



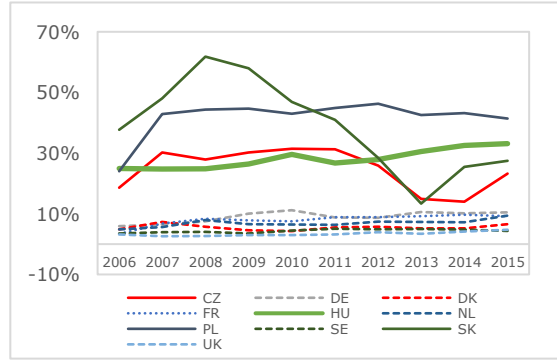
Handout
EP CONT Meeting
September 18th 2017 19:00-20:30

Intensity of Competition, Corruption Risks and Estimated Direct Social Loss in Hungarian PP, 2009-16

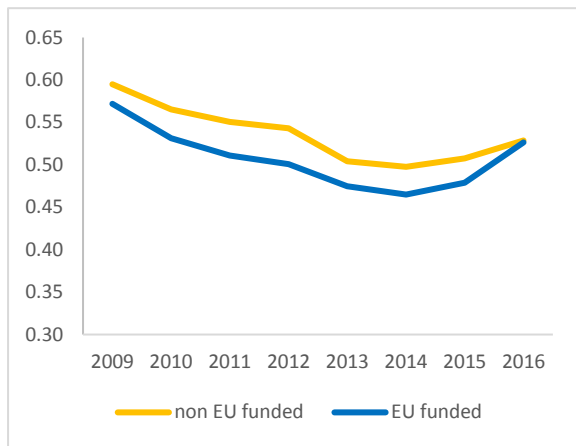
<http://www.crcb.eu/>

<p>Main messages</p> <p>The data from 138,262 contracts were used for our analysis, which focuses on information regarding the intensity of competition, price distortion, and corruption risks of Hungarian public procurement. We analyse the performance of EU funded projects from these viewpoints. The results show that between 2009-15 the Hungarian public procurement is characterized by a reduction in competition, and an increase in the number of procurement without competition, reduced transparency, and rising tendency toward price distortion and corruption risks. The EU funded tenders have worse performance in case of corruption risks, intensity of competition, and transparency, compared with Hungarian-funded ones. The result points out the effects of cronyism on weakening competition and increasing price distortion, especially in EU funded public procurement. In Hungary the EU funds – besides their hypothetical positive influence on the development of the Hungarian economy – have certainly a special and perverse effect: they foster the practice of political favoritism and fuel cronyism.</p> <p>See: http://bit.ly/2b8p8kW</p>	<p>Importance of measurement</p> <p>„When you can measure what you are speaking about, and express it in numbers, you know something about it; but 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, whatever the matter may be.”</p> <p>Lord Kelvin</p>
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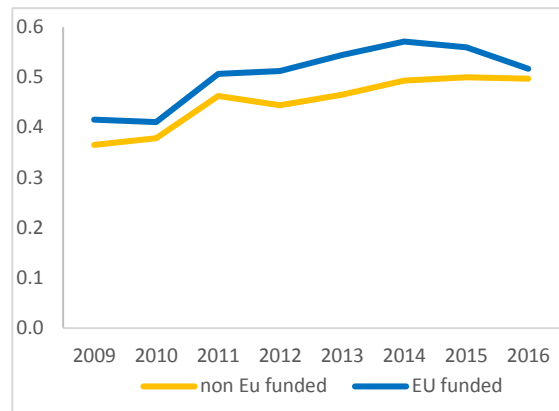
<p>F1. Lack of Integrity: 1st nice Hungarian case: Bicycle Cross Track in Hatvan, closed (3.5 million Euros)</p> 	<p>F2. Lack of Integrity: 2nd nice Hungarian case Disabled access lift for only one step (5,200 Euros)</p> 
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<p>F3. Corruption Risk Index ($0 \leq CR3 \leq 1$) Number of bids (if 1 => high corruption risk) Call for tender not published in official journal (if yes => high CR) Rounded data (10^3) in contract price (if yes => high CR)</p> <p>Intensity of Competition ($0.301 \leq ICI \leq 1$) $ICI = \lg(\text{number of bidder}) / \lg 10$ if number of bidder ≤ 10 $= 1$ if number of bidder > 10</p> <p>Estimated Direct Social Loss (EDSL): $RPRD = (\text{Estimated value} - \text{contract value}) / \text{contract value} * 100$ $RPRD^*$: RPRD value in case of low CR3 and high level of ICI $EDSL = RPRD^* - RPRD$ (observed)</p> <p>MGTSH: companies owned by close friends and family members of Hungarian PM</p>	<p>F4. Share of public procurement tenders with Single Bidder (SB) in selected EU countries, 2006-2015, yearly averages, %, N = 3,127,324; without framework agreements</p> 
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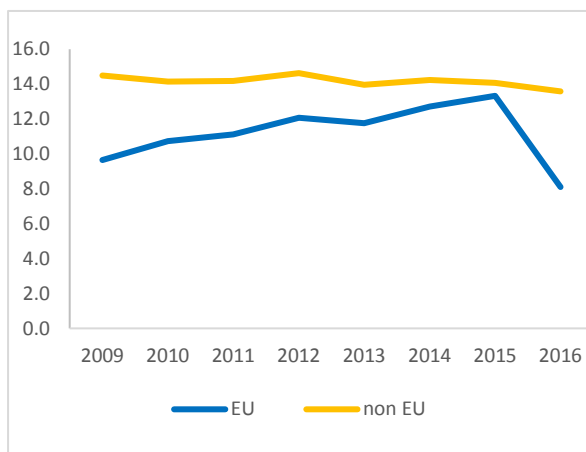
F5. Intensity of competition, in Hungarian PP by EU funding, 2009-16, N = 106,625 without framework agreements



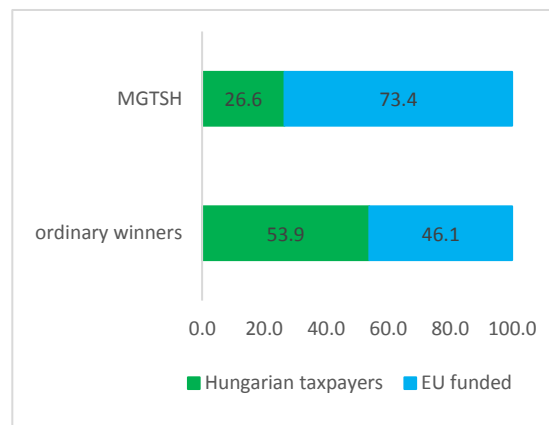
F6. The Corruption Risk Indicator (CR3) by EU funding, 2009-16, N = 149,288 without framework agreements



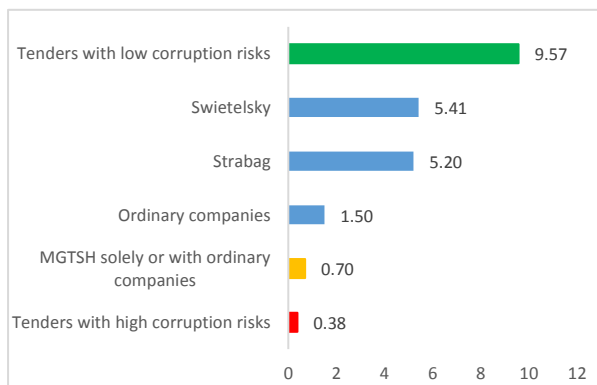
F7: Weight of Estimated Direct Social Loss (EDSL) in total contract value in Hungarian PP, 2009-16, % N = 138,262 without framework agreements



F8: Value of EU funded and Hungarian funded projects in total contract value by group of winners in Hungarian PP, 2010-2016, % N = 150,956 with framework agreements



F9 The level of relative price drop (RPRD) at several group of winner companies in EU funded projects in construction sector, Hungarian PP, 2010-16, % N = 20,683 without framework agreements



F10. Intensity of competition and level of relative price drop (RPRD) by group of winners in EU funded projects, Hungarian PP, 2010-16, % N = 33,119 without framework agreements

