

# The timing and evolution of municipal public procurement

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## Abstract

The primary aim of this research is to investigate the existence of political budget cycles in local public procurement in Portugal. Specifically, the study attempts to identify any potential manipulation of public contracts before elections in Portuguese municipalities, which may enhance the re-election prospects of politicians. This manipulation may include prioritising specific contractual procedures and focusing on specific areas of intervention.

This analysis is based on a comprehensive and newly built database that compiles information regarding public procurement and the socio-demographic characteristics of Portuguese municipalities. The research encompasses all 308 municipalities in Portugal and covers the period from 2008 to 2022, including four local elections. The empirical analysis employs a fixed effects model, as well as an event study analysis, to ensure that the findings remain robust even when distinguishing the four years of an electoral cycle. The dependent variables include both the total number and the total real value of contracts awarded by municipalities, as well as the proportion of those contracts granted with less complex contractual procedures or targeting specific intervention areas.

This study aims to provide evidence that Portuguese municipalities tend to award a greater volume of public procurement contracts during election years, both in terms of the number of contracts and their total real value. Furthermore, it anticipates an increase in the proportion of contracts being granted through direct awards and prior consultations during election years, suggesting that local governments prefer quicker and less complex procedures before elections. Additionally, specific areas of intervention, such as education and health, are expected to receive a larger volume of contracts during election years, indicating that local governments tend to prioritise areas more visible to the electorate. Several robustness tests will be conducted to validate the findings.

While existing literature has extensively analysed political budget cycles, research on its dynamics within local public procurement remains limited. This study contributes to the current literature by providing significant evidence of pre-election manipulation in local public procurement in Portugal, an area that has not yet been widely explored. Furthermore, this research examines a variety of indicators beyond merely the number of contracts and their total real value. Therefore, this comprehensive analysis sheds light on the mechanisms employed by local governments to manipulate public procurement, suggesting potential policy implications.

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