

Institut ekonomických studií

Fakulta sociálních věd, Karlova universita Praha

Referee report on the Master Thesis

Student Name:	Veronika Vraná
Thesis Supervisor Name:	Jan Zapal
Thesis Title:	The Efficiency of Public Expenditure, Evidence from the Czech Republic

Overall Evaluation:

The master thesis submitted by *Veronika Vraná* provides a comprehensive overview of the efficiency analysis methods used predominantly for the public sector expenditure. The thesis is clearly written, covers a substantive amount of material and provides some interesting, albeit tentative conclusions. The focus appears to be on the discussion of methods, their cons and pros, sometimes too detailed. Given the limitations of the methods and relative scarcity of data, the balance is understandable, but the thesis would benefit from a streamlined structure with a more thorough discussion of results. The thesis is written in good English, with well-organized literature. I recommend the thesis for the defense and I suggest grade A (excellent).

After a brief introduction, Chapter 2 begins the discussion of theoretical background for measuring public sector effectiveness. The third chapter discusses deterministic methods. The discussion is well structured and covers material comprehensively. The author covers DEA, FDH, PFA, all very logical, but sometimes a reference to a paper (or even a textbook) would suffice, as there is little original added by the author to the material covered.

Chapter 4 adds parametric and stochastic non-parametric methods (DFA, SFA). I must that some detailed technical aspects eluded me (section 4.1.2. is really demanding...). The theory gets even more complicated in section 4.3 (Stochastic methods), but the discussion remains purely theoretical. The thesis gets more interesting in section 4.4 where the author compares different methods discussed.

Chapter 5 (on page 37...) begins discussion of the data and models used for the estimate. Data description is fairly brief and I feel insufficient: one summary table for real expenditures and no data (really) for 14 suggested variables. Why not provide tables (in appendix if not in the text) describing differences in districts? Similarly, we are simply told that all indicators will be weighted uniformly (bottom of the page 42), but no sensitivity analysis is provided (is the share of households with computers really at the same level as number of residents in the district?). Section 5.4 discusses variables and their expected effects on efficiency, but does not provide any sense of the data actually used (variability, reliability...).

Chapter 6 discusses results, finally. The discussion is surprisingly brief and focuses on three charts only. We learn that Prague and Central Bohemia are outliers, but not much more. To what extent is this caused by their specifics (capital city plus the surrounding area)? Why we do not discuss differences among other regions as well? Section 6.3 is the most interesting part of the thesis (see Table 6.2, page 62). Discussion of indicators effects on effectiveness provides some insights (average age decreases efficiency, GDP per capita increases it). I am not sure about the discussion on density effects (top of page 59) – perhaps a separate discussion of the districts' budget would help here (how much is spent on road maintenance, compared to other expenses?, how much it differs across the districts?). The (positive) effect of the Communist party participation may be driven by the design- if the only other party analyzed has a negative effect, the Communists will have positive, but we do not really know whether it is because of them.

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In conclusions, I would like to stress that Veronika has demonstrated a very good grasp of the methods and literature in a rather difficult and often overlooked field. The thesis is well written and I do recommend it for the state exam defense and I would recommend grade "1" for the final exam grade.

SUMMARY OF POINTS AWARDED:

CATEGORY	POINTS
Literature (0-20)	18
Methods (0-30)	30
Contribution (0-30)	22
Manuscript Form (0-20)	20
TOTAL POINTS (0-100)	90
GRADE	1

(Signature)

Ondřej Schneider



Evaluated on: 13 June 2016