

Government Contracts, Cash and Lapses

By Tomas Sacher*

The experience from four years ago keeps coming back to Dominik Jandl: “I was shocked to begin with. Then I got angry, and asked my colleagues how could this situation have been allowed to happen,” says the young politician as he recalls an incident that took place September 2006. Pavel Žlebek, the regional leader of the Green Party (SZ — *Strana Zelených*), attended a regular party meeting, making a special offer on behalf of an someone whose name he didn’t disclose. Jandl’s party could receive hundreds of thousands — maybe up to one million — Czech crowns (up to US\$55,000) as a special gift for its campaign.

“We were told that there was just one condition attached to this special present — our support for Karlovy Vary City Hall’s plan to build a brand-new hockey arena. I understood why they needed us,” Jandl says. “It had been a very controversial project since it was first initiated, and the support of the Green Party would help those behind it to defend it against the critics.”

“We all immediately said ‘No,’ but the fact that something like this happened was alarming,” Jandl says. He and other witnesses who were present when Žlebek made the offer later asked him to give more details and to report the matter to the police. Žlebek immediately refused and said there was no direct evidence of the offer being made.

Who made the offer to Žlebek and how they contacted him continues to be a mystery. Unfortunately, it is impossible to obtain more information from Žlebek today. He died tragically in February 2010 when he was hit by a high-speed train while crossing the railway on foot.

“Many people think it was suicide. He had quit the party a few days earlier, and we had heard many times that he was in poor health,” says Jandl. “Anyway, it is a big loss for us that he took the details of the offer with him to his grave.”

Big Draw

After the corrupt offer was made, Jandl not only began to openly criticize the hockey arena project (which apparently will be oversized and overpriced), but also pinpointed corruption as the main disease affecting Karlovy Vary’s local government. Thanks to Jandl’s proactive approach, he soon gained the trust of his party colleagues and replaced Mr. Žlebek as the new regional chairman.

Now a member of the National Council of the Green Party, Jandl is convinced that the incident that took place in his hometown three

years ago is typical of Czech politics in general. “This practice of giving overpriced contracts to select companies who then pay back later has become standard practice,” he says. “It is almost impossible to succeed with a traditional low-cost political campaign when competing against such unfair players,” he adds, mentioning the defeat of his own party in 2010 in both the parliamentary and communal elections.

However, his criticism of the hockey arena and other projects that he considered suspect turns out not to have been in vain. The hockey arena issue later inspired many people to vote against the members of the city council. The crucial moment came when the City Council, formed by a large coalition of the right-wing Civic Democrats Party (ODS — *Občanská demokratická strana*) and the left-wing Czech Social Democratic Party (ČSSD — *Česká strana sociálně demokratická*), announced in September 2006 that the winner of the controversial construction project would be chosen by a drawing so no one could say there was any favoritism.

However, shortly after the election, a video made of the drawing appeared on the Internet. The tape shows a tragicomic scene of a man searching through the box of ballots for a few minutes and then picking out the name of the winner. Out of dozens of lesser-known firms, he picked the well-known group of three companies that had been cooperating with the council for a long time on various construction projects.

“The politicians really thought they could do anything and get away with it. This video helped people to understand the true situation,” says Jiří Kotek, former independent representative in Karlovy Vary Council who found the tape in City Hall’s archives and presented it at a press conference and posted it on YouTube. Shortly afterward, Kotek formed his own provincial party, Alternativa, which gained 10 percent support during the 2010 communal election where Kotek himself became the new vice mayor. The arena was built by the “selected” company after all, but the City Council of Karlovy Vary was penalized CZK 500,000 (US\$28,000) by the Office for the Protection of Competition (ÚOHS — *Úřad pro ochranu hospodářské soutěže*) in October 2007 for their unacceptable conduct during the bidding competition.

While there seemed to be somewhat of a happy ending in that case, Jandl’s suspicion that there is something seriously wrong with Czech politics in general remains. Many other stories similar to the one in Karlovy Vary have not had such a positive ending. More importantly, many experts argue that the main reason for such incidents is hidden in the Czech Republic’s political finance control mechanisms.

According to the Ministry of Finance, Czech political parties collected over 1 billion Czech crowns (US\$55 million) in public contributions in 2010. Most of this money went to the two biggest

political parties: CZK 285 million (US\$16 million) for the ČSSD and CZK 259 million (US\$14.5 million) for the ODS. In July 2010, the Prague-based research company Admosphere published interesting research stating that in the first three pre-electoral months of 2010, the ČSSD purchased advertising worth CZK 308 million (US\$17 million), according to independent advertisers' price lists. Its main rival, the ODS, was not far behind with a total amount of CZK 211 million (US\$12 million). These amounts do not include totals from the preceding months and the massive autumn communal election campaign. Advertisement expenditures for the whole year could double that amount. How did the two parties find such generous sponsors?

The parties' officials argue that the true electoral expenditures were much lower, mostly thanks to large volumes of sales. However, there is no way to prove this claim. Advertising professionals say that the sales are normally low. The media agencies handling political advertising refuse to reveal any details for reasons of "confidentiality." "I really do not believe they have admitted to all their spending," says the chairman of the Czech office of Transparency International, David Ondračka. "The crucial point is that it is almost impossible to get a true picture of those figures from the outside," he adds.

Any detailed figures about campaign expenditures are usually missing in annual reports. The only control mechanisms are the parliamentary delegates themselves, who check their figures in a quick parliamentary process that takes place once a year. Due to defective election laws, there is no independent controlling institution for political financing, just the Parliament itself. To date, none of the figures presented have ever been disputed.

Explosive Tapes

Libor Michálek is a very calm man. "I don't regret anything. It was my obligation," says this former state employee over a cup of hot tea in one of Prague's cafés. In early 2011, Michálek's name and face appeared on almost every Czech media broadcast. In December 2010, Michálek, then-CEO of the State Environmental Fund (SFZP — *Státní fond životního prostředí*), an adjunct to the Ministry of Environment, gave a statement to the media to the effect that he was forced to manipulate public tenders and to support a project rebuilding Prague's sewage platform in conditions that were disadvantageous to the state. This deal was intended to help support the political career of Environment Minister Pavel Drobil (ODS), in addition to his party's budget. (The tape makes this claim explicit.) "There were more suspicious projects that I was told to cover up, including expensive law services and deposits of fund money in a special private bank," Michálek revealed.

This was a shocking development. Similarly, as in the case of the Karlovy Vary hockey arena, a crucial factor made Michálek's accusations even more credible — Michálek had secretly recorded most of the instructions given to him by the minister's closest advisors.

This is the first case to be connected with shady political financing at a high governmental level that has been supported with indisputable proof. There is not enough space here to explain all the events that followed, but what is important is that the incident led to Minister Drobil's resignation in December 2010. The ODS leader, current Czech Prime Minister Petr Nečas, had a lot of explaining to do in response to suggestions from the media that his party routinely receives this type of financial assistance. In fact, he has failed to refute these suspicions to this day, according to many political commentators. And last, but not least, Michálek's case is being investigated by the police.

Most importantly, the Czech government announced in January 2011 that it is preparing a new anti-corruption strategy intended to deal with the problem of dubious political party accounts and to make these accounts transparent. Further, we can see other similar moves right across the political spectrum. One of the government coalition parties, TOP 09, announced that it would continue with its after-election publication on the Internet of an up-to-date list of all its donors and the amounts that it has accepted. TOP 09 also published detailed information about its 2010 electoral spending. "Our goal is to be as open as possible," says the chairman of TOP 09 Parliamentary Caucus Petr Gazdík. Another party, Public Affairs (VV — *Věci veřejné*) has announced it will do the same.

However, some experts are not too optimistic and further argue that these actions are not enough. "Still, the changes have not been incorporated into the law. In that sense, we have just seen promises," says Ondračka. He points out that the whistle-blower Michálek was removed from his position by Minister Drobil and has yet to be reinstated.

Either way, the case has had a massive impact on Czech political reality and experts believe it can really make things change in the long term. "Our research shows an immediate dramatic drop in confidence in the people and party involved," says Jan Hartl, the chairman of the leading Czech public opinion research institute, the Center for Empiric Analysis (STEM — *Středisko empirických výzkumů*). "While such a response was not very common in recent years, voters have started to respond to any suspicion of this kind very critically (according to recent STEM research). In this sense, this recent experience makes me feel quite hopeful."

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