# Report on Bachelor / Master Thesis

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

| Student: | Pavel Prucek |
|---|---|
| Advisor: | PhDr. Ing. Jiří Skuhrovec |
| Title of the thesis: | Barriers to entry in public procurement: Evidence from the Czech Republic |

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

The thesis submitted by Pavel Prucek studies barriers to entry in public procurement in the Czech Republic. The motivation to conduct this study was provided by the 2014 Annual Report of Bureau for Protection of the Competition (ÚHOS). According to this report the contracting authorities were imposing discriminatory qualification criteria as the most common offense to the law. The thesis therefore studies the effect of potential barriers to entry on a variation of profit margins of public procurement suppliers. It aims at the electricity and natural gas sectors as the representatives with homogeneous goods and sufficient data availability. Furthermore, the study attempts to identify key determinants affecting the probability of the small and medium sized enterprises (SME) to win a public contract. The study has a lot of hypotheses with different results. The author concludes that the impact of barriers to entry on profit margin was not detected according to his analysis and that the public procurement market in the Czech Republic therefore works efficiently.

I find the topic of Pavel's thesis very interesting and important for public procurement practices in the Czech Republic. The thesis shows author's sufficient knowledge of both the topic of public procurement as well as analytical methods. It is formally correct but I have some reservations to the manuscript form. It has several deficiencies, which should have been improved. I have also found several inconsistencies in the text. Even though I do have several complaints to the thesis, I am pleased to summarize at the beginning of this report that the author managed all aspects of a bachelor thesis at the satisfactory level. Therefore, based on the quality of the thesis I suggest the grade "2", i.e "good." I describe the inconsistencies of the thesis in the next sections of this report.

There is either misunderstanding or a mistake in testing the first hypothesis in chapter 5.3.1 on page 48. There is written „H0: diff != 0" as the null hypotheses of the two sample t-test in the figure 18, meaning that the difference in the profit margins of suppliers for both commodity sectors is not equal to zero, i.e. that the datasets are not equal. In the text below is written that both p-values of t-tests reach very high levels and thus the null cannot be rejected. If we cannot reject the null there is some evidence that the profit margins are different. The author however concludes that the datasets do not differ and merges the two samples of data. He then base an analysis on this „merged" dataset which may produce incorrect results.

The author's policy recommendation stemming out from his study is to use tools promoting competitive environment such as electronic auctions that decreases final profit as well as profit margin of suppliers. However, he also states that the e-auction is a tool in which the value-for-money principle is prioritized and in which often appears at least one strong competitor who can exploit its resources and use the benefit of economies of scale (p. 62). He therefore imposes barrier to entry for SME, which he says are of discriminative nature towards SME (p.2), and recommends to use specific tools ( e.g. set asides and workshops) as a support policy of SME. Even though the barriers in form of economies of scale were not found in the analytical part of the thesis, I find this recommendation leading in contradiction to the thesis itself.

I missed explanations of some terms and statements in the text. For example, there is a statements „*Every large tender since...*" on page 6. What is large? It is possible to guess from the following text about over-the-threshold public contracts, but this is explained on page 18! Or there is never explained the term „set-aside" in the thesis, leaving the reader unclear what this actually is or how it could be defined.

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In case of the manuscript form I found several deficiencies that should be eliminated in future academic texts. First of all, the thesis is quite long in the sense that author repeats several thoughts over and over during the text. The section *3.4 Hypotheses and motivation* says that the hypotheses will be outlined here and further concretized in the empirical part. Why? I find this very misleading and discouraging for the reader. Moreover, there is a clear imbalance in the quality of the text throughout the thesis. The beginning of the thesis was written long ago and it is weak, whereas the end of the thesis has quite strong form with clear and advanced text. The author is also mixing the tenses all the time. Moreover, he says „I will do something" when he actually does it already in this thesis. Avoiding such preventable mistakes could significantly improve the quality of the thesis.

Despite everything I wrote above I am pleased I can recommend the thesis of Pavel Prucek to defense at the IES FSV UK. I suggest the grade "2", i.e "good."

**Suggested questions for the defense:**

1) Please, defend the fact that you have merged the electricity and gas datasets for the analytical purposes. Was the decision correct based on the t-test results? How could this affect the results of the whole thesis?
2) How would you react to the possible inconsistency of the policy recommendation with the topic of the thesis?

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

| CATEGORY | | POINTS |
|---|---|---|
| *Literature* | *(max. 20 points)* | 18 |
| *Methods* | *(max. 30 points)* | 25 |
| *Contribution* | *(max. 30 points)* | 27 |
| *Manuscript Form* | *(max. 20 points)* | 10 |
| **TOTAL POINTS** | *(max. 100 points)* | **80** |
| **GRADE** | *(1 – 2 – 3 – 4)* | **2** |

**NAME OF THE REFEREE:**  *Jindřich Matoušek*

**DATE OF EVALUATION:**   **August 27, 2015**

*Referee Signature*

## EXPLANATION OF CATEGORIES AND SCALE:

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

| Strong | Average | Weak |
|--------|---------|------|
| 20     | 10      | 0    |

**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.*

| Strong | Average | Weak |
|--------|---------|------|
| 30     | 15      | 0    |

**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.*

| Strong | Average | Weak |
|--------|---------|------|
| 30     | 15      | 0    |

**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.*

| Strong | Average | Weak |
|--------|---------|------|
| 20     | 10      | 0    |

## Overall grading:

| TOTAL POINTS | GRADE |                  |                             |
|--------------|-------|------------------|-----------------------------|
| 81 – 100     | 1     | = excellent      | = výborně                   |
| 61 – 80      | 2     | = good           | = velmi dobře               |
| 41 – 60      | 3     | = satisfactory   | = dobře                     |
| 0 – 40       | 4     | = fail           | = nedoporučuji k obhajobě   |