

The impacts of mayoral replacements on public procurement outcomes

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Abstract

The primary aim of this research is to assess the impacts of mayoral replacements on public procurement outcomes, specifically within Portuguese municipalities. By choosing the same contracted entities during their time in office, mayors may develop collusive relationships with contracted firms over time or acquire deeper knowledge of their capacity to deliver projects. Consequently, the incumbents and the contracted entities may extract different types of rents from the procurement process, thereby incentivising them to maintain this relationship throughout the entire mandate.

This analysis will be based on a comprehensive, newly built database that compiles information on public procurement, details on the local governments suppliers, as well as the socio-demographic characteristics of Portuguese municipalities. The research encompasses all public contracts awarded by the 308 Portuguese municipalities between 2010 and 2024. The empirical strategy relies on a regression discontinuity (RD) design that compares municipalities in which the incumbent either narrowly won or lost the election.

This study is expected to provide evidence that the group of firms receiving a higher volume of public contracts will remain practically unchanged unless the mayor is replaced. Additionally, it is anticipated that the changes in the cohorts of firms awarded higher numbers and more valuable contracts will be more pronounced if the incumbent is replaced due to a term limit or if the election promotes a change in the political party in office. Several robustness tests will be conducted to validate the findings.

While the existing literature has extensively analysed the reasons for public procurement manipulation and its economic consequences, research on the dynamics of local-level procurement manipulation remains limited. This study expects to contribute to the literature by providing significant evidence of public procurement manipulation at the local level in Portugal, an area that has not yet been widely explored. Furthermore, this research intends to shed light on the mechanisms behind the consecutive awarding of public contracts and, by extension, the mechanisms local governments use to manipulate public procurement, suggesting potential policy implications.

Keywords: Public Procurement, Mayoral Replacement, Municipalities, Portugal

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