

Political Competition in Local Governments and Public Procurement¹

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Summary

- Municipalities in the Czech Republic manage 23.9% of the total public expenditure (approximately 10% of the GDP), with approximately half of these funds redistributed through public procurement. This is a very significant amount of public resources that should be given due attention.
- This analysis demonstrates that the composition of municipal governments significantly influences the process of public procurement. Our methodology allows to interpreting the estimated relationships as causal, rather than as mere correlations.
- Municipalities with broader party representation open the tenders for public contracts to a wider range of suppliers and achieve lower contract prices. At the same time, public contracts are less often awarded to companies which make donations to political parties. Our methodology, however, does not allow to distinguishing whether our results stem from more intensive competition for public contracts or they are a consequence of suppressed conflict of interest of elected officials due to a closer mutual scrutiny within local governments.
- The impact of broader party representation in local governments on public procurement is evident especially when political candidates fiercely compete in local elections and the elections produce very close results between the strongest political parties.
- Our findings are important for considerations of prospective changes in the Czech electoral system and regulation of political parties.

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