Czech Republic

by Lubomír Kopeček

Capital: Prague
Population: 10.53 million
GNI/capita, PPP: US$28,740

Source: World Bank *World Development Indicators.*

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NOTE: The ratings reflect the consensus of Freedom House, its academic advisers, and the author(s) of this report. If consensus cannot be reached, Freedom House is responsible for the final ratings. The ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. The Democracy Score is an average of ratings for the categories tracked in a given year. The opinions expressed in this report are those of the author(s).
EXECUTIVE SUMMARY

The Czech Republic’s institutional and political background remained stable during 2016, even as populist rhetoric and illiberal forces gained footing inside the country. The year was characterized by a significant deterioration of relations between the governing parties compared to the previous year. The coalition—headed by Prime Minister Bohuslav Sobotka and consisting of the Social Democratic Party (ČSSD), ANO (“Yes”), and Christian Democratic Party (KDU-ČSL)—nevertheless remained intact. The biggest dispute in the government was over the reorganization of special police units, a move supported by Sobotka and Minister of Interior Milan Chovanec (both ČSSD). In June, ANO leader Andrej Babiš, who also acts as deputy prime minister and minister of finance in the coalition, threatened to terminate the coalition agreement over the plans. According to Babiš, the aim of the reorganization was to intentionally eliminate the organized crime unit, which he claimed was important in fighting corruption. In the end, the government carried out the reorganization without ANO making good on its threat.

The run-up to the October Senate and regional elections further damaged relations in the governing coalition. The electoral campaign was characterized by mutual attacks from both ANO and ČSSD politicians, and the former presented itself as a sort of opposition in the government. The victory of ANO over the Social Democrats in the regional elections was mostly formal since they only received slightly more than a fifth of the votes, and in some regions they failed to become part of the new regional executive. The Senate elections, filling one-third of the seats, were a failure for both ANO and ČSSD but considered a success for the smallest government party, KDU-ČSL. The low turnout—indeed the lowest in the history of the country’s Senate elections—revived a long-standing debate over whether to abolish this political institution.

Similar to previous years, the economic activities of ANO leader Babiš, who owns the giant holding Agrofert, were the subject of great political controversy, affecting political stability. The biggest scandal broke out in March over the potential misuse of state subsidies for renovating the Stork Nest farm, which is part of the holding. The right-wing opposition Civic Democratic Party (ODS) and TOP 09 harshly criticized Babiš and even called a special meeting of the parliament, while President Miloš Zeman stood behind the ANO leader.

In the fall, the parliament adopted a law on conflict of interest clearly aimed at Babiš’s combination of economic and political power. The law, which was adopted despite opposition from ANO, prohibits companies owned by members of the government from receiving public subsidies and investment incentives, and from tendering for contracts. It also significantly limits media ownership by members of the government. Since the changes had yet to take effect at year’s end, and some argued that the law could be circumvented by transferring property or other assets to a special fund, it remained unclear whether the law would effectively address conflict of interest problems.

The issue of migration and related security concerns were, similar to the preceding year, much discussed in the public sphere in 2016. The direct impact of the refugee crisis on Czech politics was limited, even though the center-right opposition ODS and the anti-immigrant party Dawn often used the issue in the parliament to criticize the cabinet. The number of refugees in the Czech Republic was minimal, and European-level plans for their relocation from other member countries had proved unrealistic. The extra-parliamentary anti-immigration forces were, at the same time, somewhat marginalized after the far-right group Bloc Against Islam, very active in the previous year, broke up in May. With the exception of Tomio Okamura’s Freedom and Direct Democracy (SPD), anti-immigrant formations failed during the October regional and Senate elections.

President Zeman was critical of Prime Minister Sobotka and took on positions similar to those of Babiš. The reorganization of special police units in June was a significant exception, as the president remained neutral on that question. In foreign policy, similar to last year, Zeman repeatedly stressed the need for improving relations with China and Russia, especially for business reasons, which raised fears among the center-right opposition and a segment of the public that the country was departing from its
traditional role of human rights advocacy and turning eastward. Evidence that certain media outlets were presenting strongly pro-Russian views or manipulating the news in an effort to influence public opinion exacerbated these fears. The president’s pro-Chinese position was shared by most of the governing coalition, except for KDU-ČSL. While the government had not changed its positive attitude toward the European Union (EU) and NATO, Zeman was quite critical in 2016, harnessing growing dissatisfaction with EU membership among Czechs.

Similar to previous years, Zeman kept up his very strong anti-immigrant rhetoric, which brought him closer to more radical formations. His attitudes were popular and supported an emerging antiliberal discourse. The skepticism toward liberal democratic principles, such as the division of powers, was also visible in the growing popularity of Babiš, who professed a technocratic vision of managing the state, favoring simplification of the democratic “rules of the game.” Despite scandals like the Stork Nest farm, Babiš’s ANO managed to remain the most popular party in public surveys throughout the year.

Score Changes:

- Civil Society rating declined from 1.75 to 2.00 due to the pernicious presence of illiberal and far-right groups that, while failing to gain political prominence, have a negative impact on public discourse.

As a result, Czech Republic’s Democracy Score declined from 2.21 to 2.25.

Outlook for 2017: Parliamentary elections scheduled for October 2017 will be important for the future shape of the government as well as the general direction of Czech politics. If the current political trends continue, it is expected that the two larger governing parties, ANO and Social Democratic Party, will vie for power. This will probably further undermine the government’s unity ahead of the elections, but the current economic boom is expected to last and keep the coalition together. The parliamentary opposition is also likely to remain fragmented, with some opposition parties potentially falling below the 5-percent electoral threshold in the polls. Toward the end of the year, public attention will shift to the upcoming presidential elections in January 2018.
**Main Report**

National Democratic Governance

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- There were no major political or economic changes in the Czech Republic in 2016. The governing coalition of the Social Democratic Party (ČSSD), ANO (“Yes”), and Christian Democratic Party (KDU-ČSL) stayed intact despite frequent internal disagreements. The country’s positive economic situation helped maintain the coalition’s approval ratings. In the first half of the year, GDP increased by nearly 3 percent, while unemployment decreased to about 5 percent. According to December data from the CVVM agency, 37 percent of respondents expressed satisfaction with the economic situation—the highest level since the 1990s. While public confidence in Prime Minister Bohuslav Sobotka’s government slightly decreased during the year (39 percent in December), it was still higher than the approval ratings of the previous two governments nearing the end of their terms. This went hand in hand with an increase in satisfaction with the general political situation. According to the CVVM’s political satisfaction index (ranked from 0 to 100), satisfaction in December was around 40, which was only slightly worse than a year earlier but significantly better than at the beginning of 2013 when the index was only around 20.

- ANO leader Andrej Babiš’s ownership of the large agro-chemical holding Agrofert continued to draw intense criticism during the year. In March, the center-right opposition Civic Democratic Party (ODS) and TOP 09 called a special meeting of the Chamber of Deputies to discuss allegations of misuse of European Union (EU) subsidies by the Stork Nest farm owned by Babiš (see “Corruption”). The chairman of the opposition party TOP 09, Miroslav Kalousek, offered Sobotka support in case of a vote of no confidence, but in the end no such vote took place. President Miloš Zeman vocally supported Babiš in the affair.

- Babiš’s technocratic management style generated concern as well as successes during the year. In October, the party leader exclaimed that “only the people who have actually achieved something in life should be governing.” and that some ministers from other parties did not meet that standard, according to Babiš. In December, however, he had a success with his proposed idea to create a system of electronic sales records for all restaurants and hotel businesses. Babiš’s party also managed to more effectively capitalize on the Czech Republic’s economic growth and relative societal satisfaction than did Sobotka’s ČSSD. For most of the year, ANO was slightly ahead of ČSSD in opinion polls, but in the final months the difference between the parties increased. As of October, ANO polled first with a rating of nearly 30 percent, whereas ČSSD barely reached 15 percent. Because of the party’s decreasing ratings, Sobotka replaced two Social Democratic ministers in November.

- Sobotka’s cabinet suffered its biggest government crisis in June with the announcement of a controversial police reform to merge organized crime and anticorruption units. While the reorganization was proposed by police and fully supported by Minister of the Interior Milan Chovanec (ČSSD), the head of the organized crime unit, Robert Šlachta, immediately resigned in protest. Babiš’s ANO claimed that the reorganization was, in fact, aimed at destabilizing the police forces and eliminating Šlachta’s organized crime unit which, according to ANO, was a major force in the fight against corruption. Babiš even threatened to leave the coalition, alleging that the Social Democrats were afraid the unit might make politically inconvenient discoveries against them. Sobotka refuted these claims and accused ANO of “brutally politicizing” the matter. The Christian Democrats, members of the smallest coalition party, said Chovanec would have to take responsibility for Šlachta’s resignation.

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for the reorganization and its consequences but did not consider leaving the government.\textsuperscript{11} The opposition parties ODS and TOP 09 were neutral on the question, possibly due to the history of Šlachta’s anti-mafia unit, which had intervened in Czech politics significantly in 2013 when it arrested the chief of staff of then-prime minister Petr Nečas (ODS) and several other people, leading to the government’s fall. Investigative journalist Jaroslav Kmenta, who specializes in organized crime reporting, pointed out that Šlachta’s unit had been selective in its cases, ignoring leads that could be related to Babiš and Agrofert.\textsuperscript{12} In August, Šlachta took a high post at the Customs Administration under Babiš’s Ministry of Finance.

• Heated public debates about the European migrant crisis and related security concerns continued throughout the year. The parliamentary opposition, especially ODS and Úsvit (Dawn), criticized the government for failing to state Czech national interests clearly and defend them within the EU.\textsuperscript{13} President Zeman and Babiš took a strongly anti-immigration stance. All parliamentary parties spoke out against proposed mandatory quotas for the redistribution of refugees within the EU. There was also political consensus in refusing the permanent mechanism of redistributing refugees as proposed by the European Commission in April. Relocating refugees from other countries did not work well in practice. For example, a number of Iraqi refugees voluntarily accepted by the Czech Republic in the first months of the year headed for Germany shortly after their arrival, or returned to Iraq.\textsuperscript{14}

• Statements by President Zeman continued to draw criticism. After the Brexit referendum in June, Zeman raised the option of a Czech vote on EU and NATO membership, but at the same time argued that he himself would not support leaving the organizations. This attitude marked a significant change over Zeman’s earlier stance as a self-described Eurofederalist striving for deeper European integration. The government criticized the president over the proposal and made it clear that it was against any such referendum.\textsuperscript{15} In August, Zeman reiterated his support for canceling EU sanctions against Russia and argued that the annexation of Crimea was an irreversible step.\textsuperscript{16} Some of his actions connected to China also generated controversy. In March, Zeman accused the previous government of “servility” to the EU and NATO on a Chinese television channel, while in October he had to deny that the reason behind his decision not to award a medal to a Holocaust survivor was that the man’s nephew, Minister of Culture Daniel Herman, had angered China by meeting the Tibetan leader Dalai Lama.\textsuperscript{17} At the same time, a leaked statement signed by the country’s top officials, including Zeman, reassured China that the Czech Republic respected its territorial integrity, including Tibet. Opposition parties ODS and TOP 09, the governing KDU-ČSL, and many others criticized the statement as a departure from advocating for human rights in foreign policy.\textsuperscript{18}

### Electoral Process

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• In October, regional elections took place across the country except for the capital Prague, as well as elections to one-third of Senate seats. Since the governing ČSSD and ANO were the main rivals, their mutual attacks further weakened government cohesion. ANO often used anticorruption slogans in its campaign as well as references to the incompetence of mainly Social Democratic heads of regional governments. ANO head Andrej Babiš called them liars or gamblers and also strongly attacked members of his own government, calling PM Sobotka a populist and Minister of Industry Jan Mládek (also from ČSSD) a parasite.\textsuperscript{19} ANO’s slogan before the regional elections laid out its technocratic vision by saying, “We will manage regions like a business.”

• About 270 formations ran in regional elections, but many only in a single region or a few regions. This was about 20 more than during the previous regional elections in 2012.\textsuperscript{20} The 2016 polls resulted in much greater fragmentation due to an increase in the number of formations that passed the 5-
percent electoral threshold. In addition, some formations ran in coalitions of two or more entities. ANO came first in the regional elections but only gained slightly over one-fifth of the votes—the lowest support for the winning party since the first regional elections in 2000. ČSSD came in second with an average of about 15 percent of the votes, which is also one of the worst election results in the party’s history. The smallest member of the coalition, KDU-ČSL, ran mostly as part of a coalition and received around 10 percent of all votes, as did the opposition right-wing ODS. Although the Communists achieved a similar result, it represented a significant setback for the party compared to the previous elections. The polls were a fiasco for the opposition right-wing TOP 09 as well, which failed to pass the electoral threshold in most regions. Some formations that had failed in the elections for the Chamber of Deputies in 2013, such as the Green Party and Pirate Party, won seats in a number of regional governments.

- The elections in individual regions resulted in politically heterogeneous and varied coalitions. Frequent disputes between coalition partners are therefore likely in the future, just as on the municipal level (see “Local Democratic Governance”). In some regions, the victorious ANO was pushed into opposition, a move criticized by President Zeman as a “betrayal” of voters. Zeman, a former ČSSD member, also criticized ČSSD’s poor election results, blaming the failure on Sobotka’s leadership.
- The Senate elections—the first round conducted along with regional elections—were won by KDU-ČSL, whose candidates (or candidates supported by the party, sometimes in cooperation with another formation) won 11 of 27 mandates, with other parties winning only a few seats. Turnout was at a historic low of 15 percent, which clearly helped the Christian Democrats, who have disciplined voters. Low turnout in the second round is traditional, for example, turnout in the 2016 regional elections was nearly 35 percent, whereas turnout in the Chamber of Deputies elections in 2013 was nearly 60 percent.
- The election results reignited discussions on the usefulness of the Senate, and following the polls both Babiš and Zeman argued that the body should be abolished. This debate started in 1992 with the adoption of the Czech constitution, but abolishment is unlikely in the near future because none view it as a priority.
- No serious incidents disrupted the regional and Senate elections, and voting was considered free and fair in both cases despite the rough campaign. The only minor problem occurred in the Senate district of Most, where the candidate of the regional formation Severočeský.cz was allowed to run despite a party decision withdrawing her candidacy. After the elections, the Supreme Administrative Court canceled the election results, ruling Alena Dernerová’s victory invalid and scheduling new polls for January 2017.

### Civil Society

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- The Czech civic sector is lively and extensive, with a large number of organizations. The lack of funding, however, continues to pose a problem as most nongovernmental organizations (NGOs) largely depend on public money. A number of recent developments, including delays in the implementation of programs that draw on EU structural funds and a decline in outsourced activities by state institutions, have exacerbated these problems, undermining sustainability.
- The March visit of Chinese President Xi Jinping was met in Prague by protests against the Chinese regime’s human rights violations. The protesters clashed with local residents of Chinese ethnicity who were allegedly brought there by the Chinese embassy to welcome the president. The protesting activists complained that the police failed to prevent aggressive behavior by those welcoming the president. In two separate incidents that sparked public disapproval, the police demanded the removal
of a Tibetan flag and prevented a previously sanctioned demonstration by human rights activists in the center of the city. The opposition parties ODS and TOP 09, which criticized police conduct, attempted to call a special parliamentary meeting regarding the matter. President Zeman, however, thanked the police for their conduct during the visit.32

• In April, the most significant anti-immigration and anti-refugee movement, Bloc Against Islam, canceled an agreement for election cooperation with the parliamentary party Dawn. The leader of Bloc Against Islam, Martin Konvička, argued that Dawn had “acted unfairly, had not upheld its end of the bargain and had tried to use the Bloc for its own gain.”33 Dawn responded to this step by requesting financial compensation for alleged damages suffered. At the end of May, Bloc Against Islam dissolved itself, stirring disputes among anti-immigration activists. The successor groups are very fragmented.34

• Nevertheless, anti-refugee groups continued to organize events and smaller protests throughout the year. What attracted the most attention was an August stunt staged by Konvička in the Old Town Square in Prague, imitating an invasion by the so-called Islamic State. Konvička arrived to the square in a jeep, accompanied by a camel and a group of “fighters” shouting “Allahu Akbar” and firing replica guns into the air. The performance caused many passers-by to flee, thinking they were in the middle of a terrorist attack.35 Many argued that this stunt discredited Konvička as the leader of the anti-Islam movement.36

• Konvička ran in the Senate elections in October but finished next to last in his constituency. Other anti-immigration activists also failed in these polls. Similarly, during the regional elections, none of the smaller anti-immigration formations succeeded except for Freedom and Direct Democracy (SPD) led by former Dawn leader Tomio Okamura. His SPD narrowly passed the 5-percent electoral threshold in most regions, usually in coalition with Party of Civic Rights, a Zeman-friendly formation.37

Independent Media

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• After years of acquisitions by local businessmen trying to ensure positive coverage,38 no significant changes took place in media ownership in 2016. Some earlier trends continued, however, such as the strengthening of multimedia news coverage online and the decline in print newspaper circulation.39 The most significant new projects included expansion of the popular Czech search engine Seznam.cz with a news site in October producing written and video content, and launch of the news site Info.cz in November by Daniel Křetinský’s Czech News Center, which publishes the country’s most popular tabloid, Blesk.40 The visibility of smaller independent news websites, such as Hlidacipes.org and Echo24.cz, also increased during the year.

• According to reports published in May, the management of Prima, a private television company with one of the highest viewer ratings, had instructed its reporters in fall 2015 that the refugee topic must be depicted primarily as a threat, problem, and crisis. The Council for Radio and Television Broadcasting, an entity that monitors television broadcasting, confirmed the findings originally published by Hlidacipes.org. Prima representatives dismissed the accusations as “speculation.”41

• In May, President Zeman voiced his opinion that the public broadcaster Czech Television (CT) should be nationalized and no longer financed by license payments. The reason Zeman gave for nationalizing CT was again, as in previous years, that the television was spreading the one-sided opinions of the opposition TOP 09. Minister of Finance Andrej Babiš agreed with Zeman, arguing that financing the television directly from the state budget would save money.42 While CT can
generally be considered objective, many news stories on the public broadcaster had criticized both politicians, while it was also evident that some editors’ opinions were close to those of TOP 09.

• Throughout the year, politicians and critics continued to criticize Babiš for his extensive media ownership. As of 2016, the ANO leader owned Mafra, one of the biggest publishing houses, and three important dailies (MF Dnes, Lidové Noviny, and Metro) as well as the most popular private radio station. In June, the editor-in-chief of the website HlidaciPes.org (Watchdog) said that Babiš “can be sure that his own newspapers will not force him to leave. If they find some real problem, he will be safe from his media.” In July, Labor and Social Affairs Minister Michaela Marksová (ČSSD) criticized that a reporter from MF Dnes had mailed her a list of questions with a copy sent directly to an assistant of an ANO deputy. In September, the Chamber of Deputies passed a regulation proposed by a Social Democratic deputy that amended the law on conflict of interest, barring ministers from owning media outlets. The amendment, which ANO deputies voted against, will only apply to future governments (see “Corruption”).

• Similar to previous years, the 2015 annual report published in September by the Security Information Service (BIS) warned of active information measures by Russia. Specifically, it mentioned the infiltration of Czech media and internet by Russia to influence Czech audiences, and efforts to provide false information on developments in Ukraine. Expert analysis of the practices at select pro-Russian news sites in Czech (e.g., sputniknews.com, svetkolemnas.info) in the first three months of 2016 observed the use of relatively sophisticated manipulation techniques, employing methods such as shifting the blame, fabrication, and, in some cases, even demonizing and arousing fear, especially in relation to the refugee crisis.

• In the second half of the year, the ministry of interior announced the creation of a special department to fight disinformation online. The discussion about Russian information warfare intensified in December, after President Zeman criticized the ministry of interior for what he saw as attempts to censor the internet in his Christmas speech. The ministry dismissed his criticism, stating that the new department, to be established as part of the Centre Against Terrorism and Hybrid Threats, is only supposed to identify, not censor, disinformation. Critics of the president noted his general pro-Russian stance in the matter.

Local Democratic Governance

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• Citizens have considerable trust toward local governments in the Czech Republic. According to public opinion surveys, about 60 percent of respondents trust their mayors and local government offices, which is much higher than their confidence in the parliament or government. Trust ratings remained high despite the fact that frequent disputes disrupted the day-to-day operations in a number of town and city councils—though not as intense as the previous year. The 2014 local elections had resulted in a high number of mixed coalitions, which had led to constant quarrels in some cities. Another frequent problem was that of internal disputes in ANO, which had won most of the local elections in regional capitals. For example in March, all representatives from ANO in Karlovy Vary, the capital of one of the regions, announced they were leaving the party.

• In April, the Prague coalition government was successfully restored after a six-month hiatus. The original coalition members consisting of ANO, the Social Democrats, and the so-called three-way coalition (composed of Christian Democrats, Greens, and a formation of mayors and independents) fell out in October 2015 over disagreements with Prague mayor Adriana Krnáčová (ANO). The reconstituted council executive does not include Green Party leader Matěj Štropnický, who had been replaced by another politician from the same party.
• In September, the Prague Municipal Court handed down suspended sentences between two and three years to two former Prague mayors, Bohuslav Svoboda and Tomáš Hudeček, and several other individuals. The mayors were prosecuted for signing disadvantageous contracts with the provider of the Opencard system, a costly and controversial multi-use transit card. Both former mayors appealed the decision and defended their actions by saying they were forced to solve an emergency situation to prevent the collapse of a system connected to Opencard. Most politicians and journalists agreed with these arguments, and criticized the fact that former mayor Pavel Bém, whose administration had initiated the Opencard project, was not standing trial. Unlike his successors, Bém (mayor in 2002–10) faced frequent accusations of corruption, not only for this project.

• Together with the October regional elections, local referendums were held in 10 cities, towns, and villages. The issues put to referendum included the construction of wind power plants, supermarkets, a waste incineration plant, and relocation of a train station. While the concurrence of regional elections was supposed to help with passing the referendum threshold of 35 percent, most votes failed in larger towns and cities.

### Judicial Framework and Independence

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• The Czech judicial system is four-tiered, with district, regional, high, and supreme courts (Supreme Court and Supreme Administrative Court), as well as the Constitutional Court, which acts as a powerful guardian of the constitution. Judicial independence is protected by the constitution as well, although allegations of political influence in high-profile cases have posed problems in the past.

• The police reorganization announced in June was met with strong resistance from Robert Šlachta’s anti-mafia unit, as well as from public prosecutors who closely cooperated with this unit. The effects of the reorganization were yet to be seen at year’s end, but it had led to a strong escalation of tensions between certain groups within police and in the Public Prosecutor’s Office. The chief public prosecutor in Olomouc, Ivo Ištván, publicly stated that dissolving the anti-mafia unit would disrupt investigation of many cases instead of improving police work, as police chiefs claimed. Representatives of the anti-mafia unit to be dissolved made similar claims, while one even accused police president Tomáš Tuhý of a “severe information leak” in connection with economic crime. Tuhý said that the accusations were intended to undermine trust in the police and their work, and publicly criticized the steps taken by the Olomouc public prosecutor, arguing that Ištván had used “fabricated facts and false information” against him. In October, the supreme public prosecutor brought disciplinary proceedings against Ištván’s deputy, Pavel Komár, for publicly talking about calling in Tuhý and his deputy Zdeněk Laube for questioning before officially informing them.

• In June, the Prague District Court acquitted on appeals former prime minister Petr Nečas’s chief of staff, Jana Nečasová (formerly Nagyová before marrying Nečas). Nečasová had been accused of abusing her public position by ordering the army’s intelligence service to spy on Nečas’s wife at the time. The court ruled that no criminal offense took place in the case. Three former army intelligence officers were acquitted along with Nečasová. The District Court’s ruling came after the Prague Municipal Court had reversed the acquittal in March and ordered some pieces of evidence to be reviewed. The public prosecutor appealed against the acquittal in June, but the Prague Municipal Court reversed it again in December. In this way, the case, which continues to attract significant public attention, has turned into a protracted dispute between two tiers of the court system.

• In a separate matter that also contributed to the fall of the Nečas government, the Public Prosecutor’s Office pressed charges against Nečas in July accusing him of bribing three former ODS deputies with high positions in state enterprises in exchange for stepping down as deputies. This is the first time in
the history of the Czech Republic that a former prime minister is on trial. Jana Nečasová and one other person stand accused in the case as accomplices. The Supreme Court had acquitted the three deputies in the case in 2013 because they had been protected by parliamentary immunity. This is not the case for Nečas. Already in March 2015, the Public Prosecutor’s Office had charged Nečasová with tax evasion for not paying tax on gifts received.59

- In August, the Constitutional Court reversed part of a December 2015 Supreme Court ruling according to which judges and state prosecutors were entitled to a higher salary due to incorrect calculation of wages in the past. In 2015, most judges and public prosecutors accepted a deal with the Ministry of Justice that partly compensated them for unpaid wages, but some demanded full financial compensation. The Constitutional Court’s ruling was based on the argument that a full compensation would strongly affect the state budget, “which would necessarily lead to increased tension between society and judges.”60

## Corruption

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- Corruption remains a serious problem in the Czech Republic despite anticorruption measures that have come into effect in past years, such as the mandatory publication of all contracts exceeding CZK 50,000 ($2,000) signed by public institutions. According to the director of Transparency International, David Ondráčka, “corruption is changing its form, influential groups no longer need to break the law, they instead push through legal changes and maintain a false sense of legality,” which causes frustration among the public.61 According to a March 2016 survey by CVVM, two-thirds of Czechs believe that most or all public offices are involved in corruption—similar to the previous year.62

- Cases connected with Andrej Babiš’s Agrofert holding attracted the most attention during 2016. It was reported in January that the European Anti-Fraud Office (OLAF) had started an investigation into Agrofert on the suspicion that, with help from ANO politicians, Babiš circumvented the rules for obtaining European subsidies.63 The case turned out to be the biggest political scandal of the year. In March, Czech authorities started investigating the Stork Nest farm, a large recreational facility, on suspected misuse of a CZK 50-million subsidy for the farm’s renovation. The farm had belonged to Agrofert until 2007, at which point its stake was transferred to bearer shares for a small firm to qualify for EU subsidies for small- and medium-sized firms. Following the five-year mandatory period under the subsidy’s terms, Stork Nest was returned to Agrofert.64 Babiš denied that the subsidy had been misused and stated that the affair was intended to remove him from politics. He claimed that at the time of the subsidy Stork Nest was owned by his adult children and his brother-in-law.65

- The public was divided on the Stork Nest farm scandal. According to opinion polls by Median and STEM, about one-third of respondents viewed Babiš’s actions as fraud, slightly more than one-third viewed it as immoral but not fraud, and one-fourth viewed the whole affair as a political attempt to discredit him.66 Despite the scandal, Babiš remained the second most popular Czech politician after President Zeman, even though his popularity decreased temporarily. According to CVVM, after the scandal Babiš’s trust rating declined to 42 percent from 51 percent in January.67

- In June, the Public Prosecutor’s Office pressed charges against Agrotec, which is part of Agrofert, for manipulating tenders announced by the state-owned Czech Post. The charges apply to the time when Agrotec was managed by ANO deputy chairman Jaroslav Faltýnek.68

- A number of corruption-related decisions were handed down in cases committed under previous governments. In May, the Prague High Court confirmed the February decision of the Prague Municipal Court and sentenced Marek Dalík, former lobbyist and close associate of former prime
minister Mirek Topolánek (ODS), to four years in prison. The lobbyist was sentenced for demanding a bribe in 2007 in connection with a contract for armored vehicles for the Czech army. In September, the Prague District Court returned the case of former defense minister Vlasta Parkanová (also in the Topolánek’s government) to the Public Prosecutor’s Office for further investigation. Parkanová was charged in 2012 with alleged overpricing of a government contract to purchase new aircraft. According to the judge, there was insufficient evidence to proceed with the case.\(^6\) In October, the Prague High Court reversed a ruling against former ČSSD regional governor of the Central Bohemian Region, David Rath, who had been sentenced to eight and a half years in prison for bribe taking, corruption, and bid rigging. The case, which started in 2012 when police arrested Rath, will go back to the Regional Court.

- In summer 2016, the parliament passed two laws that will bring significant changes to political party financing beginning in 2017. The laws aim to increase transparency and fairness of political competition by, among other measures, limiting political parties’ campaign expenditures and donations, requiring them to keep transparent accounting, and establishing a special authority to supervise their financial activities.\(^70\)
- In September, the Chamber of Deputies passed amendments to the law on conflict of interest that will establish a new central registry for asset disclosures. The Senate then made slight modifications to the law, including postponing the date when the law comes into effect by several months. The amendments addressed a gap in existing legislation, which only required politicians to report assets acquired during their office, without comparing it to the previous situation or providing for effective sanctions. The new amendment also expanded and more clearly specified the circle of officials who are required to submit an asset disclosure.
- The most discussed provision of the law was the prohibition on public subsidies, investment incentives, and tenders to businesses where a member of government owns at least 25 percent. Both the opposition and governing parties voted for the bill, nicknamed “Lex Babiš,” except for ANO. The party claimed that the law was meant to remove their leader from politics. Some questioned the effectiveness of the legislation, arguing it is possible to formally register businesses as belonging to relatives, other closely related persons, or a special fund.\(^71\) President Zeman vetoed the law in mid-December, arguing it excessively infringed on “individual liberty and basic rights,”\(^72\) and the legislation was pending in parliament at year’s end.

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