



# EU funds and grand corruption in public procurement: evidence & solutions from Hungary

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# Main messages

1. EU Funds (somewhat) increase corruption risks in recipient countries
2. Better design can compensate for negative effects

# What is special about EU Funds?

## 1. Resources

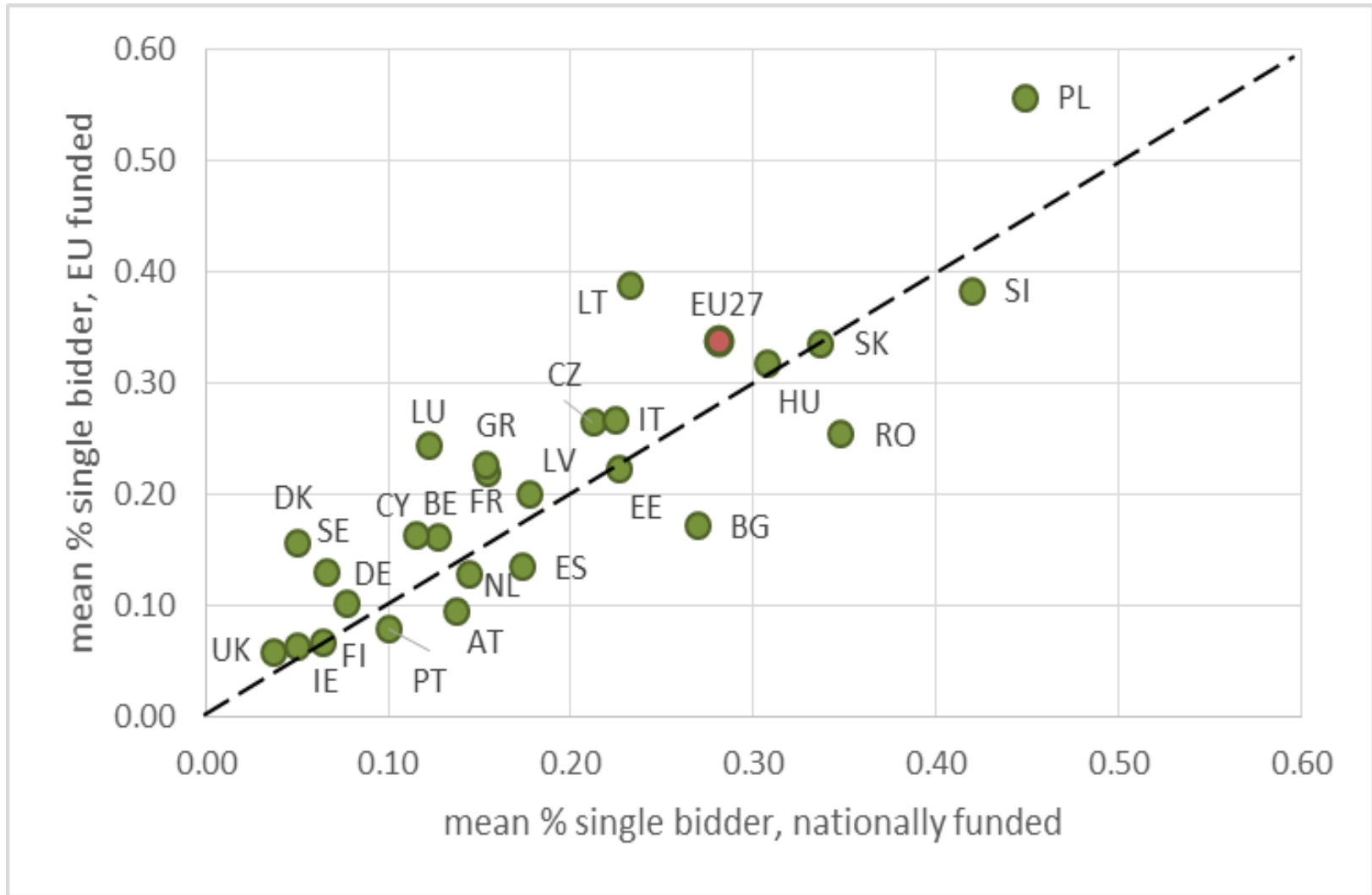
- Additional resources for state building & corruption

## 2. Controls

- Additional rules
- Additional transparency
- Additional oversight institutions

# The main effect

# Single bidder shares of EU and nationally funded public procurement contracts per country, EU27, 2009-2013



Source: Fazekas, M., & Tóth, I. J. (2017). Corruption in EU Funds? Europe-wide evidence on the corruption effect of EU-funded public contracting. In J. Bachtler, P. Berkowitz, S. Hardy, & T. Muravska (Eds.), *EU Cohesion Policy. Reassessing performance and direction*. Chapter 13. London: Routledge. Figure 13.3

# Formalistic compliance and open competition

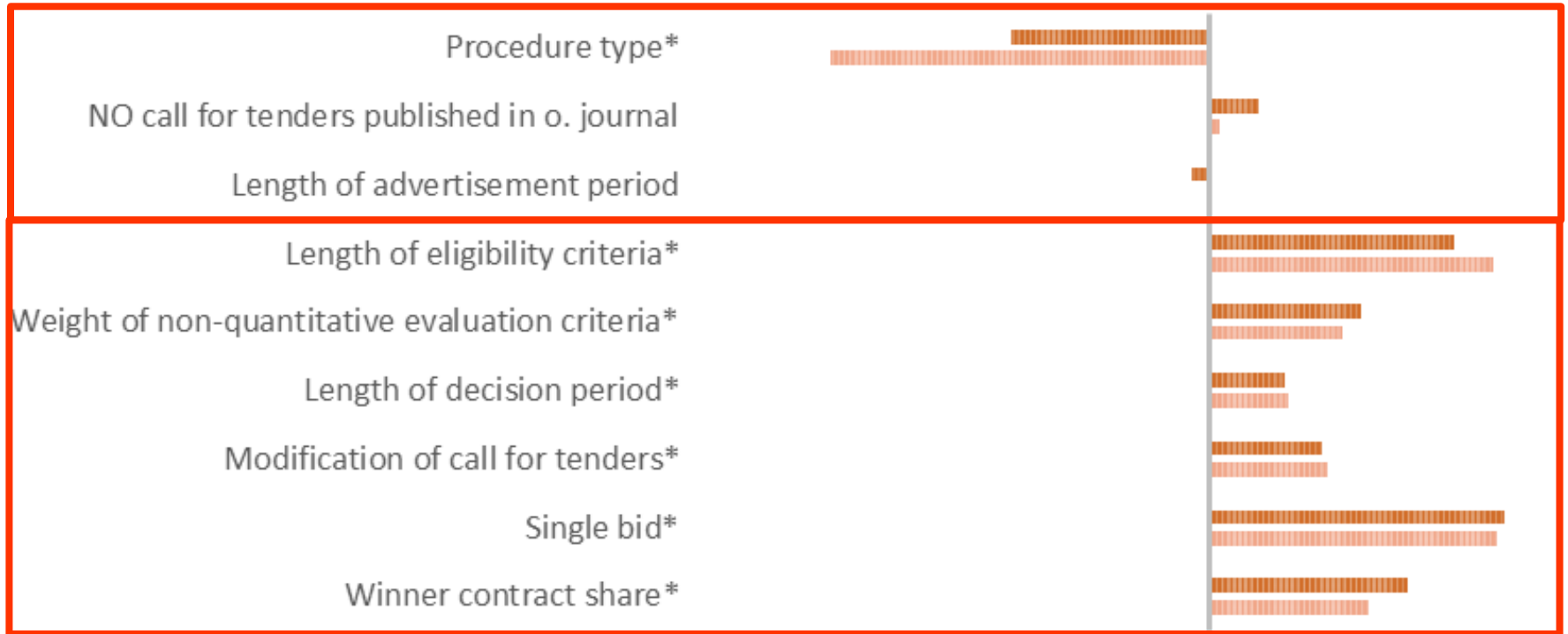
# Corruption indicators

PROC. PHASE	INDICATOR NAME	INDICATOR VALUES
<b>SUBMISSION</b>	Call for tenders publication	0=call for tender published in official journal 1=NO call for tender published in official journal
	Call for tender modification	0=NOT modified call for tenders 1=modified call for tenders
	Procedure type	0=open procedure 1=non-open procedure (e.g. invitation tender)
	Length of eligibility criteria	Number of characters relative to market average
	Length of advertisement period	Number of days between the publication of call for tenders and the submission deadline (for short submission periods weekends are deducted)
<b>ASSESSMENT</b>	Weight of non-quantitative evaluation criteria	Sum of weights for evaluation criteria which are NOT related to prices or quantities
	Length of decision period	number of days between submission deadline and announcing contract award
<b>OUTCOME</b>	Single bidder contract (valid/received)	0=more than 1 bid received 1=1 bid received
	Winner contract share	12-month total contract value of winner / 12-month total awarded contract value (by issuer)

# Types of corruption risks in Hungary and Czech Rep. & corruption risk effects

■ naive comparison   ■ propensity score matching

-0.15   -0.1   -0.05   0   0.05   0.1



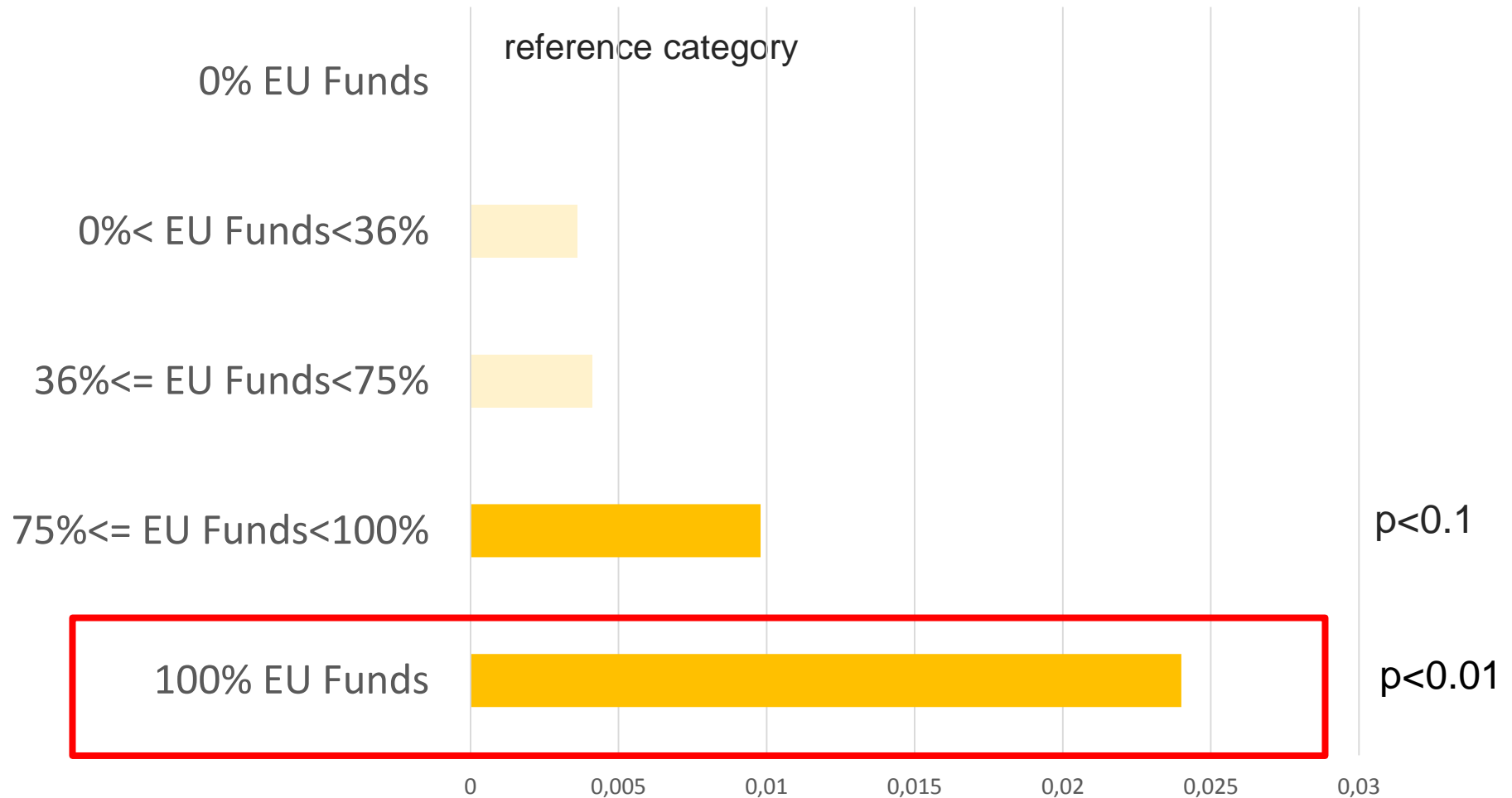
Source: Fazekas, M., & King, L. (2016) *Perils of development funding? The tale of EU Funds and grand corruption in Central and Eastern Europe. Regulation and governance. Under review.*



# EU Funds spending concentration

# Spending concentration in HU and CZ & corruption risk effects

Dependent variable: Corruption Risk Index



Control variables: country, organisation type, main sector, log spending value, nr of employees, use of e-auction

# Policy consequences

- Increase access and competition by decreasing bureaucratic controls
- Shift monitoring to outcomes
- Decrease spending concentration

# Literature

- Fazekas, M., & King, L. (2016) *Perils of development funding? The tale of EU Funds and grand corruption in Central and Eastern Europe. Regulation and Governance. Under review.*
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- Fazekas, M., & Kocsis, G. (2015). *Uncovering High-Level Corruption: Cross-National Corruption Proxies Using Government Contracting Data.* GTI-WP/2015:02, Government Transparency Institute, Budapest.
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