

# Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

<b>Student:</b>	<b>Bc. Kristýna Šafářová</b>
<b>Advisor:</b>	<b>Mgr. Roman Kalabiška</b>
<b>Title of the thesis:</b>	<b>Public Procurement and Budgeting of Municipalities</b>

## **OVERALL ASSESSMENT** (provided in English, Czech, or Slovak):

*Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.*

### **Short summary**

The presented thesis analyses the public procurement spending of local governments in the Czech Republic. The main objective is to see which factors influence municipal investment spending and if it can be predicted in the short run. There are 5 research questions examined using various methods. I will talk about them more closely below.

### **Contribution**

The main contribution of the thesis can be seen in the creation of a unique dataset of public procurement contracts, which the author combines with other financial data and characteristics of municipalities and political affiliation of mayors. After she collected all data and performed several modifications, all of which help her to achieve as large dataset as possible, the final dataset includes data for 3,404 municipalities, which is more than I was originally expecting. Using this dataset the author found an uneven distribution of municipal spending during the last three election terms, which suggests an opportunistic spending in the last year before election. She also found out that mayors from the established political parties are more likely to invest in all types of contract (*construction, services, supply*) than independent mayors. The last objective of this thesis was to try and create a forecasting model using these microdata to predict future short-term gross fixed capital formation which enters fiscal prediction models (*MF*). Unfortunately, due to a very uneven panel and a short time dimension, a reliable prediction was not possible.

### **Methods**

The author tests 5 hypotheses in her thesis each using a different procedure. She begins with a fairly simple observation of the distribution of public procurement spending over time in order to find a political cycle. This is done using a full dataset and a subset of it with only established political parties. After that, she used a GLS regression to find which other characteristics determine municipalities' public procurement spending and gross fixed capital formation. The author performed all standard tests of her dataset and within its limitation she found an appropriate method. She then tried to determine preferred types of public investments for established political parties using multinomial logistic regression which returns a log odd of investing in each type of contract against having no contract. Last but not least, she tried to create a prediction model for gross fixed capital formation with an ARIMA model and with imputation based on historical data. Sadly, with inconclusive results. But with the complexity of the dataset, this had to be partly expected. For every part of her research, the author followed the textbook procedure and after adjusting her methods for the dataset she created using correct statistical tests, she arrived at plausible results. So in conclusion, I did not find any errors in the methodology.

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## Literature

Chapter 2 presents a rather thorough literature review, in which, as far as I can notice, all relevant papers are included. Although this chapter is organised as a list of paragraphs each describing one piece of literature, it reads well and provides context for the author's work. Also citations throughout the text are made correctly and in adequate places.

## Manuscript form

The thesis is well organized and convenient to read and written in good English. I did not find any typos and never struggled with the intended meaning. Graphs and tables are also formatted well (*with some exceptions of font of axis labels*) and labeled properly.

## Overall evaluation and suggested questions for the discussion during the defense

The results of the Urkund analysis do not indicate significant text similarity with other available sources. I believe that the thesis fulfills the requirements for a master thesis at the Institute of Economic Studies, Faculty of Social Sciences, Charles University. It is my pleasure to recommend the thesis for the defense and suggest a grade C. I also suggest that the author talks more about the background of her thesis, why she chose it and what was the main purpose, as well as her work with the data, which I believe was very intricate and deserves a recognition. I would also ask about other means of predicting the capital expenditures using microdata and the issues related to it and how could the problems she encountered be solved differently, and what are the advantages compared to the use of macrodata.

Overall, this thesis is well written. The author showed her knowledge of the topic in hand as well as econometric analysis that she used. The contribution of her thesis is only undermined in certain parts by somewhat expected and in other parts inconclusive results.

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## **SUMMARY OF POINTS AWARDED** (for details, see below):

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	15
<i>Methods</i> (max. 30 points)	20
<i>Literature</i> (max. 20 points)	20
<i>Manuscript Form</i> (max. 20 points)	18
<b>TOTAL POINTS</b> (max. 100 points)	<b>73</b>
<b>GRADE</b> (A – B – C – D – E – F)	<b>C</b>

**NAME OF THE REFEREE:** *Mgr. Roman Kalabiška*

**DATE OF EVALUATION:** 22/01/2024

Digitálně podepsáno (22.1.2024)  
Roman Kalabiška

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**Referee Signature**

**EXPLANATION OF CATEGORIES AND SCALE:**

**CONTRIBUTION:** *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

**METHODS:** *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

**LITERATURE REVIEW:** *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

**MANUSCRIPT FORM:** *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

**Overall grading:**

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F