

Corruption Risks in Local Government:

*A few lessons from studying a highly
decentralised and 'low-corrupt' setting*

Gissur Ó Erlingsson

Center for Local Government Studies

Linköping University

Background (1): Swedish Municipalities

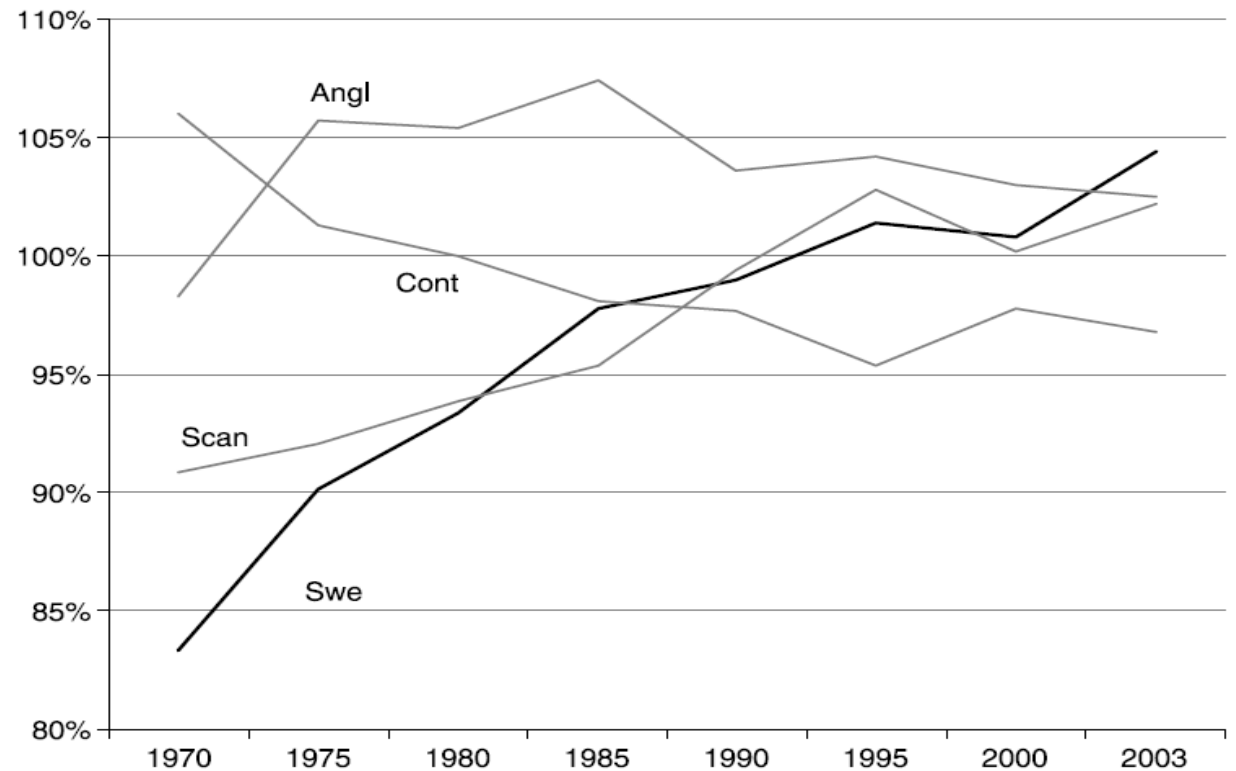
- Amalgamations 1952–1974 fundamentally changed the structure of Swedish local government; over time, bigger and...
- ...responsible for several core areas of the Swedish welfare state
 - Preschool, primary and secondary education, care for the elderly, the disabled, financial assistance/individual and family care
 - Water & waste, public housing, zoning, land use planning + streets, parks & playgrounds,
 - Permits, inspections + licensing
- Today: Employs up to 950 000 people (incl. MOC:s)
- One of the world's most decentralized countries (**Ladner et al 2021**)

Background (2): Rapid change of the Swedish economy

- One of the most regulated economies in the 1970s...
- ...far more open and liberalized in the 2000

**The Economic Freedom Index (EFI) av
Gwartney & Lawson (2003)**

Figure 1. Convergence in Economic Freedom? Dispersion around the Mean, 1970–2003.



Background (3): Swedish municipalities – evolved into attractive arenas to influence (or even manipulate...)

Danger zones for corruption...

- Monopoly over zoning & planning
- Carry out permits, inspections & licensing
- (Grants to civil society organisations)

Moreover

Lots of procurement of goods and services (LOU)

Contracting out to private providers of publicly financed services (LOV)

...big values at stake here!

- Councilors decide on whether LOV (Act on Freedom of Choice System) should be implemented/activated
- Local Government funding to private providers of public services (pre-school, schools, elderly care, etc.)

Ca. 100 bn SEK/year

Can make or break individual firms...

Having a politician present in decision-making, defending or promoting a corporation's interests, could be very lucrative....

In such an environment, crucial to have

Adequate conflict of interest regulation

Indeed, rules do exist in **the Local Government Act and The Administrative Procedure Act**

However, much criticism:

- unclear regulations, and regulations not always made known in the organization
- lack of compliance, not always reported by politicians or civil servants
- somewhat weak oversight, and low risk of sanctions if “caught”

Revolving door legislation

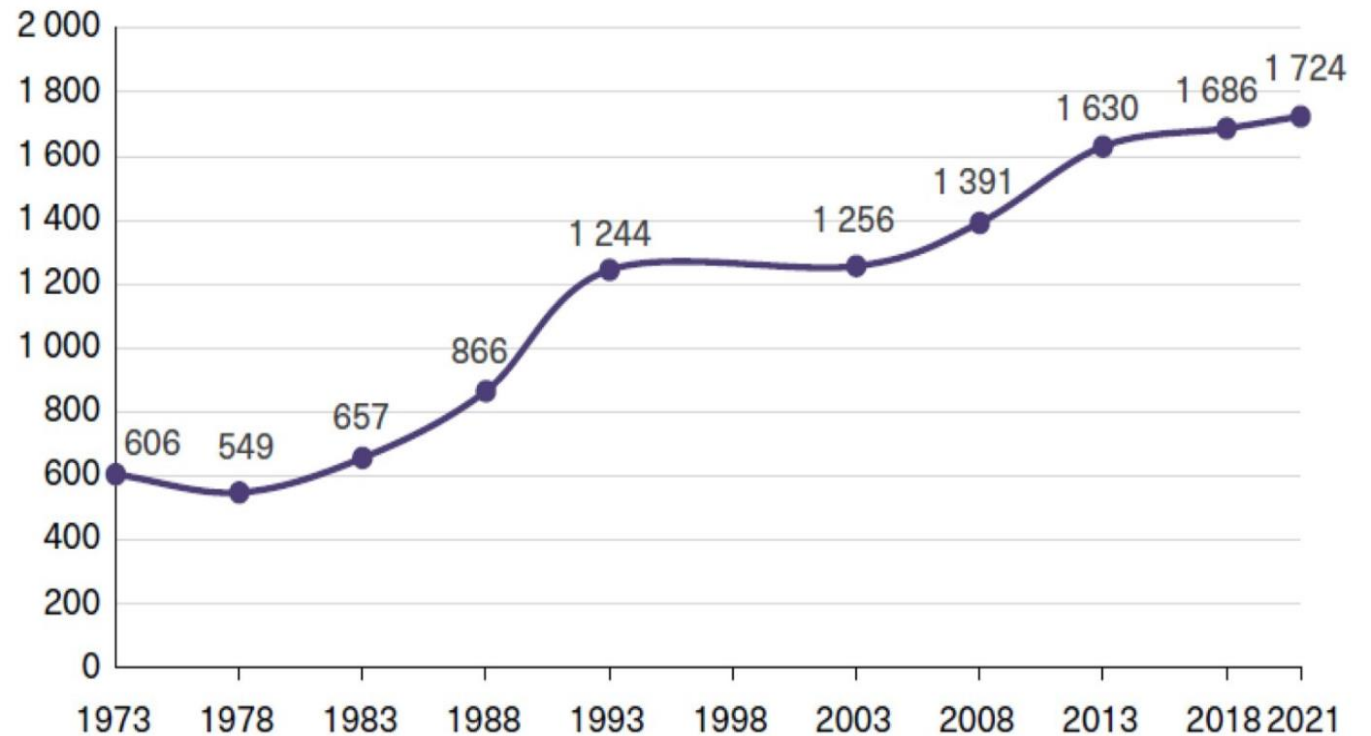
Although debated lately, no such formal regulations exist, so **no cooling-off period, no lobby registers, hence, a lack of oversight...**

Example:

- Today, it's not forbidden to simultaneously be a local councillor **and** work for PR- or consultancy firms, i.e. being “stuck” in the revolving door
- Previous research – such ‘insiders’ are very, very attractive for firms who want to sway decisions in their favor

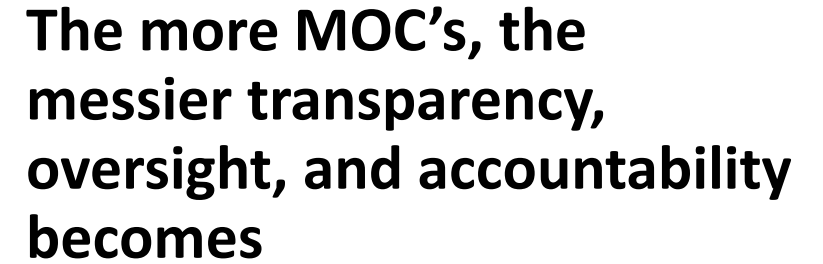
- Have become increasingly common
- Auditors and journalists find them difficult to audit and scrutinize
- Not always too keen on following the RTI-legislation...
- Questions surrounding how boards are appointed (e.g., female rep.)
- Questions surrounding how boards are educated in board-member roles
- **Research:** The more MOC's, the more perceived corruption

Moreover: The perils of MOC's...



Number of firms: 58. The size of the nodes determined by degree centrality.

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- Where is power and influence located?
- (Extreme example, Gothenburg)

Combating corruption in 'low corrupt', 'mature' welfare states?

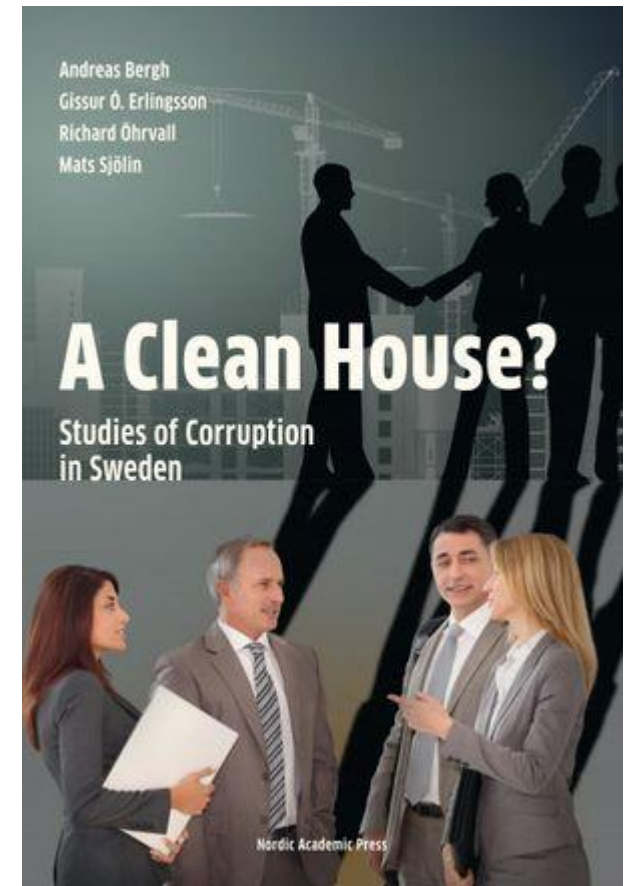
I'D PUT MY MONEY ON "INTEGRITY BASED" APPROACHES

Are there incentives and possibilities to act as whistle-blowers? (incl. In publicly funded 'welfare companies')?

Are there procedures for internal education on what is OK/not OK to do, what public ethics is/ought to be, what existing COI legislation says, etc.?

Keep track of and oversee the MOCs – are their existence always motivated?

In addition, what is the quality of local newspapers and their reporting of/digging into local politics



Beware of side effects from compliance based methods

- Compliance-based anticorruption reforms may carry a price tag

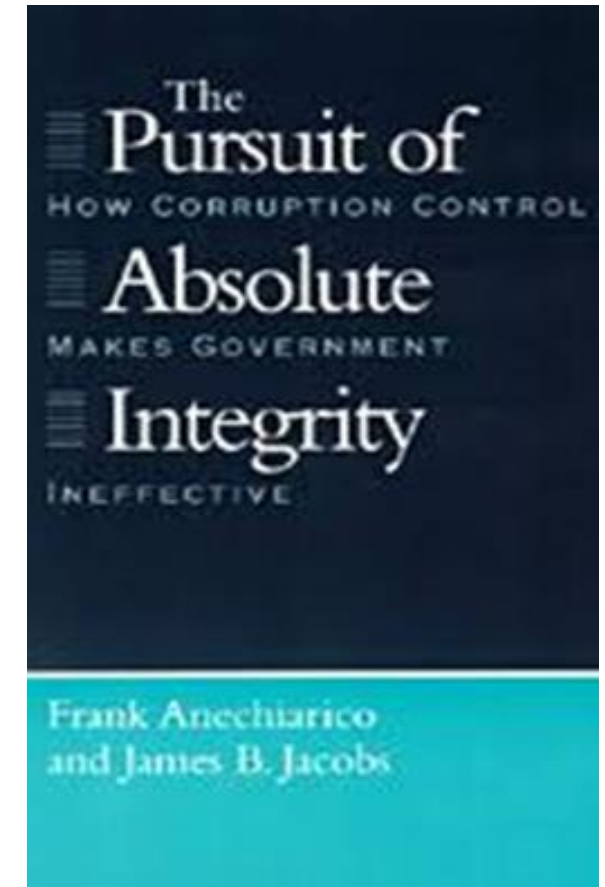
What happens if we increase surveillance, shrink the autonomy and discretion of civil servants, etc.?

Anerchiaco & Jacobs: *The Pursuit of Absolute Integrity...*

Individuals become more afraid of doing wrong than actually doing anything at all...

...no one dares to take initiatives, make decisions, and the operations come to a halt!

The environment becomes excruciating to work in; people quit



Thanks

Gissur Ó Erlingsson

Gissur.erlingsson@liu.se

Further reading?

- Erlingsson, Gissur Ó & Andreas Bergh (2024). "Municipally Owned Corporations in Sweden: A Cautionary Tale?", *Public Money & Management*, 44(7), 596–593.
- Wittberg, Emanuel, Gissur Ó Erlingsson & Karl Wennberg (2023). "Does Local Government Corruption Inhibit Entrepreneurship", *Small Business Economics* 62, 775-806
- Erlingsson, Gissur Ó (2022). "A Stranger Thing? Sweden as the Upside Down of Multilevel Trust", *Journal of Trust Research* 11(1), 22–41.
- Erlingsson, Gissur Ó & Susanne Wallman Lundåsen (2021). "When State-level Institutions Cannot Tell the Whole Story: An Inquiry into the Variations of Municipal Quality of Government", *Governance – an International Journal of Policy Administrations and Institutions* 34(1), 5–23.

Additional reading....

- "Firm performance, imperfect competition, and corruption risks..." [Firm performance, imperfect competition, and corruption risks in procurement: evidence from Swedish municipalities | Public Choice](#)
- "The value of political connections in a low corruption environment" [The value of local political connections in a low-corruption environment - ScienceDirect](#)
- "Targeting the lobbying effort: The importance of local government lobbying" [Targeting the lobbying effort: The importance of local government lobbying | European Journal of Political Research](#)