Curse of EU funds in Central and Eastern Europe? How EU funds impact on grand corruption

Mihály Fazekas (University of Cambridge): corresponding author, mf436@cam.ac.uk, www.mihalyfazekas.eu
Jana Chvalkovska (Charles University)
Jiri Skuhrovec (Charles University)
István Janos Tóth (Hungarian Academy of Sciences)
Lawrence Peter King (University of Cambridge)

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Two main goals today

- a new set of corruption indicators
- EU funds and institutionalised grand corruption in CEE

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The measurement approach

- Perception indicators are not good enough
- Corruption experience surveys are of limited use
- Need for new indicators harnessing BIG DATA
- Indicator characteristics:
  - objective data describing actor behaviour
  - micro level
  - consistent comparisons across countries, organisations, and time
  - thorough understanding of corruption in its context

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What are we trying to measure?

- Institutionalised grand corruption in public spending (aka legal corruption)
  - Institutionalised=recurrent, stable
  - Grand=high-level politics and business
  - Corruption=particularism
  - Public spending=public procurement

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Thee new ‚lead' indicators

- CRI: Corruption risk indicator of the winner selection process in public procurement

- PII: Indicator of political interference at public procurement markets

- PCI: Indicator of political control of contractors

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EU funds and inst. grand corruption

- Research question:

What is the impact of EU funds spending on institutionalised grand corruption in Cz, Hu, and Sk?

- Hypotheses:

H_0: EU funds strengthen institutionalised grand corruption in countries with weak quality of government.
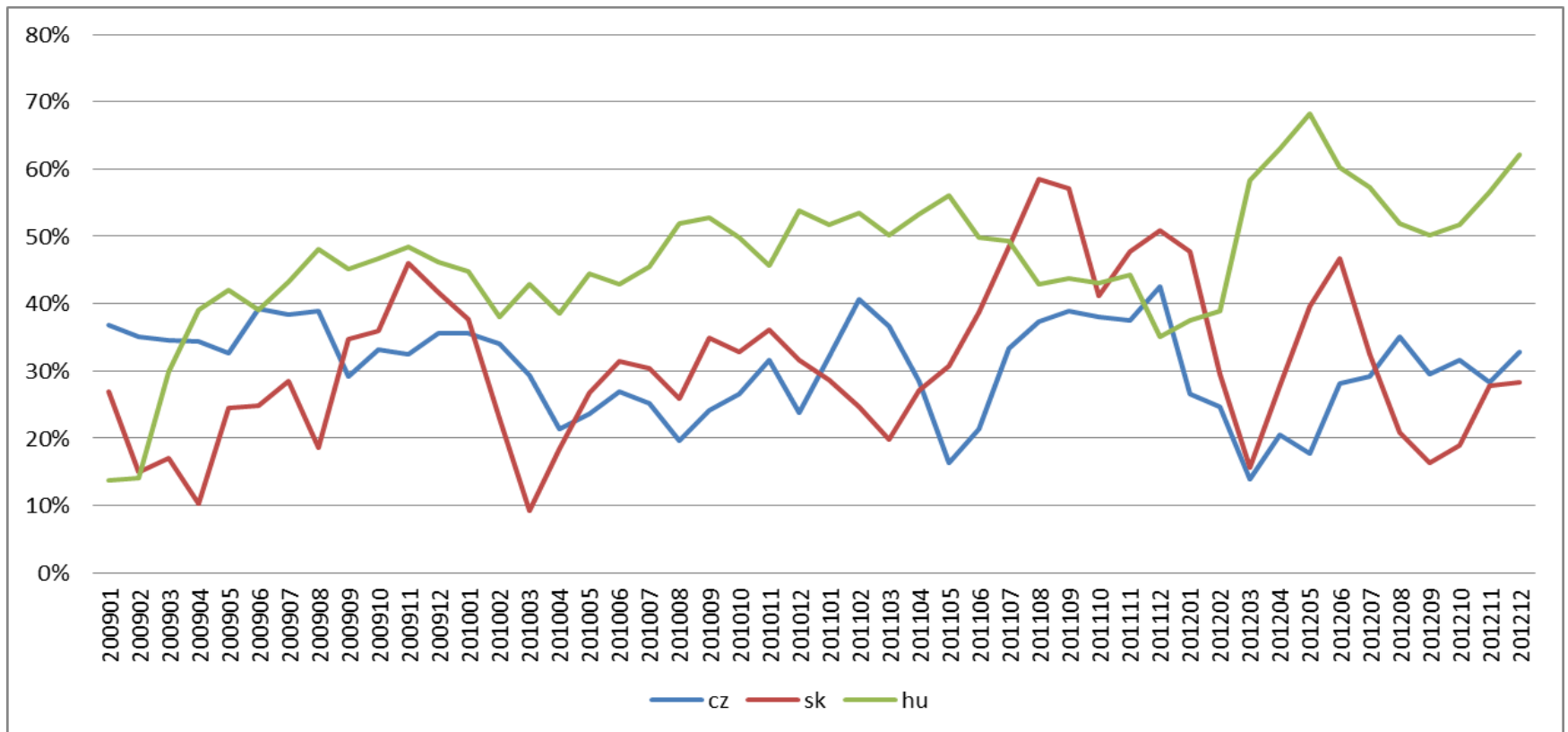
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The data

- Public procurement announcements (NOT all EU funds spending)
- Czech Republic, Hungary, and Slovakia
- 2009-2012

	Czech Republic	Slovakia	Hungary	Total
Total number of contracts awarded (with valid contract value)	46945	20841	51231	119017
Total number of unique winners	11015	4912	10739	26666
Total number of unique issuers	5838	2069	5171	13078
Combined value of awarded contracts (million EUR)*	41591	22947	12514	77052
Combined value of awarded contracts (% GDP)**	6.9%	8.5%	3.2%	6.1%

EU funds use

- Simple yes/no of EU funds' involvement in a public prcocurement procedure

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Corruption Risk Indicator (CRI)

Directly modelling the logic of **corrupt rent extraction**:

unfairly restricting competition

Proc. phase	Indicator name	Indicator values	availability		
			CZ	HU	SK
submission	Single bidder contract (valid/received)	1=1 bid received 0=more than 1 bid received	x	x	x
	Call for tenders not published in official journal	1=NO call for tenders published in official journal 0=call for tender published in official journal	x	x	x
	Procedure type	0 =open procedure 1=invitation/restricted procedure 2=negotiation procedure 3=other/framework procedures 4=outside PP law 5=missing/erroneous procedure type	x	x	x
	Call for tenders modification	1=modified call for tenders 0=NOT modified call for tenders	x	x	
	Length submission period	Number of days between the publication of call for tenders and the submission deadline (for short submission periods weekends are deducted)	x	x	
assessment	Number of evaluation criteria	number of distinct evaluation criteria (separate rows)	x	x	x
	Length of decision period	number of days between submission deadline and announcing contract award	x	x	
overall	winner contract share	12-month total contract value of winner / 12-month total awarded contract value (by issuer)	x	x	x
		Number of components	8	8	5

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Corruption Risk Indicator (CRI)

- Regressions deliver component weights and definitions
- Component categorisation (example)
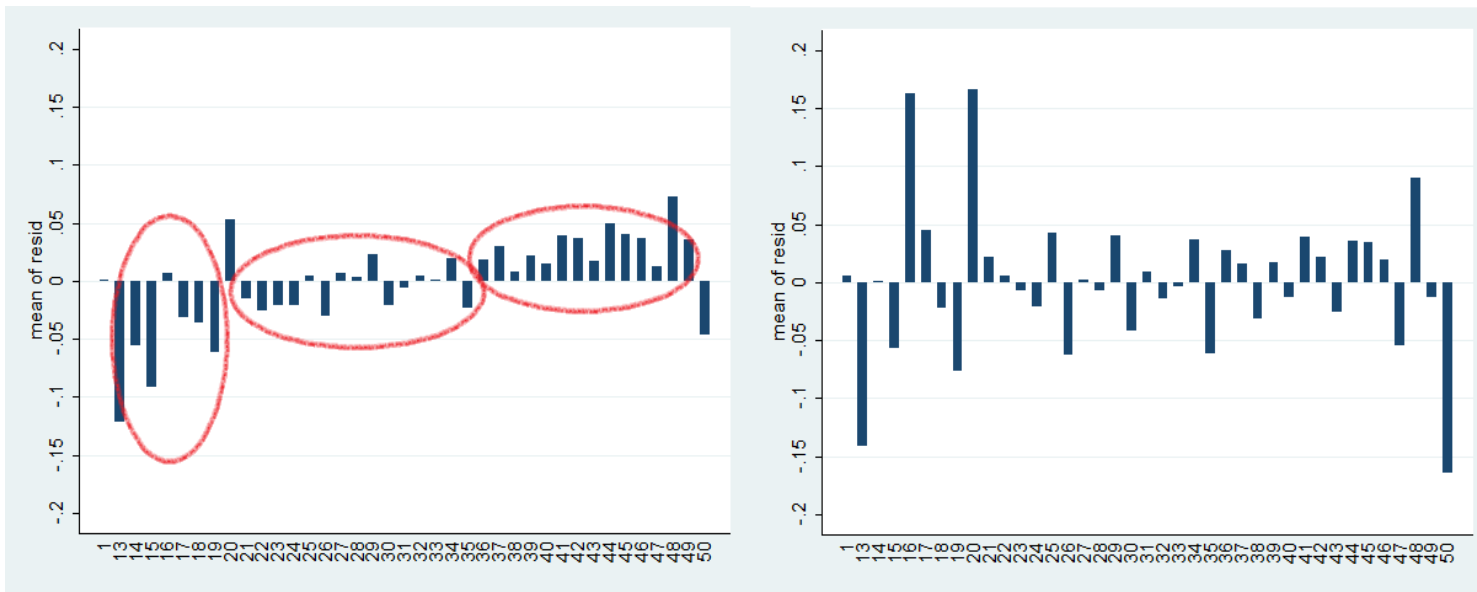
- Full regression results in conf. paper

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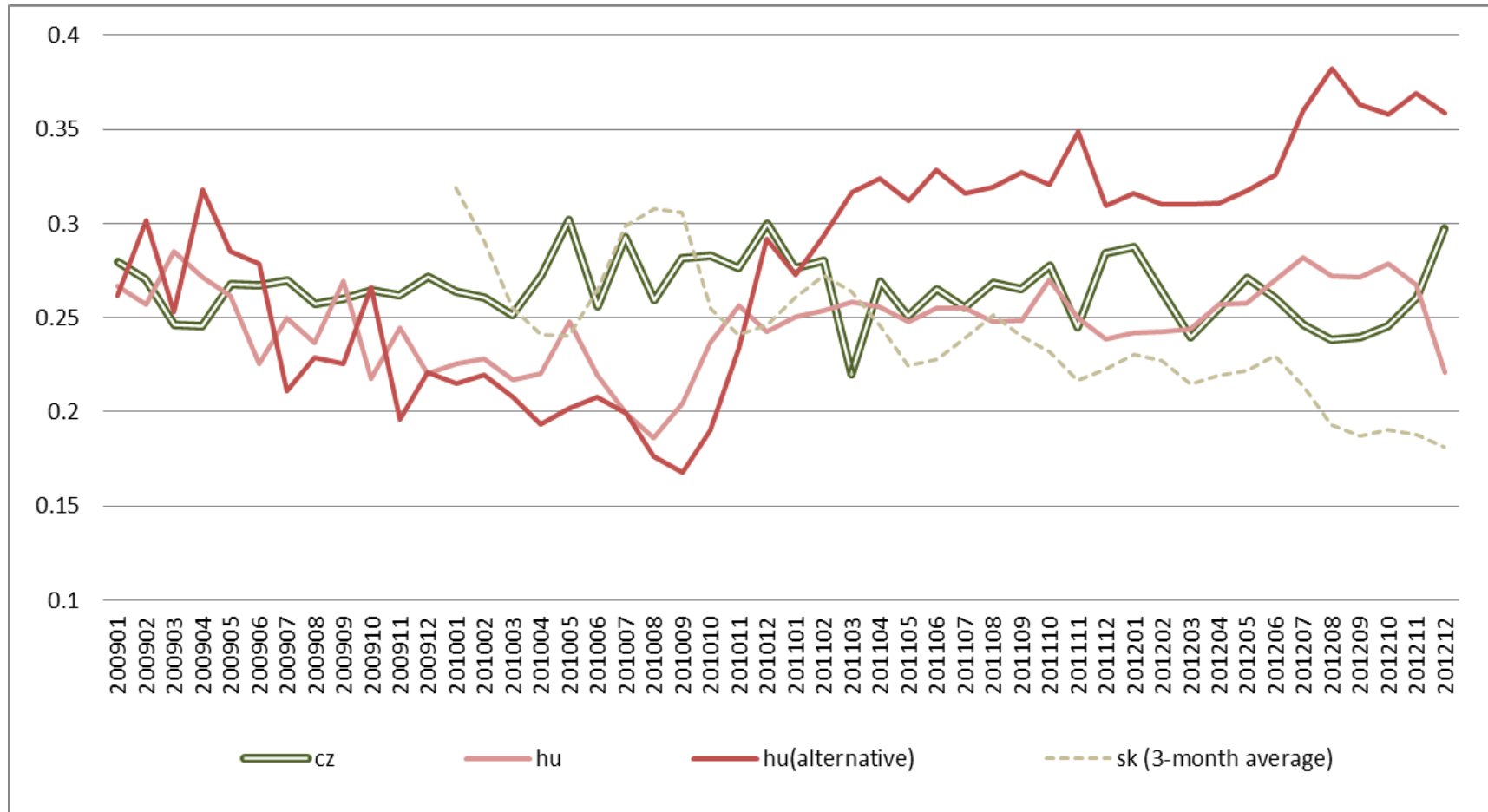# What kind of distributions arise?

Czech CRI

Per public org.

2009-2012

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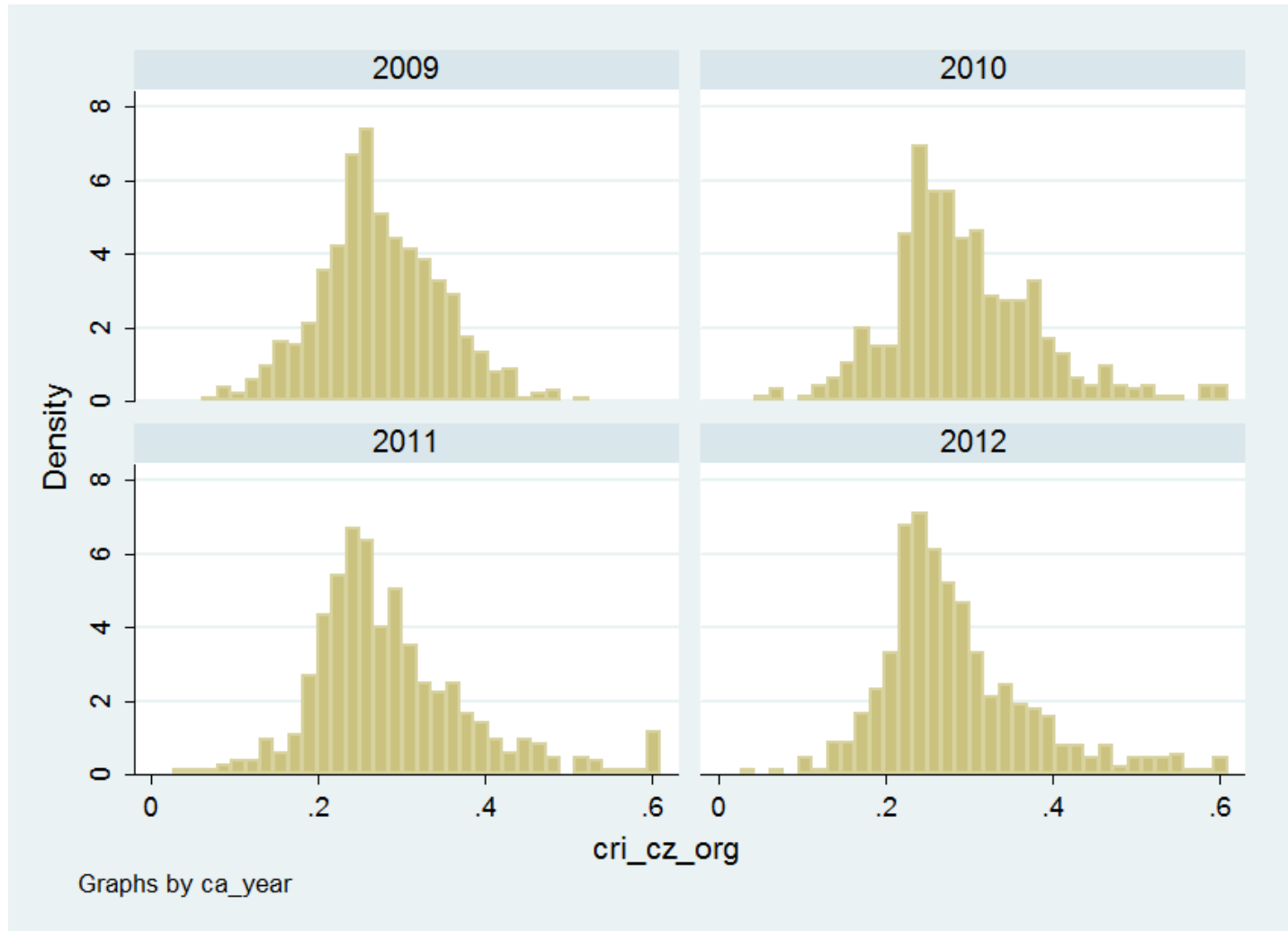
What kind of distributions arise?

- Cz-Hu-Sk CRIs' comparison, 2009-2012

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Comparing EU and non-EU funded procedures' CRIs

- Baseline comparison

	cz	sk	hu (comparative)	hu (extended)
non-EU funded	0.2627	0.2297	0.2632	0.2076
EU funded	0.2705	0.2204	0.2789	0.2364
Difference (non-EU - EU funded)	**-0.0078**	**0.0093**	**-0.0158**	**-0.0287**
95% c.interval-lower bound	-0.0105	0.0002	-0.0194	-0.0315
95% c.interval-upper bound	-0.0051	0.0183	-0.0121	-0.0260
N non-EU funded	27365	11114	26326	26316
N EU-funded	12580	2052	13952	13952

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Comparing EU and non-EU funded procedures' CRI

Propensity score matching (single neighbor, bootstrapping)

	cz	sk	hu (comparative)	hu (extended)
Difference (non-EU - EU funded)	**-0.002**	**0.037**	**-0.002**	**-0.022**
95% c.interval-lower bound	0.001	0.062	0.003	-0.019
95% c.interval-upper bound	-0.008	0.019	-0.007	-0.025
N	39844	12922	40012	40002
N replications	150	150	150	150

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Drivers of CRI differences

- weak competition, good main formal characteristics
- complex picture

variable/country	cz	sk	hu(comp)	hu(ext)
Winner contract share	+	++	++	++
Single bid	++	+	+	+
NO call for tenders published in o. journal	--	-	-	0
Procedure type	--	-/+	-/+	--
Length of submission period	--		--	--
Length of decision period	+		-/+	-/+
Modification of call for tenders	+		0	0
Number of assessment criteria	-	0	-	
Weight of non-price evaluation criteria				++
Length of eligibility criteria				++
Relative price of documentation				-
Annulled procedure re-launched subsequently				-
Contract modification				++
Contract lengthening				--

Conclusions

- It is possible and potentially fruitful to build such indicators

- EU funded projects seem to be of higher CRI in Cz and Hu, but not in SK (data issues)

- Policy questions
  - Monitor healthy competition and transparency?
  - Readjust EU funding structure?

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cz		sk		hu	
variable	weight	variable	weight	variable	weight
single bid	0.13	**single bid**	0.14	**single bid**	0.25
NO call for tenders published in o. journal	0.13	**NO call for tenders published in o. journal**	0.14	**NO call for tenders published in o. journal**	0.00
Procedure type		**Procedure type**		**Procedure type**	
open	0.00	open	0.00	open	0.00
invitation	0.00	invitation	0.08	invitation	0.11
negotiation	0.13	negotiation	0.25	negotiation	0.07
outside pp law	0.00	other/framework	0.17	other	0.14
other/missing/error	0.00	outside pp law	0.00	missing/error	0.04
		missing/error	0.00		
Modification of call for tenders	0.13	**Modification of call for tenders**	n.a.	**Modification of call for tenders**	0.00
Length of submission period		**Length of submission period**	n.a.	**Length of submission period****	
s.period>55*	0.00			s.period>20	0.00
47<s.period<=55	0.06			17<s.period<=20	0.04
43<s.period<=47	0.13			5<s.period<=14	0.11
38<s.period<=43	0.09			0<s.period<=5 (incl.weekend)	0.14
27<s.period<=38	0.03			missing	0.07
0<s.period<=27	0.03				
missing	0.00				
Number of assessment criteria		**Number of assessment criteria**		**Number of assessment criteria**	
nr.of criterioa=0	0.00	nr.of criterioa=0	0.00	nr.of criterioa=0	0.05
0<nr.of criterioa<=2	0.00	nr.of criterioa=1	0.25	0<nr.of criterioa<=2	0.09
2<nr.of criterioa<=8	0.00	nr.of criterioa=2	0.25	2<nr.of criterioa<=4	0.00
8<nr.of criterioa	0.13	nr.of criterioa=3	0.25	4<nr.of criterioa	0.14
missing	0.00	missing	0.00	missing	0.00
Length of decision period		**Length of decision period**	n.a.	**Length of decision period**	
0<dec.period<=54	0.13			0<dec.period<=32	0.09
54<dec.period<=67	0.09			32<dec.period<=44	0.05
67<dec.period<=100	0.06			44<dec.period<=182	0.00
100<dec.period<=113	0.03			182<dec.period	0.14
113<dec.period<=201	0.00			missing	0.00
201<dec.period	0.06				
missing	0.09				
Winner contract share	0.13	**Winner contract share**	0.25	**Winner contract share**	0.14

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