

The Ministry of Regional Development has submitted draft reform of **public procurement** reform for comment. The ministry has substantially revised the law, but it has left several areas open for debate. The draft likely will receive an abundant amount of commentary from the public and private sector. The Platform for Transparent Public Procurement will reconvene with the aim of achieving consensus on what changes, if any, are necessary. *Contact Weston Stacey at wstacey@amcham.cz with questions or comments.*

AmCham's **Energy Efficiency Task Force** conducted its first audit at the Linet manufacturing complex in Slany. The results of the audit were presented to Linet's management on April 14. The purpose of the task force is present companies with proposals of how to improve the efficiency (meaning cut the cost) of their non-production assets. The task force is composed of members with a range of expertise in building, lighting, and operations. The next project: a new development by CBRE. *Contact Renata Paceltova at rpaceltova@amcham.cz with questions or comments.*

AmCham's **Health Care Task Force** is drafting a position document on improving health care. The position document advocates establishing measurable objectives for all policy initiatives: the goal is to create a more data-driven policy environment, and reduce the risk of ideology and politics determining how healthy people are. *Contact Veronika Szentivanyiova at veronika@amcham.cz with questions or comments.*

full steam somewhere: after one year in office, government provides stability, energy, but lacks focus

One year, more or less, into the Sobotka government, can we say we know more about its intentions than we did on its first day? Has it set a clear direction for where it wants to steer the country? If so, has it provided undeniable indications that it has the capability to make the country go where it wants it to go?

We would argue the answers, in order, are no, no, and (by default) no. Nevertheless, the business community and the country seems content with the coalition in power. Their attitude toward this government may be more an indictment of previous governments than any enthusiasm for the current constellation of ministers and parties. That means the calm is based more on tolerance than affection for the current group of politicians. Things could go downhill in a hurry.

What is the economic policy of the government? The best description is the unintentional pursuit of the status quo. Politics is in transition. The right has imploded; ANO sees opportunities to establish itself as the party of business. The left is in disrepair; the Social Democrats have had to fend off pressure from President Zeman and fights within their own party ranks, but still has not repaired the same rot in their business model that seems to have weakened ODS fatally. KDU has struggled to create an identity in the shadows of the two titans within the coalition. The three political realities mean that this government is pulled in at least three directions on almost any economic issue, which makes it hard to do anything at all. That means the reforms of the Necas government, and, in particular, the tax regime imposed by Mr. Kalousek have lasted much longer than Prime Minister Sobotka would have liked. This stability caused by political intractability has been a good thing for the economy.

About the only thing on which all three parties agree is the need to access all EU funds and to spend them without much hassle or accountability. That is the impetus behind the two amendments to the public procurement act. This is likely to cause a real mess at the municipal level, and even at the ministerial level. Fortunately, many municipalities are ignoring the attempts to dilute the law, and continuing their efforts to improve decisions and increase transparency. This movement, led by a group of independent mayors, will achieve more than any change in legislation, and seems the brightest light in the political scene.

What can we expect in the next year? More of the same. The tension between the Social Democrats and ANO is intensifying. The fight will take place on two fronts.

First, ANO-appointed Minister of Transport Dan Tok has reduced the role of the "second minister of transport", CSSD's Kamil Rudolecky. Mr. Rudolecky is a longtime ally of the Prime Minister from the days of privatization, and, when a deputy at the Competition Office, approved some controversial decisions which benefited the clients of Radek Pokorny, the former employer, current friend, and rumored mastermind of the Prime Minister.

continued

Policy Pipeline

The toll will also be a test for ANO. After a series of failed ministers, ANO brought Mr. Tok in to prove it could manage big issues competently. Mr. Tok earned his reputation for competence and clean behavior on the other side of the table from the Ministry of Transport. He now must prove he can handle the policy, the politics, the ministry and still run things transparently and accountably. This is a major test for the good governance movement. Critics will jump on any failure as proof that the do-gooders can only talk, not do.

The second big battlefield for the government will be at the Competition Office. The term of the current chair, Petr Rafaj, will expire in July. Coincidentally, Mr. Rudolecky has been rumored to be the Prime Minister's choice to replace Mr. Rafaj. Lately, however, café talk has indicated that Mr. Rafaj has become an ally of Mr. Pokorny and will retain his seat. Neither the prime minister or Mr. Babis has given any indication of who might be chosen. Given the importance of the position to the economy, and especially the effective functioning of public procurement, the government might consider running an open application and tender process, with each candidate being questioned in open parliamentary session. No one should hold their breath for that solution.

Will the coalition survive these internal power struggles? Most business people would bet yes. With the economy growing, that seems to be a good wager. The public tends to get upset enough to do something only when their own prospects are threatened. With personal prospects looking better, most people will view any scandal as entertainment, not cause to topple the government. The three parties have more reason to stay together than drift apart. Mr. Sobotka would not survive as party chair if the government fell. Mr. Babis may find that being the head of government without actually being prime minister suits his tastes. KDU-CSL would worry that it could be excluded from the next government or lose an early election.

So this coalition which is really more of an agglomeration will keep rolling forward. It is more probable that it will spend its energy positioning itself politically against the other members of the coalition than positioning the country competitively against its rivals. Big reform seems outside of its capabilities. Minor reform and steady management seem possible, and, in some ministries and city halls, probable. Good government will be moved to the backburner at the national level— neither Mr. Sobotka nor Mr. Babis want to deal with the core issue of political party finance, and have already fumbled the other two key issues – public administration reform and public procurement. That does not mean the end of the good governance movement: some ministers, notably Mr. Tok, could make positive, practical changes, and the momentum at the municipal level is very strong.

Given all the great stuff happening in the private sector, steady government may be all that is required for the country to grow in the mid-term. To ensure long-term prosperity, bigger change is needed. The force for that change will need to come from the private sector, which must take the lesson that the time to prevent downturns is before they happen. Business is going to have to play the role of political mediator, and orchestrate a consensus across the borders of political parties that will allow this country to create a economic direction that will ensure greater opportunity for the next generation.

AmCham

81st

quality of roads
2014-15 WEF ranking

83rd

government debt
2014-15 WEF ranking

46th

quality of primary education
2014-15 WEF ranking

19th

pay and productivity
2014-15 WEF ranking

justice swerved: the strange and revealing case of Ron Adams

On September 25, 2014, the Ministry of Justice apologized to Ron Adams for an “illegal decision” in the charge of corruption against Adams, and awarded him CZK 120,000 in damages for this decision. Although Mr. Adams released a press release announcing this fact- and his donation of the award to ZIndex for their municipal procurement index- no Czech media outlet picked up the story. Which is disappointing, because the media had been very eager to print the accusations of Mirek Topolanek and Martin Bartak that Mr. Adams was corrupt, especially Pravo, which had printed several front page stories trashing his reputation as a businessman and accusing America of corrupting the Czech Republic. We asked Pravo why they would not print a front page story admitting that their other stories were wrong. They did not answer. We will surmise that Pravo, as with most other media, is more interested in destroying people’s reputations– and the country’s reputation as well– than it is about “protecting the people” by fighting corruption.

For those of you who have a hard time remembering the details of the Mr. Adams’ case through the fog of the media’s incessant coverage of corruption scandals (scandals, not investigative proof), a few reminders:

Mr. Adams– then owner and CEO of Tatra- and William Cabaniss– then Chair of the Supervisory Board of Tatra– filed a complaint with the Czech police about a conversation with Martin Bartak that took place at a firing range outside of Washington, D.C.. Mr. Bartak and Mr. Topolanek subsequently alleged that this report was part of a US government attempt to undermine them. While their story revealed something about their delusions of grandeur, it had nothing to do with the truth. Mr. Adams and Mr. Cabaniss had been keeping quiet about the conversation– in which Mr. Bartak allegedly asked for money in exchange for continuing an existing procurement contract with Tatra– for weeks. They had notified the FBI of the conversation under the requirements of the Foreign Corrupt Practices Act (failure to do so could have killed any hopes of Tatra getting US Army contracts), but they had resisted reporting to the Czech police because they knew it would be almost impossible to prove without any unbiased witnesses to corroborate, and were concerned their complaint would provoke political and commercial revenge. After consultation with AmCham and lawyers, they decided they had no choice but to respect the law of this country– which makes it a crime not to report such an incident. They reported it with little hope and much trepidation that Tatra would pay the price for that act.

It did. In the midst of crisis- with Tatra’s Russian customers inviting Mr. Adams to try to collect their payments in a Russian court- a counterclaim of corruption filed by Mr. Bartak (the source of the “illegal decision” cited by the Ministry of Justice) blocked Mr. Adams from getting bank capital needed to keep the company going. Tatra’s debt was sold by his bank and purchased by Jaroslav Strnad (whose relationship to Bartak may or may not be relevant) and Rene Matera, who used the debt to take over the company. They recently made a deal in China– helped by President Zeman– that may mean that the “national silver” (Mr. Zeman’s words) will soon be produced very far east of Koprivnice. Mr. Adams will ask for further damages. The rest of us should watch what happens carefully.

upcoming activities

April 23

Competitiveness Discussion
with
KDU-CSL Chair Pavel Belobradek
[register](#)

April 29

Discussion on
Brno Economic Development Strategy
In Brno

May 22

Prague Airport’s Development Strategy

May 25

Health Care Task Force

May 26

CSR Committee