



ANTICORRUPTION

ENDOWMENT

Communication on Engagement 2016 - 2017

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Motto:

“Have no fear, do not steal” not “Steal and have no fear”

The Anticorruption Endowment began the sixth year of existence this year.

We are glad to know that our work brings out fruit in season, although it may not be that apparent at first sight. Most of our submissions go straight to the public prosecutor, where they are investigated into. In 2016 we scored a major success in the case of Tomáš Baťa Regional Hospital of Zlín, raided by police thanks also to our complaint from 2014, in connection with padded economic figures and abuse of powers in the management of foreign assets in the public procurement process.

Several quite interesting studies, analyses and research outcomes were published this year. Most of them targeted the Klaus Amnesty, which I personally consider the gravest crime committed after November 1989. NFPK analysts examined a wealth of court and prosecution documents. For the sake of illustration, their total amount runs into thousands of print pages. The analyses revealed that the persons, whose prosecution was halted by the amnesty, had caused a damage totalling at least 18,600,000,000 crowns. More than 90,000 natural persons and hundreds of companies were harmed by their action.

In September 2016, former Deputy Minister of Labour and Social Affairs (MPSV) Vladimír Šiška was sentenced to six years in prison in a case involving manipulation of a contract on the provision of welfare allowances by employment registries. He was also ordered to pay damages amounting to 282 million CZK. We exposed the case way back in 2012.

Other legal disputes in progress were associated either directly with the NFPK or the cases we monitored. The Prague City Court upheld its ruling from June 2013 and repeatedly dismissed Ivo Rittig's protection of personality and foul interference complaint, lodged against the Anticorruption Endowment.

The Oleo Chemical trial was in progress. It was originally scheduled to end by late 2016, but will unfortunately continue into next year, when the verdict is hopefully passed.

Regrettably, the middle of 2016 saw the start of a highly objectionable police reshuffle, which dispersed well-running investigation teams. We might consequently change our case-presentation model rather than submit our findings to dysfunctional components of the police.

I'd like to highlight our support for the UN Global Compact network and its ten principles in the field of human rights, labour, the environment, and combating corruption. The present report describes the steps the Anticorruption Endowment took in support of the UN Global Compact.

Nor did we ignore our supporters this year: they were furnished with a third book in the Vacation Reading series, entitled “Václav Klaus – Traces and Legacy of a Pragmatist without Attributes”.

Since its inception the NFPK has helped the national budget and private entities to save billions of crowns.

The NFPK is a non-profit, nongovernment organization that plays an important role in combating corruption on civic level. I am proud to say that never since its founding has the NFPK drawn a single crown from the national budget or the EU funds. I am convinced we are unique in the Czech Republic on this count. We can afford such exclusivity solely because of an exceptional support on the part of big and small donors and loyalists. Without them, we could hardly exist.

Thank you one and all!

Karel Janeček, Founder and President of the Board of Trustees, Anticorruption Endowment

1. Anticorruption Endowment (NFPK): Purpose and Mission

The Anticorruption Endowment (hereinafter “Endowment” of “NFPK”) was established at the start of 2011 with the following three objectives: expose corruption, help the bold people who challenge corrupt elements, and offer rewards to those who fight corruption and embezzlement of public funds. In spite of minor changes for the better, our goals remain unchanged. We continue providing assistance to the people who have resisted corrupt practices or action the aim of which was the senseless or wasteful approach to public assets. Persuading the public that passive endurance is not the thing to do, is a long-distance run. Nor is it easy to win the confidence of courageous individuals, who often face ignorance, red tape, and rejection. Many people question our independence (the media is almighty) and keep asking who actually we work for. The answer to that is simple: We are not on anybody’s payroll. No member of the Board of Trustees and none of the donors have ever interfered with the cases dealt with by the Endowment. Our independence also stems from the simple fact that we have never received a penny from the public funds or EU funds. From this vantage point, the NFPK is unique in the Czech Republic.

2. People

Karel Janeček, Mathematician, Author of Democracy 2.1 Project, Founder and Chairman of the NFPK Board of Trustees

Stanislav Bernard, Brewer, Founder and Deputy Chairman of the NFPK Board of Trustees

Jan Kraus, Actor, Presenter, Founder and Deputy Chairman of the NFPK Board of Trustees

Karel Randák, Former chief of Intelligence Service, Member of the NFPK Board of Trustees

Radim Jančura, Businessman, Member of the NFPK Board of Trustees

Lenka Deverová, Lawyer, Member of the NFPK Supervisory Board

Jannis Samaras, Businessman, Member of the NFPK Supervisory Board

Libor Winkler, Businessman and Philanthropist, Member of the NFPK Supervisory Board

Petr Soukenka, NFPK Director (until 30 Apr 2016) and Chief Analyst

Linda Majerová, NFPK Director (from 1 May 2016) and Project Manager

Markéta Blahová, Admin Officer

Janusz Konieczny, Project Manager

Martin Soukenka, Analyst

Martin Šorm, Analyst

Membership of the Board of Trustees and Supervisory Board is honorary and unpaid.

3. NFPK in Year Six (2016)

The NFPK is an unconventional endowment foundation by any standards. We gear our activities in support of the people who dared to challenge corruption or embezzlement of public assets. We are prepared to render financial, legal and expert support to those who need it. We are also prepared to provide physical protection to the whistleblower and his/her family. We also pursue indigenous investigative and legal activities. Virtually anyone can file a criminal complaint and there is no accepted "regular" form to it. However, our criminal complaints are sophisticated and always supported by a wealth of material evidence. We also closely interact with bodies participating in criminal proceedings.

We are happy to have more than **750** donors, who assure us that our efforts make sense.

We filed **7** criminal complaints numbering hundreds of pages to the police.

We have filed **34** official requests to various authorities in compliance with the law on free access to information.

We provided **12** contributions to individuals and organizations, awarded **2** Prizes for Courage and supported ongoing long-term projects to the tune of **CZK 1,277,093**.

3.1 Three Axes of Activity

Not even in 2016 did we abandon the three main projects (axes) of our activity, bestowed on us from the inception by the NFPK Board of Trustees. They are Analysis, Ethics and Legislation. Work on the various projects was of an overlapping character.

Analysis

The NFPK team continues to process ideas provided to it via e-mail, by snail mail, and by supplicants in person. We stick to our initial priorities since we receive the highest count of submissions from these areas, comprising namely health care, energy, transport infrastructures and judiciary. Within the realm of our capacity we also made every effort to address other ideas as well. Analytical inputs and solutions are discussed on a regular basis by the Analysis Project Council (Karel Randák, Petr Soukenka, Linda Majerová and other members of the analytical team) and presented to the NFPK Board of Trustees to decide further strategies (submitting ideas to the relevant authorities, giving publicity to specific projects, providing legal assistance etc.).

Ethics

The project again targeted mainly whistleblowers. In 2016 our whistleblowers' club admitted another two members, namely **Martina Uhrinová** and **Jiří Kotek**. In cooperation with the Legislation Project Council and other non-profit organizations, work continues on anchoring the whistleblower agenda in the Czech legal system. As noted above, it is still a long-distance run. Political leaders nominally support struggle against corruption, but in real terms political frictions still prevail over common sense.

This year was quite productive for whistleblowers. The Prague City Court finally ruled in June 2016 that 2014 Prize for Courage awardee **František Mráček** was unlawfully sacked and the court awarded him with damages and the right of reinstatement. Says a happy František Mráček: *"I am glad I went into this battle and took an honest approach to reality and struggle. I'm also glad I stayed sober-minded, although it was often difficult. I'd like to thank my family, the NFPK and all other people for their enormous support."* However, the case is still pending.

Whistleblowing also appeared on the agenda of the **Government Council for Coordinating the Fight against Corruption**. In conjunction with the Legislative Section of the Office of the Government of the Czech Republic, activities are underway to find a system-based solution to the field in the Czech legislative framework. But the Council meetings often resemble classroom brawls and NGO people stand out as the most rational and active members.

Along the ethics axis of our endeavour we organize or participate in several projects. Chief among them include **Municipality** – an intended academy of young citizens. It is an educational project that wants to show not only young people that participation in local political affairs is both the right and duty of all citizens, and that many of them are actually involved in politics without realizing it. Its goal is to make people interested in discussions, local council meetings and defending their interests, in other words, to overcome lethargy and resignation. In this way, the essence and content of national politics could be gradually enhanced and the public space filled by truly political, and not just opportunist groups.

The Anticorruption Endowment renders support to the educational projects of selected non-profit organizations, targeting pupils and teachers of primary and secondary schools.

For the second year running, the NFPK has been a member of **Global Compact National Network Czech Republic**. **UN Global Compact** is a network of companies and organizations that decided to rally their mission and everyday routine behind ten universally accepted corporate responsibility principles in the field of human rights, working conditions, environment and corruption. **UN Global Compact** coordinates individual companies' responsibility through national networks, operating today in 85 countries all over the world. Since 2015, **Global Compact National Network Czech Republic** has promoted the core principles of this international initiative in the Czech environment. It encourages companies (local as well as foreign firms' subsidiaries) to implement its basic principles and creates space for the exchange of experience, learning abilities, collective action, and partnership.

Progress on this particular project, and nominations for the Prize for Courage, were periodically discussed by the Project Council (Stanislav Bernard, Markéta Blahová, Linda Majerová) in cooperation with analysts and subsequently presented to the NFPK Board of Trustees, which decided on the next steps to be taken.

Legislation

Nor is there any let-up to our efforts in the legislative area. We pursue mainly an improved transparency of enterprise in the field of public procurement. The NFPK continues to work with other non-profit organizations on the **Reconstruction of State** project, which provides inputs for legislative proposals. A **Register of Contracts bill** was passed in 2015. It is a simple yet very efficient instrument against corruption, but certain politicians had successfully blocked its passing for four years. When it

came into force in 2016, attempts to truncate the legislation led to a lower house amendment from 2017, which came as a major setback.

The NFPK also strives to lend transparency to the financing of political parties. In August 2016 the Senate passed an amendment to the law on association in political parties and political movements. This amendment ushers several significant new features concerning the performance and economic management of Czech political parties. From 2017 parties must have transparent accounts and their economic management will be supervised by an independent new body. The act sets limits for donation the party can accept from one donor. Senators completed an amendment to laws governing election campaigns with several amendments and submitted it to the lower house of parliament.

The NFPK also strives for the enactment of a **register of ultimate beneficiaries**. Failure to regulate the **anonymity of public fund recipients** (e.g. IZIP, Amun.Re, Opencard or Stork Nest) is the common denominator of several significant affairs. It would seem that the Czech government will at long last comply with the relevant EU directive. However, an amendment to the anti-money laundering act, passed in March 2016, fails to tackle the problem and may be in conflict with this directive. Meanwhile, Slovakia had started identifying some of the real public fund beneficiaries (albeit rather inconsistently), and Slovakia's new coalition described the introduction of efficient legislation on exposing corporate ownership structures as a priority. Why is it not possible in the Czech Republic? The NFPK and other NGOs (EconLab, Lexperanto or Naši politici) offered three fundamental suggestions concerning the anti-money laundering bill, citing potential conflict with the EU directive and a complicated, inefficient system of supervision, modelled on the publication of financial statements in the business register. The third objection targeted an oversaturated, chaotic legal environment. The government-approved version will unduly burden the register courts, which should administrate and enable access to a non-public register. The final form of the register of ultimate beneficiaries was agreed in September 2016. However, it is a far cry from reality, since the register is not public and is therefore outside the realm of public control.

Progress on this project was periodically analysed by the Legislation Project Council (Karel Janeček, Linda Majerová and Janusz Konieczny) and subsequently presented to the NFPK Board of Trustees to make further decisions.

Criminal complaints

In 2016 the Anticorruption Endowment filed **7** criminal complaints, supplements to which extended to several hundred pages, including audio and video recordings. When filing criminal complaints, we always prefer quality to quantity.

NFPK filed criminal complaints in cases including the **Český Těšín gambling affair** and matters associated with the Fund's analytical priorities, especially **health care**.

Information requests

In 2016 the NFPK filed over **34** requests in accordance with Act **106/1999 Coll.**, on free access to information. Requests were sent to virtually all government ministries, municipal and regional courts, as well as state authorities. Some information was retrieved by the NFPK almost without delay,

others required repeated supplications, and some others are subject to administrative proceedings. We used thus obtained information in tackling our cases.

Litigation

Legal disputes continued through 2016.

Ivo Rittig sued the Anticorruption Endowment in February 2012 under the personality protection act for the removal of consequences of unauthorized interventions. He protested damages due allegedly to the presentation of certain documents at a news conference on 6 December 2011, which implicated him in the machinations ascertained at the Prague Transport Company (DPP). The Prague City Court upheld its verdict from June 2013 and repeatedly rejected his complaint in 2016.

3.2 Cases

Analytical work is one of the pillars of NFPK's mission. Opening corruption cases, collecting documents and evidence from the whistleblowers, analysing information, and if need be, filing very accurate, evidence-supported criminal complaints, which often include dozens, even hundreds of supplementary pages—all this is part and parcel of our endeavour. It might seem, at first glance, that nothing is happening to the cases singled out and exposed by the NFPK. But corrupt elements were not born yesterday and their illegal activities are quite sophisticated. Therefore it takes time to invite proper response.

New corruption cases surfaced in 2016. Some of them were taken up by the media, but most of them were submitted to the bodies participating in criminal proceedings. It is very possible that the hasty reorganization of the police corps pushed some cases out of the limelight or even into oblivion.

The NFPK scored success thanks to the tireless and painstaking inputs from its members. But of course, sterling efforts were also exerted by the police and the public prosecutors.

In six years of its existence the Anticorruption Endowment helped the State to save more than 2,200,000,000 crowns!!!

(CZK 2, 200, 000, 000 + CZK 100, 000, 000 annually in case of private entities)

Estimated public fund savings since the establishment of the Anticorruption Endowment

Name of Case	Estimated saving
DPP – Ticket Printing	73 000 000 CZK
DPP – Public Procurement – simple replacement of light sources with LED technologies	250 000 000 CZK
Na Homolce Hospital – MSB Legal Services	104 000 000 CZK
MPSV – Agenda Information Systems	1 500 000 000 CZK
ŘSD – Mobile Central Belt Barriers	min 10 000 000 CZK
Prague 6 Clinic leased for 30 years	185-300 000 000 CZK over 30 years

The Anticorruption Endowment was active in many more cases, where financial savings either cannot be specified at this stage or they primarily targeted a remedy to the undesirable state of affairs.

A great many cases tackled by the Anticorruption Endowment were concerned with the healthcare field.

NFPK accessory to Zlín raid

In July 2014 the NFPK filed a criminal complaint in connection with the economic performance of **Tomáš Baťa Regional Hospital in Zlín**. We pointed out a gross distortion of economic results, abuse of powers for private gain, and plotting to win a public contract. In October 2016 police raided the hospital over distortion of accounting data that could have caused damage amounting to at least tens of millions of crowns.

By 2013 the Zlín hospital was around **800 million crowns** in the red owing to disastrous economic mismanagement. The Zlín Region tackled the crisis by a significant loan, converted to a donation in time. However, economic management always entails the responsibility of concrete people, and all findings were ultimately delivered to the public prosecutor's office by the Anticorruption Endowment, acting there in lieu of the Zlín Region.

In May 2013 members of the Zlín regional council were informed by an analytical letter that the Zlín hospital books had been doctored. The Zlín Region as the sole shareholder was expected to act and minimize the losses being incurred. An earlier Independent Auditor's Report on forensic audit for 2006-2009 had cited accounting irregularities, anyway. That report cited "over-appreciation of questionable items" and "distortion of economic performance results". The reporting of completely wrong (overvalued) data concerning accrued items may have led to significant losses.

The NFPK criminal complaint comprised a wealth of information concerning public procurement orders executed without a public tender in breach of an internal directive and the Public Procurement Act. There are also suspicions that some contracts were awarded without competition and some were actually awarded twice.

Laughing gas

At the turn of 2015/2016 the Anticorruption Endowment obtained data concerning the prices of certain medicinal gases and used them to compare the prices of **medical oxygen** and **laughing gas** in seven hospitals. The comparison revealed dramatic differences in the unit prices for which the hospitals bought the gases, and their high price in comparison with technical or food industry gases.

Until 2008, oxygen and laughing gas (nitrous oxide) were medically used as “only” general gas with healthcare-grade properties. But in 2008 the two gases became medicinal preparations under Registration Regulation 228/2008, Coll. Tomáš Julínek was minister of health and Marek Šnajdr was his first deputy at the time. A quantum leap in the prices of these gases led to a quantum leap in the profits of a small group of medical gas suppliers.

The NFPK compared medical oxygen and laughing gas prices in five hospitals managed by the Ministry of Health and two regional hospitals. Several findings ensued from the comparison. Thus, while Na Bulovce Hospital pays about CZK 53 without VAT for one cubic metre of gaseous medical oxygen in 50-litre bottles, Královské Vinohrady Faculty Hospital pays 131 crowns for the same amount from another contractor. South Moravian-funded Vyškov Hospital paid about 173 CZK in 2013 and about the same price in 2015. The record-setting Olomouc Faculty Hospital paid almost **186 CZK per cubic metre of gaseous medical oxygen** in 50-litre bottles. The NFPK knows that a certain German hospital pays **0.16 euros (about 4 CZK) per cubic metre** of medical oxygen, which however is the best price for buying a large quantity of the substance.

However, medical gas prices are strikingly different from the prices of comparable technical or food-industry gases. Thus, Hradec Králové Faculty Hospital pays almost twice as much for 99.5-percent medical oxygen in 50-litre bottles with 200 bars of filling pressure (CZK 1,300 without VAT and charges) than Královské Vinohrady Faculty Hospital pays for 99.5-percent pure technical oxygen in the same bottles and the same filling pressure (CZK 737 without VAT and charges).

Government support for human tissue business?

In May 2016 the government presented the Chamber of Deputies with a draft amendment to the Human Tissues and Cells Act, designed to strengthen the market position of private firms trading in **human tissues and cells**. The amendment set **conditions for the import of tissues for health research and treatment purposes** from countries outside the European Union (e.g. China). The Anticorruption Endowment voiced concern over possible abuse of this amendment outside its European framework due to the presence of a clientelist, corruptive environment.

Especially in the Czech conditions, certain provisions of the amendment harboured a clientelist or corruptive potential, associated with possible commercial misuse of tissues and cells from non-EU donors, e.g. from **China**. Export would be cleared for the purposes of recipient treatment and the production of curative agents for modern, mainly biological therapy. The draft envisaged that for example in urgent cases or one-off import the tissue agency (even private) would not need to enter into a written agreement with a third-country supplier (i.e. **outside the EU**) or furnish normally required information and documentation to the State Institute for Drug Control. It would be possible to circumvent the duty to assign strict European identifications (including donor data) to the tissues and cells) if these stay from the date of import to the date of use in one and the same tissue agency (even private) and one and the same healthcare establishment.

It should be noted that the amendment coincided with an era of increased Czech-Chinese cooperation in the field of health care, promoted by many senior figures, including Prime Minister Bohuslav Sobotka.

Health ministry fends for the interest of lobbyist groups

Since July 2016 the company register act has rubbed the wrong way many pharmaceutical firms, healthcare equipment suppliers and lobbyists in control of the Czech healthcare system. This legislation requires that contracts with public institutions be published on a **central information system**. Publication should have been a sine qua non for contract recognition from mid-2017. Lobbyist group had vested interests in withholding the details of their contracts, in which they have largely succeeded. The Ministry of Health recommended in 2016 that certain contract provisions be concealed. This ministry keeps secret about the payment of bonuses, provision of gifts and the practice of siphoning funds off from the public health insurance system.

In May 2016 the **Ministry of Health** organized a meeting of representatives of **pharmaceutical firms, large-scale medicine distributors, hospitals, health supply contractors, the General Health Insurance Company** and the **Alliance of Health Insurers**. Hosted by the ministry they discussed the “sensitivity” of contracts that, if appearing in the register, could compromise their trade secrets.

“Sensitive issues” comprised also the amount of bonuses for the amount of medicines delivered to hospitals (and the mechanism of their appropriation), or the amount of rebate on medicines. The health ministry recommended that information be withheld namely on the calculation of bonuses (rebates) and associated conditions of payment. Why namely quantity bonuses? The prices of medicines (healthcare aids) delivered to hospitals are refunded by health insurers. If these refunds are sufficiently overpriced, the contractor may in time refund part of the price of the “goods” to the hospital. However, the hospital will not return this large amount of money to the insurer and will keep it for the rainy day. These funds may be disposed with ad lib, even uneconomically. We have ascertained that bonuses for the delivery of medicines often exceed 40 percent of the original price. The price refunded by the insurer could be lower at least for that, but hospitals would be poor. In another scenario, the contractor will not grant a bonus to the hospital and keep the money, or give away only a fraction of what he could give...

Also sensitive was rendered the amount of gift a pharmaceutical firm gives to the hospital, as well as the purpose of the gift and the payment conditions. The Ministry therefore recommended that hospitals render illegible the sensitive information about their gifts before the data is input in the register. There is no sensible reason why to conceal a gift to a hospital, except that it might be problematic, unearned or criminal.

CZK 2mn subsidy fraud in Central Bohemia?

During 2016 we filed a criminal complaint against an unknown perpetrator of several possible criminal acts in association with the **Zdiby** municipality’s application for funding from the Central Bohemian regional budget.

In 2014 Zdiby applied for a specific Central Bohemia grant under the Central Bohemian Municipal Development Fund for the project, “Reconstruction and Repair of Local Roads and Sidewalks”. The

project was specified as **“Completion and Repair of Surface Pavement of Dlouhá, Vilová and Náhorní Streets in Zdiby”**. The Central Bohemian Region approved the application and signed an agreement on providing a specific grant to the Zdiby municipality.

However, the grant should not have been approved and the contract should not have been signed. The applicant, Zdiby Municipality, had not furnished applicable documents and its application in this form was not suitable for processing. The application was against the law and the methodological instruction that governs the provision of grants. Missing documents should have proved the applicant’s ownership of real estate, as the grant was only meant for “municipal purposes”. However, some real estate was not owned by the municipality at the request date, which the applicant must have been aware of. These documents were crucial for the assessment of the application.

The Central Bohemian Region again erred when it failed to produce documents (such as building permits), necessary for the preparation of a grant agreement. Without such documentation the grant agreement should have not been signed, or the grant awarded. Another problem was the purpose of the grant. The grant terms prohibit public support for the construction of roads and sidewalks. It would have been possible to partly fund demolition works and subsequent repair of roads and sidewalks, general repair, drainage, roadside curbs etc. But the applicant explicitly stated in his grant request that “On Dlouhá Street the prepared road subsoil will be completed and compacted and an asphalt-concrete layer will be applied”. Consequently, this would not be a demolition followed by road repair, but a brand-new road outside the limits of this type of grant. Photographic documentation proves the case.

It is beyond doubt that this was not merely negligence on the applicant’s part, for he must have known that he does not own some of the real estate concerned. He must also doubtless have known the state of repair of the roads concerned. It makes one question the approach of the Central Bohemian Region, since the documents attached to the grant request were obviously wrong and incomplete, something the body or clerk authorized to approve the grant must have been doubtlessly aware of. The same goes for the purpose of the grant, i.e. it was awarded for a completely different purpose (which actually ensued from the text of the request).

Some other cases targeted other segments of state administration.

Libeňský Bridge disrepair leads to widespread damage

The Capital City of Prague has suffered damage amounting to hundreds of millions of crowns due to the sloppy execution of management and maintenance of **Libeňský Bridge**. Over the past **25 years**, many binding recommendations, diagnostic reports and expert opinions have cropped up concerning the need to **quickly eliminate the roots of Libeňský Bridge decay**. These conclusions and recommendations, namely those on preventing water leaks into the bridge floor, were of course ignored. This makes one wonder if only negligence was at play. Since the damage done was readily apparent even to the layman at first glance, a thorough analysis of all the background information resulted in a collective criminal complaint.

It was filed against an unknown perpetrator in connection with vast damage due to the lack of proper management and maintenance of Libeňský Bridge. An expert opinion was provided so as to enable orientation in and shed light on an array of problems. The criminal complaint comprised several preliminary findings and conclusions stemming from the expert opinion. It was written by

Miloslava Pošvářová, an expert witness in the field of transport constructions and bridges, who said: *“An expert opinion should tell us if the hired road and bridge administrator, namely Prague Technical Transport Administration TSK had exerted sufficient efforts within the scope of binding norms and regulations since 1992 and acted upon the affidavit and analysis provided, and the reported scope of TSK activities tallies with the needs of real repair work and it was impossible to timely prevent the damage caused to the bridge and the ensuing losses amounting to hundreds of millions of crowns.”*

This expert opinion also rated the methodology of asset management and the action taken by the bridge owner—the Capital City of Prague. Untypically, TSK had in the past commissioned expert opinions to the tune of tens of millions of crowns and one must ask if they were necessary, and if so, why their findings were not properly used.

Is government saving on IT?

In 2014 Prime Minister Bohuslav Sobotka called the IT at government ministries skeletons in the cupboard, inherited by his new cabinet. Information systems easily channel out public billions. The previous government elites knew that. The Anticorruption Endowment compared IT spending at the ministries with figures from the past years.

The NFPK obtained data on government ministries' IT costs in 2010-2015, which roughly indicates if the Sobotka government's goals were fulfilled. IT-related costs massively feature also on budget the items where they are easily “lost” among other expenditure. Thus in case of the “purchase of other services” item, the Ministry of Finance 2013 chapter reveals IT spending to the tune of almost 1.2 billion CZK and the Ministry of Labour and Social Affairs stated almost one billion crowns. In 2013, the finance ministry chapter allocated over 121 million CZK for the “leases” item and in the same year the IT chapter of the Ministry of Agriculture spent almost 147 million CZK on “legal, advisory and consulting services”. IT consultations worth the price of battle tank!

The NFPK summarized IT spending costs in eight budget items of each ministry in 2010-2015. Taking into consideration the total number of employees it calculated the average IT cost per employee in 2010–2015 and separately for the incumbent government (2014 and 2015 data). The comparison of these average values shows that the biggest savings against the past were discerned at the ministries of foreign affairs and finance (their average per-employee costs amounted to 80 % and 81 % respectively as against the past period average), followed by Defence (98 %), and Justice and Transport (99 %). Virtually the same costs as in the past were scored by Agriculture, and Industry and Trade, followed by Education, Youth and Sport (103 %), Environment (106 %), Culture (112 %), Health (123 %) and Labour and Social Affairs (128 %). **Regional Development (249 %) and Interior (215-257 %)** fared worst by a long league. The score of the last-mentioned ministries go to tell that their average IT costs per employee had more than redoubled. It might also be possible to cross-reference the ministries' current average spending per employee. Here, by far the highest costs went to Regional Development (over 1 million CZK per employee), followed by Defence (CZK 406,000) and Transport (CZK 289,000); the lowest spending was discerned at Justice (CZK 19,000 per employee). Quite surprising was the expenditure of the Ministry of Culture (CZK 164,000 per employee), which ranked fourth. But in view of a different nature of IT systems employed by the various ministries, this comparison might be grossly “unfair”. All the more surprising, therefore, are the high costs expended by Regional Development and Culture. For the sake of comparison, the average IT costs per

employee of several successful private firms of production-operation hue are between 15,000 and 39,000 crowns. Only Justice fitted in this range.

Hradec Králové illegal construction project sued

The Anticorruption Endowment (NFPK) sued in connection with the action taken by the firms **CTP Invest** and **PSG** and their efforts to obtain an antedated building permit in case of an illegal construction process in progress in **Hradec Králové**.

CTP Invest began building a vast commercial complex in Hradec Králové, in December 2014, in breach of a zoning resolution and without a building permit. The firm ignored calls for suspending its action and continued building despite a fine meted on them. In April 2005, CTP Invest requested an extension of the zoning resolution, previously granted to another concern, and no decision was made about the supplication. The City also withdrew its 2007 consent granted to another, unrealized project. In December 2015 the City Fathers learned from a CTP Invest letter that the firm offers a seven-million-crown gift against the city's approval of an antedated building permit. In February 2016 Hradec Králové received the same offer from the firm's subcontractor. PSG noted in its letter it *"would like to obtain the city's clearance to extend the access road and obtain a building permit"* and that after completion of the building works it would offer an *"investment in the city assets to the tune of 15 million crowns"*. In August 2016 the City received a letter in which CTP Invest claimed 8 million euros' worth of damages due to the town hall's rejectionist stance. The firm invited Hradec Králové to negotiations on the damages.

The NFPK sued to make the police investigate a possible criminal act.

Who's afraid of big bad Šlachta

The Anticorruption Endowment strongly protested against a **hasty reshuffle of two police arms**—the Unit for Organized Crime Detection (**ÚOOZ**) and Unit for Detection of Corruption and Finance Crime (**ÚOKFK**). In our opinion this reorganization betrayed the intention to eliminate the ÚOOZ, whose chief Robert Šlachta duly resigned from the police corps. The move invited grave suspicions.

It happened without a **public and expert discourse**, inasmuch it spelled a uniquely radical change. State prosecution and the heads of the police units concerned were not invited to discuss the case. The reshuffle happened with a lightning speed, although the Ministry of the Interior had ruled out any changes shortly before the reshuffle. Especially in recent years the ÚOOZ worked efficiently and no information leaks from them were discerned. Supreme Public Prosecutor Pavel Zeman had warned of potential "lowering of performance standards, delays, dilution of responsibilities and inability to investigate certain complex cases".

Rapport with the Police of the Czech Republic and Ministry of the Interior was lamentably disastrous and made us believe that the ultimate goal of the merger was to destabilize and curtail the independence of the ÚOOZ and its elite investigators, who proved their worth in exposing serious cases.

The Anticorruption Endowment released a study entitled "Hidden Blitz at the Police".

The “quality” of outputs from the **Police Presidency** and **Ministry of the Interior** was duly exposed by the **Open x Closed** contest ran by the Open Society NGO, which rates the openness of public figures, instances and institutions. Both authorities received the main prize in the **Closed** category for **hiding information about the police reshuffle**.

Further to the police reorganization, the NFPK in August 2016 published a **GIBS resolution** disclosing **serious information concerning Police President Tomáš Tuhý**. Following former BIS chief **Jiří Lang’s** testimony before the **parliamentary commission** on the circumstances of the police blitz, several media attempted to question the value of the GIBS resolution, and to play down the findings and the commission chief **Pavel Blažek’s** attempts to divert attention from the main issue.

Businessman **David Tesařík** learned about the planned police blitz shortly before, in September 2014. In an effort to learn more, he exchanged text messages with somebody who also interacted with the owner of a cell phone in which a SIM card of Tuhý’s ex-wife was inserted at a later date. According to the NFPK-released GIBS resolution, the police chief’s new girlfriend had directed GIBS investigators to his wife and son, regarding a possible source of the SMS probe launched. According to the GIBS document, Tuhý’s son subsequently presented the investigators with the wrong cell phone type. When notified about the error, he exercised his right to withdraw a statement as he would have harmed a closely related person.

Shortly after the GIBS resolution was published by the NFPK, some of our associates were invited to provide an “explanation” to GIBS and sign a protocol. GIBS agents wanted to know who physically delivered the text, how the NFPK treats incoming mail, etc.

Progress was marked on our “older” cases as well...

DPP ticket affair

The police investigation of the overcharged Prague Transport Company (DPP) tickets continued in 2016. Police believe the DPP signed an unfair ticket printing contract with the Neograph paper mill, brokered by the firm Cokeville Assets. That company was represented by Peter Kmeť, a business partner of Ivo Rittig. Investigators said Neograph had paid CZK 0.17 per ticket to DPP. The NFPK had identified Rittig as the likely beneficiary. The media reported in summer 2016 that police had completed investigation of the “ticket affair” and other cases related to the Prague public transporter. Charges were brought against 18 persons, including lobbyist Ivo Rittig.

Oleo Chemical – shady fuel dealings

Court proceedings were in progress in 2016 concerning the “Oleo Chemical” affair. Ten defendants (Ivo Rittig, David Michal, Peter Kmeť, Michal Urbánek, Kamil Jirounek, Radomír Kučera, Karolína Babáková, Jana Šádková, Petr Michal and Jaroslav Kubiska) stood accused of several crimes, including tax evasion, embezzlement and money laundering. The case materially concerns the DPP, although police investigation also involved suspected manipulation of a public contract on the delivery of FAME to DPP. The contract went to Oleo Chemicals state-owned ČEPRO firm was the other bidder). Police failed to prove that this public order involved illegal action. The NFPK furnished the ÚOOZ with hundreds of pages of documentation. The court proceedings lingered into 2017.

Six years for MPSV affair suspect Vladimír Šiška

The Prague City Court in September sentenced the former deputy minister of Labour and Social Affairs, **Vladimír Šiška**, to **six years** behind bars for manipulating a 2011 social benefit payments in favour of the firm, Fujitsu Technology Solutions. The court ordered him to pay **damages amounting to 282 million CZK** he demonstrably caused. A second defendant, former interior ministry section chief **Miroslav Duda**, received a **three-year suspended sentence** and ordered to refund the interior ministry with **1.1 million CZK** during a five-year probation period, the sum the ministry paid in fines. The verdict is pending appeal.

Minister Brabec and electronic waste: What's he up to?

During 2016 the Ministry of the Environment continued promoting the privileged status of several private electronic waste-disposal firms. Since 2005, **billions paid for e-waste recycling** have ended in their pockets. The State has no leverage on them: the charges are sanctioned by the law. But e-waste recycling is a source of revenue. Environment Minister Richard Brabec has promised a change, in the past. What's behind his about-face?

The NFPK has shared its findings about the e-waste case with the Ministry of the Environment. Findings have also been shared by the antitrust authority ÚOHS. In the wake of a bill on selected products past their usable lifetime, submitted for external comments in early 2016, the Ministry arrogantly voted in support of the monopoly of selected entities ("collective system operators"). It was a dramatic departure from the ministry's earlier public promises.

For the first time in 11 years the Czech State delegated its responsibilities to selected private clients. Without their consent, dysfunctional electronic devices may not be collected or recycled. This approach virtually prevents the arrival of new waste collection systems. "Unworthy" waste collectors were out of the game and their systems were in jeopardy. But the chosen few received also other perks and lobbyist groups called it a day.

The Anticorruption Endowment released a couple of interesting texts in 2016.

Václav Klaus – Traces and Legacy of a Pragmatist without Attributes: A Holiday Reading

The NFPK published another sequel in the "Holiday Beach Reading" series. It focuses on the career of **Václav Klaus** before and after November 1989. Readers can learn less-well-known aspects of his career and recall the events of the "wild Nineties" against the background of views and postures declared now and then by the former political star and ex-premier. The book also reflects the Klaus-Nečas amnesty of January 2013, which "symbolically" capped the Klaus era. The amnesty was discussed in a separate text.

Similarly as last year, the book was enthusiastically received by the readers. Orders cropped up from all over the Czech Republic as well as from abroad, as far away as Switzerland. Notably, the most recent book also fuelled interest in the previous releases, such as **Tentacles and Reach of Czech Judicial Octopus** and **Miroslav Kalousek – 20 Years of Political Games**.

In the course of 2016, the NFPK released some other interesting studies.

The most extensive of them focused on the **Klaus-Nečas amnesty**. The Anticorruption Endowment obtained resolutions from regional and high courts, concerning the abolition part of the Klaus Amnesty. It shows that the persons whose prosecution was halted by this amnesty are believed to have caused a damage totalling at least **18,600,000,000 CZK**. A further damage of at least **3,400,000,000 CZK** was prevented. More than **90,000** natural persons and hundreds of concerns are believed to have suffered losses.

The resolutions made it possible for the general public to look “under the lid” of justice action based on different interpretations of one and the same text. Thus, ascertaining the length of criminal proceedings in regard of the eight-year deadline makes one ask if it is possible to detract from the overall length of criminal prosecution the period during which a fugitive defendant demonstrably marred the proceedings. While e.g. one member of the Prague High Court (and he was not alone) said yes, another justice of the same court said no. The resolutions reveal a range of conflicting interpretations.

“The Klaus amnesty harmed all of us quite terribly. I can say I was surprised by the amount of damage done and the number of directly involved persons. I knew the figures would be steep, but this is quite astounding. But damage done to the public morale is worse than the financial implications. Klaus sent a message that crime does pay. I believe the ensuing activities of the “Klaus Treason” civic society eased some of the gravest impacts and his crime certainly did not pay dividends to Klaus. We dedicate our study to the insured parties and those whom the amnesty rid of the last vestiges of faith in justice, and trust it can be gradually restored. Our sincere appreciation and gratitude goes to all those, whose painstaking efforts have led and continue to lead to making criminals accountable and face formal and moral consequences,” notes NFPK founder Karel Janeček.

Another publication focused on a hasty **police force reshuffle**. Based on its findings, the NFPK wrote and released a study on the blitz reorganization of the Police of the Czech Republic. This text is intended for mass consumption. The restructuring of police units on 1 August 2016 invites a wealth of nagging questions and doubts.

Concerning the timing of the operation, a **Czech Police Strategy until 2020**, presented in May 2016, **envisaged the further existence of both units** (Organized Crime Detection and Detection of Corruption and Financial Crimes). The way of police communication with the heads of both units, public prosecutors and general public was utterly disastrous. Our study discusses these circumstances in greater detail. We also noted that the police president rejected any major reconstruction of the police force when taking office. Also presented are the views of selected experts and the timetable of the ill-fated restructuring effort.

The Anticorruption Endowment worked with open sources to compile a partial survey of **Thirty Cases across the Czech Republic**, which give the reader an insight on the intricacies of governance in several Czech regions and municipalities. Most examples document **close rapport between political and business leaders**, their shared interests and unfair practices. Some cases are connected in some way with corruption and clientelism. This survey represents the NFPK’s response—however incomplete—to the voices calling for greater publicity of local affairs and cases.

Due to the sheer scope of findings, we limited ourselves to cases from 2007 to spring 2016, chosen on random basis. The survey remains open-ended. Czech citizens are more seriously affected by local affairs and cases than “major” scandals happening on the government and other top levels.

Therefore the NFPK will shift its focus to local affairs, in future. Another “Thirty Cases” might be discussed soon.

Our survey covers well-publicized cases (Central Bohemian ex-Governor **David Rath**), as well as less well noticed affairs, such as the private hotel of Senator **Jaroslav Palas**, a former regional governor, the strange fate of more than 200 million crowns’ worth of public funds in connection with the purchase of an Opava department store under the tenure of Mayor **Zbyněk Stanjura**, now a member of parliament, or a strange commitment to expend about 350 million crowns on a Plzeň parking tower. Readers might recall the Karlovy Vary habit to issue antedated building permits to illegal construction projects, or the out-of-court settlement in which Karlovy Vary renounced a 50-120 million crown claim to a golf court. Even the most discerning reader will find something new about the shady dealings at **Regional Operational Programme Northwest**, with indelible marks left by long time regional governor and councillor **Jiří Šulc**. We also recall the unlawful dismissal of Head Most Hospital Head Surgeon **Sáša Štembera** for his media statements, about a “riff-raff not shying away from looting the healthcare system” and a theft of “30 percent of the money allocated for healthcare purposes”.

3.3 Prizes for Courage

“The current level of whistleblowers’ protection is relatively high. Therefore we rule out a solution, which would mean a more intensive and complex intervention in the legal order already in place (such as the provision for independent ‘comprehensive legal regulation’).” So much for the latest government proposal for the protection of whistleblowers, penned by Office of the Government clerks and now subjected to parliamentary comments. Consequently, even if this cabinet succeeds in passing any new bills by the election date, virtually nothing will change for whistleblowers. It will be necessary to work harder and rally in the battle for a better protection of these courageous people. The government should give a serious thought at long last to their protection and stop treating them solely as an instrument of raising its PR profile. An analysis of the performance of “notifiers” has not been made to date but the Ministry of the Interior “swears” by the public service act, which does not explicitly make such analysis compulsory. Rumour has it that work is in progress. With about the same “intensity” as the work on a whistleblower protection act...

We are happy to have seen people defy the sorry state of affairs this year and go to battle with depravity. As every year, we marked International Anti-Corruption Day by Prizes for Courage, awarded to those who were not afraid to brave security concerns and elected to report corruption or abuse of public funds. Here we bring their personal stories.

“Dauntless Wild West Man”

*A stauncher and more determined “troublemaker” hardly exists in the Czech Republic. He fearlessly wrecks old orders, or should we say, colossal disorders? Czech Television reports on his tireless struggle against corruption and clientelism in Karlovy Vary show him wearing a leather Stetson hat, like Western film heroes wore. This hat amply captures his essence. Karlovy Vary is a Czech “Wild West” with a strong dash of eastern mentality. Not even *The Magnificent Seven* would be up to the task. Another reason why **Jiří Kotek** has virtually stood alone for years in his battle with the local white-collar politico-business clique.*

As a student at the turn of the 1970s/80s, he knew the power of the enemy he confronted. He was conditionally suspended from his alma mater for "slandering" the President of the Republic, and finally expelled three weeks before his 1983 state examinations for attending an "anti-state rally". As allowed to graduate in 1984. In the late 1980s he was a fixture at ant-regime protests in Prague's Wenceslas Square. He made a living as a worker, driver, junior clerk, assistant gardener etc.

Change arrived after the November 1989 revolution. Involvement in the Civic Forum whisked Jiří Kotek off to public life and he was elected a Karlovy Vary city councillor. Privatization of state and municipal assets was underway, and there was a lot to privatize in Karlovy Vary. In the 1990s Jiří Kotek was the manager of a state farm and sat in the boards of several private firms. At the same time he opposed wildcat efforts to privatize lucrative city property. But the enemy camp would soon strike back. In 1996-1998 alone, six charges were brought against him over alleged economic crimes and causing grievous bodily harm in one instance. All accusations were repealed as unlawful in 1997. Nevertheless, a rotten silage case reopened one year later. It lingered on until the case was dropped by the Plzeň Regional Court in 2001 as existing on trumped-up charges.

The witch-hunt made Jiří Kotek withdraw to privacy for a time. But in 2006 he was re-elected to the Karlovy Vary City Council and, and the regional council in 2008. Jiří Kotek shed light on the "famous" recording of the "Karlovy Vary Lottery, at which an official was seen blindly fumbling for over 30 seconds for a card with the names of bidders for a billion-crown public procurement contract on the construction of a multipurpose arena. The notary was fairly amused by the endless draw, followed by another, equally protracted round, which ultimately made her consult her paperwork. The farce was complete...

But political leaders and certain local businessmen were truly alarmed to see Jiří Kotek appointed a deputy mayor of Karlovy Vary in 2010. Empowered by the city organs to focus on anticorruption activities, he started to vigorously file one complaint after another in connection with old cases, in which the city was losing hundreds of millions of crowns. One complaint concerned the KV Arena that cost Karlovy Vary more than 1.16 billion CZK including VAT. The city wanted the contractors to return more than 565 million CZK (the antitrust authority abrogated an old work contract, the Supreme Court sent the lingering dispute back to the first-instance court in spring 2016, renewing hope for retrieving hundreds of millions of crowns).

A criminal complaint was filed also over a purchase contract between the former mayor and the firm Lázně III – Veso for selling the Lázně III historical spa house for as little as 95 million CZK. Courts subsequently annulled the contract, but in spite of Jiří Kotek and other city fathers, Karlovy Vary opted for an out-of-court settlement netted 180 million CZK, almost twice the original price. In short, Jiří Kotek sued to radically overcome past practices and gain money for the city's future. Small wonder he was sacked after only eight months in office as a deputy mayor.

His uncompromising stance earned him about 20 criminal complaints over a plethora of alleged transgressions, for anyone who dares to jeopardize shady dealings of a powerful clientelist lobby must be ruthlessly eliminated. Jiří Kotek is an opposition member of the Karlovy Vary council. Records from the city meetings, available on the internet, convincingly reveal his steadfast attitude against the city management and some of his colleagues. Views on him may differ, but even his opponents had to admit that his efforts to reopen past cases had helped the city to regain no small funds. Karlovy Vary Mayor Petr Kulháněk recently admitted: "We have clearly been 110 million crowns in the

black figures since 2010.” (KOZOHORSKÝ, Petr. KV Arena case back to square one after five years. 3. 5. 2016. Mladá fronta Dnes.)

His foes might call Jiří Kotek various names and new adjectives are sure to appear in future. But they cannot deny his undying strong willpower and exceptional courage—two traits still in short supply in the Czech “Wild West” and not only there.

Sacked for alerting to Stork Nest affair?

Martina Uhrinová has blown the whistle on suspect practices at the Ministry of Finance and chances are she could lose her job, although her action on the Stork Nest case was perfectly in line with applicable laws.

As the head of “Section 69 – Analysis and Documentation of Irregularities” at the Czech Ministry of Finance (MF), Martina Uhrinová reported that her subordinate Barbora Boschat had been tasked by Deputy Finance Minister Tomáš Vyhnánek with retrieving information from European antifraud office OLAF, concerning the investigation of the Stork Nest affair.

The cause is connected with Finance Minister Andrej Babiš and according to reports by this whistleblower (supported by another person’s evidence), Barbora Boschat admitted she gathered information “on behalf of Agrofert”. Martina Uhrinová took a proactive approach to the case. She was “suspended” and her job went to Ms Boschat.

Barbora Boschat was in active liaison with Tomáš Vyhnánek. But he denied retrieving the information on behalf of Finance Minister Andrej Babiš, directly implicated in the Stork Nest affair, and also refused to explain why exactly he sought the information and why he did so in such a roundabout way. Martina Uhrinová made a recording of her meeting with Vyhnánek. It shows that he refused to explain his interaction with Barbora Boschat and acted nervously and aggressively during the encounter, until a scared Martina Uhrinová ran away from his office.

The case betrays sure signs of illegal conduct. Martina Uhrinová duly put her findings on paper and passed her notes to Jan Kněžínek, who is in charge of investigating cases concerning members of the government. Uhrinová attempted to tackle the problem with Andrej Babiš and other MF employees, but her efforts were stopped, although Barbora Boschat faced disciplinary action at one time.

Martina Uhrinová began her career of investigator in 1993, at the Prague-West District Office of Investigations. In 2001 she joined the Serious Economic Crime Section of the anticorruption police unit. She also held two other positions at anticorruption police, and joined the Ministry of Finance team in 2015.

3.4 Donations

In 2016 the Anticorruption Endowment continued to accept applications for the funding of efforts to disclose corrupt conduct in public administration. Dozens of requests cropped up once again. Not all of them passed the rigors of our screening process due to our steep quality requirements. The Board of Trustees finally decided in favour of supporting **12** new projects, recommended to it by the donations committee and amounting to **CZK 1,277,093**. Some of the projects supported in 2016 will continue in the new year on the basis of approved progress reports.

2016/01 Citizens against Gambling – Stop casinos and corruption – CZK 100,000

In 2016, we had dozens of meetings with local political leaders, members of both houses of parliament and future regional leaders. Our goal was to:

- a) remove hurdles to new legislative efforts (strong pressures persisted and some key legal provisions were retained thanks only to a very strong media and personal pressure on the government to return to the text certain provisions that gambling operators had removed due to their contacts),
- b) prevent the deterioration and improve the level of regulation in town halls and municipalities (the final months of the year saw improvements in Liberec, Vsetín, Prague, Brno, Litomyšl, Žďár nad Sázavou and elsewhere),
- c) prepare the ground of further positive changes in legislation and its enforcement next year (kudos to close interaction between Citizens against Gambling and the Customs Administration, which received new executive powers to stamp out illegal gambling, and the regulatory role of legal casino operators. Customs Administration employees receive training, are alerted about illegal gambling parlours and geared towards a better insight on the problem).

However, the work of Citizens against Gambling does not end there and the association will carry on even without support from the Anticorruption Endowment.

2016/02 Institute of Independent Journalism – Marek Dalík’s property transactions – CZK 15,000

The purpose of the project was to map open-source inputs on all property transactions involving the former premier’s aide, Marek Dalík, sentenced to five years in prison and a five-million-crown fine in 2016 for soliciting a half-billion-crown bribe. The focus was also on Marek Dalík’s business activities and profits of the firms in which he was implicated.

The project started with collecting information from open sources, such as Land Register, on the real estate registered in Marek Dalík’s name in the Czech Republic. Copies of purchase contracts were retrieved in the next stage: It was ascertained that He owns—or owned in the past—six units of property of a total value of 54.1 million CZK. Less than a fourth of this amount (11.1 million CZK) was paid with a mortgage loan. It was also found that he had since then sold two property units for 27.5 million CZK.

A detailed investigation of transactions involving the sale of two apartments revealed that both of them are owned today by people from and former co-owners of one and the same Wood & Company broker firm. The subsequent transfer of one of the apartments was highly suspect: Marek Dalík initially sold its for 14.8 million CZK to an unknown Slovak woman, who then donated it to her daughter. Our findings show that the transfer of both flats owned by Dalík happened on the same date in the same notary office.

It also showed that the profit reported by Dalík’s firms did not tally with his expenditure. The project authors therefore wanted to know how he fared as a self-employed subject. Public information about his profits were not available. However, it was found that his annual turnover amounted to tens of millions of crowns. At least hypothetically, he could have earned the money in this way.

In addition to working with open sources, researchers also interviewed people associated with the police investigation of Marek Dalík. It was ascertained that police work on the assumption that the

probably traceable count of investment cases is not final. There is suspicion that Marek Dalík could have gained money “on the side” and send it to foreign bank accounts. However, it was not possible to link Marek Dalík with any such accounts. In the course of the project, Marek Dalík was repeatedly asked to explain and comment on his transactions. But he never reacted to requests for a personal meeting.

The collected information was analysed, graphically represented, provided with a timeline and then released.

2016/03 Naši politici – Shadow politics in supervisory boards – CZK 25,000

This project newly analysed 195 nominations to the supervisory boards of state-owned enterprises, made by the Sobotka government in 2014-2016. More than a quarter of the nominations went to representatives of political parties. The Government Committee for Personal Nominations (VVPN) singularly failed to address the cases of nominees with problematic past.

Researchers monitored the committee’s first two years. They focused on the Sobotka cabinet’s approach to the most publicized issues, including the politicization of supervisory boards, and professional and moral integrity of their members. The results show that not much has changed.

To a degree, professional integrity of the candidates was given some thought, although only 11 nominees were rejected in two years. But this is an improvement anyway, as the VVPN made the state pay a more systematic attention to the qualifications of nominees to its supervisory boards. Analysts remained sceptical about the remaining two areas. Nobody was interested in the much-discussed question of board politicization and as far as we know, the VVPN had no instructions from the government in this field. How can the government have apolitical supervisory boards if NGOs are the only watchdog on politicians on boards?

Moral integrity of candidates remains a problem, according to the study outcomes. This requirement is just as important as the nominee’s theoretical foundations. If the candidate headed an office where dubious contracts were hatched and public funds poorly managed, the VVPN should pay attention and start asking questions.

2016/04 Dead Line Media – Neovlivní.cz – CZK 559, 872 (2016 - 2017)

The Anticorruption Endowment voted to support contents-oriented projects of the Neovlivní.cz online daily, designed to map influence on politics and business.

All projects targeted key home policy actors over the past 20 years, including unclarified cases linked to Václav Klaus and Miloš Zeman. Focus was also on one of the most powerful Czech political figures, Andrej Babiš.

With the help of the NFPK, the Neovlivní.cz server published over 150 quotations and outputs in Czech and foreign media. Other media reprinted an exclusive report associated with a key aide to Miloš Zeman, Martin Nejedlý, focusing on his role in defence-related contracts. Or the revelation that Andrej Babiš lied about his healthcare business, as the firm Hartenberg was not an investment fund. This finding was of key importance for the conflict of interests act, because Babiš presented Hartenberg as an investment fund, to which he could transfer his business and still be in charge. This

disclosure made him choose another way. In connection with the arrival of Chinese CEFC, a detailed list of people working for the team of former Social Democrat defence minister Jaroslav Tvrdík. Neovlivní.cz found out that several former elite police officers work for China CEFC. The premier's friend, Radek Pokorný, is the firm's "house" lawyer, who writes contracts and looks for investment opportunities. His contacts were mapped by unique photographs taken by the project managers at a party staged by his law agency.

The Andrej Babiš case invited numerous press reports on the shady dealings of a finance ministry clerk, concerning the minister's Stork Nest enterprise, and a series of texts on the case in which Babiš's firm Agrotec stands court. Agrotec is a suspected accessory to public procurement machinations in the state enterprise, Česká pošta. Project researchers obtained the complete text of an indictment that gives details of the suspected dealings of the minister's firm.

Apart from the revelations about Martin Nejedlý's business activities, the "Miloš Zeman" sequel includes several original inputs from behind the scenes of the Prague Castle, in connection with the affair of Jindřich Forejt. Our research resulted in several significant findings about the inner workings of "The Castle" and the atmosphere in the President's Office, which will be published in 2017. Since we have not yet obtained the backgrounds to the ODS Account case, we voted instead to replace this item with investigations into the battle for control of security police components, started by a hasty restructuring exploit orchestrated by Interior Minister Milan Chovanec and Police President Tomáš Tuhý. Neovlivní.cz was first to find out what specific suspicions were there against the police president in connection with the causes under investigation. It was found that the reorganization had stopped work on explosive political cases and indeed prevented struggle with corruption. We duly published an interview with Interior Minister Milan Chovanec, addressing this issue.

2016/05 Naši politici – Silent connections – local leaders and gambling business – CZK 25,000

This project focused on the business with hazard and its liaison with political town halls. At first we visited the Statutory City of Karviná to witness an inspection of gambling sites in social exclusion areas and to meet with city council officials. Our investigation resulted in the following findings:

1. City has issued a regulation on hazard business,
2. Hazardous gambling is largely sponsored by a football club owned by an association owned by Jan Wolf (ČSSD-appointed economic manager of Karviná),
3. City officials play down the problem in terms of crime rate and gambling in excluded localities.

Our experience with Karviná playing down the problem made us reflect in our analytical outputs the correlation between gambling and crime. However, the data cited by the Police of the Czech Republic and other institutions correlate to the numbers of gambling sites in districts but not towns. Therefore we worked on a study, which would map the correlation of crime and gambling with urban situations across the Czech Republic. Our study covers all Czech towns with a population over 5,000.

The study results clearly show that hardcore gambling has an impact on the town's crime rate, although it is not the only and crucial influence. A good example of the relationship between the monitored areas is the comparison of four Pardubice Region towns with the same socioeconomic characteristic (unemployment rate, crime rate, hazard liability rate) until two town halls curbed gambling and two other lent a *laissez faire* to the hazard business. However, a soaring crime rate was reported in the 2013-2016 period under observation in the gambling-tolerant towns, against two

which opted for regulation. We also checked on gambling mainly in Prague 1. We saw illegal gable machines delivered. We forwarded our evidence to the General Customs Administration.

2016/06 VIA Foundation – Quick Funding – CZK 100,000 (2016 - 2017)

The NFPK again lent a helping hand to the Via Agency's quick grant project, designed to help citizens to fend for their rights and actively participate in public life. An evaluation commission of three members, including a NFPK representative, decides about these grants.

The NFPK supported two projects within the period under scrutiny:

Milada Kadlecová: Save Srpek Calm Area in Kuřim II – Against Area Planning – This project ensues from a 2015 project (CZK 20,000 provided by NFPK) in support of the environmental qualities of Srpek locality near Kuřim. The place is just a few minutes of walking distance from the central parts of a Kuřim housing estate. A previous project fulfilled its goal and stopped plans for a 4,000 square-metre compound with horse race stables and amenities including a restaurant, janitor's house etc., which would cater only to a chosen few, but new rulings are planned by area planners. The project may have yielded some quality for area-planning and construction permit procedures, but the formulation of objections against the area planning process is of key importance to the future of this area, as outlined by the latest project.

Anna Strnadová – Information documents to enliven Jablonec – Gambling parlours and casinos were outlawed in Jablonec nad Nisou on 1 January 2015. By the middle of the year, most of the city's gambling sites were closed and 109 gambling machines of 311 awaited the loss of Ministry of Finance licences. But the Mayor of Jablonec proposed the abrogation of the ban and the town hall upheld his decision in spite of protests from the general public and opposition councillors. As of 1 January 2016, the city licenced nine casinos and two new additions to the list, and other gambling sites might soon open. The city, which currently registers 347 gambling machines (a historical record) has become a stronghold of hazard. Most sites are in the city centre, where they contribute to the decay of public space and community life. Concerned citizens reflect the situation and organize public debates in an effort to win public and political support for bringing the ban back. In their endeavour to beat the media reach of their town hall, they distribute leaflets to private mailboxes and are organizing a public debate on the perils of the gambling business. The Jablonec without Hazard association requested a grant, but the organizer was replaced.

2016/07 Institute of Independent Journalism – Mapping the business links of Andrej Babiš and his Czech firms – CZK 60,000

The project goal was to map the network of firms owned by Finance Minister Andrej Babiš, a deputy prime minister. The ownership structure of his firms had not been thoroughly mapped and it was not clear which firms he owns or has a share in. Public and media focus was mainly on the Agrofert Holding, while this side branch of Babiš's business empire was mostly out of public sight.

The project's authors thoroughly and comprehensively mapped all firms, owned by Andrej Babiš in addition to Agrofert, through the SynBiol Group, including foreign-based companies. In addition to the assets analysis, they mapped the economic performance of firms outside Agrofert. This effort led to the original new finding that Babiš's great pride—the Paloma Michelin Restaurant, had slipped

into red numbers. Over and above the set objective, we also obtained an insight on the economic fortunes of his foreign firms. The authors also ascertained how much money, in what fields and countries, Babiš's Hartenberg Holding Company wants to invest during the next year.

Also mapped were the firms that Andrej Babiš owns through his Agrofert Group, including foreign-based concerns. Over and above the project's scope, unique data was obtained concerning the Babiš empire's incomes from European Union funds.

2016/08 Jiří Chytil – Legal assistance in Opencard case – CZK 50,000

The story of Jiří Chytil is a story of personal courage with a bitter aftertaste. The former Prague City Hall official helped the investigators to untangle the knot concerning the political implications of a problematic contract with the firm Haguess in the Opencard affair, unfolding in 2009-2010. A change of the investigation team wrecked all previous arrangements and Mr. Chytil with another four city officials were charged. Jiří Chytil received an 18-month suspended jail term in December 2014. A complaint was filed with the Constitutional Court and the case is pending.

2016/09 Naši politici – BusLine – no-risk private enterprise – CZK 22, 000

The project objective was to map the activities and liaison of the firm, BusLine a.s. in connection with the firm's former senior manager Jiří Vařil, geared in favour of the City and Region of Liberec. The underlying goal was an investigative/analytic probe into a sudden transfer of bus drivers' wages to a higher work group tariff category, proposed by BusLine a.s. and giving a first-glance impression of a nonstandard conflict of interest between the parties concerned, especially in view of the adopted settlement, whereby pay rises are shouldered by the public sector but not the private employer.

Within this project, the Naši Politici o.s. association processed, described and published namely the description of the following:

- Assets structure of BusLine a.s., showing liaison with the business activities of Jiří Vařil,
- Personal ties between BusLine a.s. and Jiří Vařil's concerns,
- Nonstandard liaison with regional and local political leaders from all parties and mainly the Association of Regions as the key player,
- The main nonstandard action leading to the latest amendments to the tariff classification of bus driver's wages – see Jablonec Appeal, enormous influence of the Association of Regions where Jiří Vařil was a transport expert, and the non-inclusion of private sector inputs.

Operative/analytical work helped to expose the assets structure of the parties concerned, their mutual personal and property links, operative action in Liberec and interaction with Náš Liberec o.p.s. – contacting several cause actors, locally obtained information, probe into contracts between BusLine a.s. and Liberec Region and/or Liberec-Jablonec nad Nisou Transport Company, investigating background political action that led to changes in driver's wages and the provision of an in-depth analysis.

2016/10 – Kverulant.org, o.p.s. – Refunding part of legal services in Kverulant.org, o.p.s.-Ekospol dispute – CZK 20,736

Kverulant.org revealed in the CORRUPTION AT PRAGUE 15 TOWN HALL that Prague 15 Mayor Milan Wenzl entered in a contract with the developer Ekospol, stipulating that if his office provides all the necessary building permits to Ekospol, it would receive 2.5 million CZK in return. Kverulant.org sniffed corruption. But Ekospol argues no corrupt conduct was involved and sues for the withdrawal of the case description from the Kverulant website, a public apology, and CZK 10 million in settlement.

2016/11 a 2016/12 – Jiří Kotek and Martina Uhrinová – NFPK Prize for Courage – CZK 248,832 and 50,563 respectively

Details about the rewarded whistleblowers are stated in the Prizes for Courage section of the Annual Report.

NFPK reaps publicity

A total of **47** press releases were issued.

As before, the Anticorruption Endowment marked International Anticorruption Day by a press conference, where **Prizes for Courage** were awarded to dauntless whistleblowers.

The Anticorruption Endowment (NFPK) was quoted and its activities highlighted on more than **300** occasions.

Our media strategy remains unchanged, although it may be possible that in respect of the police reorganization that virtually dispersed well-working investigation teams we might again prefer broad publicity in future to the provision of our findings to the bodies participating in criminal proceedings.

Our publicity is being good care of by the parties we meet in the court. The Prague City Court again examined Ivo Rittig's complaint against the Anticorruption Endowment over the protection of personality and the removal of the aftereffects of illegal interventions. Concerning the "ticket affair" of the Prague Transport Company the Prague City Court upheld its previous verdict and **dismissed Ivo Rittig's complaint**.

Wherever it is possible, the NFPK works as a team. To visually discern our public presentations from the organizations of similar hue and colour, we wear **t-shirts** sporting the NFPK logo and various anticorruption symbols. However, the role of t-shirts in the NFPK services does not end there: buy a t-shirt to support the NFPK. Many people do.

In compliance with Prague City Council Decision S-MHMP/896865/2012 905337/2012 of 26 July 2012, the Anticorruption Endowment (NFPK) on 4 August 2012 launched a **public effort** in the Czech Republic to collect and send financial contributions to Account no. 800808008/5500 at Raiffeisenbank, a.s., by way of portable kitties (not used) and selling t-shirts. The purpose of the collection is to help expose corruption with vast economic impacts on public administration. CZK 170 of the item's retail price of CZK 400 apiece/CZK 170 net price is channelled to the bank account indicated above. In 2015 we sold **25** t-shirts and the sum of **CZK 4,250** was deposited to the account. By the end of By the end of 2016 we collected **CZK 77,860** in this way, minus bank charges.

4. Donors

We are happy to tell that the family of our donors has greatly expanded over the six years of the Anticorruption Endowment's activities. Many of them have supported us and been our friends from the beginning. Among them are individuals as well as leading Czech and foreign corporations. Since its foundation the NFPK has received from donors a breathtaking sum in excess of **CZK 46,000, 000**. A big thank you for this support!

As in the past, The Karel Janeček Foundation was the biggest donor, pitching in with no less than **1.8 million crowns** this year. The names of our dear donors are stated in the list below.

Personal donations	CZK 000
Barta Jan	250
Fryc Ondřej	250
Kopinec Jan	100
Frolík Zbyněk	100
Kandřík Bronislav	100
Bárta Lubomír	75
Olmr Vladimír	18
Cabejšek Martin	10
Small personal donations	89
Total	992

Corporate donations	CZK 000
Karel Janeček Foundation	1 772
RSJ Foundation	1 077
Kofola CS a.s.	1 000
RSJ Foundation	1 075
UNIMEX GROUP, a.s.	200
JABLOTRON Foundation	200
LINET spol. s r.o.	100
VEMAX auto s.r.o.	20
Small corporate donations	5
Small financial gifts through VIA Foundation	47
Total	4 420

Material support for NFPK	CZK 000
Alza.cz a.s.	121
JABLOTRON ALARMS a.s.	43
Total	164

5. Report of the Supervisory Board

The Supervisory Board of the Anticorruption Endowment (NFPK) discussed and approved the Annual Report and Closing Financial Statements for 2016.

6. Future projects

Corruption alerts analysed

The Anticorruption Endowment (NFPK) will continue to analyse anticorruption alerts. Several interesting cases are in the pipeline among the priorities set by our Board of Trustees, especially in health care and transport infrastructure. In the next two years we hope to submit our analytical findings to the bodies participating in criminal proceedings, and to publicize some of them. All depends, of course, on the facts we would discern in future.

Building upon public orders. Public orders often inspire shady dealings, marked by a massive abuse of public funds and inviting corrupt practices. The Anticorruption Endowment has encountered many such instances. We have therefore voted to direct our attention to public procurement issues and to support our endeavour with a **Manual of Public Procurement Transparency**. This manual is for the general public in case public contracts are an issue, meant in part to help municipal office clerks and the citizens, who mind intransparent management of public funds.

In future, the NFPK will offer public procurement consultations to members of local governments, active citizens, the press and the firms that failed the rigours of public tenders. We also plan a series of lectures on public procurement at public and private institutions of higher learning.

Within the next one or two years, the Anticorruption Endowment will present an in-depth analysis of public procurement contracts. We will target not only the principals, but indeed also the administrators, consultants and lawyers. We will also focus on the various segments of state administration, where machinations with public contracts most often appear (healthcare, IT, construction, transport etc.).

Gambling goes hand in hand with corruption and crime. Early in March 2017 the Anticorruption Endowment released a study on the impact of **hard gambling on crime**, which showed that slot machines in gambling parlours, casinos and restaurants increase the crime rate. The gambling lobby is often conducive to corruption, as many gambling firms try to make state and municipal officials permit hazard in its widest form in return for payments ensuing from this business. In light of interesting inputs and reactions from municipality representatives, the NFPK Board of Trustees decided to provide more detailed analyses for regions and municipalities.

Legislation

The Anticorruption Endowment is an active member of the Rekonstrukce státu project that seeks an improvement of the Czech legislative environment.

The **contract register act** is a pillar of this endeavour. It saw light after much peripety at the end of 2015. However, one year barely passed before attempts surfaced to curtail its language. Proposed amendments started to appear by the start of 2017. Lobbyists succeeded in enforcing a series of opt-outs in the House of Deputies. Firms such as Budvar, Lesy ČR, Česká pošta, transport companies and many state and city-owned concerns may not publish their contracts in excess of 50,000 crowns.

Many legislators thus backed away from their four-year-old promise to support online publication of contracts, thus emptying a fourth of the essence, namely the 148 billion crowns' worth a year, under the current lower house's only legislation that prevents the waste of public funds.

In April we will stage a #contract register tour, glasses for senators and a 150-million-crown Happening. The Rekonstrukce státu platform will visit five Czech cities to brief citizens about the current fate of the bill and invite them to send messages to senators.

The NFPK is also concerned about the **financing of political parties**. In August 2016 the Senate passed an amendment to the political association act, ushering in several new regulations on the running and funding of Czech political parties. Senators added several amendments on election campaigns and set the text to the lower house of parliament, to vote on during the year. Rekonstrukce státu will see to it that the original bill does not turn to a reject, which is what happened to amendments to the bill on contract registers.

The Anticorruption Endowment strives for the enactment of a **register of ultimate beneficiaries**. The common denominator of most serious cases (including IZIP, Amun.Re, Opencard or Stork Nest) is the long-term failure to regulate the **anonymity of public fund recipients**. It might seem that all is well. But in March 2016 the lower house passed an amendment to the money-laundering act that does not really address this issue and may be in conflict with the applicable EU directive. The Anticorruption Endowment and several NGOs raised three fundamental reservations against the text, citing mainly its possible conflict with the EU directive, and the unnecessary complexity and probable inefficiency of the bill, as well as the danger of an oversaturated chaotic legal environment. The NFPK also strives to enhance the transparency of **political financing**. In August 2016 the Senate passed an amendment to the law on political association. This act ushers several significant changes in the functioning and economic management of Czech political parties. From 2017 parties must have transparent bank accounts and their books will be supervised by a new independent authority. This act also sets caps on the donations a party can receive from a single source. Senators added several amendments to the legislation that governs election campaigns and forwarded the result to the lower house to vote on.

The NFPK will also build upon the analysis of **nominations to the supervisory boards of state enterprises**. The analysis from 2016 has shown that the Government Committee for Personal Nominations failed to address cases with a problematic past. Candidate integrity is a hot issue. This requirement is just as important as the theoretical background of the nominee. If the candidate led an office where dubious contracts were hatched and public money squandered, the committee

should prick their ears and start asking questions. The NFPK in conjunction with Naši politici will carefully monitor the performance of this committee and duly publish the results of their analysis.

Ethics

The NFPK plans widening its activities in the field of **support for whistleblowers**. Since the present legislation is not very favourable for whistleblowing efforts, we would like to extend our services to those who alert on corrupt practices. At present the Anticorruption Endowment rewards selected whistleblowers with either financial benefits or legal assistance. In future, we will work with prominent **personal agencies** to offer specialist agency consultations to the awarded whistleblowers. The agency of our choice will be thoroughly instructed on the whistleblowing issue and try to secure jobs in a safe company. We would also like to bring back the possibility of psychological and other specialist consultations that would make it easier to cope with problems arising from the act of reporting corrupt conduct or unfair practices.

We often encounter today the absence of basic **moral values**, even among the youngest segment of the population, influenced by life in a consumer society. Therefore we would like to work with young people (high school and university students) to start an **anticorruption academy** where people with an impeccable moral credit would share their experience with young people. We plan doing so in conjunction with our donors and focusing on regions as well. We would also like to engage young people in active debates about general values, in conjunction with the academic community.

Thanks for your support!!!

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