



Társadalomtudományi Kar
Szociológia és Társadalompolitikai Intézet
Korrupciókutató-központ

Political Influence in the Public Procurement Market?

Analysis of market shares 2009-2011 – preliminary results

Public Procurement 4 You

4th report

Budapest, February 2013

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To further continue this research, financial contributions and volunteers are welcome (tthstvnjns@gmail.com).

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Fourth report

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Transparent State: <http://www.atlathatoallam.hu/>

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Political influence in the public procurement market?

*The basic condition for effective governance
is that we have data on governance*

Summary

As part of the series of reports documenting the creation and analysis of the MaKAB (Hungarian Public Procurement Database), we analyse market shares and contract volumes of companies involved in public procurement in Hungary. This study is part of our research program that explores political influence on the public procurement market and includes some preliminary results (descriptive statistics and regression analysis).

Our preliminary results indicate that companies with the largest market shares on the public procurement market in 2009, that is before the change of government, have greatly diminished in their market share by 2011; while the market share of the biggest companies in 2011 was insignificant prior to the change in government (in 2009). Thus, the market share of companies with major public procurement orders before and after the change of government had altered in an opposite fashion.

The multivariate data analysis of all firms with public contracts in 2009-2011 also confirmed the significant effect of the change in government on the public procurement market, and thus the potential political influence over market performance of companies. With the help of a standard economic model, changes in the total contract value of almost 4,000 companies in the public procurement market in 2009 and 2011 were estimated. This econometric model takes into account company size, where it is headquartered, the main public procurement market, and market concentration. The results show that companies with the largest total value of awarded contracts in 2009 performed significantly worse than anticipated by the model, while those with the largest total value of awarded contracts in 2011 performed above prediction. These results strengthen our hypothesis that aside from the economic logic political factors also played a role in determining the dynamics of public procurement markets in 2009-2011.

The results presented here are based on preliminary calculations. Firstly, a deeper examination of the issues is still to come and, secondly, due to the inconsistencies, errors, and missing values in the official database of the Public Procurement Authority, our database, MaKAB, needs to be further cleaned.

As data on public procurement provide information on how public money has been spent, and in themselves belong to the public domain, it is essential for the future of Hungary that such data is made public.

The purpose for providing information on public procurement can't be that it is available publicly only in a format which makes it nearly impossible to conduct a systematic inquiry and an in-depth data analysis; the purpose of data publication must be to enable further data analyses hence the wide availability of research results.

These considerations played an important role, besides the researchers' curiosity, in the writing of this report.

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