

Report on Bachelor / Master Thesis

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

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|-----------------------------|---|
| Student: | Thao Trang Do |
| Advisor: | Mgr. Miroslav Palanský, M.A. |
| Title of the thesis: | The Role of Off shore Companies in Public Procurement in the EU |

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

Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.

Contribution

Although I see the main contribution in the advancement of the authors' knowledge, skills and experience, the thesis provides also original results, which can serve as a basis for future research in this area.

Methods

In general, the analytical approach applied is interesting and although I am still not convinced that it is the best way to answer the research question in place, it definitely opens interesting questions on public procurement data analysis.

The author links the methodology well to relevant literature, discusses properly its important details and potential weaknesses and does the best to provide as precise results as possible. Unfortunately, the thesis is relatively poorly written, as discussed in the Manuscript form part of the report, and the description of the methodology is quite difficult to understand in detail. Many methods are more or less introduced, few of them are used, some of these are discussed in the final results summary. Individual concepts are introduced multiple times, statements are often repeated using just a slight rephrasing and so on. Better structure of the text and better choice of what to include and what to omit would help. Below I mention some of the things which were not clear to me or which I find questionable.

- In the data description the time interval studied is not explicitly mentioned, which would be appropriate, as DIGIWHIST data cover years 2007-2018 and CEPH data are available for years 1948-2015.
- Explanation of what does „exports from countries i and j “ mean in the gravity model description is missing.
- It is not mentioned how many observations remain in the sample after getting rid of the public procurements supplied by the companies present in tax havens.
- When discussing multicollinearity, it is mentioned that „intuitively, some of the independent variables, especially the ones representing overall trade costs, will necessarily be correlated“. Yet, there is no formal test proving that notion right.
- Both multicollinearity and heteroscedasticity do not seem to be treated correctly
- I do not understand the statement „...small number of suppliers which are recognised due a few of noisy observations. These falsely reported countries are in the majority of cases identified by the OLS model, but not by the PPML estimator which further demonstrates the more accurate performance of the latter method...“ (p.40) as well as: „Japan and Australia are excluded from further analysis as they are identified by the OLS estimation only and only in terms of nominal numbers“.
- Next problematic statement is: „The Pseudo Poisson model ... This model explains the greatest portion of the procurement for individual supplier countries, i.e. the unexplained share of the tenders value that cannot be linked to any actual activity is most likely significantly

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more, but definitely not below this threshold.“ I do not believe that this model can take all of the actual activity-based tender value from the data.

- In the sentence „I use the real total value of procurement awarded by European countries over the 12 year period, which is about EUR 1,400 billion, and the estimated overall value of EU procurement market, which is roughly about EUR 1,887 billion annually.“ I do not understand what the „estimated overall value of EU procurement market“ means.
- I do not understand the sentence „researchers often diverge in delivering solutions“ on p. 48.
- Next statement that I do not understand is the following: „There are no zero-observations in our data and I decide not to include them as adding more countries which may in fact not be part of the market to the dataset would most likely bias the estimates downwards.“

Literature

The use of literature is at a good level, the author covers a wide range of publications to support her analytical approach.

Manuscript form

Manuscript form is the main weakness of the thesis. Sentences are often too long and difficult to understand. Much of the introductory text feels unnecessary, I would prefer reading the main text directly. Merging literature review and theory does not make sense to me. Moreover, the literature review continues in the descriptive statistics section, methodology description and can be detected throughout the whole thesis. Substantial part of the text feels like the same set of information repeated over and over again, slightly rephrased. This includes even the dataset description that is not simply at one place in the thesis. It is then just a minor inaccuracy that the thesis is called „paper“.

Summary and suggested questions for the discussion during the defense

Using Gravity model and government procurement data, the author aims to identify territories potentially serving as tax havens for companies successful in public procurements. The amount of the tax revenue loss is estimated to be significant and more attention of the governments to this aspect of public spending is argued to be advisable. Several limitations of the analytical approach are mentioned, data availability and important details of the model estimation are discussed. Overall the thesis presents an interesting analysis of public procurement data and the results can serve as a basis for future research in this area. The main weakness of the thesis is the manuscript form which makes it difficult to read and understand. Despite that, given the scope of literature used and given the detail-oriented approach of the author, I believe that the thesis deserves a good grade. B.

Suggested question:

Who are the winners and losers when a company that is awarded a government procurement contract uses a tax haven?

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

| CATEGORY | POINTS |
|-------------------------------|--------|
| Contribution (max. 30 points) | 26 |

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|------------------------|--------------------------------|-----------|
| <i>Methods</i> | <i>(max. 30 points)</i> | 25 |
| <i>Literature</i> | <i>(max. 20 points)</i> | 20 |
| <i>Manuscript Form</i> | <i>(max. 20 points)</i> | 10 |
| TOTAL POINTS | <i>(max. 100 points)</i> | 81 |
| GRADE | (A – B – C – D – E – F) | B |

NAME OF THE REFEREE: Lucie Kraicová

DATE OF EVALUATION: 30.05.2019



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.*

| | | |
|---------------|----------------|-------------|
| <i>Strong</i> | <i>Average</i> | <i>Weak</i> |
| 30 | 15 | 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.*

| | | |
|---------------|----------------|-------------|
| <i>Strong</i> | <i>Average</i> | <i>Weak</i> |
| 30 | 15 | 0 |

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

| | | |
|---------------|----------------|-------------|
| <i>Strong</i> | <i>Average</i> | <i>Weak</i> |
| 20 | 10 | 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.*

| | | |
|---------------|----------------|-------------|
| <i>Strong</i> | <i>Average</i> | <i>Weak</i> |
| 20 | 10 | 0 |

Overall grading:

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