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

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EU Funds and the Path to Good Governance in Bulgaria and Romania: Lessons Learnt,
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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

Formalistic compliance and open competition
## Corruption indicators

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

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


