

Abstract

According to the existing literature, political connections can lead to favouritism towards the connected companies. This thesis approximates connections through donations to political parties and analyses their effect on the value of public procurement administered by Czech Ministries between 2007 and 2017. Donations from legal entities are used along with contributions from natural persons who are matched with companies' officials to account for the possibility of masking the real identity of donors. We analyse the impact of donations on procurement from three perspectives. Firstly, we focus on donations made to parties with the largest representation in government, but do not find that firms connected to these parties win more favourable procurement contracts. We then extend the analysis to include other political parties present in the Chamber of Deputies during the examined period and each election term is assessed separately. The results suggest that donating firms received contracts of higher value than non-donating firms during two of the three election periods. Finally, we develop a novel panel-based approach with the aim to determine whether there exists a causal relationship between political connections and public procurement. The results show that connections to political parties elected to the Chamber of Deputies, some of which were directly in control of Czech Ministries, did not induce a higher value of supplied contracts to these Ministries. This observation points to the benefits of high public control at this level of government and, potentially, to the importance of other channels through which corporate donations may pay off.