

## Rules vs rules. Manipulation of Procurement Contracts in Colombia

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### Abstract :

We study the buyer's response to different rules in the context of Colombia's federal procurement. Unlike common procurement systems, the Colombian one is divided into different auctions according to a purchase threshold. Thus, buyers cannot discretionarily select the supplier for their contracts. An additional subtlety of the Colombian system is that buyers are categorized according to their budget size. Buyers in different categories face different purchase thresholds. Leveraging on the buyer category and the purchase threshold, we document four key empirical findings. First, there is substantial bunching of contracts at the purchase threshold even when discretion is not available. Second, the change in auctions distorts the award amount of some contracts, while discouraging other purchases altogether. From this distortion, we call manipulated contracts to the excess of contracts for a given auction format. Third, manipulated contracts perform worse ex post but do not face differences in competition. Fourth, we characterize these contracts into *cost-saving*, *contract-splitting* and other contracts. Among them, around 50% of the manipulated contracts are cost-savings and 16% contract-splitting. We propose and (plan) to estimate a stylized model of public procurement that is consistent with these findings.