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Political Clientelism and Local Public Investments: Evidence, Risks and Mitigation Policies

*Location: Zoom Platform
Broadcasted online by Privesc.eu
Date: 16 November 2021*

PURPOSE OF THE REPORT ON POLITICAL CLIENTELISM

Corruption, political clientelism and the low capacity of public authorities to adequately respond to the needs of citizens are key factors that continue to determine the low level of development of the Republic of Moldova. These challenges can be seen both at the central level, in the highest circles of government, and at the local level, where local budgets are limited and often used inefficiently. A pronounced manifestation of political clientelism can be observed in the process of allocating public funds from the central to the local level.

The current updated edition of the Study on political clientelism and local investments was developed within the project "Inform, empower and act! Civil Society for Better Budgetary Governance in Moldova" co-financed by the European Union (EU) and the Konrad Adenauer Foundation. The analysis is part of 3rd component of the project ("Act") and is part of the research activities aimed at promoting changes in the process of allocating financial resources from central to local level. The elaboration process is based on the methodology applied in the first edition of the Study conducted in 2020 based on a specific prepared by a team of consultants from the Independent Analytical Center "Expert-Grup" and the Institute of European Policies and Reforms (IPRE).

The purpose of the document is to identify the phenomenon of political clientelism in the financial allocations from the central level to local public authorities and to assess its level both at the aggregate level and at the individual level on different types of funds. According to the new edition of the Study, the allocation of budgetary sources from the central to the local level based on political criteria continues to be a common practice, as revealed by the State Budget for 2021. Thus, estimates show that the political affiliation is statistically significant and is closely linked to transfers for capital expenditures. It is predictable that territorial administrative units headed by people close to the majority in the parliament will receive much larger transfers compared to districts and localities administered by people not affiliated to the government. According to the estimations, the localities that have mayors, who are representatives of the ruling parties, according to the State Budget for 2021 will benefit from inter-budgetary transfers by 40.2% more than the transfers granted to cities and villages which have administrations not affiliated with the government.

This situation is explained by the fact that the distribution of transfers for capital expenditures is not properly regulated, while for the rest for transfers from the state budget to local budgets, where political clientelism is not so obvious, there are clear rules on the distribution of public funds. For example, general purpose transfers for LPA II are determined by the number of population and the area of the territorial unit. Transfers for road infrastructure for LPA II are determined by road length. While transfers for road infrastructure for LPA I are calculated according to the number population (so, the politicians' discretion is significantly limited, which also limits the political bias in allocation of transfers).

The study is carried out within the Project "Inform, Enable, Act. Civil Society for Better Budgetary Governance in Moldova", co-financed by the European Union (EU) and the Konrad Adenauer Foundation and implemented by the Independent Analytical Center „Expert-Grup”, as the main partner, the Institute for European Policies and Reforms (IPRE) and the Center for Eastern European Studies (ETUCE) in Vilnius, Lithuania.

ABOUT THIS PUBLIC EVENT

Taking into account the above-mentioned findings of the report, the purpose of the event is to present to the general public the findings of the report, as well as facilitate the discussion among relevant stakeholders and experts about the phenomenon of political clientelism and, most importantly, policies and reforms for minimizing it.

II TARGET AUDIENCE

STATE INSTITUTIONS

- Parliament of the Republic of Moldova and, in particular, the Parliamentary committees „Economy, Budget and Finances” and „Control Commission of Public Finances”
- State Chancellery of the Government
- Ministry of Finances
- Ministry of Economy and Infrastructure
- Ministry of Agriculture, Regional Development and Environment
- Local Public Authorities that were selected as beneficiary of the project (20 LPAs from North, Center, South and Gagauzia regions of Moldova (i.e. Bălți, Soroca, Drochia, Sîngerei, Florești, Strășeni, Călărași, Rezina, Telenești, Șoldănești, Cahul, Cimișlia, Leova, Cantemir, Sălcuța commune, Ceadr Lunga, Vulcănești, Baurci commune, Tomai commune, Gaidar commune)).

CIVIL SOCIETY

- Regional partners of the project (CSOs “AZI”, “Caroma Nord”, “Contact”, “Habitat”, “Institute for Rural Initiatives”)
- CSOs that are active in the area of participatory budgeting (e.g. IDIS Viitorul, Transparency International)
- Members of the National Platform of the Eastern Partnership Civil Society Forum
- CALM

DONORS’ COMMUNITY AND DEVELOPMENT PARTNERS

- EU Delegation
- KAS
- World Bank
- International Monetary Fund
- UN Country Team
- UNDP
- USAID
- Embassy of Netherlands
- GIZ
- Embassy of Germany
- US Embassy
- Embassy of Romania
- Embassy of Sweden
- Swiss Cooperation Office in Moldova

OTHER RELEVANT STAKEHOLDERS

- Academia representatives (e.g. Academy of Economic Studies of Moldova, Institute of Economic Research of Moldova).
- Representatives of EU and other development partners funded projects implemented the regional and local levels
- Mass media (e.g. Logos Press, Moldstreet, ProTV, Agora, TVR Moldova, Moldova 1, Canal Regional, etc.).

III. PROGRAMME

Working Language:	<i>RO translation is provided in RU and ENG</i>
Venue:	<i>Zoom online platform</i>
10:00 – 10.15	Welcome remarks <i>Gintautas Baranauskas</i> , deputy Head of Operations, Delegation of the European Union to the Republic of Moldova <i>Ion Iaconi</i> , head of the Local Budgets Department, Ministry of Finance of the Republic of Moldova <i>Sanda Sandu</i> , Coordinator of the Eastern Partnership and Civil Society Program, Konrad Adenauer Foundation in the Republic of Moldova <i>Viorel Furdui</i> , Executive director, Congress of Local Public Authorities <i>Adrian Lupușor</i> , Team leader of the project "Inform, Empower, Act. Civil Society for good budgetary governance in Moldova"
10.15 – 10.45	Political clientelism in budgetary allocations to local public authorities: assessing the issue and formulating policy recommendations
	<i>Dumitru Pîntea</i> , Expert-Grup <i>Stanislav Ghilețchi</i> , Institute for European Policies and Reforms (IPRE) Moderator: Tatiana Savva, Program director, Expert-Grup <u>Key questions/issues for discussion:</u> • What is the phenomenon of political clientelism and why it is a problem? • How does political clientelism manifest in public transfers from the state to local budgets • What is the dimension of political clientelism in Moldova, its origins and ramifications? • What policies and reforms should be implemented in order to tackle this problem?
10.45 – 11.30	Discussions based on the findings. Closing the event.