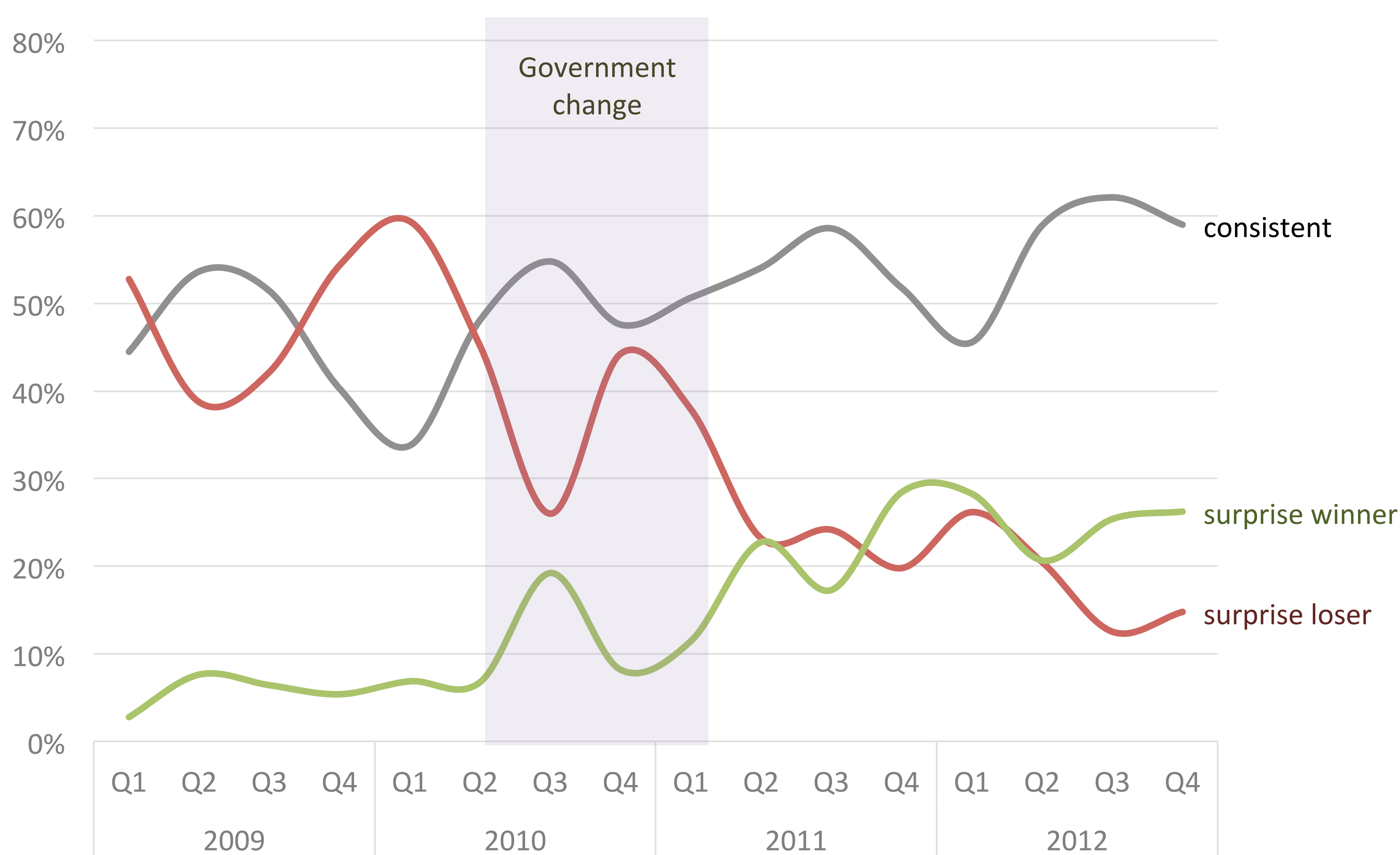


Finding the needle in the hay stack

Using Big Data to identify favoritism in public procurement

It is possible to identify those public procurement suppliers whose market success depends on which party is in power. These companies tend to win in the presence of multiple red flags such as lack of competing bidders or extremely short deadlines.



Procurement success linked to politics

Compared to before the change of government some companies drastically increase their market share ("surprise winners"), while others drastically lose out ("surprise losers") even after taking into account economic factors such as productivity or location. Such companies control around half of total public procurement spending.

Hungary, quarterly company market shares, 2009-2012

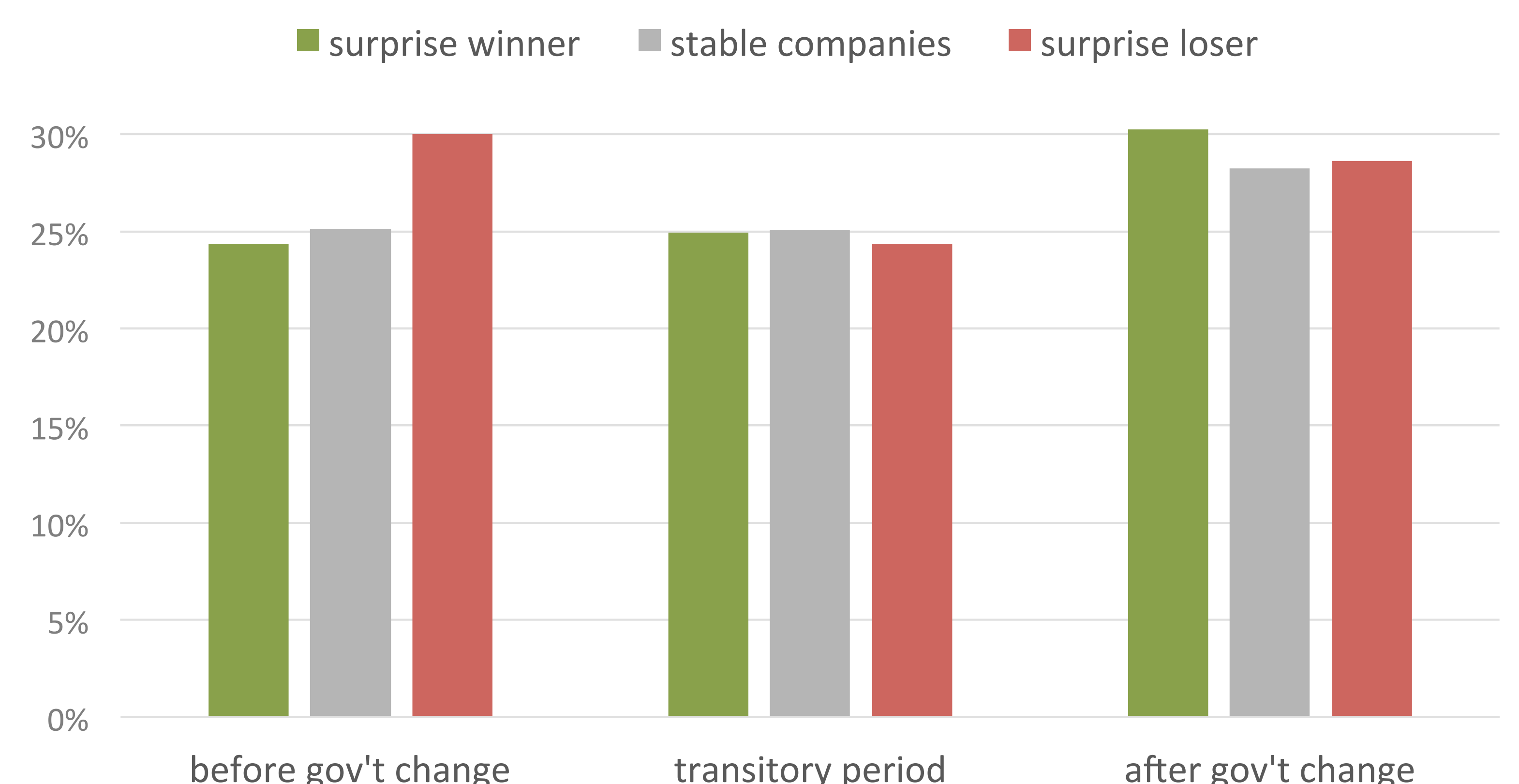
'Red flags' follow favoured companies

The probability of 'red flags' of corruption follows company groups whose market success is linked to government in power.

'Red flags' considered are, for example, single bid received, short submission deadline, or increasing contract value after award.

Surprise winners corruption risks increase when they increase their market success while surprise losers corruption risks decrease when they lose out.

Hungary, average Corruption Risk Index (CRI), 2009-2012



Further reading

Fazekas, M., Tóth, I. J. (2014), New ways to measure institutionalised grand corruption in public procurement. U4 Brief October 2014:9, U4 Anti-Corruption Resource Centre, Bergen, Norway.

Fazekas, M., Tóth, I. J., & King, L. P. (2013). Hidden Depths. The Case of Hungary. In A. Mungiu-Pippidi (Ed.), Controlling Corruption in Europe vol. 1 (pp. 74-82). Berlin: Barbara Budrich Publishers.