

State Capture in the Czech Republic

Vit Simral

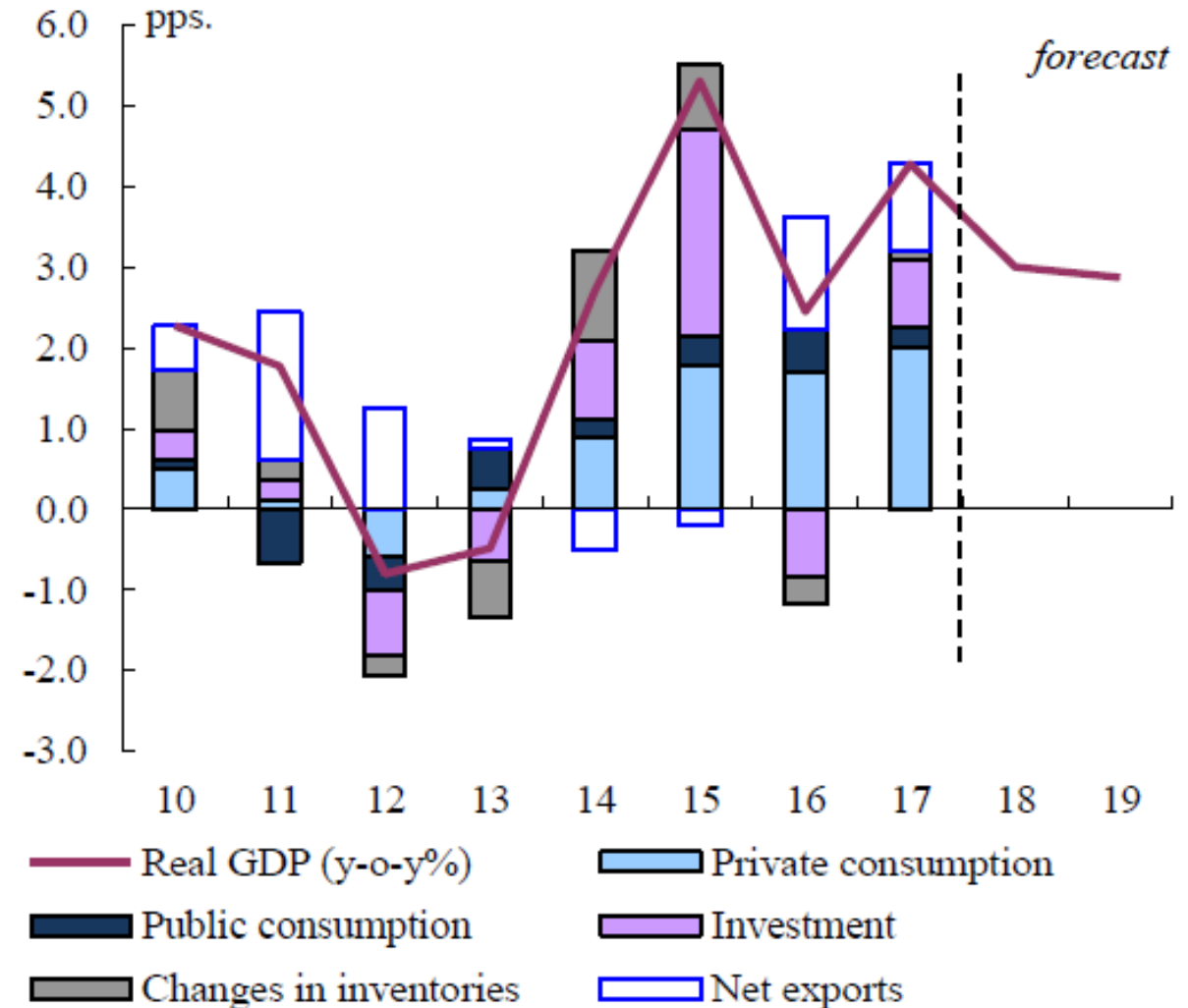
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Sofia, 13 September 2018

Czech Republic

- 1989 regime change, 1995 OECD, 1999 NATO, 2004 EU
- GDP \$35,223, 24th in GCR, 24th in IEF, 30th in EDB
- Škoda Auto, ČEZ Group, Agrofert, RWE CZ, Foxconn CZ, Aero, Tatra, Avast

Graph 2.3: Czech Republic - Real GDP growth and contributions



Czech Republic

32	Portugal	PRT	WE/EU	63	29
38	Slovenia	SVN	WE/EU	61	34
39	Poland	POL	WE/EU	60	36
42	Lithuania	LTU	WE/EU	59	38
43	Latvia	LVA	WE/EU	58	40
45	Cyprus	CYP	WE/EU	57	42
46	Czech Republic	CZE	WE/EU	57	42
48	Spain	ESP	WE/EU	57	42
50	Malta	MLT	WE/EU	56	46
57	Italy	ITA	WE/EU	50	54
59	Slovakia	SVK	WE/EU	50	54
60	Croatia	HRV	WE/EU	49	57
62	Greece	GRC	WE/EU	48	59
64	Romania	ROU	WE/EU	48	59
69	Hungary	HUN	WE/EU	45	66
74	Bulgaria	BGR	WE/EU	43	71



SOURCE: TRADINGECONOMICS.COM | TRANSPARENCY INTERNATIONAL

Anti-Corruption Laws proposed since 2013

Law on...	Passed?
Transparent political finance	YES
Declarations of assets by politicians on the internet	YES
Contracts published on the internet	YES
Abolition of anonymous shares in companies	YES
Parliamentary committees to be public and transparent	YES
Non-political appointments to state companies' boards	NO
Independent investigation of high-profile political cases	NO
Independent civil service	NO
Auditing of municipalities and municipality-owned companies	NO

Czech Republic

Indicator	Czech Republic (0 to 100)
Assessed Monopolization Pressure	7
Ineffectiveness of Antimonopoly laws	20
Business Capture	12
Lack of Integrity	44
Lack of Impartiality	30
Private Interest Bias	12
Ineffectiveness of Anti-corruption Policies	36
Institutional Enablers	31
Media Capture	39
Administrative Corruption	13
Judiciary Capture	19
Environmental Enablers	24
STATE CAPTURE PRESSURE	19

Czech Republic

NACE	Sector Name	Assessed monopolization pressure (red = high; yellow = medium)	% of operating turnover in sector
61	Telecommunications	73%	1%
4211	Construction of roads and motorways	55%	1%
35	Electricity, gas, steam and air conditioning supply	39%	4%
4646	Wholesale of pharmaceutical goods	33%	1%

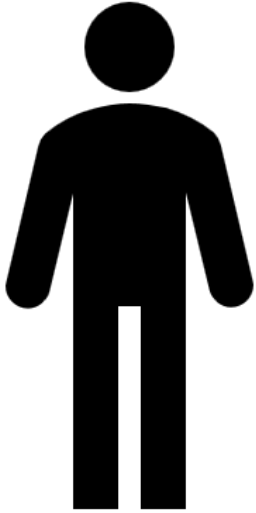
Czech Republic

NACE	Sector Name	% laws facilitate the formation of monopoly	% turnover
61	Telecommunications	60%	1.0%
4211	Construction of roads and motorways	51%	0.6%
35	Electricity, gas, steam and air conditioning supply	50%	4.2%
4212	Construction of railways and underground railways	43%	0.4%
86	Human health activities	36%	1.2%
4646	Wholesale of pharmaceutical goods	35%	1.4%
4621	Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	35%	0.5%
3600	Water collection, treatment and supply	35%	0.3%
1	Crop and animal production, hunting and related service activities	34%	1.5%
4671	Wholesale of solid, liquid and gaseous fuels and related products	31%	2.7%
92	Gambling and betting activities	28%	0.6%

Czech Republic

Nace	Sector Name	% MP total	% of operating turnover in sector
61	Telecommunications	73%	1%
4211	Construction of roads and motorways	55%	1%
35	Electricity, gas, steam and air conditioning supply	39%	4%
4646	Wholesale of pharmaceutical goods	33%	1%
3600	Water collection, treatment and supply	27%	0%
F	Construction	24%	5%
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	24%	0%
86	Human health activities	24%	1%

Case 1: Energy Industry



1993 – 2011

Employee of ČEZ and its subsidiary companies

2012 – 2015

Deputy Minister of Energy in charge of the
National Action Plan for Smart Grids

2016 – now

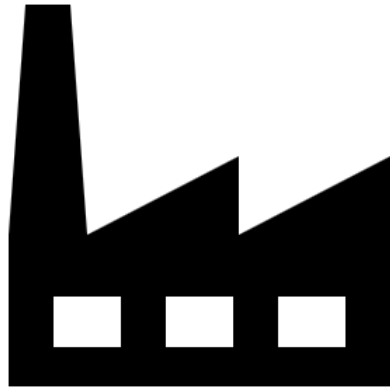
Member of the board in ČEZ in charge of smart grids

PROFIT!!!

Problem



Case 2: Energy Industry



2008

I&C Energo sold by ČEZ to MOL

2008 - 2012

sub-contracts by ČEZ to I&C Energo, stock raising

2010

Martin Roman becomes a board member at MOL

2012

I&C Energo sold to Olajterv (Geza Pap)

PROFIT!!!

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Case 3: Pharmaceutical Industry



General Insurance Company (VZP) and other insurance companies – hospital directors as board members

Draft ministerial decrees for maximum prices of products entering the market

Prices set the maximum refund by insurance companies to health practitioners

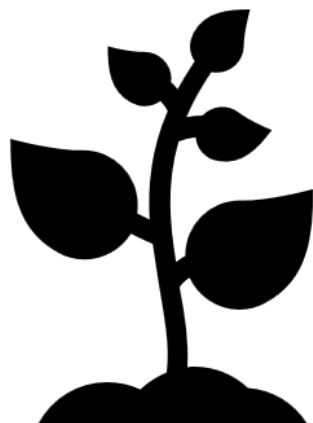
Practitioners (hospitals) close a contract with maximum prices and “return bonuses”

Insurance companies refund the maximum, but hospitals get kick-backs from the producer that they can spend on anything they wish to

Problem



Case 4: Agriculture



1993 Babiš acquires Agrofert

2011 Babiš founds the ANO party

2013 Babiš acquires the MAFRA media group

2013 Babiš becomes the Minister of Finance

2017 Babiš puts his companies in trust

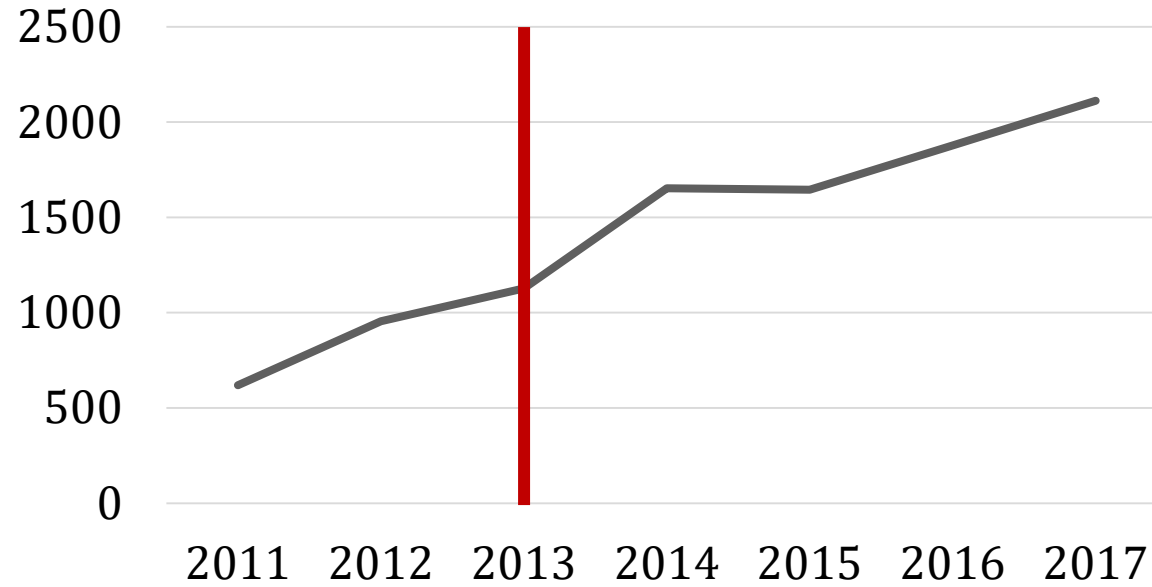
2017 Babiš becomes the Prime Minister

HUGE PROFIT!!!

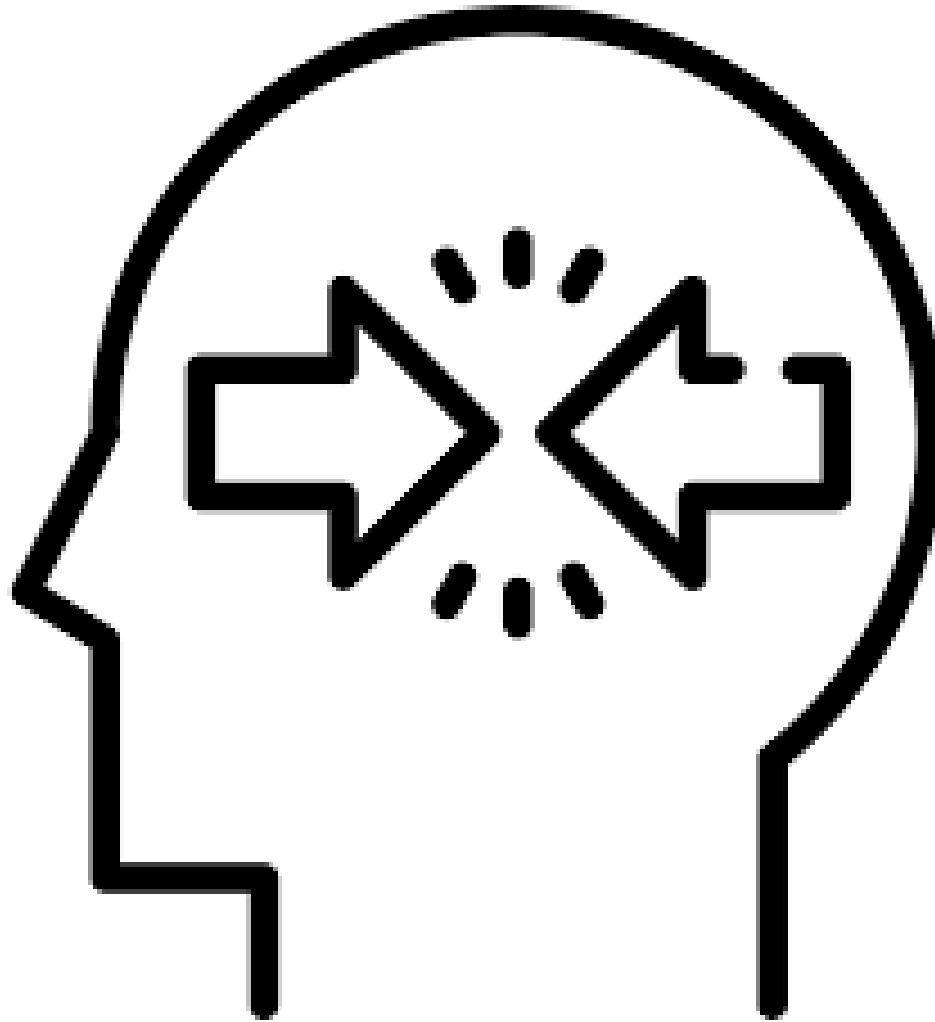
Case 4: Agriculture



Subsidies for AGROFERT in million CZK



Problem



Thank you!