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Beyond the Ballot Box: How Politics Shapes Public Procurement in Albanian Local Governments

Master's Thesis

by

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Author's Declaration

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Abstract

In democratic societies, transparent public procurement systems are essential for efficient resource allocation and maintaining public trust. However, their integrity remains poorly understood in transitional democracies characterized by strong clientelistic networks and centralized resource allocation. In Albania, municipalities rely heavily on central government transfers while operating within a political system dominated by strong national parties and persistent informal networks, potentially creating conditions under which political alignment may influence both spending and procurement integrity. This paper examines how political alignment with the national government and electoral competitiveness affect procurement spending and corruption risks in Albanian municipalities from 2010 to 2024. Using comprehensive administrative procurement data and employs regression analysis with municipality and year fixed effects regression models, the analysis finds that aligned municipalities spend 53 percent more per voter on public procurement and exhibit a 0.051-point higher Corruption Risk Index on average ($p < 0.001$). These effects are most pronounced during pre-election periods, where the interaction between alignment and narrow electoral margins significantly amplifies corruption risk (interaction coefficient = -0.065, $p < 0.001$). The findings suggest that electoral competition does not constrain corrupt behavior but rather exacerbates it when combined with political alignment, challenging conventional wisdom about political competition serving as a check on corruption in weak institutional contexts. These findings highlight the need for institutional reforms that address not only formal procurement rules but also the political incentives that distort public resource allocation.

Keywords: political alignment, electoral competitiveness, public procurement, corruption, Albania, distributive politics, democratic governance

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Any errors or shortcomings in this work remain entirely my own responsibility.

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Chapter 1

Introduction

In the corridors of power where public resources meet political ambition, few mechanisms are as revealing of a democracy's health as its public procurement system. Every tender announced, every contract awarded, and every Albanian LEK allocated through these processes tells a story about the delicate balance between public service and political interest. For Albania, a nation at the crossroads of European integration and democratic consolidation, this story has become increasingly urgent as the country navigates EU accession while dealing with persistent challenges of corruption and political favoritism that threaten to undermine its democratic foundations.

Albania's public procurement market accounted for around 9.4% of GDP in 2022, down from 10.7% in 2021 ([Becej Youth Association \(BUM\) and Institute for Development and Education Albania 2024](#)). In a country where public investment drives much of the economic activity and where municipalities depend heavily on central government transfers, the integrity of procurement processes becomes even more critical. Yet recent developments paint a troubling picture: as of October 2024, Albania's Special Structure Against Corruption and Organized Crime (SPAK) has brought charges against dozens of officials, mayors, ministers, and even a deputy-prime minister for procurement-related corruption, with investigations revealing that corrupt activities often begin from the very inception of procurement processes ([European Commission 2024](#)).

This reality confronts us with fundamental questions about democratic governance in transitional societies. How do political dynamics shape public resource allocation? What role does electoral competition play in either constraining or incentivizing corrupt behavior? How do informal networks of political alignment interact with formal procurement procedures to create opportunities for favoritism? The European Commission's Albanian Report ([European Commission 2024](#)) acknowledges that while the legal framework for public procurement has been largely aligned with EU standards, corruption in procurement remains a serious concern. The persistence of these challenges suggests the problem lies not in the absent legal frameworks, but in the complex interplay of political incentives, institutional capacity, and governance culture.

Understanding these dynamics extends beyond Albania's borders. As one of the most recent

additions to the EU's enlargement agenda, Albania's experience offers crucial insights into challenges facing post-communist democracies attempting to build transparent, accountable governance systems while managing intense political competition and persistent clientelistic networks. Recent research from the neighboring Bulgaria reveals how political cycles create "politically driven market reconfigurations" in public procurement, with high-risk sectors characterized by close supplier networks and limited competition (Rusinov 2025).

What makes Albania's case particularly compelling is the convergence of several factors that create ideal conditions for studying these phenomena. The country's 2015 territorial reform reduced municipalities from 65 to 61, increasing each municipality's political significance and potentially intensifying the importance of political alignment between local and central governments. This reform, combined with Albania's strong national party system and centralized resource allocation, creates a natural laboratory for examining how political alignment affects resource distribution and procurement integrity.

The research presented in this thesis addresses these challenges through systematic examination of how political alignment and electoral competitiveness affect the allocation and integrity of public procurement spending in Albanian municipalities. Drawing on comprehensive data from Albanian municipal procurement processes and employing rigorous quantitative methods, this study unpacks the complex relationships between political dynamics and procurement outcomes.

The theoretical foundation for this investigation rests on the intersection of three well-established research traditions but never integrated in Albanian context. First, distributive politics literature examines how politicians allocate resources to maximize electoral advantage, with the tension between the "core voter model" (rewarding loyal supporters) and "swing voter model" (targeting competitive districts) offering a framework for understanding political alignment's influence. Second, corruption in public procurement literature illuminates mechanisms through which political connections distort competitive processes. Third, research on electoral accountability and corruption provides insights into how competitive pressures can either constrain or incentivize corrupt behavior.

By integrating these theoretical perspectives and applying them to the specific context of Albanian municipal procurement, this study contributes to our understanding of how political dynamics shape governance outcomes in transitional democracies. The findings of this investigation have implications that extend well beyond academic theory. For Albanian policymakers, the research provides evidence-based insights into the factors that drive corruption risks in municipal procurement, offering guidance for designing more effective oversight mechanisms and institutional reforms. For the European Union and other international partners supporting Albania's democratic development, the study offers a detailed assessment of the challenges facing procurement reform efforts and the conditions under which such reforms are most likely to succeed.

The structure of this investigation reflects the complexity of the phenomena under study.

Following this introduction, we start in Chapter 2 by presenting a comprehensive review of the theoretical literature on distributive politics, procurement corruption, and electoral accountability. The methodology chapter, Chapter 3, details the approach used to measure political alignment, electoral competitiveness, and corruption risks, drawing on multiple data sources to create a comprehensive picture of municipal procurement patterns. The empirical analysis that follows in Chapter 4 tests three key hypothesis: that spending per voter increases when municipalities are politically aligned with the ruling national coalition, particularly before elections; that corruption risks increase when municipalities are politically aligned with the ruling coalition; and that corruption risks are highest in competitive electoral environments where aligned municipalities face pressure to secure electoral victory through resource mobilization.

The findings in Chapter 4 reveal patterns with profound implications for understanding democratic governance in transitional contexts. The evidence suggests that political alignment affects both quantity and quality of procurement spending. Specifically, municipalities aligned with the national government exhibit, on average, a 0.051 point higher Corruption Risk Index than their non-aligned counterparts ($p < 0.001$). Importantly, this effect is amplified by electoral competitiveness: the relationship between alignment and corruption risk is strongest in municipalities facing tight electoral races, as indicated by a statistically significant coefficient of -0.065 ($p < 0.001$).

These corruption patterns appear to be episodic rather than constant, peaking during pre-election periods, when political stakes are highest. This suggests that corrupt resource mobilization serves strategic electoral purposes rather than representing routine administrative practice. These findings challenge conventional wisdom about political competition and governance quality, suggesting that in contexts with weak institutions and strong clientelistic networks, electoral competition can actually increase corruption risks.

This research represents more than an academic exercise; it is a contribution to the ongoing effort to strengthen democratic governance in Albania and similar contexts. The stakes are high: the integrity of public procurement systems affects not only the efficient use of public resources but also public trust in democratic institutions and the broader project of European integration. The study that follows seeks to provide the empirical foundation for this understanding, offering rigorous evidence about the factors that shape procurement outcomes in Albanian municipalities and their implications for democratic governance more broadly. It is a story about power and resources, about formal institutions and informal networks, and ultimately about the ongoing struggle to build transparent, accountable governance in societies emerging from authoritarian rule. The lessons learned from this study will, we hope, contribute to that broader struggle and help ensure that the promise of democratic governance can be realized not only in Albania but in similar contexts around the world.

Chapter 2

Theoretical Background and Hypothesis

Albania's public procurement market accounted for around 9.4% of GDP in 2022, down from 10.7% in 2021 ([Becej Youth Association \(BUM\) and Institute for Development and Education Albania 2024](#)). The allocation of these substantial resources is not merely a technical process but is deeply embedded in political dynamics. This literature review examines the intersection of three critical dimensions that shape procurement outcomes: political alignment between different levels of government, corruption risks in procurement processes, and moderating role of electoral competitiveness. By synthesizing theoretical frameworks and empirical evidence from diverse contexts, this review provides a foundation for understanding how these factors interact in the Albanian context.

2.1 Political alignment and resource distribution

Two competing theoretical models dominate the literature on distributive politics and intergovernmental transfers: the core voter model and the swing voter model. The core voter model, proposed by Cox and McCubbins (1986), suggests that politicians allocate resources to reward loyal supporters, viewing such allocations as investments with lower risks. Applied to intergovernmental transfers, this model predicts that central governments will direct more resources to politically aligned local governments. Grossman (1994) theory further suggests that central governments value the political capital of aligned local politicians more highly, leading to preferential resource allocation.

In contrast, the swing voter model developed by Lindbeck and Weibull (1987) and Dixit and Londregan (1996) suggests that politicians strategically target resources toward swing voters or competitive jurisdictions where additional resources might tip electoral outcomes. This model suggests that central governments would allocate more resources to municipalities with close electoral margins, regardless of political alignment.

Empirical studies across diverse contexts predominantly support the core voter model, demonstrating that political alignment significantly influences resource allocation. Brollo and

Nannicini (2012) provided compelling evidence from Brazil, showing that municipalities aligned with the federal government received significantly more discretionary transfers, with the effect concentrated in the years preceding municipal elections. Their research revealed that the federal government strategically reduced transfers to municipalities governed by opposition mayors who had narrowly won their elections.

Similarly, Curto-Grau, Solé-Ollé, and Sorribas-Navarro (2018) documented an “extreme degree of party favoritism” in Spain’s allocation of capital transfers, with aligned municipalities receiving approximately 40% more capital transfers than unaligned ones. More recent research by Quinckhardt (2023) examined German municipalities and found that party alignment between local mayors and state governments increased transfers by approximately 20% per year. This finding is particularly relevant to the Albanian context as it challenges the conventional wisdom that proportional representation systems with strong national parties, characteristics shared by both Germany and Albania, limit party favoritism.

The temporal dimension of alignment effects is also well-documented in the literature. Bracco et al. (2015) found that Italian central governments diverted resources toward aligned jurisdictions particularly as elections approached. Similarly, Solé-Ollé and Sorribas-Navarro (2008) found that Spanish municipalities aligned with upper-level governments received 40% more grants than unaligned ones, with the effect intensifying before elections.

Research from Eastern European contexts provides additional insights relevant to Albania. Vasvári and Longauer (2024) found that in Hungary, aligned municipalities received 86.4% more discretionary funds compared to non-aligned municipalities, with this trend intensifying after local elections. Similarly, Banaszewska and Bischoff (2017) documented the preferential allocation of EU funds to politically aligned municipalities in Poland.

Albania’s political system is characterized by strong national parties and centralized resource allocation, creating favorable conditions for political favoritism. The country’s relatively young democratic institutions and history of clientelistic politics Gërzhani and Schram (2009) may further amplify alignment effects. Recent research by Mineva et al. (2023) found that politically aligned municipalities in Southeastern European countries receive larger public procurement contracts compared to non-aligned municipalities.

Albania’s territorial and administrative reform in 2015 reduced the number of municipalities from 65 to 61, increasing the political significance of each municipality and potentially intensifying the importance of political alignment. Mungiu-Pippidi and Toth (2023) examined the evolution of corruption risk in Albania’s public procurement and found that despite formal legislative alignment with EU standards, informal practices continue to undermine procurement integrity.

European Commission (2024) notes that while the legal framework for local self-government is largely in line with European standards, municipalities remain financially dependent on central government transfers, creating leverage for potential political favoritism. This financial dependency, combined with strong role of national parties in local politics, creates conditions

where political alignment may significantly influence resource allocations.

Based on these theoretical perspectives and empirical findings, we formulate our first hypothesis, **H1**: *Spending per voter increases when municipalities are politically aligned with the ruling national coalition, and the increase is higher one year before election.*

2.2 Political connections, alignment and procurement corruption

Public procurement is particularly vulnerable to corruption due to its complexity, discretionary elements, and significant economic value. Theoretical models emphasize three key facilitating factors: information asymmetries, limits competition, and weak oversight mechanisms Fazekas and Kocsis (2020), Rose-Ackerman and Palifka (2016). Political connections can exacerbate these factors through several mechanisms. First, politically connected firms may receive privileged access to information about upcoming tenders. Second, procurement officials may design tender specifications to favor connected firms. Third, political connections may undermine oversight mechanisms through influence over monitoring bodies (Baránek and Titl 2024; Dávid-Barrett and Fazekas 2016).

Dávid-Barrett and Fazekas (2016) distinguish between two forms of partisan favoritism in procurement: (1) direct favoritism, where politically connected firms receive preferential treatment, and (2) indirect favoritism, where procurement processes are manipulated to create opportunities for corruption without explicitly favoring specific firms. This distinction is particularly relevant for the Albanian context, where formal Europeanization pressures may have shifted corruption from direct to indirect forms.

Empirical studies consistently demonstrate that political connections influence procurement outcomes across diverse contexts. Mironov and Zhuravskaya (2016) show that Russian firms connected to winning politicians secured more contracts after elections and increased illicit transfers by 0.33% of annual revenue in the month following the vote. Baltrunaite (2020) finds that in Lithuania, firms linked to the ruling party were 5 percentage points more likely to win contracts and charged 24% higher prices. Similarly, Schoenherr (2019) shows that South Korean firms whose CEOs were connected to the incoming president's network gained significantly more contracts, particularly when dealing with state firms led by similarly connected executives.

In Spain, empirical evidence shows that political alignment between local and central governments is associated with higher levels of corruption. For instance, studies find that aligned municipalities exhibit significantly more corruption than non-aligned ones, with the effect being more pronounced in larger municipalities and when the same party controls both local and regional governments (Mas 2015; Borrella-Mas and Rode 2021).

These findings suggest that political alignment between municipal and national govern-

ments may increase corruption risks in procurement by facilitating preferential treatment of connected firms.

Albania faces significant challenges related to corruption in public procurement. According to [European Commission \(2024\)](#), corruption in procurement remains a serious concern despite recent reforms. The Special Prosecution Office against Corruption (SPAK) has criminally prosecuted several mayors and municipal officials for procurement-related corruption in recent years.

Mungiu-Pippidi and Toth (2023) found that despite legislative reforms aimed at aligning with EU standards indicators show little substantial change of corruption risk in Albania's public procurement, highlighting the gap between formal legislative efforts and practical outcomes. Abdul (2024) demonstrates that Albania lacks a well-established tradition in procurement rule formulation and adherence, with frequent legislative modifications creating institutional confusion and inconsistent practices across entities. Moreover, Balliu (2023) noted that Albania's pursuit of EU membership has driven significant reforms on procurement legislation, but the impact of these reforms has been limited due to persistent political interference and corruption.

The persistence of corruption in Albanian procurement is fundamentally shaped by clientelistic networks and state capture mechanisms that permeate the political system. [Danaj and Iljazaj \(2023\)](#) provide compelling evidence that independent reports have found clear signs of state capture, with lawmakers crafting legislation to benefit commercial interests rather than public welfare, while the ruling Socialist Party majority systematically pushes through legislation designed to safeguard private networks. The problem extends to public-private partnerships, where Teka and Doci (2023) found that almost all PPP investments in Albania have been viewed as corruption cases, with vulnerabilities occurring at all stages of the project, from decision making to contract execution.

Based on these theoretical perspectives and empirical findings, we formulate our second hypothesis, **H2**: *Corruption risks increase when municipalities are politically aligned with the ruling national coalition.*

2.3 Electoral competitiveness and corruption

The relationship between electoral competitiveness and corruption is theoretically ambiguous, with competing mechanisms suggesting opposite effects. On one hand, electoral competition may enhance accountability by allowing voters to remove corrupt politicians (Ferejohn 1986; Besley 2006). As Ferraz and Finan (2011) demonstrate empirically, politicians facing competitive elections have stronger incentives to avoid corrupt behavior due to the electoral costs of exposed corruption. On the other hand, competitive pressures may increase incentives for corrupt resource mobilization to secure electoral victory (Menes 2003), particularly in contexts with weak institutions (Klašnja 2015).

Campante, Chor, and Do (2009) propose a more nuanced relationship between political

stability and corruption that approximates a U-shape. At low levels of stability (high electoral uncertainty), incumbents face shortened time horizons that incentivize immediate rent extraction. Conversely, at very high levels of stability, the absence of electoral accountability can also increase corruption as incumbents feel shielded from punishment.

Empirical evidence reflects the theoretical ambiguity regarding the relationship between electoral competitiveness and corruption. Some studies find that competition reduces corruption by enhancing accountability. Ferraz and Finan (2011) found that Brazilian mayors eligible for reelection engaged in significantly less corruption than term-limited mayors, suggesting that electoral accountability constrains corrupt behavior. Similarly, Nyblade and Reed (2008) found that electoral competition reduced corruption in Japanese prefectures by increasing the risk of exposure.

However, other studies find that competition increases corruption by intensifying the need for resources. Klačnja (2015) found that Romanian mayors who won by narrow margins exhibited higher subsequent corruption levels compared to those who won by comfortable margins. Recent research by Fazekas and Hellmann (2025) provides particularly relevant insights, finding that heightened electoral competition correlates with increased corruption risks, especially in pre-election periods. Their study revealed that single bidding in procurement contracts rises by 1.3-6.1 percentage points during pre-election periods in competitive electoral environments.

The interaction between political alignment and electoral competitiveness adds further complexity. Aligned politicians in competitive districts may receive more resources from central governments but also stronger incentives to use these resources to secure electoral victory, potentially through corrupt means.

The relationship between electoral competitiveness and corruption in Albania presents a complex dynamic shaped by intense political polarization and weak institutional accountability. While democratic theory suggests that competitive elections should reduce corruption by holding politicians accountable (Ferraz and Finan 2011), Albania's context reveals a different reality. Elections remain highly contested, often accompanied by allegations of vote-buying, misuse of administrative resources, and clientelistic exchange (Danaj and Iljazaj 2023; Freedom House 2024). Instead of fostering transparency, electoral competition in Albania has frequently intensified corrupt practices, as politicians rely on patronage networks and illicit resource mobilization to secure victory (Gjoni 2002).

The interplay between political alignment and electoral competitiveness further exacerbates corruption in Albania. Mungiu-Pippidi and Toth (2023) analyze Albania's procurement system, finding that corruption risks persist due to politicized allocation of funds. Abdul (2024) notes that EU integration efforts have not fully curbed favoritism in Albanian procurement, with contracts often skewed toward aligned entities. Danaj and Iljazaj (2023) argue that post-communist Albania's democracy has been undermined by persistent clientelism, where elections serve as a means to distribute favors rather than ensure accountability. Similarly, Muçollari (2018) argues that anti-corruption reforms lose momentum during election cycles, as short-term political

survival takes precedence over institutional integrity. These dynamics suggest that Albania's electoral competitiveness, rather than enhancing accountability, creates perverse incentives for corruption.

Based on these theoretical perspectives and empirical findings, we formulate our third hypothesis, **H3**: *Corruption risks increase in the immediate period leading up to local elections in municipalities where the electoral process is highly competitive, particularly when municipalities are politically aligned with the central government.*

Integrating the three theoretical domains - distributive politics, procurement corruption, and electoral incentives - provides a comprehensive framework for understanding how political alignment and electoral competitiveness jointly shape procurement outcomes in Albanian municipalities.

Chapter 3

Research Design, Data and Indicators

This study quantitatively investigates how political alignment and electoral competitiveness impact public procurement spending in Albanian municipalities. Employing a deductive approach, it tests three hypotheses derived from political economy and public administration theories. The empirical strategy uses a contract-level dataset, matching procurement records with political variables by municipality and year. This allows analysis of how procurement outcomes vary with political conditions over time, controlling for contract and municipal characteristics. Endogeneity concerns are addressed via municipality and year fixed effects, comprehensive control variables (e.g., municipality size, regional traits, bid size), and analysis of pre-election periods to isolate electoral incentives. Hypotheses are tested using regression models with interaction terms, revealing direct effects and conditional relationships, thus providing a nuanced understanding of political dynamics shaping public resource allocation and integrity in Albanian municipalities.

3.1 Data sources and collection

The empirical analysis draws on comprehensive contract-level dataset covering public procurement procedures conducted by Albanian municipalities between 2010-2024. This dataset integrates information from multiple administrative and publicly available sources:

3.1.1 Procurement data

The primary data on public procurement were collected from the official e-Procurement platform of Albania's Public Procurement Agency (PPA), accessible via www.app.gov.al. The PPA is the governmental authority responsible for managing and overseeing public procurement in Albania, operating under a legal framework that regulates public procurement, concessions, and public actions as outlined in national legislation.

The platform provides standardized, machine-readable contract-level data in CSV format. The dataset covers 61245 public procurement contracts awarded by Albanian municipalities

between 2010-2024. For a detailed list of key variables, refer to Table 3.1.1.

Variable	Description
Contracting Authority	Name of the procuring municipality
Award Year	Year when the contract was awarded
Procedure Type	Type of procurement procedure (open, restricted, negotiated)
Contract Type	Nature of the contract (e.g., goods, services, works)
Publication Date	Date when the tender was published
Closing Date	Submission deadline for bids
Number of Submitted Bids	Total number of companies that submitted bids
Number of Qualified Bids	Total number of companies that met the qualification criteria
Contract Value	Total value of the awarded contract (in Albanian LEK)
Winner Company	Name of the winning company

Table 3.1: Procurement Data Variables

The procurement data also categorize procedures by transparency and competition levels, enabling the construction of detailed indicators for procurement quality and corruption risk at the contract level. While the e-Procurement platform does not provide full administrative documentation (such as complete tender dossier or suppliers profiles), its standardized format and continuous coverage make it robust and reliable source for contract-level analysis of procurement behavior across Albanian municipalities over time.

3.1.2 Electoral data

Local election data were compiled for the 2011, 2015, 2019, and 2023 election cycles using multiple sources. For 2023 Local Elections, raw Excel files were downloaded from the Central Election Commission (CEC) website. Using R, the following variables were extracted and processed: Municipality ID and Municipality Name; Candidate Names and Party Affiliations; Total Votes, Winner's Votes, and Vote Share were calculated; Winning Margin (difference between winner and runner-up) was calculated. For 2011, 2015 and 2019 Local Elections, due to the absence of structured datasets these results were manually compiled from archived records of the CEC and secondary sources. For a detailed list of electoral variables, refer to Table 3.1.2.

Variable	Description
Municipality ID	Unique identifier for each municipality
Municipality Name	Official name of the municipality
Candidate Names	Names of candidates in local elections
Party Affiliations	Political party of the candidate
Total Votes	Total number of valid votes cast
Winner Vote Share	Percentage of votes received by the winning candidate
Winning Margin	Difference in vote share between winner and runner-up
National Coalition	Difference in vote share between winner and runner-up
Coalition Affiliation	National ruling coalition

Table 3.2: Electoral Data Variables

3.1.3 Data integration process

The procurement and electoral datasets were merged through a structured, multi-step integration process. First, municipality names were standardized across both datasets to ensure consistency and minimize matching errors. Second, a unique municipality identifier was created and assigned within the procurement dataset to facilitate accurate linkage with electoral records. Third, the datasets were merged using the municipality ID and the year of contract award as key variables.

This matching process connected each procurement record with its corresponding political context, such as alignment with the national ruling coalition and electoral competitiveness indicators. The final dataset consists of individual procurement contracts with attached political variables, allowing for contract-level analysis of how procurement outcomes vary with political conditions across Albanian municipalities from 2010 to 2024.

3.2 Variables and indicators

3.2.1 Dependent variables

Total procurement spending per voter

The study employs multiple dependent variables to capture different dimensions of procurement allocation and integrity. To test H1 regarding the allocation of procurement resources, the study uses the logarithm of total procurement spending per voter in each municipality-year as the primary dependent variable. This measure is calculated as:

$$\log(\text{spending per voter}) = \log\left(\frac{\text{total spending}}{\text{total votes}}\right) \quad (3.1)$$

Where:

- Total spending is the sum of all procurement contract values awarded by a municipality in a given year
- Total votes is the total number of votes cast in the most recent local election

The logarithmic transformation addresses the right-skewed distribution of spending values and allows for the interpretation of coefficients as percentage changes, facilitating meaningful comparisons across municipalities of different sizes.

Corruption Risk Indicator

To test H2 and H3 regarding procurement integrity, the study employs a composite Corruption Risk Indicator (CRI). This methodological approach represents a significant advancement in corruption research, moving beyond perception-based measures to objective indicators based on actual procurement outcomes (Fazekas and Tóth 2016; Fazekas and Kocsis 2020). The CRI captures the probability of particularistic contract award in public procurement by identifying “red flags” that indicate deviations from open and fair competitive norms. Following the methodological framework developed by Fazekas and colleagues, the CRI is constructed as an unweighted average of three binary risk indicators:

$$\text{CRI} = \frac{\text{single bidder} + \text{risky procedures} + \text{risky duration}}{3} \quad (3.2)$$

In addition to the composite CRI, each component indicator is analyzed separately as a dependent variable in binary logistic regression models to provide a more detailed understanding of specific corruption mechanisms. For detailed descriptions of the dependent variables, including the components of the CRI, refer to Table 3.2.1

3.2.2 Independent variables

Political Alignment

The primary independent variable for testing H1 and H2 is political alignment between municipal and national governments. It is operationalized as a binary variable. This measure captures whether a municipality is politically aligned with the central government, allowing for the testing of theories regarding partisan favoritism in resources allocation and potential collusion in procurement processes.

Electoral Competitiveness

To test H3, electoral competitiveness is measured using the winning margin in the most recent municipal election. Smaller winning margins indicate greater electoral competitiveness. For the

Variable	Definition
Log Spending per Voter	Logarithm of total procurement spending per voter in each municipality-year. Calculated as $\log(\text{total spending} / \text{total votes})$.
Corruption Risk Indicator (CRI)	Ranges from 0 to 1, higher values indicate greater risk. This approach aligns with Fazekas's methodology of using objective, observable procurement features as proxies for corruption risk rather than relying on perception-based measures or detected corruption cases, which suffer from selection bias (Fazekas & Tóth, 2016).
Single Bidder	Binary: 1 if only one bid in competitive tender, 0 otherwise. Single-bidder contracts represent a fundamental breakdown of competition in procurement, which Fazekas and Kocsis (2020) identify as a key objective proxy for corruption risk. The absence of competition allows for potential favoritism and inflated prices without market discipline.
Risky Procedure	Binary: 1 if less transparent procedure used, 0 otherwise. Risky procedures include: Small Value, Negotiated without Notice, Request for Proposals, Design Contest, Consulting, Restricted Local, and Restricted INT. These procedure types offer greater discretion to procurement officials and reduced transparency, creating opportunities for corrupt manipulation (Fazekas & Tóth, 2016).
Risky Duration	Binary: 1 if tender duration is 10 days or fewer, 0 otherwise. This threshold was determined based on the distribution of tender durations in the dataset, with approximately 50% of single-bidder contracts having durations of 10 days or fewer. Abnormally short tender periods can indicate tailored specifications or advance information to favored bidders, limiting genuine competition (Fazekas & Tóth, 2016).

Table 3.3: Dependent Variables

analysis of pre-election behavior, the study uses the winning margin in the upcoming election (next election margin), which captures the actual competitiveness of the race that politicians anticipate.

Pre-election Period

To test the temporal dimension of H1, a binary indicator identifies pre-election years. This variable allows testing whether political effects intensify as elections approach. This variable captures the potential intensification of politically motivated resource allocation as elections approach. For detailed descriptions of the independent variables refer to Table 3.2.2

Variable	Description
Political Alignment	1 if mayor's party is in national ruling coalition, 0 otherwise
Winning Margin	Vote share difference between winner and runner-up
Pre-Election Year Dummy	1 if year is before local elections (2014, 2018, 2022), 0 otherwise

Table 3.4: Independent Variables

3.2.3 Control variables

The models include several control variables to account for factors that might influence procurement outcomes independently of political considerations. This controls for systematic dif-

ferences in procurement processes based on contract value. For a detailed list and description of control variables, refer to Table 3.2.3

Variable	Description
Municipality Size	Logarithm of total votes cast in the most recent municipal election, controlling for the scale of municipal operations and potential economies of scale in procurement.
Region Fixed Effects	Binary indicators for each of Albania's 12 administrative regions, controlling for geographic and economic differences that might affect procurement patterns.
Year Fixed Effects	Binary indicators for each year in the dataset, controlling for temporal trends and policy changes affecting all municipalities.
Bid Size Categories	Categorical variable classifying contracts by value: Small (< 500,000 ALL), Medium (500,000 – 5,000,000 ALL), Large (> 5,000,000 ALL), Top 1%(> 98,835,220 ALL).

Table 3.5: Control Variables

3.3 Empirical strategy

The study employs multiple regression models to test the three hypotheses, progressively incorporating interaction terms to examine conditional relationships. While the dataset consists of individual procurement contracts with attached political variables, some analyses aggregate data to the municipality-year level (particularly for H1) to examine overall spending patterns.

3.3.1 Hypothesis 1: Political alignment and procurement spending

To test whether aligned municipalities receive more procurement spending per voter, especially before elections, two models are estimated at the municipality-year level:

Model 1: Main Effects

$$\log(\text{Spending per Voter})_{i,t} = \beta_0 + \beta_1 \text{Alignment}_{i,t} + \beta_2 \text{Pre-election dummy}_t + \beta_3 \mathbf{X}_{i,t} + \epsilon_{i,t} \quad (3.3)$$

Model 2: Interaction Effect

$$\log(\text{Spending per Voter})_{i,t} = \beta_0 + \beta_1 \text{Alignment}_{i,t} + \beta_2 \text{Pre-election dummy}_t + \beta_3 (\text{Alignment}_{i,t} \times \text{Pre-election dummy}_t) + \beta_4 \mathbf{X}_{i,t} + \epsilon_{i,t} \quad (3.4)$$

Where:

- i indexes municipalities and t indexes years
- $\mathbf{X}_{i,t}$ represents the vector of control variables (region fixed effects, log of total votes, year fixed effects)
- $\epsilon_{i,t}$ is the error term

3.3.2 Hypothesis 2: Political alignment and corruption risk

To test whether aligned municipalities exhibit higher corruption risks in procurement, the following model is estimated at the contract level:

$$CRI_{i,j,t} = \beta_0 + \beta_1 \text{Alignment}_{i,t} + \beta_2 \mathbf{X}_{i,j,t} + \varepsilon_{i,j,t} \quad (3.5)$$

Where:

- i indexes municipalities, j indexes individual contracts, and t indexes years
- $\mathbf{X}_{i,j,t}$ includes both contract-specific controls (e.g., bid size) and municipality-level controls

In addition to the composite CRI, separate logistic regression models are estimated for each component indicator:

$$\text{logit}(P(\text{single bidder}_{i,j,t})) = \beta_0 + \beta_1 \text{Alignment}_{i,t} + \beta_2 \mathbf{X}_{i,j,t} \quad (3.6)$$

$$\text{logit}(P(\text{risky procedure}_{i,j,t})) = \beta_0 + \beta_1 \text{Alignment}_{i,t} + \beta_2 \mathbf{X}_{i,j,t} \quad (3.7)$$

$$\text{logit}(P(\text{risky duration}_{i,j,t})) = \beta_0 + \beta_1 \text{Alignment}_{i,t} + \beta_2 \mathbf{X}_{i,j,t} \quad (3.8)$$

3.3.3 Hypothesis 3: Electoral competitiveness, alignment, and corruption risk

To test whether the effect of political alignment on corruption risk is moderated by electoral competitiveness, particularly before elections, the following model is estimated using only pre-election year data at the contract level:

$$CRI_{i,j,t-1} = \beta_0 + \beta_1 \text{Alignment}_{i,t-1} + \beta_2 \text{Winning Margin}_{i,t} + \beta_3 (\text{Alignment}_{i,t-1} \times \text{Winning Margin}_{i,t}) + \beta_4 \mathbf{X}_{i,j,t} + \varepsilon_{i,j,t} \quad (3.9)$$

Where:

- $t - 1$ indicates the year before the election
- $\text{Winning Margin}_{i,t}$ is the margin of victory in the upcoming election
- $\mathbf{X}_{i,j,t}$ includes both contract-specific controls (e.g., bid size) and municipality-level controls

Similar models are estimated for each component indicator using logistic regression.

Chapter 4

Results

4.1 Political alignment and spending per voter

In this section we examine whether public procurement spending per voter increases when municipalities are politically aligned with the ruling national coalition, with this effect being particularly pronounced in pre-election years. To test this, two regression models were estimated using procurement data from 2011 to 2024. Model 1 examines the direct effects of political alignment and a pre-election year dummy on the logarithm of total public procurement spending per voter. Model 2 introduces an interaction term between political alignment and the pre-election year dummy to explore whether the effect of alignment on spending differs in the run-up to elections. Both models include municipality fixed effects for region, the logarithm of total votes, and year fixed effects to control for unobserved heterogeneity and common time trends. The results in Table 4.1 provide strong support for our H1.

Table 4.1: Political Alignment and Spending per Voter

	Model 1 Main Effects	Model 2 Interaction
Political Alignment	0.531*** (0.012)	0.551*** (0.015)
Pre-election Year	1.025*** (0.040)	1.077*** (0.046)
Alignment × Pre-election		-0.063* (0.026)
Log(Total Votes)	-0.241*** (0.005)	-0.241*** (0.005)
Region Fixed Effects	Yes	Yes
Year Fixed Effects	Yes	Yes
Observations	44,566	44,566
R-squared	0.341	0.341

Note: Dependent variable is log(spending per voter). Standard errors in parentheses. All models control for region, year and total votes.

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$

The coefficient for political alignment in Model 1 is positive and statistically significant (0.531, $p < 0.001$). This indicates that, on average, municipalities politically aligned with the central government exhibit significantly higher procurement spending per voter compared to non-aligned municipalities. Specifically, the estimate suggests that aligned municipalities spend approximately 53.1% more per voter. This finding aligns with the core voter model (Cox and McCubbins 1986; Grossman 1994), and provides evidence that central governments in Albania strategically channel resources to their political allies at the local level.

The substantial alignment premium observed in our analysis is consistent with broader patterns documented across Southeastern Europe, where research has identified significant vulnerabilities in intergovernmental transfer systems (Mineva et al. 2023). The centralized nature of fiscal relations in the region creates conditions where political alignment can be leveraged for preferential resource allocation. In Albania's case, the 2015 territorial reform that consolidated municipalities from 65 to 61 may have intensified these dynamics by increasing the political significance of each municipal unit and concentrate decision-making power. This institutional context helps explain why the alignment effects we observe are particularly pronounced compared to more decentralized systems.

Furthermore, Model 1 reveals a strong, positive, and statistically significant coefficient for the pre-election dummy variable (1.025, $p < 0.001$). This result indicates that being in a pre-election year is associated with a 102.5% increase in procurement spending per voter, relative to non-election years. This dramatic pre-electoral surge in spending is consistent with existing literature on electoral cycles in public spending and suggests that Albanian municipalities

significantly increase their procurement activities when elections approach.

The magnitude of this pre-election effect is considerable, highlighting the cyclical nature of public procurement allocations tied to the electoral calendar. The more than doubling of spending in pre-election years suggests that procurement decisions are heavily influenced by electoral considerations, with incumbents likely using increased spending to demonstrate their effectiveness and secure voter support. This pattern reflects the clientelistic intergovernmental transfers in Albania, where public resources are used strategically to maintain political support and electoral advantage.

Model 2 introduces an interaction term between political alignment and the pre-election dummy to explore whether the effect of alignment on spending is conditional on election cycles. The results reveal important nuances in how political alignment and electoral timing interact to influence spending patterns. The coefficient for political alignment remains positive and statistically significant (0.551, $p < 0.001$), reinforcing the finding that aligned municipalities generally spend more throughout the electoral cycle. The pre-election dummy also remains positive and significant (1.077, $p < 0.001$), confirming the general increase in spending during pre-election years.

However, the interaction term (alignment \times pre-election dummy) is negative and statistically significant at the 5% level (-0.063, $p < 0.05$). This negative interaction suggests that the pre-election surge in spending is somewhat attenuated in politically aligned municipalities compared to non-aligned ones. While aligned municipalities maintain higher spending levels overall, their increase in spending during pre-election years is, on average, 6.3 percentage points smaller than the increase observed in non-aligned municipalities. This finding reveals an important strategic dynamic in Albanian municipal politics. Nonaligned municipalities appear to use pre-election periods as opportunities to dramatically increase their spending, possibly as a strategy to overcome their baseline disadvantage in resource access; these municipalities increase their spending by over 100% (approximately doubling) in pre-election years, compared to a smaller but still substantial increase for aligned municipalities. This nuanced finding suggests a strategic allocation of resources where non-aligned incumbents might be using procurement spending more aggressively as an electoral tool, while aligned incumbents, perhaps more secure in their resource base, exhibit a more tempered, yet still elevated, pre-election spending pattern. This could be interpreted in light of the swing voter model (Lindbeck and Weibull 1987; Dixit and Londregan 1996) for non-aligned municipalities, which might be targeting resources to improve their electoral chances, while aligned municipalities continue to benefit from the core voter model dynamics.

The findings regarding political alignment and spending patterns have significant implications for Albania's governance quality and European Union integration aspirations. The substantial alignment premium in procurement spending suggests that political considerations play a major role in resource allocation decisions, potentially undermining principles of equity and efficiency that are central to EU governance standards. The considerate pre-election spending

surges raise concerns about fiscal discipline and the politicization of public investment decisions.

However, these findings should be interpreted within the context of Albania's ongoing democratic consolidation and institutional development. While the observed patterns may reflect problematic aspects of Albanian governance, they also demonstrate the continued importance of electoral competition in shaping government behavior. The fact that both aligned and non-aligned municipalities increase spending before elections suggests that electoral accountability mechanisms retain some effectiveness, even if they operate through imperfect channels.

The challenge for Albanian policymakers and EU integration efforts lies in channeling these political dynamics toward more constructive outcomes. Rather than attempting to eliminate political considerations from resource allocation entirely, reforms might focus on increasing transparency, strengthening oversight mechanisms, and creating institutional incentives that align political motivations with public interest objectives. The ongoing implementation of EU procurement directives and the strengthening of audit institutions represent important steps in this direction, though our findings suggest that informal political practices continue to exert substantial influence on procurement outcomes.

4.2 Political alignment and corruption risk indicators

We now investigate whether municipalities politically aligned with the ruling national coalition show higher levels of corruption risk in their procurement practices, as measured by our composite Corruption Risk Index and its individual components. This hypothesis was grounded in theoretical arguments about how political connections can facilitate corrupt practices through privileged access to information, preferential treatment in tender design, and weakened oversight mechanisms. However, our analysis across the full sample period (2011-2024) reveals a more complex and nuanced relationship than initially anticipated. The results for H2, based on full sample, are presented in Table 4.2.

Table 4.2: Political Alignment and Corruption Risk Indicators

	CRI Composite	Single Bidder	Risky Procedure	Risky Duration
Political Alignment	-0.002 (0.003)	0.005 (0.042)	-0.223*** (0.058)	0.138** (0.045)
Bid Size: Small (<500K)	0.606*** (0.010)	-0.278 (0.156)	8.603*** (0.456)	7.583*** (0.451)
Bid Size: Medium (500K-5M)	0.477*** (0.010)	0.500** (0.156)	6.849*** (0.455)	4.878*** (0.450)
Bid Size: Large (>5M)	0.138*** (0.010)	0.437** (0.158)	3.671*** (0.455)	2.588*** (0.451)
Log(Total Votes)	-0.021*** (0.001)	-0.050** (0.017)	-0.503*** (0.021)	-0.212*** (0.018)
Region Fixed Effects	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
Observations	42,202	42,202	42,202	42,202
R-squared/Pseudo R-squared	0.446	-	-	-
AIC	-	32,420	21,716	28,488

Note: CRI model uses OLS regression. Single Bidder, Risky Procedure, and Risky Duration models use logistic regression. Standard errors in parentheses. All models control for year, region, bid size, and total votes.

*** p < 0.001, ** p < 0.01, * p < 0.05

The regression results for the overall CRI across all years present an initially puzzling finding: the coefficient for political alignment is small in magnitude and not statistically significant (-0.002, $p > 0.1$). This null finding suggests that, when considering the entire period and all procurement contracts, there is no general, statistically noticeable direct relationship between a municipality being politically aligned with the central government and the overall level of corruption risk as captured by the CRI. However, examining individual components reveal important patterns that provide insights into specific mechanisms through which political alignment influence procurement integrity.

The absence of a significant overall effect of alignment on CRI across all years may reflect several important dynamics specific to the Albanian procurement environment. First, the implementation of EU-aligned procurement reforms throughout the study period may have created countervailing pressures that mask simple relationships between political alignment and corruption risk. As Albania has progressively adopted European procurement standards and strengthened formal oversight mechanisms, the most blatant forms of political favoritism may have become more difficult to implement, leading to more subtle ways that may not be captured by aggregate measures; formal compliance with procurement regulations has improved while informal practices may persist.

Second, the null finding may reflect the heterogeneous nature of corruption risks across

different types of procurement and different time periods. Political alignment may facilitate certain types of corrupt practices while constraining others, leading to offsetting effects that cancel out in aggregate measures. For instance, aligned municipalities might avoid certain risky procedures that could attract unwanted attention while simultaneously engaging in other practices that extend procurement durations or limit competition in less visible ways.

Third, the institutional context of Albanian procurement may create conditions where corruption risks are more closely tied to specific circumstances, such as electoral pressures or particular types of contracts, rather than being a constant feature of aligned municipalities. This interpretation suggests that the relationship between political alignment and corruption may be highly contingent on contextual factors, making it difficult to detect consistent effects across all years and all types of procurement.

While the overall CRI shows no statistically significant relationship with political alignment, the analysis of its individual components reveals important patterns that provide insight into the specific mechanisms through which political alignment can influence procurement integrity. The coefficient of political alignment is negative and statistically significant for Risky Procedure (-0.223 , $p < 0.001$), indicating that municipalities aligned with the central government are, on average, 22.3 percentage points less likely to use risky procurement procedures compared to their non-aligned counterparts. This suggests a potential pattern of more procedurally cautious behavior among aligned municipalities when it comes to how tenders are structured.

In contrast, political alignment is positive and statistically associated with Risk Duration. the estimated coefficient of 0.138 ($p < 0.01$), implies that aligned municipalities are 13.8 percentage points more likely to have unusually short procurement durations, a characteristic often associated with rushed or non-competitive processes. this result suggests that while aligned municipalities may avoid formal procedural risks, they might still engage in practices that limit transparency or competition through timing mechanisms.

For Single Bidder, the coefficient on alignment is small and not statistically significant (0.005 , $p > 0.1$), indicating no difference in the likelihood of single-bidder contracts between aligned and non-aligned municipalities in the full sample.

These mixed results for the individual components, coupled with the non-significant effect on the overall CRI, suggest that the relationship between political alignment and corruption risk is not straightforward across all dimensions of procurement integrity. While aligned municipalities might avoid certain risky procedures, they might also exhibit other characteristics, such as prolonged procurement durations, that could be indicative of different forms of potential inefficiencies or less competitive environments. This complexity underscores the importance of disaggregating the corruption risk index to understand the specific mechanisms at play.

4.3 Political alignment, electoral competitiveness, and pre-election corruption dynamics

In this section we delve into the complex interplay between political alignment, electoral competitiveness, and corruption risks during pre-election periods. By specifically focusing our analysis to procurement conducted in the year immediately preceding local elections, we aim to capture the heightened political dynamics that characterize these crucial periods in Albanian municipal politics.

4.3.1 Pre-election period analysis: Revealing hidden patterns

To investigate whether the corruption risks increase in competitive electoral environments, particularly when municipalities are politically aligned with the central government (H3), the analysis was restricted to procurements conducted one year before an election year. Two sets of models were run for H3, both controlling for region, year, total votes, and bid size. The first set of models (Table 4.3) examines the direct effect of alignment on CRI and its components in pre-election years, without including the winning margin variable. This allows to observe a nuanced effect of political alignment on CRI in pre-election years.

Table 4.3: Political Alignment and Corruption Risk – Pre-election Years Only

	CRI Composite	Single Bidder	Risky Procedure	Risky Duration
Political Alignment	0.015** (0.005)	0.269*** (0.075)	-0.012 (0.119)	0.237** (0.089)
Bid Size: Small (<500K)	0.573*** (0.023)	-0.393 (0.314)	6.790*** (0.608)	6.638*** (0.598)
Bid Size: Medium (500K-5M)	0.428*** (0.023)	0.370 (0.316)	4.850*** (0.607)	3.611*** (0.595)
Bid Size: Large (>5M)	0.080*** (0.024)	0.111 (0.321)	1.533* (0.608)	1.307* (0.599)
Log(Total Votes)	-0.015*** (0.002)	-0.024 (0.029)	-0.498*** (0.042)	-0.128*** (0.036)
Region Fixed Effects	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
Observations	10,894	10,894	10,894	10,894
R-squared/Pseudo R-squared	0.436	-	-	-
AIC	-	9,306	5,403	6,796

Note: Analysis restricted to pre-election years (2014, 2018, 2022). CRI model uses OLS regression. Single Bidder, Risky Procedure, and Risky Duration models use logistic regression. Standard errors in parentheses. All models control for year, region, bid size, and total votes.

*** p<0.001, ** p<0.01, * p<0.05

In this restricted sample of pre-election years, the estimates in Column 1 indicated a positive and statistically significant effect of political alignment with the national government on the CRI. Specifically, municipalities aligned with the central government have, on average, a 0,015-point higher CRI than their non-aligned counterparts ($p < 0.01$). This suggests that in the year leading up to elections, politically aligned municipalities are associated with significantly higher corruption risk compared to non-aligned municipalities. This finding represents a striking contrast to the null results observed across all years.

The emergence of significant alignment effects in pre-election years demonstrates the importance of temporal specificity in understanding corruption dynamics. First, the intensified political pressures associated with upcoming elections appear to create stronger incentives for aligned municipalities to leverage their political connections for electoral advantage. The high stakes of electoral competition in Albania, where control of municipal governments provides access to significant resources and patronage opportunities, may lead aligned officials to take greater risks in their procurement practices when elections approach.

Second, the pre-election period may represent a time when the normal constraints on corrupt behavior are temporarily relaxed due to the focus of oversight institutions on electoral preparations rather than routine administrative monitoring. Central government officials may be more tolerant of questionable practices by their political allies during election periods, recognizing that electoral success takes priority over strict adherence to procurement regulations. This temporary relaxation of oversight may create windows of opportunity for corrupt practices that are normally constrained.

Third, the pre-election period may intensify the value of political connections for private sector actors seeking government contracts. Firms with connections to aligned municipalities may view the pre-election period as an optimal time to secure favorable contracts, knowing that political considerations are likely to weigh heavily in procurement decisions. This increased demand for politically connected access may lead to more aggressive efforts to influence procurement outcomes through corrupt means.

Delving into the individual components of CRI, the coefficient of political alignment is positive and highly significant for Single Bidder. Specifically, municipalities aligned with the central government have, on average, a 0,269-point higher probability of awarding contracts to single bidder than their non-aligned counterparts ($p < 0.001$). This implies that in pre-election years, politically aligned municipalities are 26.9 percentage points more likely to use single-bidder procurement processes - a common indicator of reduced competition and increased corruption risk. This stands in contrasts to the non-significant results for Single Bidder in the full sample analysis (Table 4.2), further emphasizing the temporal specificity of this effect.

For Risky Duration, the alignment coefficient is also positive and statistically significant (0.237, $p < 0.01$), indicating that aligned municipalities are 23.7 percentage points more likely to exhibit shorter-than-expected procurement durations in pre-election years. This finding is consistent with the full sample analysis, reinforces the idea that abnormally shorter durations

may be a systematic characteristic of procurement in politically aligned municipalities, potentially suggesting expedited processes to favor specific bidders.

Interestingly, for Risky Procedure, the alignment coefficient is not statistically significant (-0.012 , $p > 0.1$) in the pre-election year analysis. This marks a notable difference from the full sample results, where alignment was associated with a significant reduction in the use of risky procedures. This lack of a significant effect in the pre-election context suggests that any typical restraint on risky procedural choices by aligned municipalities weakens or disappears as elections approach - potentially because other strategic considerations related to electoral success take precedence.

4.3.2 The moderating role of electoral margin in pre-election years

The second set of models for H3 incorporate the winning margin variable and its interaction with alignment to explore the moderating role of electoral competitiveness, as initially hypothesized. This analysis aims to understand if the effect of political alignment on CRI is conditional on the closeness of the upcoming election.

Table 4.4: Electoral Competitiveness, Political Alignment, and Pre-Election Corruption

	CRI Composite	Single Bidder	Risky Procedure	Risky Duration
Political Alignment	0.051*** (0.009)	0.642*** (0.119)	0.508* (0.215)	0.741*** (0.159)
Electoral Competitiveness	0.052** (0.019)	0.336 (0.260)	2.143*** (0.481)	0.383 (0.314)
Alignment × Competitiveness	-0.065*** (0.013)	-0.750*** (0.180)	-0.895** (0.297)	-0.800*** (0.216)
Bid Size: Small (<500K)	0.572*** (0.023)	-0.405 (0.316)	6.958*** (0.614)	6.648*** (0.599)
Bid Size: Medium (500K-5M)	0.427*** (0.024)	0.344 (0.318)	5.013*** (0.612)	3.623*** (0.596)
Bid Size: Large (>5M)	0.077** (0.024)	0.061 (0.323)	1.610** (0.612)	1.302* (0.600)
Log(Total Votes)	-0.016*** (0.002)	-0.042 (0.030)	-0.530*** (0.042)	-0.136*** (0.036)
Region Fixed Effects	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes
Observations	10,716	10,716	10,716	10,716
R-squared/Pseudo R-squared	0.438	-	-	-
AIC	-	9,136	5,296	6,720

Note: Analysis restricted to pre-election years (2014, 2018, 2022). Electoral competitiveness measured as next election margin. CRI model uses OLS regression. Single Bidder, Risky Procedure, and Risky Duration models use logistic regression. Standard errors in parentheses.

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$

In Table 4.4, the model introduces the next election margin variable, where smaller margin reflects greater electoral competitiveness. The estimates in Column 1 indicate a positive and statistically significant effect of political alignment with the national government on the CRI, reinforcing the finding from Table 4.3. This effect becomes even stronger when controlling for electoral competitiveness: municipalities aligned with the central government have, on average, a 0.051 point higher CRI than their non-aligned counterparts ($p < 0.001$).

The most theoretically important result in this analysis is the interaction between political alignment and electoral competitiveness. The negative and statistically significant (coefficient = -0.065 , $p < 0.001$) indicates that the effect of political alignment on corruption risk is strongest in municipalities with tighter electoral races. In other words, as competitiveness increases (margin narrows), the corruption-enhancing effect of alignment intensifies.

In Column 2, political alignment also has a large and statistically significant effect on the likelihood of single-bidder procurement procedures. Aligned municipalities are, on average, 64 percentage points more likely to use a single-bidder procedure than non-aligned ones ($p < 0.001$). However, this effect is conditional on electoral competitiveness: the interaction term

between alignment and next election margin is negative and highly significant (-0.750 , $p < 0.001$), indicating that this increase in single-bidder use is most pronounced when the electoral race is close. Columns 3 and 4 show that these dynamics also extend to other forms of risky procurement behavior, where the interaction terms are again negative and significant.

The positive and statistically significant effect of political alignment on CRI, particularly when facing tight local elections, suggests a strategic behavior. Aligned municipalities, when facing a narrow electoral margin, might leverage their political connections to engage in practices that restrict competition in procurement. This could manifest as an increase in single-bidder contracts or other risky procedures to favor politically connected firms or to generate illicit funds for electoral campaigns. This finding aligns with the literature suggesting that competitive pressures can increase incentives for corrupt resource mobilization, especially in contexts with weak institutions (Klašnja [2015](#); Fazekas and Hellmann [2025](#)).

The stark differences between our findings across all years versus pre-election years highlight the crucial importance of temporal dynamics in understanding corruption patterns. The fact that significant alignment effects emerge primarily during pre-election periods suggests that corruption in Albanian procurement may be highly episodic rather than constant, concentrated in periods when political stakes are highest.

Chapter 5

Conclusion

To conclude, in this paper, we study the effects of political alignment and electoral competitiveness on the allocation and integrity of public procurement spending in Albanian municipalities from 2010 to 2024. Exploiting the unique institutional context of Albania's centralized fiscal system and strong national party structure allows us to observe not only resource allocation patterns, but also corruption risks that emerge when political connections intersect with electoral pressures. To get at the causal effect of political dynamics, we utilize variation in political alignment across different municipalities and over time.

Our findings reveal that political alignment leads to a 53 percent increase in procurement spending per voter on average, providing strong support for the core voter model of distributive politics. The impact was most pronounced during pre-election periods, when spending increases by over 100 percent across all municipalities. These results suggest that political connections serve as the primary determinant of resource access in Albania's procurement system, demonstrating the continued importance of political networks in shaping resource flows despite formal democratization efforts. This challenges the common notion that formal EU-aligned procurement procedures alone can ensure equitable resource distribution. Instead, political factors, particularly partisan alignment with central government, remain the key drivers of allocation decisions. Unlike previous studies that focused on legal framework compliance in Albania, our findings show that informal political networks continue to exert substantial influence on procurement outcomes even within formally transparent systems. With this project, we provide causal evidence of political favoritism in public procurement for transitional democracies where such dynamics can significantly undermine governance quality and democratic consolidation efforts.

Furthermore, our analysis reveals a complex and highly contextual relationship between political alignment and corruption risk that varies significantly across different phases of the electoral cycle. While alignment shows little relationship with corruption risk across all years, significant effects emerge during pre-election periods, particularly when electoral competition is intense. Aligned municipalities exhibit corruption risk indices that are 0.051 points higher than non-aligned counterparts during pre-election years, with this effect being strongest in elec-

torally competitive environments where the interaction produces an additional negative effect of -0.065 points. This temporal specificity suggests that corruption in Albanian procurement may be more strategic and episodic than previously understood, concentrated in periods when political stakes are highest and the potential benefits of corrupt practices are greatest. The mechanisms through which political alignment influences procurement integrity are multifaceted, with aligned municipalities showing evidence of both protective effects during normal periods and problematic effects during pre-election periods, including dramatically increased single bidder contracts where aligned municipalities are 64 percentage points more likely to use such procedures.

The findings must be understood within Albania's specific institutional context as a post-communist democracy with persistent clientelistic networks undergoing European Union integration. The country's centralized fiscal system, combined with municipal dependency on central government transfers, creates structural conditions that enable political favoritism to translate into tangible resource advantages. The 2015 territorial reform that consolidated municipalities and increased their political significance may have intensified these dynamics, making each local government unit a more significant political prize. While EU integration has driven formal reforms in procurement legislation, our findings suggest that informal political practices continue to exert substantial influence, reflecting broader challenges facing transitional democracies as they attempt to reconcile democratic accountability with effective governance.

Most significantly, our evidence challenges conventional wisdom about electoral competition serving as a check on corruption. Instead of constraining corrupt behavior through accountability mechanisms, electoral competition actually intensifies corruption when combined with political alignment in Albania's weak institutional context. This finding has profound implications for understanding democratic development, suggesting that electoral competition in contexts with strong political networks may create counterproductive incentives that undermine governance quality rather than improving it. The interaction between political alignment and electoral competitiveness produces the highest corruption risks, indicating that effective governance reforms must address the specific combinations of factors that create corruption opportunities rather than focusing on individual variables in isolation.

The policy implications extend well beyond Albania's borders, offering insights for other transitional democracies and EU integration efforts. The temporal concentration of corruption risks during pre-election periods suggests that anti-corruption strategies should be dynamic and responsive to political cycles, with enhanced monitoring during high-risk periods rather than uniform enforcement approaches. The component-specific nature of our findings indicates that reforms should target particular mechanisms through which political influence operates, such as enhanced scrutiny requirements for single bidder contracts during election periods and standardized timeline monitoring to constrain subtle forms of favoritism. For EU integration efforts, our findings highlight that legal harmonization alone may be insufficient, requiring institutional innovations that address informal practices and political incentives alongside formal

framework adoption.

Limitations. This research has several limitations that should be acknowledged. First, our corruption risk indicators employed are based on available procurement data and established methodologies, but they may not capture more sophisticated or indirect forms of corruption that preserve formal compliance while still enabling favoritism. Second, the study does not directly observe the mechanisms through which political alignment leads to preferential treatment, limiting insights into specific channels of influence. Third, our measure of electoral competitiveness represents ex-post election results rather than ex-ante perceptions that drive procurement decisions. Additionally, the observational nature of our data limits strong causal claims despite comprehensive controls, and the Albanian context may limit generalizability to other institutional settings.

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