

## Third SEE Good Governance Report

### CORRUPTION RISKS IN CENTRAL-LOCAL GOVERNMENT FISCAL RELATIONS

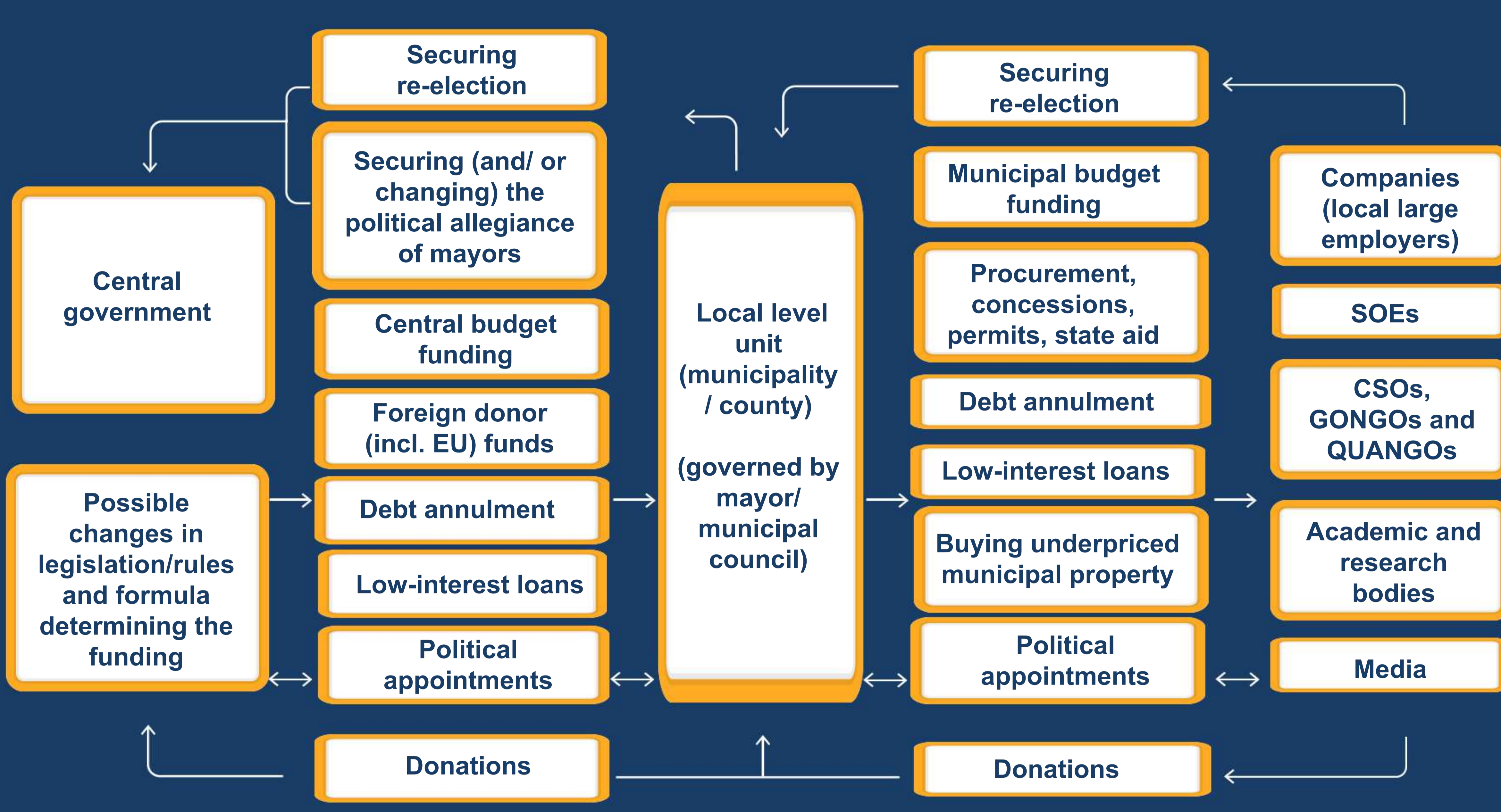
#### Administrative and Fiscal Centralization Risks

» High centralisation poses a risk for state capture in central-local government fiscal relations;

» Local companies, especially SOEs, benefit from non-competitive municipal budget funding.



#### The intergovernmental spending channels exposed to corruption and state capture risks (clientelist transfer channels)



Source: R2G4P

#### Lack of Oversight and Transparency

- » Citizens and CSOs in SEE are rarely involved in local government finance decision-making;
- » There is significant abuse of discretion in transfers for partisan purposes that is not often acknowledged;
- » National legislation lacks procedures for identification of corruption risks related to funds misuse.



#### Weaknesses in Integrity Provisions

- » Integrity provisions at the municipal level are often vague and target low-level civil servants;
- » Lack of clear deadlines for implementation and failure to address local circumstances.



#### Corruption Risks in Public Procurement

- » Public procurement is highly susceptible to corruption in SEE given the large amounts involved;
- » Irregularities include favouritism, clientelism, overpricing, tailored specifications, and conflict of interest;
- » Political alignment with the central government leads to larger contracts at local level in most studied countries;
- » Winning margins in local elections correlate with more significant public procurement spending.

Implemented by:



The R2G4P project, coordinated by the Center for the Study of Democracy, Bulgaria benefits from a € 1.5 million grant from Iceland, Liechtenstein and Norway through the EEA and Norway Grants Fund for Regional Cooperation. The aim of the project is to implement shared anti-corruption and good governance solutions in Southeast Europe through innovative practices and public-private partnerships.