

3Concluding remarks

The possibility of complex procurement rules, where we observe multidimensional bid packages, leads to a multitude of potential distortions due to the fundamentally complicated nature of the problem. An agency that displays favoritism in a limited, controlled mechanism with strict rules may still have a significant impact in the bidding behavior of participants, however. This paper shows how a seemingly subtle form of favoritism may have informational effects on equilibrium bidding behavior whether the quality and cost dimensions are affiliated or not.

While we propose two alternative mechanisms that improve the economy's efficiency and reduce expected government expenses under a uniform distribution, it is not clear that on a general setting a government would like to employ one of these mechanisms, particularly when considering collusion concerns.

Alternate mechanisms are also susceptible to other relevant problems in procurement design. Risk aversion, budget constraint concerns, and the possibility of collusion are all pervasive in public procurements, and may mitigate the efficiency and expense gains of adopting the proposed alternative mechanisms in the case of favoritism displayed in the model.