

According to the existing literature, political connections can add value to the connected firms. This thesis analyzes whether political connections created by donations to political parties affect the allocation of public funds through procurement spending in the Czech Republic. Using a novel dataset on all corporate political contributions made between 2006 and 2013, it focuses on the extreme change in control of the regional councils following the 2008 elections. We start by observing the general patterns of behavior of regional governments as contracting authorities which seem to support the potential of corruption. In the second part, we focus on the effects of donations to the two most powerful political parties in the regional councils during the examined period on regional public procurement outcomes. The applied econometric methods suggest that donating companies win public contracts of higher value compared to non-connected firms in times when their supported party is in power. Controlling for the size of the firms, the results remain significant and confirm the notion that larger companies win contracts of higher value than smaller firms.