

Press Information 27 July 2015

## **Government to debate two “Reconstruction” acts: Transparent party financing and politicians’ declarations of assets**

- **The first legislation introduces much-needed independent supervision of party finances, but due to soft sanctions and legislative loopholes it allows many rules to be circumvented.**
- **The conflict of interests act should enable access to online data on the assets of public figures from the date of assuming a public office. The amendment improves control and methodology; however, no change has been introduced to the system of sanctions, which has already proved to be dysfunctional.**
- **In summary, the Coalition proposes a number of improvements which, however, display some significant shortcomings.**

Before its summer recess the Government has two legislations on the agenda under its commitment to Reconstruction of the State. One is an amendment to the law on association in political parties; the other is an amendment to the conflict of interest act, which commits politicians to provide a declaration of assets before assuming their duties.

### **Financing of political parties**

Legislation concerning the funding of election campaigns and political parties ushers in a host of improvements, including transparent accounts for all incomes and spending associated with election campaigns, annual reports and financial statements available online in electronic form, compulsory marking of any election advertising, rotation of auditors, independent supervision to actively check on party economic managements and election campaigns (including the processing of information provided by the media and public), the ban on cash transactions exceeding CZK 5,000, and the declaration of all non-monetary gifts in the annual report, also indicating the usual price.

These laws propel the Czech Republic closer to the standard EU process, where financing is supervised by an independent authority, and not by lawmakers. At the same time, however, they soften sanctions for non-compliance with the said rules (which, however, have been seldom meted out recently). Thus, the proposed maximum fine of CZK 100,000 for unidentified advertising amounts to only 0.11 percent of the sum allocated for election campaigns.

The legislation introduces a form of political foundations that is unique EU-wide (analysis of deviations from the German standard is available upon request): they would be financed from the national budget and could theoretically get away with circumventing campaign rules. On the recommendation of the Reconstruction expert group, these institutes will at least be subjected to the same fiscal supervision as the parties themselves.

The bills also set limits for election campaign spending and donations to parties. Even though limiting the role of money in elections is a step in the right direction, experience from other countries shows that such limits can be easily bypassed by means of splitting donations and “outsourcing” the campaign to other entities.

The organizations associated in the Reconstruction of the State platform have promoted the setting up of an independent supervisory body for party funding at their meetings with cabinet ministers, their deputies and lawmakers from all three Coalition parties. In addition, they have published a comparative analysis of supervision of party finances in Central Europe, and a roundtable for members of parliament and public officials.

### **Conflict of interests – declarations of politicians' assets**

The draft accepts two of the three recommendations listed in the Pledge of Support for Reconstruction of the State. Among other novelties it introduces the following:

- Definition of conflict of interests
- Declarations of assets presented on the date of assuming a public position. This enables comparison of acquired assets and other data with the starting position.
- Electronic central register of data on public political officials. This enhances public control and clarity, and consolidates the system of data provision and retrieval.
- Graded system of steeper sanctions. The draft differentiates sanctions according to the severity of transgression, introduces a relatively steep sanction (up to CZK 0.5 million), and sets a minimum bottom limit for sanctions which means that certain proven transgressions are always liable to fines.

However, the extant sanction system, which has proved ineffective, remains unchanged. Sanctions are meted out by municipal authorities in the offender's place of residence. The experience shows that this seldom happens.

The legislation further classifies public officials as either "political" or "nonpolitical". It will be more difficult to report on the "non-politicians" and they will disclose less information than the "politicians", which signifies a retreat from the currently applicable system.

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### **About Reconstruction of the State**

The anti-corruption project Reconstruction of the State was launched in March 2013 with the aim to promote nine key legislations, which would dramatically reduce room for corruption and prevent the ongoing state capture. Commitment to promote the legislation was confirmed in writing before the elections by more than 160 incumbent members of parliament, including the leaders of the main political parties. Reconstruction of the State brings together citizens, experts, politicians and businesspeople of different political hue, united in support of the rules of fair political competition and open governance.

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