

# Improving firms' participation: Evidence from Public Procurement interventions

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# The issue: how to improve firms' participation in public procurement?

- A quarter of EU procurement & 45% of the value of US procurement are awarded to **just 1 (one) bidder**
- Also, major issue for policy-makers is to target the “right” type of firms
- Two possible interventions:
  - Pushing information among potential bidders
  - Supporting firms to prepare bids

# Information frictions and corruption ([Colonnelli et al., 2024](#))

## Objective:

- To understand if lack of information about tender opportunities and negative perceptions about corruption discourage firms from bidding in public procurement in Uganda.

## Experimental Approach:

- Conducted two large-scale randomized controlled trials (RCTs):
  - **Transparency on Tenders (3,045 firms):**  
Provided timely, personalized information about all available government tenders via email, SMS, and WhatsApp over two years.
  - **Integrity Information (524 firms):**  
Provided structured reports either summarizing other firms' perceptions ("market perceptions") or showing anti-corruption audit scores ("audit scores") about government agencies (PDEs).

# Results – Does Transparency Alone Work?

## Experiment 1: Transparency Intervention

- **Increased Information:**  
Firms regularly engaged with tender newsletters and reported being better informed about opportunities.
- **BUT No Increase in Participation:**
  - **No significant change** in the number of bids submitted or contracts won.
  - **Why not?** Firms did not even take preliminary steps (e.g., inspecting contract documents or buying bidding forms).
  - **Additional financial nudges** (reimbursement for bid documents, help on bidding procedures) also failed to increase participation.
- **Conclusion:**  
Transparency alone was ineffective due to underlying concerns beyond simple information constraints.

# Mechanisms – Why Perceptions of Integrity Matter

## Experiment 2: Integrity Information Intervention

- **Perceptions Affect Willingness to Bid:**  
Firms rated hypothetical tenders lower (less likely to bid) if associated with government agencies perceived as more corrupt, less compliant, or having fewer bidders.
- **Widespread Misperceptions:**  
Significant gaps existed between firms' individual perceptions and actual integrity (based on audits and market-wide perceptions):
- **Correcting Misperceptions Drives Participation:**
  - Providing clear information on integrity significantly increased the number of bids and contracts firms won, especially for PDEs identified as high-integrity.
  - Firms responded **more strongly** to "market perceptions" than government-provided "audit scores," highlighting the importance of trusted peer evaluations.

# Informational Barriers & Experimental Design (Hjort et al. 2025)

## Research Question:

- Do informational barriers prevent firms in low-income countries from accessing high-value markets?

## Context & Experiment:

- Setting: Medium-sized (formal) firms in Monrovia, Liberia
  - Little experience with selling to “large” buyers (only 11% with previous bid)
- Randomized intervention: A one-week training course focused on navigating complex buyer procurement procedures
  - Training also helps firms to understand opportunities they were not aware of (e.g. social-sustainability weights in procurement)
- Participants: Firms randomly given vouchers; 20% took up training
- Measures: Firms' bidding activity, contract wins, and performance tracked up to three years later

# Key Findings on Mechanisms

## **1. Knowledge of Complex Procedures (Seller-ship):**

- Firms initially lacked understanding of complex tendering processes, preventing market entry.
- The training specifically addressed procedural complexity, bid quality, and understanding of buyers' preferences, increasing firms' capability to bid and win contracts.

## **2. Managerial Time Constraints:**

- A key mechanism: Many firms faced managerial time constraints, limiting their ability to learn independently.
- Only firms surpassing a certain initial "knowledge threshold" benefit sustainably from the training, as others revert to their original market (consumer-oriented sales) due to insufficient initial knowledge and persistent time constraints.



**WORLD BANK GROUP**



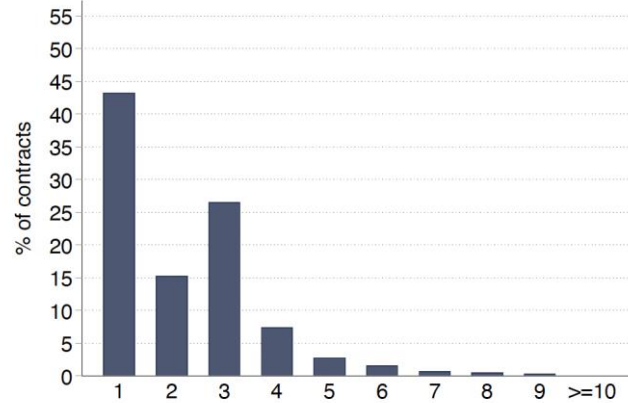
Back up slides

# Heterogeneity and Persistence of Effects

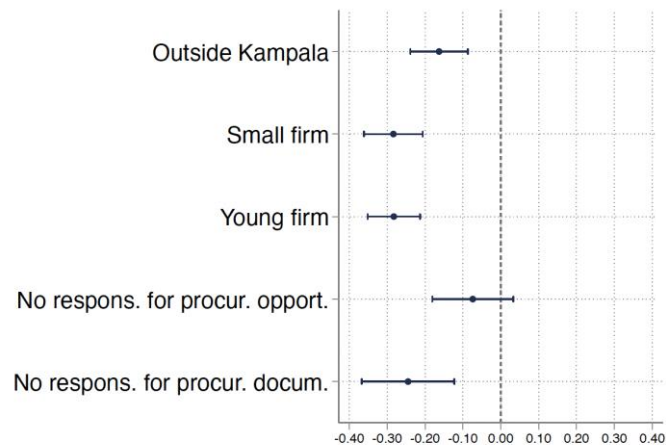
## **Which Firms Benefit and Why?**

- Approximately 25% of firms ("Quartile 4") substantially benefited, winning significantly more and higher-quality contracts.
- Critical predictive characteristics:
  - Prior bidding experience
  - Internet access (facilitating easier bid preparation and communication with buyers)
- Persistent outcomes: These firms continued to access better markets three years later, increasing employment and firm survival.
- Firms without these characteristics reverted to previous behavior, indicating persistent informational barriers reinforced by time constraints and lack of infrastructure.

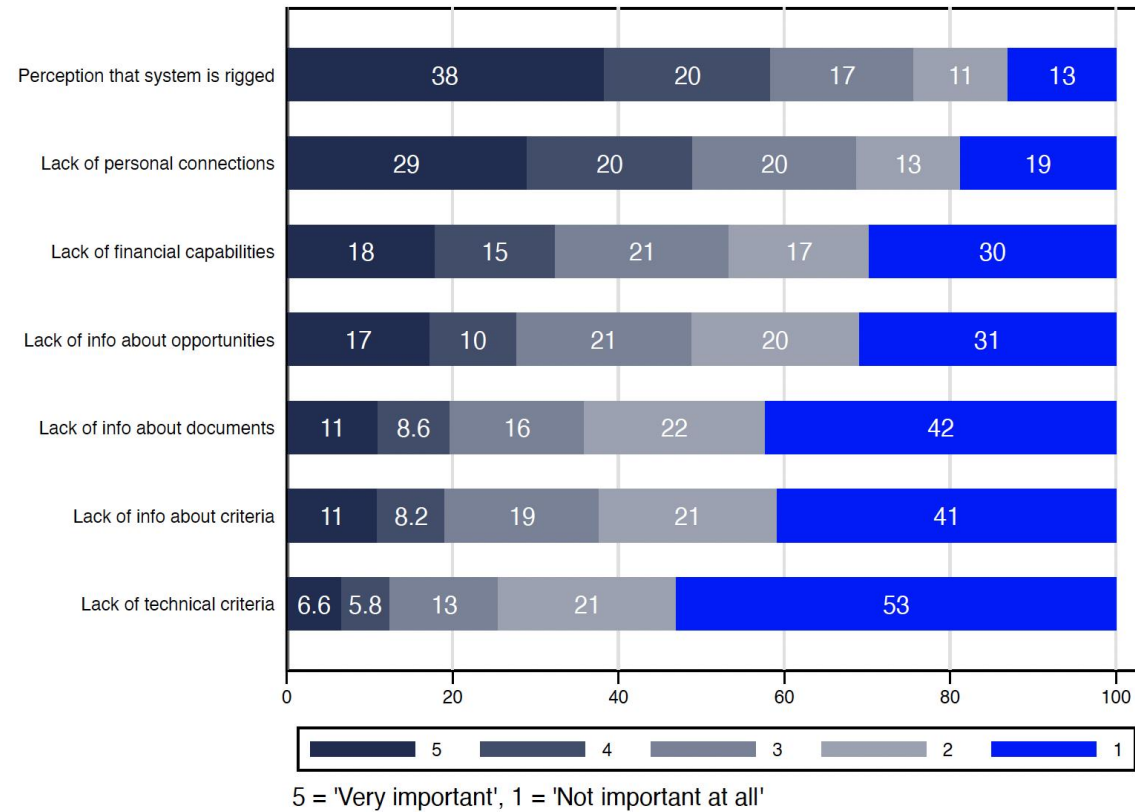
# Information interventions in Uganda



(A.) Bids per contract

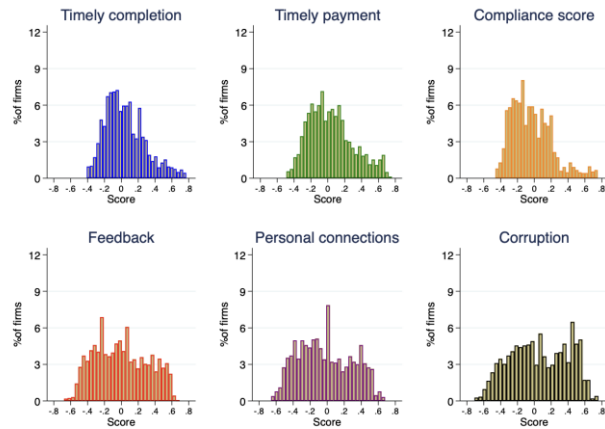


(C.) Who bids less?



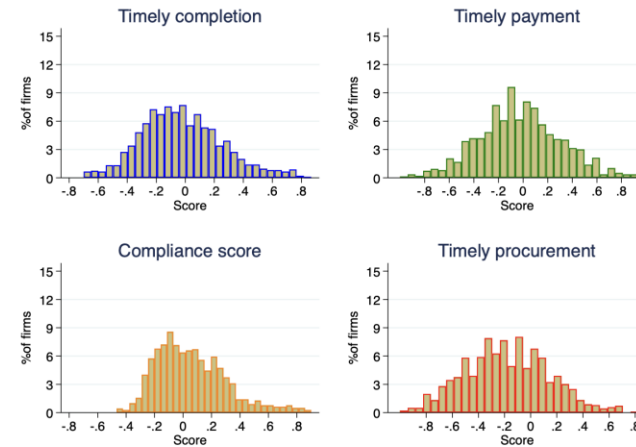
# Degree of firms' misperception (back)

FIGURE 7. Deviations between Firms' Perceptions and Market Perceptions



*Notes:* The histograms plot the distribution of the deviations of firms' perceptions regarding the average score of each public entity from the ones reported in the market perceptions report. The deviations are constructed as referenced in Section 4.2. The further away the distribution is from 0, the larger the dispersion of beliefs regarding public entities' performance.

FIGURE 8. Deviations between Firms' Perceptions and Audit Scores



*Notes:* The histograms plot the distribution of the deviations of firms' perceptions regarding the average score of each public entity from the ones reported in the government audit report. The deviations are constructed as referenced in Section 4.2. The further away the distribution is from 0, the larger the dispersion of beliefs regarding public entities' performance.