

POLITICAL CONTRIBUTIONS AND PUBLIC PROCUREMENT: EVIDENCE FROM LITHUANIA

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Abstract

This paper studies whether firms trade political contributions for public procurement contracts. Combining data on Lithuanian government tenders, corporate donors and firm characteristics, I examine how a ban on corporate contributions affects the awarding of procurement contracts to companies that donated in the past. Consistent with political favoritism, donors' probability of winning falls by five percentage points as compared to that of non-donor firms after the ban. Evidence on bidding and victory margins suggests that corporate donors may receive auction-relevant information affecting procurement outcomes in their favor. (JEL: D72, H57)

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