

# **MONEY FOR OUR PEOPLE?**

## **Decentralization and corruption in Romania: the cases of the equalization, infrastructure and pre-university education funds**

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### **SUMMARY**

In spite of the attempts to introduce simple, accountable and rule-based mechanisms governing the flows of funds for Romanian local governments (LGs) in the last years, anecdotal evidence suggest that deviations from the norms are still widespread and undermine the stated goals of many policies. This study aims to explore to what extent the political factor (party affiliation, i.e. local informal power networks) interfere with the allocation of public funds as far as three main areas of decentralized policy are concerned: (i) the general purpose equalization transfers; (ii) the Roads Fund grants; and (iii) the transfers for financing the pre-university education. These components represent a relatively large share of the total of local budgets and are illustrative for two important attributions Romanian local governments perform today: maintaining the local infrastructure; and providing essential social services.

Through a set of variables measuring, on the one hand, the real pattern of resource allocation, and on the other hand, the intensity of politicization in the three areas, we tested the hypothesis that intergovernmental financial flows in Romania are to a large extent captured by rent-seeking groups. It turns out that this is indeed the case with the funds for infrastructure, and much less so with the transfers financing pre-university education. Some conclusions from these contrasting situations are drawn which reflect on the broader discussion about the link between decentralization and corruption.

