



CORRUPTION
RESEARCH CENTER
BUDAPEST

Data publication for Hungarian citizens – II.
*Basic data on Hungarian public procurement spending
in 2009-2012 using the MaKAB database
28 January 2014*

/ Adatközlés a magyar állampolgárok számára – II.
*A magyar public procurementek alapadatai
2009-2012 a MaKAB alapján
2014 január 28.*

January 2014, Budapest

The Corruption Research Center Budapest was created in November 2013 in response to the growing need for independent research on corruption and quality of government in Hungary. The central aim of the Center is to systematically explore the causes, characteristics, and consequences of low quality of government, corruption, and regulatory failure using an inter-disciplinary approach. In addition, the Center also aims to help citizens to hold governments accountable through the use of robust evidence. Our unique research approach combines qualitative and quantitative methods to analyse micro-level actor behaviour and generates novel hard data on the phenomena under scrutiny.

Corruption Research Center Budapest: <http://www.crcb.eu/>

We are continuing our project. If you would like to help, please contact us (info@crcb.eu)

Data publication for Hungarian citizens - II.

Elementary data on Hungarian public procurement spending in 2009-2012 using the MaKAB database, 25 January 2014

Partners:

Regionaldata project (MTA KRTK KTI), <http://regionaldata.org>
Citizen Initiative for State Transparency, <http://www.atlathatoallam.hu/>

Technical support:

3GTeam Ltd., <http://www.3gteam.hu/>

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Date: 1 January 28 2014.

“When you can measure what you are speaking about, and express it in numbers, you know something about it, when you cannot express it in numbers, your knowledge is of a meagre and unsatisfactory kind; it may be the beginning of knowledge, but you have scarcely, in your thoughts advanced to the stage of science.”

William Thomson [Lord Kelvin]

“...ask not what your country can do for you, ask what you can do for your country.”

J. F. Kennedy

What kind of data do we publish?

From the variables available in MaKAB, we make 8 indicators public. These contain information of fundamental importance at the level of the winners as well as that of the contracts awarded to them.

The variables in the published database are given below:

- the reference number of the public procurement announcement
- the URL of the announcement
- the date of publication
- the NUTS code of the place of contract completion
- the name of issuing body
- total net sum value of the contract (HUF, at a current prices)
- the name of the winner (including members of the consortium)
- whether the winner was a consortium or not

The data published refer to the period between 2009-2012.

Concerning the given 4 years, we processed the data of 52.620 contracts – the files include the data given above concerning these acquisitions.

Since one announcement may contain more than one contract award and our database is contract-based, therefore – when it was necessary – we had to repeat the data concerning the entire announcement (reference number, date of publication, URL of announcement, the name of the issuing body, and place of contract completion).

In the published files, each row represents a contract belonging to a given public procurement announcement, the columns contain the characteristics of any given contract.

In the first line, the names of the contract characteristics can be found in the order given below:

id	internal ID of the contract
eh_iktsz	reference number of public procurement announcement
eh_url	the internet address of the public procurement announcement on the website of the Public Procurement Authority
eh_kozzt	the date of publication of the announcement of contract award
eh_ajk_nev	the name of issuing body
eh_nuts_num	the number of counties/regions concerning the place of service
eh_nuts1_fv	the first NUTS code for the place of performance
eh_nuts2_fv	the second NUTS code for the place of performance (if there is one)
eh_nuts3_fv	the third NUTS code for the place of performance (if there is one)
eh_sz_s_nhuf_noegys	the contract value, net amount, in HUF
eh_ny_nev	The name of the winner company /names of the winners
eh_ny_nev_1	1. company name of the member of the consortium
eh_ny_nev_2	2. company name of the member of the consortium
eh_ny_nev_3	3. company name of the member of the consortium
eh_ny_nev_4	4. company name of the member of the consortium
eh_ny_nev_5	5. company name of the member of the consortium
eh_ny_nev_6	6. company name of the member of the consortium
eh_ny_nev_7	7. company name of the member of the consortium
eh_ny_nev_8	8. company name of the member of the consortium
eh_ny_nev_9	9. company name of the member of the consortium
eh_ny_nev_10	10. company name of the member of the consortium
eh_ny_nev_11	11. company name of the member of the consortium
eh_ny_nev_12	12. company name of the member of the consortium
eh_ny_nev_13	13. company name of the member of the consortium
eh_ny_nev_14	14. company name of the member of the consortium
eh_ny_nev_15	15. company name of the member of the consortium
konz	if a consortium has won the contract? 1- yes, 0-no

Why is it important to publish the data in a well-organised form?

The publication of few elementary data concerning Hungarian public procurement tenders provides an evidence for the fact that it is possible to create a database which contains the data of Hungarian public procurement spending in a structured format. It proves that in this area Hungary may just as well reach the level of Chile, where the public procurement authority (<http://www.chilecompra.cl/>) makes it possible for everybody to access and download the basic data in a well-organised format on public procurement in Chile.¹

The role of public procurement cannot be neglected in the Hungarian economy. According to the calculations of the OECD, public procurement of central state institutions, state owned companies and local governments accounted for nearly 15 % of the Hungarian GDP in 2008². Approximately half of these acquisitions is completed in a way that their data are published in the Public Procurement Bulletin. The annual reports of the Public Procurement Authority give an account of this procurement spending. Every year public funds worth between 1200-1800 billion HUF are spent via public procurement registered by the Authority.

Concerning Hungarian public procurement, several questions can be asked, which are waiting to be answered by many of us.

Has the taxpayer's money been spent efficiently by state institutions, state owned companies via public procurement during the past fifteen years? To what extent was there a competition in the public procurement process? How much was spent from the public funds so that public procurement was realised above the market price or a bad quality service or product was purchased, or the requesting party acquired products that they did not actually need? What kind of phenomena stand behind those public procurement processes that were conducted under distorted market conditions? How important were the political aspects? How prevalent is corruption in public procurement?

Those who attempted to answer these questions in today's Hungary with a causal analysis based on statistical data would soon be confronted with the fact that due to the lack of analysable data, it is an impossible task. There is no such a database, with the help of which one could answer the questions relating to the efficiency and the existence of competition in public procurement.

We are not thinking of aggregated data, but a database which in a systematic way contains the elementary data of about 80 000 public procurement procedures and of about 150 000 contract awards since the enactment of the public procurement law (1995) published in the public procurement bulletin.

¹ See: <https://www.mercadopublico.cl/Portal/login.aspx/>

² See: OECD: Government at a Glance. Paris, 2011

Making the data public is another issue. Since the data of public procurement concern spending public funds, they are qualified as public data themselves, therefore making them public is a primary requirement. Not only for the purpose of economic history, economics, and economic sociology research, but simply for everybody to see: how the state owned and the local governmental institutions spent taxpayers' money.

But one cannot talk about making something available for the public, if the data only appear in a disorganised, undownloadable form, in pdf files or on html sites. With this, the person providing the information can only achieve to impose unnecessary barriers on causal analysis of public procurement processes, and the application of statistical methods.

Publishing the data can however be arranged in a simple way.

For this, the data of public procurement must be made accessible on-line, so that by clicking on an excel file, one can download the database, which contains the data, or part of it selected by the user.

Why is it important?

It is common knowledge today that that the long run growth of a country depends to a great extent on the institutions, which are created and maintained by the government in a given country³. The institutions have important constraining power over the behaviour of the economic actors (residents, enterprises). They can stimulate innovation, competition in the market, the increase of economic productivity, thereby resulting in a strong growth in the economy. They can also act against the forces mentioned before, and bring about a slow growth, stagnation or impoverishment in the long run.

There is no causal analysis without database based on micro-level data. At the moment, it is not possible to find out how public procurement took place in Hungary following any political change; what role the interpersonal relationships played between governmental institutions and the managers of the companies winning procurement contracts; how big rent seeking was and how it was realised, and how big the weight of corruption was, etc..

³ Lásd: North, D. C. (1981): Structure and Change in Economic History. New York: W. W. Norton; Acemoglu, D. – Robinson J. A. (2013): Miért buknak el nemzetek? A hatalom, a jólét és a szegénység eredete. HVG Könyvek, HVG kiadó.

Three and a half years ago our research team decided to compile a database containing the data of Hungarian public procurement announcements since 1999 (MaKAB, Magyar Közbeszerzési Adatbázis- Hungarian Public Procurement Database) based on the data available on the website of the Public Procurement Authority (<http://www.kozbeszerzes.hu/>) and other sources. We started our work within the framework of the BCE Corruption Research Center. Since November 2013 an independent research institute, the Corruption Research Center Budapest has been responsible for providing the conditions for an unbiased and evidence-based analysis of procurement data.

Nearly 40 months have passed since the beginning of the project, and as a result of the efforts made by our research team, we are able to publish the latest parts of the completed database. First, we published the data of the period 2010-2011 in February 2013, which now is followed by the publication of the data between 2009-2012. In the meantime, we analysed the relationship between public procurement and corruption based on the entire database in several of our publications. Those who are interested are welcome to have a look at these analyses as well⁴.

The present publication of the data is therefore the second step, which will be followed by others.

⁴ Lásd: Fazekas, M. – King, L. P. – Tóth, I. J.: Hidden Depths. The Case of Hungary. In: Alina Mungiu-Pippidi (ed.): Controlling Corruption in Europe. The Anticorruption Report Vol. 1., Barbara Budrich Publishers. Opladen – Berlin – Toronto. 2013. pp. 74-85. http://www.crcb.eu/wp-content/uploads/2013/12/Fazekas-et-al_WP-36-Hidden-depths-Hungary_2013.pdf; Fazekas, M. – Tóth I. J. – King, L. P.: Corruption manual for beginners. “Corruption techniques” in public procurement with examples from Hungary, MTDP 2013/39 MTDP 2013/39 , <http://econ.core.hu/file/download/mtdp/MTDP1339.pdf> ; Fazekas, M. – Chvalkovska, J. – Skuhrovec, J. – Tóth, I. J. – King L. P.: Are EU funds a corruption risk? The impact of EU funds on grand corruption in Central and Eastern Europe. Working Paper Series: CRCB-WP/2013:03. http://www.crcb.eu/wp-content/uploads/2013/12/Fazekas-et-al_EU-funds-and-grand-corruption-in-CEE_v2_2013.pdf

How did we correct the mistakes?

We only publish the contracts which, according to our best knowledge, were announced in a faultless and final contract award notice.

Therefore, we do not publish the contracts and the announcement in the published database, if

- 1) it repeats another contract award notice,
- 2) if it is corrected by another contract award notice in its complete form,
- 3) if the process was not successful (e.g. no bidders have turned up), or
- 4) if it was later withdrawn or repeated (e.g. later the court annulled the outcome of the process).

When a corrigendum or modifying announcement changed the data of the announcement published by us, we only published the corrected final figures, and not the corrected wrong ones appearing in the original announcement.

We standardized the names of the requesting parties and corrected the occasional oversights to be found in the original database. We did the same concerning the winners. We corrected and standardised the mistakes in the data on the website of the Public Procurement Authority, the mistypes in the names of the companies based on the company databases available for us from the KSH (Central Statistical Office), and on the database of the registry court. Unfortunately, this work was not 100% successful; there were certain requesting parties and winners, which we could not completely identify (the published database only contains the original organisation names rather than the corrected ones reflecting that this work is still in progress).

We selected the contracts and the announcements according to the best of our knowledge, however due to the mistakes and internal inconsistencies in the Public Procurement Bulletin, it is quite certain that our procedure is not 100% correct.

If you happen to find a mistake in the data published by us, please inform us about it (info@crCb.eu). With your comments you can contribute to building our public procurement database.

Unfortunately in many cases it was impossible to correct the errors in the data. Details concerning the correction procedure used by us can be found in the 3rd Report of the Corruption Research Center⁵.

The figures concerning the amount of money won in public procurement published by us may differ significantly in some cases from the amounts published in the Public

⁵ http://www.crc.uni-corvinus.hu/download/kb_adatok_2010_3riport_120305.pdf

Procurement Bulletin. The reason for this is that due to the inaccurateness and inconsistencies of the data published there we had to apply several correction procedures.

We always give net amounts (without VAT) at current price level, in HUF. To exchange the currency, when it was necessary, we used the official exchange rate given by the MNB (Hungarian National Bank) for the month the announcement was published.

In certain cases, when it was not given under what percentage of VAT the public procurement was conducted, or whether it was a net or a gross amount, we always used the most typical amount for the given year.

Moreover, if the amount in the contract referred to a given period of time (e.g. 1 450 000 HUF/year) we only published the value multiplied by the length of the contract following the logic that for the Hungarian taxpayers the most important piece of information is complete final value for the given contract.

In a special case, if the value given in the contract referred to a given period of time, but the length of the contract was not given, we took the contract value as missing value, therefore we did not publish it, since the Hungarian taxpayers may not know exactly the amount they have to pay.

Several contract values were given at a price per unit format in the announcements (e.g.: HUF/working hour), from which unfortunately we were unable to determine the final contract value. The reason for this is that in most of the cases it is either missing completely or the number of purchased units are given in a format which cannot be comprehended by a computer algorithm (e.g.: number of working hours). In these cases we regarded the contract value as missing, i.e. we did not publish it, since the Hungarian taxpayers may not know exactly the scope of the value paid, either.

Due to the complex cleaning work done to the contract values, the total contract value for 2009 -2012, which was recently published in a chart, does not coincide with the values published in the annual reports of the Public Procurement Authority.

As a matter of fact, we do not even know in what way the Public Procurement Authority calculates, and how they solve the above mentioned problems (e.g. the exchange of currency, the problem of the net and gross values, since the Bulletin did not give any information on that etc.) Consequently, the data published here cannot necessarily be compared to the official data, since the Public Procurement Authority does not say whether they have confronted with these problems or if they have what solution or solutions they chose to present their published data as the results of standard procedures.

How can you access the data?

The data can be found on the website of CRCB: (<http://www.crcb.eu/>).

How would we like you to cite our database?

We have invested a lot of work in correcting the data, in polishing the indices and in their arrangements into charts. We have been trying to create a standardised and analysable form for the data, which is rather difficult to comprehend and process from the website of the Public Procurement Authority.

We kindly ask you to give credit to our work by citing it in the following way:

“Corruption Research Center Budapest (2014): MaKAB – extract II, 2014 January. Corruption Research Center Budapest, Budapest.”

We hope that everybody who is interested after having looked at and used the data published by us, will know more about Hungary than before.