

# The Uses and Abuses of Public Procurement in Hungary

## with a focus on SMEs

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### Summary

The EU concepts of modernizing public procurement focus on using it as a means. One of the most important aims in the EU regulation of public procurement is to prioritize SMEs, though the practical implementation of this is seldom delineated. On the basis of the Hungarian example, our article gives a detailed account of the results of a single policy at national level. We analyze how a Member State is able to utilize public procurement activity, and the conditions of shaping public procurement rules to meet requirements. As per our conclusion, for cultural and historical reasons, this EU Member State with little public procurement past has regarded public procurement as a parade ground, misunderstanding the real meaning of public procurement and making legislative mistake after mistake, forgetful of the efficient spending of public funds. Modernizing public procurement has thus had mixed results.

**Keywords:** public procurement, electronic procurement, government purchasing, centralisation, efficiency

### 1. Introduction

Public procurement can be used for many sensible goals. Following the lead of European Union SME-focused and Social Aspects trends, Member States have devised their the specific policies, models, solutions . Based on the Hungarian case, our paper hopes to show how ideas set free by their inventors can be misunderstood or more exactly misused.

The relevance of the issue was demonstrated by Morand's discussion of SMEs and public procurement policy (Morand (2003)). He characterizes an optimal procurement policy as a "mechanism design problem when allotment of the contract is available, i.e., when a government faces both SMEs and large firms for carrying out a heterogeneously divisible project".<sup>3</sup> Morand points out that the European "Community approach tends to rely on improving access for SMEs only through a non-discriminatory approach. With no preferential rules, SMEs compete on an equal footing with larger firms. Nevertheless, there are other different practical possibilities."<sup>4</sup>

But why should public procurement be regarded as a means and why should it be made a parade ground? Beside focussing on purchasing criteria, our answer points to Directive definitions, which tend to push cost-effective spending of public money completely into the background. It is not an accident that the first results of the EU Green Book point to the growing popularity of negotiated procedures and to more user-friendly solutions, especially concerning public utilities. European Public Procurement is abandoning its original goal and among its manifold targets cost-effective spending of public money has ceased to be the most important priority.

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<sup>3</sup> Morand P.H. (2003) pp. 301.

<sup>4</sup> Morand P.H. (2003) pp. 303.

Our investigation focuses on two main topics: prioritization of SMEs and that public procurement has also become an economic crisis managing tool in recent years . As a result, Hungary – also encouraged by the public procurement approach of the EU focusing on particular means – wishes to comply with the spirit of our time by suspending purchasing in general and slowing down the procurement procedures.

## **2. The role of public procurement in Hungary**

Public procurement currently amounts to over 5 percent of the GDP, which is a drop from 7 percent in recent years. The government uses public procurement as a means to combat illegal employment, to protect SMEs as well as to improve compliance with invoicing deadlines or to increase employment rates.

Prior to the crises, apart from modifying remedy rules under modified EU Directives, there was a clear intention to simplify public procurement rules, to reduce the number of multi-level national regimes and to make the law more transparent. As a result of fighting corruption, strict rules were introduced further narrowing the freedom of the parties in an overregulated environment.

Most of the debates are generated by the problems stemming from the different ways of using EU subsidies since the high national rate of applying for remedies and the sophisticated system of regulations make it risky for the winners of EU-funded contracts to implement projects.

Since it is easy to make mistakes tendering procedures, there is a growing demand for a more transparent system and streamlined administration, especially in an environment lacking capital .

The Corvinus University of Budapest conducted several surveys asking public procurement experts and legislators about their opinion and feelings concerning e.g. ethical problems, efficiency, transparency, overregulation, and competition in the public procurement market. Conducted in a 4-year-period, our researches involved several questionnaires (Tátrai (2006)), and this study is based on the most recent and most developed one, completed in 2009. In the questionnaire, we used closed-ended questions and the respondents had to perform SWOT analyses so as their personal references could be established. The number of respondents (on average, more than 120) and the quality of their answers show that public procurement experts understood the aim of the research and could focus on the real problems and opportunities of public procurement. Respondents mainly included experts, regulators, bidders, representatives of contracting authorities, and members of public procurement organisations. So the sample cannot be regarded as a representative one.

The 2009 research at Budapest Corvinus University on the “Morality and efficiency in public procurement”<sup>5</sup> featured several questions directly regarding the relation between public procurement and competition. When asked if public procurement helps competition or hinders it, ¾ of the respondents judged public procurement as not really helping competition. Compared to 2007 data, recent statistical data show a grimmer picture about the ability of public procurement to deter unfair competition. According to most respondents, these expectations are badly or not sufficiently satisfied by public procurement regulations. Trying

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<sup>5</sup>These data based on the survey-questionnaire supported by Budapest Corvinus University, Transparency International and Budapest Chamber of Commerce and Industry, and the analysis of the questionnaire was done by *Dr Dániel Füleki, Gergely Sámson and Dr Tünde Tátrai*. Number of respondents: 183. The questionnaire was closed: 10.11.2009. The article refers to two similar surveys done in 2006 and in 2007. The results can be downloaded from [www.kozbeszkut.hu](http://www.kozbeszkut.hu) and [http://phd.lib.uni-corvinus.hu/5/2/tatrai\\_tunde\\_en.pdf](http://phd.lib.uni-corvinus.hu/5/2/tatrai_tunde_en.pdf).

to combat the negative effects of the recession, the government optimistically intended to use public procurement as a means without making any serious efforts to improve its efficiency.

### **3. The role of SMEs<sup>6</sup> in Hungary**

Notions of modernisation via public procurement aim to bring SMEs on to the playing field of public procurement. ‘Patriotic public procurement’, i.e. giving an advantage to local enterprises, is an important aim in Hungary, too, yet the EU Directives applicable allow for only a limited opportunity to put this into practice. Instead of openly supporting national arrangements, the support of SMEs dominates with the aim of bringing local enterprises on to the playing field. In our case study, we seek to present the conditions and opportunities of SMEs on the public-procurement market, with a brief digression on the purchase of local products. Since 2004, public procurement rules have continued to be modified in Hungary aiming to fulfil aims which thrust the day-to-day concerns of SMEs into the background. The recent upsurge of interest in SMEs has not necessarily levelled off the other aims; it has rather called attention to the fact that contradictory objectives rule out success.

In the Hungarian economy, SMEs play a particularly significant role. Their conditions of operation and competitiveness influence the overall performance of the economy, and determine employment. As a result of the changes in the 1990s, the number of SMEs has continually increased. The sector accounts for 99,9% of domestic enterprises, produces half of the GDP, and employs 71.7% of the work force (2.5 million persons). Two-thirds of the SMEs involve self-employment and one-third partnerships.

SMEs represent 99.9% of all operating enterprises in Hungary. The proportion of microenterprises, involving self-employment or 1-9 employees, is high (94.2%), while medium-sized enterprises have a markedly low rate by international comparison. The average size of Hungarian SMEs (4 persons) is small in comparison with old EU Member States. Big companies employ 28.3% of the work force.

In 2008, SMEs employed 71.7% of the labour force in the private economy, accounted for 55.4% of added value, produced 61.3% of the net return from sales, and had a 27.8% share of exports. SMEs have a prominent role in employment. However, the great number of ‘forced’ enterprises means that SME employment is much more unstable than in big companies.

The average Hungarian SME is thus smaller at least in respect of the number of employees than in other EU Member States, employing on average one person less than their EU counterparts (3.3 vs. 4.3). The public-procurement conditions of Hungarian SMEs are quite advantageous, the total value of public-procurement contracts awarded to SMEs being 50% higher than the EU average (56% vs. 38%). Payment delays by public offices are somewhat less than EU average, the former being 20 days, the latter 25. Data on the more concrete category of ‘expounding and simplifying regulations and systems’ place Hungary behind EU average, as well.<sup>7</sup>

### **4. Interpreting SME support**

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<sup>6</sup> Definition of an SME in your country (turnover, number of employees). According to Act XXXIV of 2004 on SMEs: A medium-sized enterprise employs fewer than 250 persons, and its net return from sales is no more than EUR 50 million in Hungarian forints, or its annual balance-sheet total is less the EUR 43 million in HUFs; A small enterprise employs no more than 50 persons, and its net return from sales or balance-sheet total is less than EUR 10 million in HUFs. A microenterprise has a net return from sales or balance-sheet total less than EUR 2 million in HUFs and no more than 10 employees. If state or local government shares in an enterprise exceed 25% on the basis of either capital or voting rights, that enterprise is not deemed an SME.

<sup>7</sup> [http://ec.europa.eu/small-business/policy-statistics/facts/index\\_hu.htm](http://ec.europa.eu/small-business/policy-statistics/facts/index_hu.htm)

One of the major priorities of the modernization of public procurement is bringing SMEs into on to the playing field. But the details of how to do so are rarely mentioned . „Patriotic public procurement”, i.e. preferring domestic enterprises, is an important aim in Hungary, as well, but the EU Directives have little room for it. Instead of openly supporting patriotic or national arrangements, propping up SMEs dominates, which is more likely to give an advantage to local enterprises.

The Hungarian Public Procurement rules have been constantly changing since 2004, with aims often running against the everyday problems of SMEs. The favourable treatment of the SMEs is not exclusive, since the legislation of recent years has been dominated by reducing public dues, fighting against illegal employment, reducing debt cycles and solving the crises as the main goals through public procurement. In certain cases, the different goals undo each other; for example, when, in a procurement procedure, there was only one valid bidder left at the end, the contracting authority was obliged to declare the whole procedure invalid<sup>8</sup>. This might have been a solution for SMEs, since often less experienced and smaller SMEs were subjected to this kind of unlawful invalidation process. But, as a result, the number of invalid procedures has increased, and with this the transaction costs have grown as well, making public procurement more expensive.

One of the most interesting examples was the initiative according to which the bidder itself would have been obliged to complete at least 50% of its undertaking in the implementation period of the contract. Originally this was intended as a SME-friendly arrangement, since it limited the over 10% involvement of sub-contractors. But the legislator obvious had not realized that this rule automatically excluded smaller contractors from the competition, and jeopardized purchasing services such as taxi or tourist agency. Since the flawed modification of the definition of sub-contractor made participants in a project be deemed as sub-contractors. As a result, companies using taxi services or organizing plane ticket and hotel bookings were not able to make an offer, because they were not allowed to directly perform 50%, and involve any airline involve as joint bidder. So this rule was unreasonable and was revoked on 1 October 2009.

Another good example for different rules running counter to each other was the application of § 36/A of Act of XCII of 2003 on Taxation, according to which contracting authorities were prohibited from paying contractors and sub-contractors with public dues. Although this can reduce public dues , but at the same time will increases cycle debts, which § 305 currently in force tries to address this by directly defining payments to contractors. Nevertheless, these parallel rules cannot result in significant success, they can only achieve moderate results. This means, for example, that the over-regulation of payments results in a growing tendency among contractors to hide their sub-contractors, which is the exact opposite of the preferred result, namely, that the payments to sub-contractors should be made transparently and controllably. So, despite the more entitlements of parties to examine documents and initiate remedy procedures, the too strict and over-regulated rules result in creative, often unlawful responses by those concerned. On the basis of the above, supporting SMEs cannot be interpreted in itself; in each case, the indirect consequences of allowing the incorporation of a new idea into the public procurement system should be established.<sup>9</sup>

It is a false approach that the SMEs can be treated as a unified group. Many of them are very experienced, and have achieved major results in Hungary, but we have too little information about the conditions of Hungarian SMEs in general, so we have only indirect knowledge about their particular problems and needs in the public procurement market. In

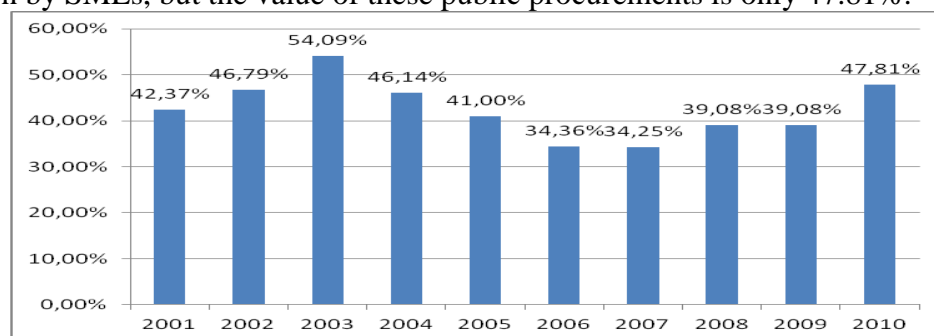
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<sup>8</sup> Under § 92A, which was revoked in September 2010.

<sup>9</sup> Tátrai et al. (2011)

what follows, we wish provide an overview based on the data available of how far Hungarian SMEs face difficulties and are encumbered in public procurement.<sup>10</sup>

About Hungarian SMEs, we can safely say that their support is reasonable, but they are not subjected to serious disadvantages according to our figures below. There is a difference between the volume based on the number of public procurement procedures and the volume based on the value of public procurements. Almost 80% of public procurement procedures are won by SMEs, but the value of these public procurements is only 47.81%.



Source: Public Procurement Council, preliminary data 2011.

**Table 2. The share of the SMEs based on number of public procurement procedures in 2011**

Looking at the available data, we will not seek to provide an overview of the referential system within which we have to develop our own solutions for supporting smaller enterprises.

## 6. The European Idea

The most comprehensive reports on the SMEs were prepared in 2004<sup>11</sup> and then in 2007<sup>12</sup> in the European Union. These intended to emphasize the opportunities of SMEs in public procurement procedures. In order to increase the role of SMEs, these reports focused on the basic opportunities provided by information technology (e-mail, Internet), emphasized the importance of easy access to documentation and general information, the application of technical-professional and financial-economic eligibility criteria, allowing partial offers, the short offer deadlines, the cost of the offers, the too strict administrative limitations, the vague language, and the lack of basic information about the public procurement rules.<sup>13</sup>

The Code of Best Practices<sup>14</sup> listed solutions to the main difficulties encountered and reported by SMEs:

- Overcoming difficulties relating to the size of contracts
- Ensuring access to relevant information
- Improving the quality and understanding of the information provided
- Setting proportionate qualification levels and financial requirements

<sup>10</sup> Tátrai T., Vörösmarty Gy. (2010)

<sup>11</sup> The Access of SMEs to Public Contracts (2004) - EIM Business and Policy Research, KMU Forschung Austria, DG Enterprise and Industry

<sup>12</sup> Evaluation of Small and Medium-Sized Enterprises Access to Public Procurement Markets – GHK, Technopolis, DG Enterprise and Industry

<sup>13</sup> Tátrai T. (2010/a)

<sup>14</sup> Code of Best Practices [http://ec.europa.eu/internal\\_market/publicprocurement/key-docs\\_en.htm](http://ec.europa.eu/internal_market/publicprocurement/key-docs_en.htm)  
Downloaded: 2010.05.09.

- Alleviating administrative burden
- Placing emphasis on value for money rather than on price
- Giving sufficient time to draw up tenders
- Ensuring that payments are made on time

From this list we do not receive direct answers about what and how to introduce in our own market, but we can identify some steps to be taken in order to increase the role of Hungarian SMEs, which can help adapt the general guidelines to the Hungarian environment. In the following, we wish to provide an overview of the present opportunities and limitations.

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## 7. What we have achieved so far

After joining the EU the role of the SMEs was not emphasized in public procurement, the tendency changing only in 2009-10. Some additional goals, such as reducing cycle debts were pursued in parallel with the support of the SMEs, with more or less considered elements in the regulations. In other words, the making of Hungarian model is currently in progress, the ways of supporting SMEs and bringing them into the playing field are being sought for.

In what follows we would like to analyze those changes that will affect the SMEs in the public procurement market due to the new regulations come into force in 2012, especially looking at the direction and character of the changes.

1. *Unequivocal Preference and Support:* Some elements of the regulations currently in force allow the preference of the local, smaller enterprises. For example, under the national regime,<sup>16</sup> tenderers not reaching a revenue of HUF 1 billion net of VAT can be preferred by the contracting authorities. But this solution is rarely applied by contracting authorities, especially as the Intermediate Body does not support such in the case of EU funding. So this direct approach, such as the former 10% option, does not live up to the expectations. The new regulation carries on the former practice under the national regime.

2. *The Question of Language:* This is one of the most effective, indirect solutions to support domestic tenderers. Following European custom, we tried to obstruct foreign bids by way of our language; as of 1 April 2009, tenders have to be compiled in Hungarian irrespective of the fact that no Hungarian tenders can be expected, i.e. there is no point in compiling it in Hungarian. This rule in the name of protectionism is a solution which indicates that the legislator wished to prioritize SMEs indirectly by closing in, rather than widening the competition. The 2012 amendment refines this former approach stating that the official language of the public procurement procedure is Hungarian, but the contracting authorities can allow the use of other languages instead of Hungarian in the procedure, but cannot make this mandatory.

3. *Regulations Revoked* There is definite progress, though, because the institution of security funds, the strange rule of mandatory invalidation<sup>17</sup>, the mandatory control of announcements, and the mandatory use of a particular electronic programme for preparing the detailed budget have been revoked. It can easily be seen that revoking these regulations, which increased the cost and administration of the procedures and made abuse possible, significantly improved the positions of SMEs.

4. *Partial Offers:* A new element introduced in 2010 in order to promote the participation of the SMEs in public procurement made it mandatory for contracting authorities to allow

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<sup>15</sup> <http://ec.europa.eu/enterprise/policies/sme/business-environment/public-procurement/> Downloaded: 2010.05.02.

<sup>16</sup> Present Public Procurement Law. 253. § (1), new PPL. 122. § (7)

<sup>17</sup> Present PPL § 92/A. mentioned above.

partial offers if the type of the of the object of the procurement and other considerations make it feasible. As Morand pointed out: “the very first way of enabling direct SME participation in Public procurement to divide proposed acquisitions of suppliers and services into reasonably small lots to permit offers on quantities less than the total requirement. But the consequence is that this allotment favours wide small business participation. But it also leads to competition between small and larger firms”<sup>18</sup>.

5. *Making it Simple*: The regulations of the national regime will have been simplified significantly by 2012. The intention of the legislator regarding procurements below the Union threshold was to make public procurement procedures more accessible for the small enterprises operating among local conditions, to make the procedures simpler, so that bidders can make offers for projects with less value without the help of special public procurement experts. Under the national regime, the contracting authorities can use their own procedures if they purchase goods or services, which makes the procedures much more flexible and advantageous for themselves.

This is a significant simplification, since the contracting authorities creating their own procedural regulations can significantly reduce the number of declarations and certificates necessary for the procedure, and can shorten the deadlines making the whole procedure shorter. There are some doubts concerning the remedy procedures, because the remedy forum has to familiarize itself in each case with a new procedure, which will increase the amount of time and energy spent on the procedure, and will make the results less predictable.

6. *Making Payments*: The new Act revokes the regulations concerning the payments to sub-contractors, which caused a lot of practical problems, and it maximizes the payment deadline in 60 days, where the 30-day prolongation can only be applied for good reasons. The goal is to avoid a situation where smaller enterprises are forced to accept extremely long payment deadlines which are significant burden for them.

There is an interesting innovation that will probably improve the chances and performance abilities of not only the small and micro-enterprises; in the case of construction projects and projects reaching the Union threshold, the bidder will be entitled to an advance payment.<sup>19</sup> This advance is to help small enterprises in commencing the project. The amount of the advance payment is maximized in HUF 10 million in order to assist specifically those small and micro-enterprises that do not have the necessary finances to start a project.

7. *SME as a Solid Bidder*: The new regulation widens the scope for negotiated procedures without a notice: if the invitation to tender is directly sent to at least three tenderers, this procedure will be regarded as a negotiated procedure without notice instead of the former simple procedure with three offers. In the case of construction projects, the upper limit of applicability is set to 150 million HUF by the new regulations as far as the procedure involves dispatching three invitations to tender. In this case, there is no need to notify the Public Procurement Arbitration Board about the commencing of the procedure, and the policy goal of the Act is reinforced by the fact that it specifically states that the invitation to tender should be sent only to SMEs.

8. *The Price of the Documentation*: In Hungary, under the practice of the remedy forum, the cost of the preparation of the tender documentation can be included in the price by the contracting authorities<sup>20</sup>. The price of such documentation is often excessively high, yet

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<sup>18</sup> Morand P.H. (2003) pp. 302.

<sup>19</sup> According to the relevant rules, if the subject matter of public procurement is a construction project or a project reaching the Union threshold, and the completion period of the contract is over two months, then the contractor can ask for an advance payment of 5% of the total price stated in the contract or maximum 10 million HUF.

<sup>20</sup> PPL § 54. (5) „The price of the documentation should be set based on the incurring costs of its preparation and of making it available to the contractors during the public procurement procedure.”

understandable if it required extensive preparation. According to the current and the new regulations coming into force next year, the documentation price should be based on the costs incurred during preparation and in making it available to the tenderers during the public procurement procedure. So there is no change in the new regulations concerning the limitations of the price of the documentation.

*9. Sub-Contractors, Entities Providing Resources, Experts:* The considerable amount of problems caused by the non-clear distinction between sub-contractors and entities providing resources will be partially eliminated, because the controversial notion of entity providing resources will not be used any more. The new regulation states that the tenderers can meet the eligibility requirements by using the capacity of other institutions, regardless of the nature of the legal connection between them, which is certainly a SME-friendly solution. The new Act, has no special regulations concerning sub-contractors employed in a value that is over 10% of the project value. It also cancels the provision that sub-contractors employed in a value over 10% of the project value are obliged – just like the tenderers – to present certificates regarding the reasons for exclusion. According to the new regulation, it will be sufficient to present a declaration in which the tenderer declares that it will not employ sub-contractors who are subject to the reasons for exclusion. So there will be fewer certificates needed concerning sub-contractors, which surely favours the smaller ones. Apart from the fact that only the tenderer is obliged to declare that it will not employ sub-contractors who are subject to reasons for exclusion, any eligibility requirements concerning the sub-contractors themselves cannot be prescribed either.

*10. Prohibition of Multiple Participation:* The new regulation clearly defines options of competence confirmation of tenderers (participants) and sub-contractors. This is important for smaller enterprises because, according to the new PPA the same sub-contractor can participate in more than one tender, which enhances its chances for winning.<sup>21</sup>

*12. Threshold of Public Procurement:* National thresholds are defined in the annual budget. The thresholds have been unchanged for three years in Hungary, and applying the rule of aggregation mentioned above obliges the contracting authorities to initiate costly public procurement procedures at a very low minimal threshold.

The threshold of public procurement should be increased and it should be synchronized with the rule of aggregation in order to create a real-life situation, where there is a need for public procurement only if its value and costs make it reasonable.

*13. Cheaper Bidding, Formal Requirements:* The deficiencies of the rules of the simple procedure point to the fact that it is unnecessary to ask for declarations and document copies signed by a notary public. In order to make bidding as cheap as possible, only minimal formal requirements should be posed to the bidders, and only the winner should be obliged to present confirmations of reasons of exclusion. The regulation of this area has been clearly solved by the legislator by advising the contracting authorities not to ask for a certified translation or a certified copy if they do not really need it.<sup>22</sup>

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<sup>21</sup>§ 28. (1) paragraph of the new PPA

<sup>22</sup> § 36 (3) paragraph of the new PPA says: “Where this Act, or on the basis of this Act or a separate act of legislation based on the empowerment of this Act contracting authorities require the submission of a certificate in the course of the public procurement procedure, such a certificate may be submitted in a simple copy form, unless provided otherwise by an act of legislation. The contracting authority may prescribe the submission of originals or certified copies of such statements that serve directly as the basis of the enforcement of a claim (in particular bank guarantee or declaration of guarantee). In the case of documents not submitted in Hungarian, the liable translation produced by the tenderer shall also be accepted by the contracting authority.”.



## 5. Control, Centralisation, Crisis

Using public procurement as a stimulating tool helps SMEs take a more decisive role and is intended to increase employment, but it simultaneously has other goals, as well. In 2011 the government was forced to slow down public procurements, then stop them completely. This general standstill means that it is not only purchasing that is suspended, but also that the Ministry of National Development directly controls each and every purchasing of the central public institutions financed by the state. As a result, the already ongoing procurement processes are delayed by several months. So the government tries to save money through public procurement by simply postponing or completely suspending purchasing. Beside reviewing existing contracts and prohibiting signing new ones, the permitted procurement processes are also controlled.

The government, apart from exercising strict central control, intends in its new decree to centralize the purchasing of the economic institutions owned by the government. New government decrees emerge that seek to promote employment and provide direct public procurement contracts to SMEs, and in the mean time the purchasing of the smaller local governments is also being centralized.

Beside centralization and assisting the smaller enterprises, there are also regulations that hinder the normal operation of the public procurement market and reduce its competitiveness. Carayannis E.G, Popescu D. (2005) state, regarding the connection between procurement and competitiveness especially in the Central and Eastern European countries, that the introduction of new Internet technologies will make public procurement much more transparent and efficient. The competition in the public procurement market will be more directly stimulated this way, information will be available in a wider circle and this will lead to the further reduction of competition limits. The authors question the idea that electronic procurement and especially public procurement are good policy means for creating a basis for an efficient market economy, and that this in itself would directly increase the economic performance of the country, eliminate all the obstacles hindering cross-border co-operation, and automatically increase efficiency. Their analysis focuses on the efforts of the European Union to make public procurement processes more cost-effective and innovative. The goal is to demonstrate that information technology can be the right tool to assist structural reforms in the countries concerned, and later it will stimulate the smoother flow of procurement-sensitive goods and services, making European transport more competitive in both the local market and the world market. This approach believes that public procurement policy can provide the basis for the success of a unified market, long-term, sustainable development, creating new jobs and providing value-for-money public services for the taxpayers and users.

But these contradicting goals actually weaken the same competitiveness, the growth of which could for example assist to achieve the employment goals.<sup>23</sup>

## 6. Conclusion

Public procurement could stimulate not only the growth of the economy (Schwarz J.I. (2010) but its exact opposite as well, and if it is used too “creatively”, it can cause irreparable damages to the economy, to public procurement culture and the trust of contracting authorities. Morand was justified to say: “there are other different practical possibilities”<sup>24</sup> on prioritizing SMEs via public procurement. But coming from an underdeveloped public procurement culture, examining the result of the same market within the EU is incomparable.

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<sup>23</sup> Tátrai (2009)

<sup>24</sup> Morand P.H. (2003) pp. 303.

Loader K. (2005) systematizes the most important report, initiatives of the development of public sector purchasing in the UK. The experience, the opportunity for data-mining, the features of the traditional and modern approaches to purchasing in Great Britain show that the same model works in a completely different way in an another country and can be a catalyst to achieve best value for money

The Hungarian ongoing centralization, the general standstill in public procurement, the widening scope of control is unlikely to increase efficiency, and will no doubt cause serious concerns for the contracting authorities and for SMEs as well. The time has come to forget about public procurement as a means, and we ought to start focusing on the efficiency of public procurement having the right data and sufficient information in order to create more competitive services and a unified market.

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