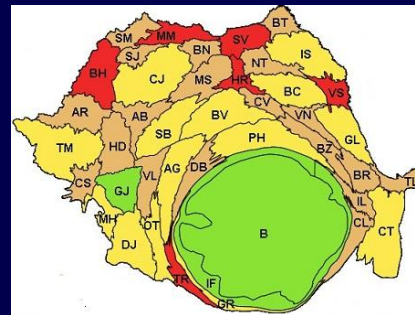


BEYOND PERCEPTIONS

CLIENTELISM ASSESSED OBJECTIVELY

1. Distortions in financial allocations for local governments as an indicator of political favoritism, Romania 2004-2011



Sorin Ioniță

Sorin.ionita@expertforum.ro

Bruxelles, Dec 2012

EU framework

“Good governance” = increasingly EU priority

Bad governance played a role in aggravating the crisis; North-South strains

- EU priority: budget transparency and discipline – *Fiscal Compact* (2012)
- Monitoring the rule of law (Ro&Bg, MCV instrument) expanded?
- Dilemma: how can “good governance” be measured in practice?

EU framework

“Good governance” = opposite of *corruption* / clientelism / populism in broader sense

3 dimensions in assessing corruption:

1. How much is it present out there:
objective evaluations
2. How much is it perceived by public, experts, etc: surveys, panels (*subjective*)
3. How much do the governments do to address it: policy action (institutions, targets)

The project

(1) is the most difficult to measure, so as a result the country assessments / reports / plans / conditionality tend to rely on (2-3)

This *pilot* project aims to test some indicators for (1) to validate the concept

Countries: Croatia, Moldova, Romania, Serbia

Nov 2012: preliminary workshop in Chişinău

Sponsors: BTD, BST, CEET

Clientelism towards mayors

We measured *discretionary* allocations
central government → County Councils →
Local Governments: mostly investment
instruments, but not only

6 types of transfers = substantial sums; in the
peak year 2008 they were equal with 80%
of the total own revenues in LGs (tiers I+II);
and 70% of total sub-national capital
spending

All sums from national budget; no EU grant

Financial transfers

1. **Emergency fund** of the government (2004-2011): various destinations
2. **Funds for county and rural roads** (2005-2011): mainly spent by counties
3. **Environmental fund** (2008-2011): water-sewage systems, parks
4. **Funds for schools** (2007-2010, MinEd): investments, maintenance, but also current arrears

Financial transfers

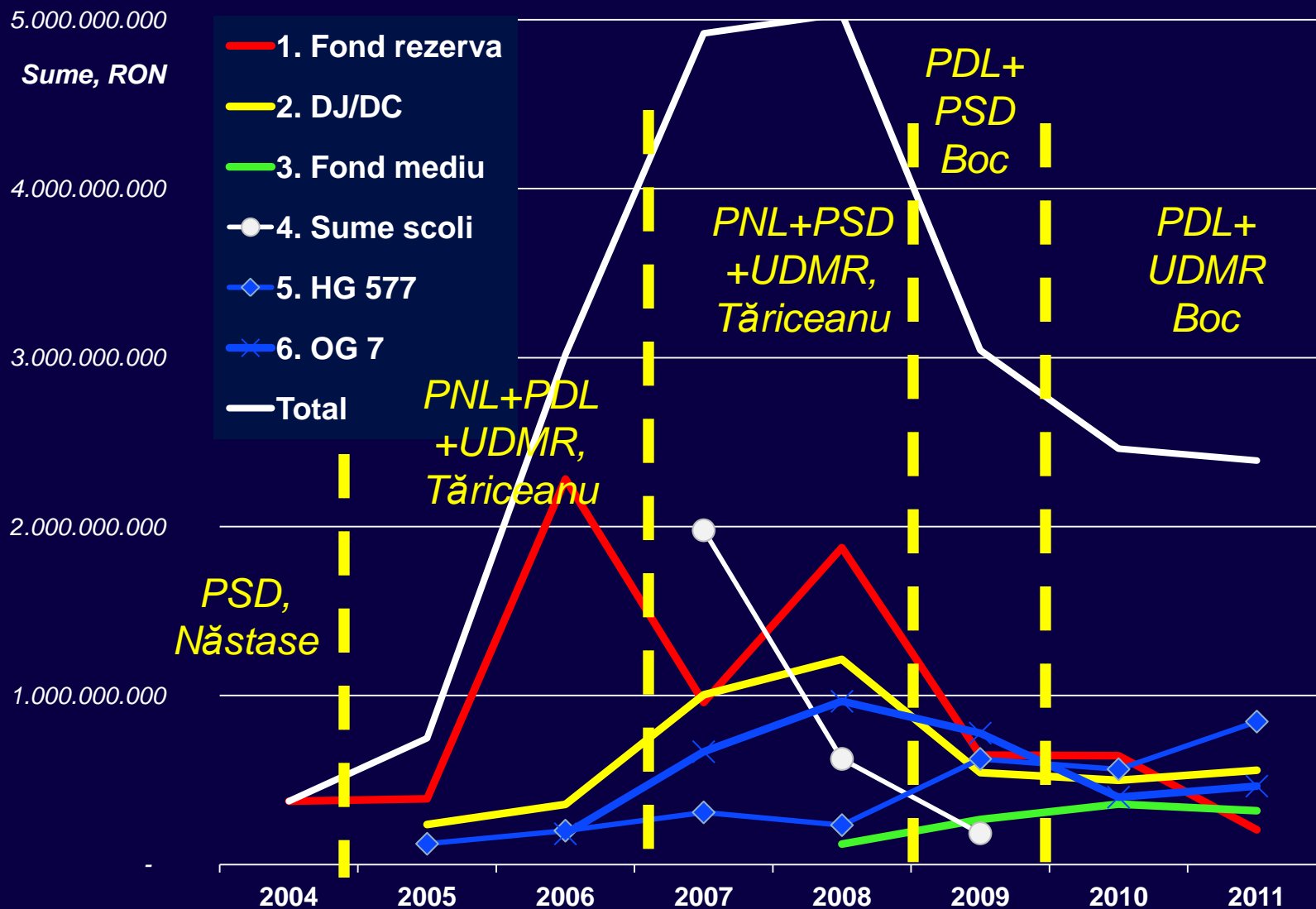
- 5. **HG 577 / 1997** (2004-2011, MDRT): rural roads, water systems in rural
- 6. **OG 7 / 2006** (2007-2011, SGG): water-sewage, bridges (small), rural sport facilities

Lack of sectorial coordination (water, roads)
⇐ ministerial rivalries

Methodology

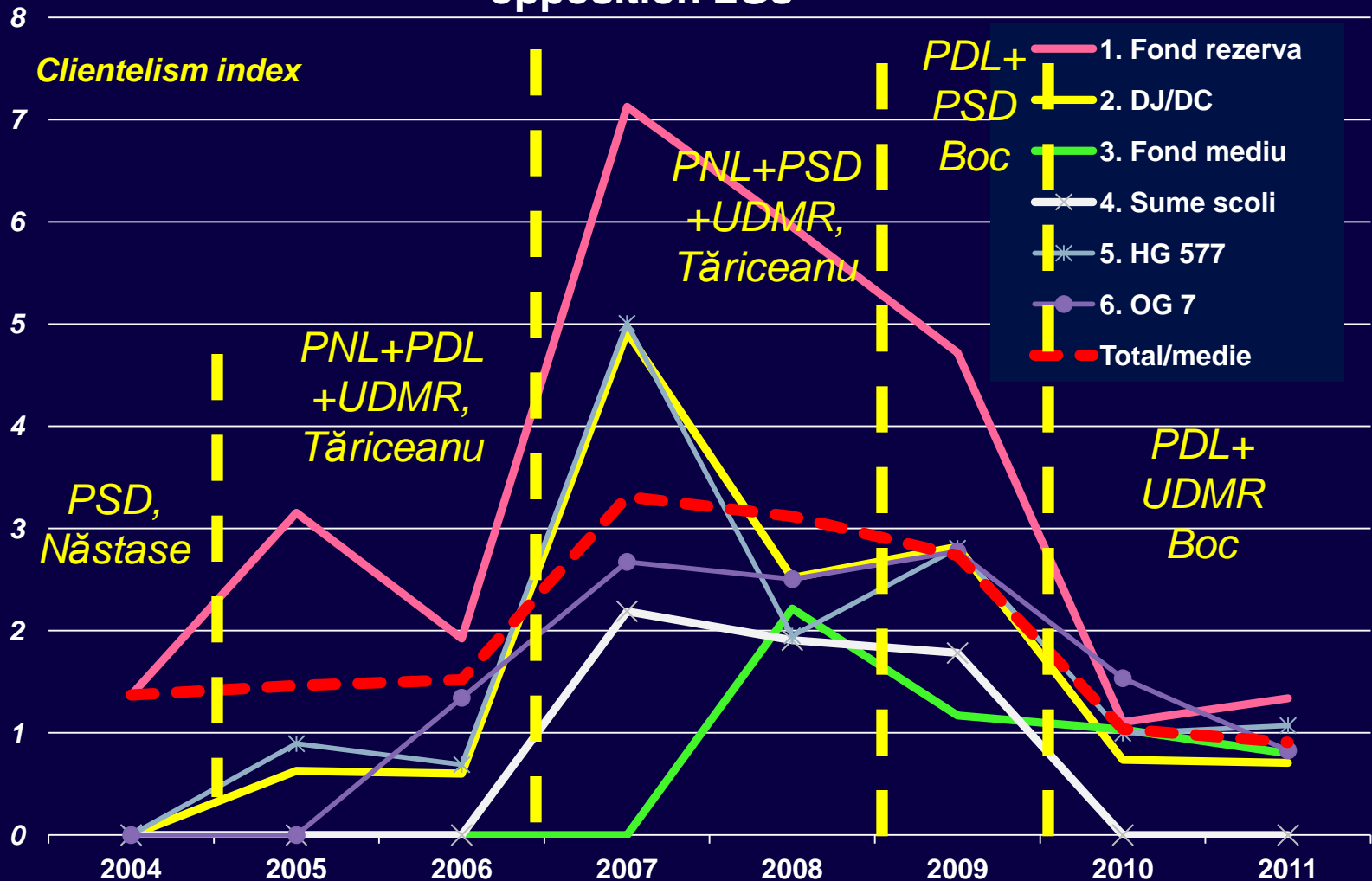
- Romania: 41 county councils, 3180 LGs (out of which 2860 rural)
- The interval 2004-2011 was broken into meaningful political cycles (coalitions, etc)
- Mayors' political affiliation was quantified for each cycle (accounting for migration)
- The variable “*power affiliation*” 1= with government; 2 = against government

Discretionary transfers: sums



Discretionary transfers: clientelism

Clientelism index= funds for power LGs / funds for opposition LGs



The clientelism index

- Discretionary transfers increased after formulas were introduced (and enforced) for shared taxes, after 2005
- i.e. clientelism shifted from one mechanism to another
- The most clientelistic: emergency fund
- The peak of clientelism = during the economic boom (2007-08); public budgets increasing fast \Rightarrow bad governance

The clientelism index

- Discretionary transfers \Rightarrow political migration of mayors, *with a twist*: “independent” mayors were most privileged
- Upside: Hungarian mayors always above average; consociational model
- Additional indicators of clientelism in Romania (public contractors profit rates; energy)
- Similar indicators of clientelism in other countries needed \Rightarrow early warning instrument