | <b>9,062,446</b>  | <b>8,331,277</b>   | <b>75</b>  |
|    | Food                       |                   |                    |            |
| 3  | Food in kindergarten 10430 | 770,000           | 243,468.30         | 32         |
|    | '09120                     |                   | 744,687.60         |            |
|    | <b>Total 3</b>             | <b>770,000</b>    | <b>988,155.9</b>   | <b>128</b> |
| 4  | Administrative outlay      |                   |                    |            |
|    | Printing                   |                   |                    |            |
|    | <b>Total 4</b>             |                   |                    |            |
| 5  | Operative outlay           |                   |                    |            |
|    | Energy                     |                   | 1,552,694.20       |            |
|    | Water                      |                   | 1,008,710.8        |            |
|    | Rents                      |                   | 137,000.0          |            |
|    | <b>Total 5</b>             |                   | <b>2,698,405.0</b> |            |
| 6  | Services                   |                   |                    |            |
|    | Fuel                       |                   |                    |            |
|    | Other services             | 13,223,026        | 100,000            | 1          |
|    | <b>Total 6</b>             | <b>13,223,026</b> | <b>100,000</b>     | <b>1</b>   |
| 7  | Disinfection               |                   | 359753             |            |
|    | <b>Total 7</b>             |                   | <b>359753</b>      |            |
| 8  | Aparatures                 |                   |                    |            |
|    | <b>Total 8</b>             |                   |                    |            |
|    | <b>TOTAL</b>               | <b>25,064,472</b> | <b>11,865,493</b>  | <b>48</b>  |

Tab 4

This table presents the 4-month plan provided in the projected revenue sharing that the municipality of Pogradec gives to educational institutions in 2020. In the penultimate column is presented the real value of money that is distributed at each level of educational institutions, while the last column gives the percentage. In this table it is seen that most of the money is given to the salary payments of the employees of the educational institutions. In the table we see that most of the investments are made in salaries, which account for 75% of the total investments invested in education. If we do a preliminary analysis the data belong to the year 2020 and we are one year before the pandemic. After salaries most of the money goes to building maintenance, lighting. While in the third place a part of the lekë belongs to the part of the food in the educational centers, while the smallest value of the lekë goes for the maintenance. If we look at the table, the value spent on heating is about 1.9 million ALL. This is because most educational institutions use firewood for heating, usually village schools,

but also city schools. While the new schools have a boiler heating system.

In 2019, investments reach the value of 13 million ALL, while this year they reach the value of 11 million ALL, because educational centers have been closed due to the pandemic and are reflected in the decline in investments.

### 3.Results

As we can see from the graph, the value of the lek invested in educational centers in 2019 reached the value of 13 million lek, where most of this lek belongs to the salaries of employees. While for 2020 the value of money invested in educational centers reaches the figure of 11 million ALL, where again most of the money invested goes to salaries.

This decrease in support funds is due to the Covid-19 pandemic because most of the money went to salaries and assistance provided by the municipality to the population.



### 4. Conclusions

Despite being a difficult year, the municipality of Pogradec has managed to raise funds, and has invested most of it in the social assistance sector. In my study I managed to conclude that the figure invested in the education sector has dropped by 15%. This is due to the closure of schools and shift teaching.

However further studies by evaluators are needed on this issue.

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