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The One and Only: Single-Bidding in Public Procurement

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Abstract:

Approximately 23% of public procurement contracts in the European Union are awarded to the sole firm that submits a bid. The public procurement contracts market constitutes around one-seventh of GDP in developed countries, rendering any inefficiencies on this market a first-order problem. In this paper, I exploit a unique reform implemented in the Czech Republic that made it impossible to award contracts with only one bid and. Using a difference-in-differences strategy on the dataset of all public procurement contracts, I first show that the reform reduced prices by 10% relative to the estimated costs for single-bid public procurement contracts. Second, I provide evidence that procuring authorities started to provide significantly longer descriptions of procurement contracts and extended the timeframe for firms to prepare their bids. Last, I show that the prices of procurement contracts supplied by politically connected and anonymously owned firms were not reduced after the reform. The main contribution of this paper lies in estimating the savings attributable to the ban on single-bidding in public procurement.