

INFORMALITY, CORRUPTION AND PUBLIC PROCUREMENT IN THE CZECH REPUBLIC, SLOVENIA, BULGARIA AND ROMANIA¹

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Introduction

A number of studies on corruption carried out in East Central and South East Europe during the past few years suggest high levels of corruption. There is also some evidence that corruption has increased following the collapse of communism and the introduction of the market² and that it is still on the rise.³ Measures aimed at reducing corruption introduced as part of the “acquis communautaire”, appear to have had a limited impact not only in the new EU member states but also in EU applicant states Bulgaria and Romania.⁴ Further, although all these countries have introduced new and comprehensive legislation on public procurement in recent years, corruption remains a serious problem also in this area – and one for which it is proving difficult to find adequate solutions.

There are of course a number of reasons for this, all of which act as brakes on anti-corruption reform. The major problem, however, seems to be that measures aimed at reducing corruption not only in procurement but also elsewhere, have failed to address what is sometimes referred to as a “culture of informality”, carried over from communism and strengthened during transition. According to Ledeneva “it is not that the components of the rule of law are absent. Rather, the ability of the rule of law to function coherently has been subverted by a powerful set of practices that has evolved

¹ Based on: Grødeland, Å., Chapter 7. Bulgaria, Czech Republic, Romania and Slovenia: The Use of Contacts and Informal Networks in Public Procurement, *Fighting Corruption and Promoting Integrity in Public Procurement*, © OECD 2005.

² William L. Miller, Åse B. Grødeland and Tatyana Y. Koshechkina. *A Culture of Corruption? Coping with Government in Post-communist Europe* (Budapest: Central European University Press, 2000), pp. 141-42; Charles Lor and Anca Pusca in ‘The Political Economy of Corruption in Romania’ presented at the Annual Meeting of the British Political Studies Association at the University of Lincoln in 2004.

³ Slovenia, Bulgaria and Romania slipped back on the TI Corruption Perception Index from 2002 to 2004. Source: www.transparency.org

⁴ Open Society Institute. *Monitoring the EU Accession Process: Corruption and Anti-Corruption Policy* (Budapest: Open Society Institute, 2002).

organically in the post-communist milieu.”⁵ Below, examples are given of how this “culture of informality” manifests itself in public procurement – more specifically, of how contacts and informal networks are used to influence the outcome of public.

Contacts, informal cultures and informal networks

Given the large sums of money involved in public procurement, it is not surprising that a number of individuals and groups have vested interests in promoting certain outcomes with regard to public tenders. There are many ways in which this may be done. Businesses may submit a well-prepared bid for the tender and hope that the bid will be successful. Or they may try to ensure a favourable outcome by contacting public procurement officials themselves – to obtain relevant and publicly available information, to obtain classified information, or to try to influence the outcome of the tender to their advantage. They could also approach the officials through somebody else – i.e. through a **contact**. The contact may know the official(s) personally and/or be able to exert influence on him/her. Another option would be to join forces with other people (business people as well as people from other professions) with whom they have shared interests, and try to promote their interests collectively. We have found it useful to approach the “culture of informality” in public procurement by focusing on the use of **contacts** and **informal networks**.

Given that our focus is on the actual rather than the potential use of contacts and informal networks, we have defined a “**contact**” as “a person who is able to and willing to help someone” and an “**informal network**” as “an informal circle of people able to and willing to help each other”.⁶ The two terms are not mutually exclusive: a contact can of course also be part of one or more informal networks, whereas people linked together in an informal network may resort to ‘contacts’ outside the network. Besides, a contact may convey a request on behalf of one individual or a group of individuals. Similarly, an informal network may convey a request on behalf of, or through, several people or one single individual from the network. Focusing on contacts and informal networks therefore does not allow us to distinguish between the individual and the collective approach. However, it does allow for a differentiation between requests made directly by the requester – i.e. by one or more of those in the informal network either on behalf of themselves as individuals or the informal network – and **indirectly** (on behalf of an individual or a group of individuals) through a contact.

⁵ Ledeneva quoted in Alina Mungiu-Pippidi. ‘Informal Institutions and Societies. Post-Communist Modernization Strategies in East Central Europe.’ State-of-the-art paper for ECPR Research Group on Informal Institutions in Eastern Europe

⁶ For a detailed discussion of definitions, see Åse Berit Grødeland. ‘Informal Networks and Corruption in the Judiciary: Elite Interview Findings from the Czech Republic, Slovenia, Bulgaria and Romania’, paper presented at the World Bank conference on “New Frontiers of Social Policy”, Arusha, December 2005.

The distinction is also useful in that contacts are frequently sought on an **on-off basis** whereas informal networks are linked together by people whose shared interests are usually – though not always – **more long term**. It also makes sense to distinguish between contacts and informal networks from a **resource point of view**. Although a contact may be a very powerful individual with access to considerable financial and/or other resources, and for this reason may be highly influential, the informal network is able to draw on the collective resources of all those involved. Besides, because of the shared sense of loyalty to the network on the part of the people it links together as well as fear of being estranged from the network, these people may be more likely to make their resources available to others in the network as required. This, in turn, gives informal networks an advantage as far as influence is concerned.

Contacts and informal networks are in themselves neither positive nor negative. Both can be used for **legitimate** or **illegitimate** purposes. To the extent they are used for legitimate purposes, they may help people get something to which they are entitled by law – for instance publicly available information, assistance from public offices and the like. Informal networks may, in addition, help facilitate trust and professionalism in society, as people in the network know they can rely on each other and are often also well qualified people. However, they may also be used for more clandestine purposes, such as giving people access to something to which they are not entitled, undermining fair competition and professionalism in society and promoting illegitimate interests and corruption.

Methodology

This article presents findings from 120 structured, open-ended in-depth interviews: 40 interviews with representatives of local business, international business and public procurement officials respectively. The interviews took place in Prague, Ljubljana, Sofia and Bucharest during the winter of 2003/04, as part of a three year project on informal relations and corruption funded by the Norwegian Council of Research.⁷

Each interview lasted for approximately one hour and was conducted in the local language by professional interviewers. All interviews were carried out according to a pre-prepared interview guide. English language transcripts of the interviews were coded in QSR NUD*IST – a software for qualitative data analysis – according to a detailed coding scheme. The text unit – the basic unit to be

⁷ Norwegian Council of Research project no 156856/730 (2003-06), carried out by NIBR in collaboration with Charles University/GfK-Prague (Czech Republic), University of Maribor/CATI (Slovenia), Vitosha Research (Bulgaria) and Romanian Academic Society/Gallup (Romania). Dr Alena Ledeneva (SSEES, University College London) and Dr Heiko Pleines (Forschungsstelle Osteuropa, Universität Bremen) acted as project advisors. The project focuses on informal relations and corruption in public procurement, party funding, lobbying and the judiciary in the Czech Republic, Slovenia, Bulgaria and Romania. For an overview of the project structure, see Grødeland (OECD, 2005).

coded – was defined as a respondent’s answer to a question, starting when the respondent started to speak and finishing when he/she either stopped talking or was interrupted by the interviewer.⁸ Once the data set had been coded, the total number of text units coded at each node was recorded and percentaged. This allowed for the creation of tables based on the total number of text units retrieved from each node.

Analysing qualitative data statistically is in itself not sufficient, however. To give an example, several respondents may hold the view that informal networks are more common now than they were before 1989. Still, they may have different opinions as to **why** or **in what way** informal networks are more common. To get the full picture, it is necessary to combine the statistical findings with a content analysis of what the respondents actually said. Findings from this combined analysis are presented below: numerical findings are given in table form and “illustrated” by quotations from the in-depth interviews.

The use of contacts and informal networks in public procurement

The business perspective: A fairly large share of our respondents thought the use of contacts and informal networks in public procurement was widespread, and that they were influential. Contacts and informal networks may be used legitimately to obtain information and to avoid bureaucratic obstacles that could prevent them from taking part in the public tender in the first place: “I am working in the construction branch and without contacts...on different local councils and eventually in higher state offices, you have no chance. I am not talking about corruption, but about the ability to be in the right place at the right time...” (Nb-1-CR); “...administrative obstacles are numerous so people seek mechanisms to avoid such obstacles. The informal network is a very convenient way to avoid such obstacles.” (Nb-5-Bu).

The large majority of the business representatives that we interviewed, however, held the view that contacts and informal networks were primarily used to influence the outcome of public tenders, and they gave examples of how this was done. Most of their examples were based on hearsay rather than on their own personal experience. Influence on the tender may be exerted at the preparatory stage. Once a tender has been made public, there are several ways in which the outcome may be distorted. One way is to discourage companies from taking part in the tender in the first place. If this doesn’t work, then competing bidders for the tender may simply be disqualified from taking part in the

⁸ Some double-coding did occur in cases where the respondent’s answer to a question addressed issues covered by more than one node (code). Furthermore, some respondents failed to answer all the questions. The total number of text units (N) in the tables below therefore does not always correspond to the total number of respondents interviewed. For this reason, findings presented in this article are also based on a count of the number of respondents who provided the same answer to our questions.

tender: "...the influences occur where people are involved: in defining the terms of the bid, the specifications, the selection criteria and so on. If the offer is made public today and the applications are due tomorrow, it's obvious that only those who knew about it will be able to apply..." (Ib-1-Ro); "...there are open contests, candidates apply with a concept and in most cases the winner is known prior to the beginning of the contest, i.e. the informal network there has its own channels and ways to make the other participants desperate: there is no point to participate because Mr A will win and I can guarantee that in advance...even if enough offers are submitted, then the committee disqualifies competitors of the previously selected winner, so that at last the network's favourite wins the contest." (Nb-9-Bu).

Some respondents in the Czech Republic and Bulgaria were aware of specific cases of unfair public tenders. Other respondents were so convinced that such tenders are not fair that for this reason they deemed it pointless to take part: "...I know companies which get public procurements on the basis of direct personal contacts." (Nb-7-CR); "...I have witnessed informal attempts made by friends and acquaintances for awarding the public procurement to a definite company..." (Nb-5-Bu); "I am not participating in these things...every second (maybe more) public procurement is not public – it is decided in advance." (Nb-6-CR); "there are no real tenders, all the tenders are staged and contacts are used there...that is why we no longer participate..." (Ib-9-Bu).

Our respondents held the view that sometimes the use of contacts and informal networks is initiated by the officials in charge of the tenders, sometimes by business people seeking to win the tenders: "they (i.e. the officials) are the active part looking for this type of contacts...it is very common..." (Nb-7-Bu); "...I know people who tour the mayoral offices throughout the country and set up such networks – when an order comes...everyone in the mayoral office knows how much money he/she would get if he/she assigns the order. So those people set up networks of civil servants and feed them with money and gifts." (Nb-8-Bu); "...somebody can mediate you some procurement". (Nb-2-CR).

Even after winning a public tender – whether in a legitimate or illegitimate manner – a company may still fall victim of contacts and informal networks: "there are informal networks active in business and they are based largely on common economic interests. A typical practice involves nominal tenders where things have been arranged in advance...It is common for a company that has won a tender to be told what kind of materials...to work with and not to let it choose from what is available in the market. In this sense, the tender is predetermined but that cannot be proven." (Ib-8-Bu).

Most of the examples given above may be referred to as illegal, but not corrupt. Circumventing the laws in order to secure a favourable outcome of a public tender does not in itself represent an act of corruption. Paying a bribe to somebody in order to obtain a public contract, however, would be not

only illegal but also corrupt. Respondents were therefore asked whether they thought various sectors of society – including public procurement – were corrupt. Respondents in all countries were convinced that due to the extensive use of contacts and informal networks...corruption in public procurement is widespread. Respondents in the Czech Republic, Slovenia and Romania spoke about corruption in public procurement in more general terms. Bulgarian respondents on the other hand, indicated that the use of kickbacks is commonly used in their country: “as for the public procurement system, my feeling is that it has been established to promote corruption. There is a zero chance of success if you take part in a public procurement tender in the normal way and you have no access to the person who is in charge of things. And if you are ready to take up things in an irregular manner (you have to) promise something in exchange for the favour...” (Nb-7-Bu); “so much public procurement means payment underneath the counter and brings a price hike, which is to the advantage of a certain group of people...10 per cent – most often it is (even) more... – is a common practice in most companies...” (Ib-5-Bu).

None of the respondents said their companies had won tender procedures by making use of contacts and informal networks or by offering or paying bribes to public procurement officials. Nor did any of them admit that their companies had colluded with other companies to win public tenders. They did, however, talk about how their companies had failed to win public tenders – some because they refused to pay kickbacks: “...he reminds me he is influential...for example he says he has a good contact at the ministry where we apply for public procurement and if we give some money to his foundation, he helps us to get this public procurement through his contact. I can say he was not successful.” [in bribing the speaker] (Ib-9-CR); “there was (a) huge public tender for a design project and then I was asked to pay DEM 5 000, in order to win the tender (a DEM 80,000 contract). So I asked if I had to give the money to the committee in charge of considering the offers. They told me I had to give the money to a deputy minister. I refused to give the money to a person who was not in the committee, who was ‘only’ influencing the committee...so I didn’t pay the money, filed a bid, but did not win the tender.” (Nb-8-Bu).

Others failed to win because competing companies had already secured the outcome of the tender: “...public procurement is organised in such a way as to prevent mega corporations from winning the procurement. Informal activities are evident in arranging the criteria in such a way as to re-confirm known local companies, which have won the order before, in the many routine actions which put participants having long-term contacts...at an advantage to other bidders. For example in a recent public tender for some production equipment the tender requirements were set in such a way (quality of the equipment was not so essential in the evaluation of offers) as to tip the scales in favour

of a local company, which in the end won the tender, but which was offering a low-quality product and high price...” (Ib-4-Bu).

The procurement perspective: To find out how common the use of contacts is in public procurement, the public procurement officials were asked to indicate how widespread the use of contacts was in their sector compared to other sectors. While admitting that contacts are common in procurement, they thought the use of contacts was considerably more widespread in public administration more generally (all countries), business (all countries), politics (Slovenia and the Czech Republic) and the police (Czech Republic). When specifically asked whether contacts were commonly used in their own sector the large majority of respondents answered in the affirmative – though some claimed that contacts are less commonly used now than in the past.

Table 1: The use of contacts in the Respondent’s own sector

	CzR %	Slov %	Bul %	Rom %
Contacts are commonly used	83	20	38	94
Contacts are used	---	27	44	---
Contacts are not commonly used	17	20	19	---
Contacts are not used	---	13	---	---
Other/Don’t know	---	20	---	6
N=	(23)	(15)	(16)	(18)

Note: N = the total number of text units. Each text unit represents an answer to a question given by one respondent.

Some of the Slovenian and Bulgarian respondents pointed out that contacts in public procurement were used in a positive sense, to obtain relevant information about tenders: “you get information faster, you get better information. That is not bad...” (Pr-7-Sl); “...the use of acquaintances is limited to ‘getting more detailed information’ but this would not permit a person to win a contract...” (Pr-7-Bu); “obtaining such information is not unlawful; it’s the kind of information that everyone ought to be able to get.” (Pr-7-Bu).

Other respondents, however, conceded that contacts and informal networks are used to somebody’s advantage in public procurement – though they spoke in fairly general terms rather than giving specific examples: “connections and contacts are definitely in demand...some candidates (for public tenders) are all too often unduly eliminated for purely formal reasons...most of the candidates are rejected on formal grounds leaving only the favoured ones...in this case, one must seek contacts with the members of the tender commission or public procurement office. In any municipality or

ministry, it is well known who is involved in public procurement. If some official is not involved today, he will be tomorrow. In any case, the officials in these institutions are connected with each other as colleagues...” (Pr-2-Bu); “in Botosani, four years ago, people wanted water supply, but the mayor wanted gas supply...this meant that the mayor had a friend who had a firm in the gas industry, and not a friend involved in the water supply industry.” (Pr-4-Ro).

Public procurement officials in all countries held the view that informal networks were most influential in politics (Czech Republic), in politics and business (Slovenia), in business and politics (Bulgaria) and politics and the media (Romania). Still, a fairly large share of the Czech respondents and also quite a few of the Slovenian ones – though none of the Bulgarians and Romanians - thought informal networks were most influential in public procurement.

Respondents were also asked what types of informal networks were active in their sector. As can be seen from Table 2, in the Czech Republic networks of former fellow students and schoolmates were involved in public procurement. Networks of former and current colleagues and networks of acquaintances and friends were also used – and not only in the Czech Republic, but also in Bulgaria and Romania: “former (fellow) students...” (Pr-6-CR); “...there are people, for instance, who are graduates from one and the same year...” (Pr-4-Bu); “former colleagues and current colleagues, friends from various clubs...” (Pr-6-CR); “they act on the basis of friendship ties and on party alliance. They operate for occupying positions and doing favours and the kinds of activities that I mentioned previously.” (Pr-8-Bu); “yes, informal networks are active including in my working area: these consist mostly of ex-faculty colleagues or even acquaintances that one makes during everyday work.” (Pr-7-Ro).

Some of the Czech and Bulgarian respondents claimed that political and economic networks were also active in public procurement. In Slovenia lobby-style networks were also used: “networks of political parties” (Pr-2-CR); “interconnection of political party and entrepreneurs.” (Pr-10-CR); “the municipal counsellors are appointed, they belong to the respective parties. This party quota principle allows certain groups gravitating around the municipal councillors to try and use privileges, preferences, especially in some delicate areas, and despite the normative regulations for public procurement.” (Pr-6-Bu); “politicians press subtly, they do not call directly, they ask why did you do this or that. There is no difference between position and opposition. That is why chiefs (of departments) must be strong people to defend themselves from pressures...” (Pr-3-SI); “there are political influences of more networks...they are not economic networks, they are mainly political networks. Politicians work through middlemen. In the first instance they contact us by telephone.” (Pr-4-SI).

When specifically asked whether informal networks are influential in public procurement, a majority of the Czech and Slovenian respondents voiced the opinion that they were: “yes, they exert pressure to be successful in winning the order...” (Pr-6-CR); “yes, in the Ministry of Finance there is (influence), but more in the Ministries of Environment, Traffic and others, mainly in the Ministries that have the biggest public procurements...” (Pr-1-Sl); “politicians press subtly, they do not call directly, they ask you why did you this and that...” (Pr-3-Sl).

Bulgarian and also some of the Romanian respondents were divided. Some thought informal networks are influential in public procurement whereas others were either unsure or held the opposite view: “...there are plenty of ways in which this can be done. I know quite a few cases of people who, motivated by economic interests, have more than once changed their political affiliation.” (Pr-6-Bu); “they might be active...” (Pr-4-Bu); “such networks simply do not exist here.” (Proc-7, Bu); “no, they are not...(this) would be something similar to the traffic of influence.” (Pr-4-Ro).

Table 2: The influence of informal networks in the respondent’s own sector

	CzR %	Slov %	Bulg %	Rom %
Informal networks are influential	79	78	50	33
Informal networks are not influential	21	22	50	44
Other	---	---	---	22
Don't know	---	---	---	---
N=	(14)	(9)	(5)	(9)

Note: N = the total number of text units. Each text unit represents an answer to a question given by one respondent.

Respondents answered the questions about contacts and informal networks in a fairly general manner rather than talking about their own personal experience. As people’s opinions are often shaped by information obtained from the media or from other people’s stories, respondents were also asked specific questions about their personal experiences with and exposure to contacts and informal networks. They were first asked what types of requests they had themselves received through their work. As can be seen from Table 3, whereas requests for information were common, the majority were requests for favours.

Table 3: Type of requests made to the respondent

	CzR %	Slov %	Bulg %	Rom %
Requests for information	30	22	35	22
Requests for legal issues	10	26	21	11
Requests for favours	40	43	29	44
Other requests/Don't know	20	9	15	22
N=	(20)	(23)	(34)	(18)

Note: N = the total number of text units. Each text unit represents an answer to a question given by one respondent.

Czech and Slovenian respondents thought requests for information regarding tender procedures were legitimate. They did, however, admit that the more information a company has about a public tender, the higher its chances of winning it. As such, providing information – even information that is not classified, but difficult to obtain – is questionable: “(people ask me for) information about rules, how the tender procedure will proceed, which local campaign is planned.” (Pr-1-CR); “people want to get information, information concerning public tenders (from me). They want to get the most information to win (the) public tender.” (Pr-3-CR); “people have occasionally turned to me with some request, but in most cases they concerned standard and routine matters and did not go beyond what is provided by the law...let’s suppose a tender has been announced and a friend of mine takes an interest in it but does not know where he/she could obtain information concerning the papers required, the terms and tender procedure. Well, he/she phones me asking for the relevant information and I put him/her through to the right people. Or, here’s another case: some people call me asking for information they are entitled to, which I myself can provide, information which is not classified, but if they go through official channels they will waste a lot of time.” (Pr-1-Bu).

Other respondents said they had been requested to ensure that the tender procedures would be followed and that no company receive any special advantages – i.e. defending the right to a fair tender: “most often they ask me to guarantee...that no applicant will get an advantage (favour) against law by using influential friends and interventions.” (Pr-1-CR).

Most requests received by respondents in the Czech Republic, Slovenia and Romania, however, were requests for favours. When specifically asked if they had received requests for favours, an even larger number of respondents admitted that they had:

Table 4: Whether respondent has received requests for favours

	CzR %	Slov %	Bulg %	Rom %
Respondent has received requests for favours	83	42	55	100
Respondent has not received requests for favours	17	58	18	---
Other/Don't know	---	---	27	---
N=	(18)	(12)	(11)	(9)

Note: N = the total number of text units. Each text unit represents an answer to a question given by one respondent.

The public procurement officials interviewed had been asked for a wide range of favours. Sometimes people asked for inside information. In other cases the procurement officials were requested to lobby certain interests: “they try to gain information, that which is closed (internal) or to gain information in advance.” (Pr-10-CR); “it was about some business matters...It was lobbying in favour of a particular person’s business interests...these requests may be connected both with my specific work and with getting access to other people. Things are really interwoven.” (Pr-3-Bu).

Or they were given recommendations regarding what companies to choose in connection with public tenders: “(they ask me) to ignore the shortages in contracts or offers, to give them preferential treatment...to accelerate the execution of their request. People who make such requests are entrepreneurs and members of political parties.” (Pr-10-CR); “they generally demand that I do my best to (ensure) that they are winners in public tender procedures or (they) ask me to help them to transmit their application to the exact (appropriate) person who can decide (the)...procedure for their benefit...Private entrepreneurs contact me in this way.” (Pr-6-CR); “(I have been asked to) intervene...” (Pr-1-SI); “usually it’s for receiving certain advantages. I’m referring to winning a competition...” (Pr-6-Bu).

Most of our respondents said that people usually sought to influence them in various ways in order to secure a certain outcome. Some people try to plead, others to exert pressure: “they try to persuade me. They use a lot of arguments in persuading.” (Pr-5-SI); “I have never received bribes or threats, but those that contacted me tried (to influence me) by persuasion, by friendly behaviour.” (Pr-7-Ro); “usually they send a person I can’t refuse, to ask for my help.” (Pr-2-Bu); “people admitted many times that they searched for someone close to me, in order to influence me.” (Pr-3-Ro); “they complained at ministerial level or convinced them [i.e. ministerial staff] to call me from the ministry.” (Pr-6-Ro); “they try even to threaten with reclamations or...the mass media...” (Pr-2-Ro); “they even tried to pressure not only us – the officials at the Ministry – but also the Minister to rule in favour of a particular person...” (Pr-3-Bu).

Some offered something in return for complying with their requests, while others resorted to threats: “they usually use a bribe...at most a bottle of good distillate, for example whisky or brandy.” (Pr-6-CR); “I have even refused a request which was supported by a bribe, for example CZK 20 000 ...” (Pr-9-CR); “people who have no connections use corruption...they offer directly or they say what they could do for you. They like to help politicians during elections.” (Pr-3-SI); “(some people) try to influence me not only by pleading with me, but also by suggesting that they would make it up to me somehow...” (Pr-2-Bu); “yes, there have been threats and offers of favours in return and even proposals of money...” (Pr-8-Bu).

Table 5: Attempts at influencing the respondent when making requests

	CzR %	Slov %	Bulg %	Rom %
Attempt made to influence the respondent	89	88	59	100
No attempt made to influence the respondent	6	6	15	---
Other/Don't know	6	6	26	---
N=	(18)	(17)	(27)	(9)

Note: N = the total number of text units. Each text unit represents an answer to a question given by one respondent.

When answering questions about the kind of requests they had received and also whether the people requesting their assistance tried to influence them in one way or another, most respondents did not distinguish between requests received by people more generally, or by contacts and informal networks as such. As we are particularly interested in informal networks, we asked the respondents whether they had been in contact with informal networks in their work. A majority of the respondents in all countries answered in the affirmative. Some of them spoke about informal networks in fairly general terms, whereas others were more specific, referring to particular types of informal networks.

We were interested to know whether requests made by informal networks differed from requests made by others. Most respondents in Slovenia and Bulgaria as well as quite a few in the Czech Republic thought requests made by informal networks were different and they gave several examples. Requests made by informal networks as a rule tend to be more extensive than those made by people not belonging to or affiliated with informal networks – though the latter are not always very clearly formulated: “their requests are more extensive...” (Pr-10-CR); “the business effect from the request is more hidden” (Pr-10-CR); “they are talking between the lines.” (Pr-5-SI).

Table 6: Respondent's exposure to informal networks

	CzR %	Slov %	Bulg %	Rom %
Requests received by informal networks	71	78	37	27
Requests not received by informal networks	19	17	26	18
Other/Don't know	10	6	37	55
N=	(21)	(18)	(19)	(11)
<i>Notes:</i>				
(1) N = the total number of text units. Each text unit represents an answer to a question given by one respondent.				
(2) The percentages for "other"/"don't know" are high for Bulgaria and Romania as some respondents made comments that did not provide an answer to our question.				

Some respondents pointed out that people representing informal networks behave differently from other people: "members of networks know what kind of way they have to use to be successful..." (Pr-8-CR); "...they act very self-confidently." (Pr-7-SI); "they contact higher ranks. They are very polite." (Pr-9-SI); "they are more classy." (Pr-3-SI); "(they) are perfectly aware of what their rights are and stand up for their rights. Another difference is that ordinary people all too often do not expect that their requests will be satisfied." (Pr-1-Bu).

Besides, members of informal networks make it clear to the public procurement officials what interests they represent: "...there are also people who come and tell me that they are recommended by someone important. Basically, in comparison with the others, those who represent a network make me pay attention to the fact that they have a certain contact that sent (them) to me." (Pr-6-Ro); "...MPs trying to exert influence on us in connection with certain business interests, is an example of an informal network. It was a network, in which both deputies of the National Assembly and business people took part...in this particular case, the MPs acted on behalf of business people we did not know. We eventually got to know them, but...at the beginning they were unfamiliar to us..." (Pr-3-Bu).

They are also often in a position to exert considerable pressure on public procurement officials to get their way with them: "they order." (Pr-8-SI); "(requests) differ because (the informal networks) expose the consequences (of not complying with their requests)." (Pr-10-SI); "I think they are intrusive and more aggressive." (Pr-6-CR); "if they do not succeed the first time they send a person who tells directly which group he represents. They expose the consequences if the job would not be done and they will contact higher ranks." (Pr-10-SI).

A majority of the public procurement officials interviewed claimed that it was not more difficult to turn down requests from informal networks than to deny requests made by others. Their statements to the effect that informal networks are influential in public procurement, however, may be taken as an indication of the opposite.

Conclusions

All countries included in the project have during the past couple of years introduced modern and comprehensive public procurement legislation to ensure that procedures are transparent and fair. However, corruption still appears to be a problem. Our interviews with business representatives suggest that the “culture of informality” to quite some extent facilitates corruption: both contacts and informal networks are used in public procurement, and they are used not only for obtaining information about tender requirements and procedures but also to influence the outcome of public tenders. They are sometimes used to determine what kind of tender that will be made and sometimes to dissuade competitors from taking part in the tender procedure or to ensure that competitors are formally disqualified. Besides, contacts and informal networks are used to facilitate kickbacks in order to influence the outcome of the tender. Such payments are initiated by commercial groupings or by the officials themselves. Stories told by the business representatives are made all the more credible by the fact that they are not only talking about such practices in general terms and based on hearsay, but also referring to the specific experiences of their own companies.

Statements made by the procurement officials confirm that contacts and informal networks are widely used in public procurement and that they are influential. A large majority of our respondents had received requests for inside information, for lobbying specific interests or favouring certain companies when awarding tenders. Such requests were often accompanied by pleading, offers of bribes or some kind of pressure. The respondents who had been approached by informal networks thought their requests were usually more extensive and conveyed in a more forceful manner than requests made by others.

One would expect contacts and informal networks to be more commonly used in Bulgaria and Romania than in the Czech Republic and Slovenia – as the latter have joined EU and fully complied with the “*acquis communautaire*”. Romania has made less progress than Bulgaria in its adjustment to EU requirements for membership and the EU Commission has threatened to delay Romania’s entry into the EU unless more effective measures are taken to address corruption. Thus, it also seems reasonable to assume that informal practices are more widespread in Romania than in Bulgaria.

Our data only partly confirm these assumptions. In numerical terms, the Czech and Romanian respondents talked more about the use of contacts in procurement than the Slovenians and Bulgarians. Similarly, informal networks appear to be more influential in the Czech Republic and Slovenia than in Bulgaria and Romania. However, as mentioned above, numbers tell only part of the story. The way in which the Czech and Slovenian respondents spoke about the illegitimate use of contacts and informal networks in public procurement was neither as explicit nor as bad as the stories told by the Bulgarians. Some of the Romanian respondents also gave explicit examples of how informal relations were used

in an illegitimate manner in their country, though their stories were not as bad as those told by the Bulgarian respondents.

Our assumptions may, of course, be wrong, though other explanations seem more plausible. The Romanian respondents did come across as rather cautious compared to respondents in the Czech Republic, Slovenia and Bulgaria. It is also worth noting that the refusal rate for interviews in Romania was considerably higher than in the other countries, at roughly 40%. An extensive anti-corruption campaign was taking place in Romania at the time of interviewing and may have made respondents more reluctant to talk about the use of informal relations in public procurement for fear of exposing themselves – despite repeated assurances that their answers to our questions would not be disclosed to a third party. This, in turn, may explain why findings from Romania only partially confirm our assumptions.

The relatively limited number of in-depth interviews conducted may of course also have contributed to differences between countries that were not expected. For this reason, we cannot claim that our findings are representative of the views and experiences of business representatives and procurement officials as such. However, samples have been designed in such a way that there is no reason to believe that they are not.⁹ In any case, our findings are valid as the views and experiences of 120 people engaged in public procurement in East Central and South East Europe. Their experiences indicate that informal practices are common in public procurement and that they are often used to distort the outcome of public tenders. It thus seems reasonable to conclude that efforts to improve transparency and reduce the scope of corrupt practices in public procurement must address not only the laws and rules regulating the tender procedures, but also the “culture of informality” in order to be successful.

⁹ Larger national quota-based surveys due in 2005 will generate more representative data and hopefully also confirm at least some of the findings from these in-depth interviews.