

## 9 LAWS OF RECONSTRUCTION OF THE STATE

### 1. Transparent financing of political parties and election campaigns

Political parties and election campaigns in the Czech Republic are financed by state contributions and by donations from people and businesses. However, even some senior politicians themselves admit that the parties are often financed via the so-called “tunneling” of public procurement, EU subsidies, or the “buying” of political decisions. The true origin of the money is usually not possible to track down, due to the lack of rules for party financing. If the parties have to operate in a transparent way, it will make the illicit financing of their activities and election campaigns more difficult.

### 2. Electronic declarations of assets on taking up an office

Declarations of assets will ensure that people who make decisions about the expenditure of public funds will not be able to get inexplicably rich while holding their positions. Czech politicians already have a duty to fill out a declaration of assets; however, it is a mere formality—handwritten declarations are often illegible and the law does not specify an explicit obligation to report shares in companies, which is a widespread form of bribery. In addition, politicians report only the assets they have acquired during the time of their service in office, so there is a complete lack of comparison with the original situation. This leaves the playing field open to a variety of tricks and it is practically impossible to verify whether the declaration is legitimate.

### 3. Contracts on the Internet

There is no reason for not making all contracts of the state and public institutions easily accessible to everyone—it is the best prevention of overpriced contracts, unnecessary purchases or unprofitable sales of assets. Although citizens can now request these contracts through the freedom of information law, the requests are often declined with reference to trade secrets, or on other pretexts. This simplest and most effective measure has already been implemented in Slovakia: each contract becomes effective only after it is published online in the so-called “registry of contracts”. Several town councils in the Czech Republic have also voluntarily adopted this practice.

### 4. Abolition of anonymous shares (already abolished)

The Conflict of Interest Act is supposed to prevent people who decide about public contracts from having a direct interest in a particular company being awarded the contract. However, this law is easy to circumvent in a situation where it is impossible to find out who is the final recipient of funds from public contracts or grants. Anonymous shares for “bearers” is one of the easiest methods of concealing the true recipient of the money: the owner of the share is always the person who physically has the deed in their hand; there is no evidence. Therefore, abolition—or registration—of anonymous shares is the first important step in order to trace the actual recipients of public funds.

Anonymous shares were abolished in the Parliament on May 7<sup>th</sup> 2013.

## 5. Professional appointments to supervisory boards of state-owned enterprises

Supervisory boards should be made up of people competent enough to control the company's managers. Therefore, supervisory boards should include, for example, former successful managers, experts in accounting and procurement or in a field relevant to the company's business. Politicians without relevant experience cannot themselves provide sufficient supervision, which is why in many countries they can only occupy some of the board's positions, sometimes none at all. Therefore, it is necessary to establish rules for filling supervisory boards of state companies with independent experts and people with relevant qualification and experience.

## 6. Depoliticization and professionalization of public administration

The Czech Republic is the only country in the EU where public officials are not protected from political pressure by a Civil Service Act. The Act prevents new ministers from appointing "favorites" after taking office. These "favorites" then follow their instructions, for example, to divert public funds (e.g. Mr. Knetig in the Drobil case). The Act also significantly tightens the rules for civil servants: their decisions are subject to material liability, management positions are filled by clearly defined recruitment procedures, and rules for compensation are fixed.

## 7. Public Prosecutor's Office without political interference in investigations

In the past, the investigations of serious corruption cases have often ended in limbo after interventions of senior prosecutors, whose appointments and dismissals were directly influenced by politicians. Without strengthening the independence and impartiality of the prosecutors' office, more significant success in the investigations of the most serious financial crimes and political corruption is impossible. This can be ensured by a number of rules and regulations for the appointment of the Attorney General and for the appointment of a director of a specialized unit for corruption.

## 8. Transparent legislative process

The rules for the adoption of laws allow individual deputies to unobtrusively include paragraphs that have nothing to do with the pending legislation. Since this is typically done at the very last moment, other deputies often do not know exactly what they voted on. These added sections very often bring advantages for particular interest groups. For example, the Rough Diamonds Act contained a supplement that the Public Procurement Act, and a supplement to the Excise Tax Act, meant a relief for ČEZ worth almost 30 billion crowns, the sum the company would have otherwise had to pay for emission allowances. A series of several measures that have been successfully implemented in other countries can remove the practice of adding supplements.

## 9. Extension of powers of the Supreme Audit Office

By dealing with this backlog, a third of the budget will be put under independent control. Hundreds of billions of state funds in municipalities and state-owned enterprises will be subject to the Supreme Audit Office. This will make it possible to investigate and prevent future legal cases like Opencard, and to shed light on the economic activities of Czech Railways, Czech Airlines, and Prague Transport Company.