
Personal Political Connections and Efficiency of Public Procurement Contracts in the Period 2007 – 2018

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Summary

- Public institutions in the Czech Republic award public tenders to the value of approximately 14.4 % of GDP every year. Expenditures on public tenders constitute one seventh of the country's GDP and around 35 % of state, regional and local budget expenditures. Public tenders thus play a substantial role in the Czech Republic and represent a substantial cost item within public budgets.
- A non-negligible proportion of public tender suppliers are companies with personal links to political entities. Approximately 1 % of all suppliers have traceable connections to governing parties on the procuring side, and these suppliers together supply 7 % of the total volume of the studied sample of public tenders (53 billion CZK between 2007 and 2018).⁴
- The number and financial volume of public tenders changed substantially between 2007 and 2018 and the pattern of the parties involved in these personal connections also changed. The number and volume of tenders with political connections fell sharply in 2014, but in 2018 that volume abruptly returned to the level seen between 2007 and 2013.
- Public contracts supplied by companies with personal connections to governing parties are on average more than 8 % more expensive than contracts supplied by companies without such connections yet this higher price cannot be explained by higher quality. Notably, contracts supplied by companies with personal connections to opposition parties are not, on average, overpriced.
- Tenders supplied by politically-connected companies are not overpriced when they are subject to the increased monitoring associated with co-financing from European Union funds. Closer supervision of public procurement could thus be an effective method to reduce the negative influence of politically-connected companies on the costs of public contracts.

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⁴ This type of personal connection is not the only possible type of political connection, thus these statistics should be interpreted as the lower limit of the total volume of public contracts supplied by politically-connected firms.