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ONDREJ CISAR

Strategies for Using Information  
Technologies for Curbing  
Public-Sector Corruption:  
The Case of the Czech Republic

2002/2003

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# Strategies for Using Information Technologies for Curbing Public-Sector Corruption: The Case of the Czech Republic (CR)<sup>1</sup>

Final Research Report<sup>2</sup>  
Released in March 2003

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<sup>1</sup> I am grateful to Laszlo Bruszt (Central European University (CEU)), Vladimir Mlynar (Parliament of the CR and Government of the CR), Dorothee Bohle (CEU), Gergana Dimitrova (CEU), David Ondracka (Transparency International), Jerzy Celichowski (Open Society Institute (OSI)), and Daniel Smilov (OSI) for their valuable input to this report.

<sup>2</sup> The report is based on a detailed analysis of printed and on-line resources (governmental documents, internal memoranda, press releases, and official reports of governmental and non-governmental actors), a detailed study of selected newspaper information, personal and e-mail interviews and informal meetings with people active in the relevant policy fields (information policy and the fight against corruption). In order not to overburden the reader with countless references the report explicitly refers only to the most significant sources.

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## Executive Summary

Although numerous definitions of corruption might be found in the literature, depending on the focus of a particular study, there is convergence on a **basic definition** that understands corruption as the abuse of public power for private benefit. This definition is broad enough to encompass all types of corruption one encounters in reality. It also places the **public sector** at the center of the phenomena of corruption. This report uses this definition of corruption. Corruption flourishes where there is no check on the discretionary powers of bureaucrats and where politicians are not held accountable to the citizens. In other words, corruption typically occurs where there is an opportunity for an exchange of resources and services that can be kept covert. Corruption occurs in the context of systems that create **opportunities for corrupt behavior**. Therefore, when searching for the sources of corruption it is necessary to focus not on corrupt individuals, but on **corrupt systems**. Corruption brings substantial **economic, social and moral costs** to the society affected by it. **Essentially, the costs caused by corruption are the reason why corruption should be fought against.**

In order to achieve the ultimate goal of this research, namely to propose methods for curbing public-sector corruption with the help of information and communication technologies (ICTs), it is necessary to distinguish between different types of corruption. There are **various types of corruption** and not all of them can be successfully fought against with the help of ICTs. The **first group** of corrupt practices is formed by **petty bureaucratic corruption** (i.e. low-level administrative corruption). The **second group** of corrupt activities consists of the strategies aimed at **self-serving asset stripping** by state officials. The **third group** of corrupt activities is formed by **great political corruption**.

If an anticorruption strategy is to be viable, it must be designed as a **multi-pronged endeavor** that includes a set of complex measures in different spheres of society and state organization. More specifically, one needs to define all **dimensions of the anticorruption struggle** and the **role ICTs can play in it**. In order to fight corruption one needs to focus on **three distinctive aspects** – (1) corruption opportunities; (2) corruption incentives, i.e. salaries; and (3) the likelihood of detection and punishment of corrupt activities, i.e. policing. A successful anticorruption strategy should incorporate all the three dimensions. Thus, it has to (1) specify methods for **minimizing corruption opportunities** via increased transparency; (2) diminish corruption incentives through putting in place a **stable system of civil service**, including clearly defined career prospects and a system of remuneration, and (3) increase the **probability of detection of corrupt activities**, i.e. develop concrete control mechanisms. This report touches upon all the three aspects of the anticorruption effort. However, it primarily focuses on **minimizing corruption opportunities**, as it is **this dimension where ICTs hold the biggest potential for promoting the anticorruption effort**.

All types of **petty bureaucratic corruption** can be powerfully diminished through the **increased transparency** achieved by using modern electronic media. Generally, the employment of the Internet in the administrative proceedings in all fields of public administration brings more transparency; therefore, it minimizes the opportunities for public officials to monopolize access to relevant information and to extract bribes from their clients. **Petty corruption can be substantially curbed by the employment of ICTs.** Further, the employment of ICTs can also powerfully foster **the anticorruption struggle against self-serving asset stripping** by state officials. Last but not least, the employment of ICTs may also play an important role in **preventing some types of grand political corruption.**

Electronic media not only directly help curb public-sector corruption by increasing the transparency of the political and administrative systems, but can also facilitate the activities and cooperation of the actors focused on fighting corruption. As corruption flourishes when there is a **monopoly of power** (usually on the side of state bureaucrats), it is vital that actors other than the state officials get involved in the anticorruption campaign. Therefore, it is the activities of **nongovernmental organizations** (NGOs) and **media** independent of the state that are vital in keeping the engine of the anticorruption struggle going. In this respect, ICTs can enhance the involvement of diverse actors representing various social interests so as to (1) demonomopolize the anticorruption effort; and (2) to enable various actors to obtain information about the activities of other actors. This holds the potential of increasing the transparency of the whole system without concentrating the power of control in the hands of a single institutional actor such as the state. This strategy fully utilizes the potential of the ICTs. It aims at a **decentralized model of corruption control** and therefore, preempts the mismanagement of information technology by asymmetrically empowered actors such as the state or municipal bureaucrats.

Although the employment of ICTs should ultimately contribute to a more decentralized organization of public administration, their introduction needs an agency to coordinate the activities of all involved actors. Therefore, the recent establishment of the Czech **Ministry of Informatics** is the concrete response to this demand. However, **the employment of ICTs for curbing public-sector corruption has not yet found the way to the agenda of the new institution.** In view of the demonstrated opportunities for the use of electronic tools in the anticorruption fight, **this is regrettable.** The Ministry of Information should without delay start cooperation with the Ministry of Interior which is primarily responsible for the preparation and fulfillment of the governmental anticorruption strategy. Presently, in the CR the anticorruption strategy does not pay any attention to the employment of ICTs. **The coordinated effort of the two ministries should bring the issue to the political agenda and stimulate cooperation with other central offices of public administration and ministries** such as the Ministry of Justice. **The employment of ICTs must be incorporated into the governmental strategy for curbing corruption. Policy recommendations** for the employment of ICTs in the anticorruption campaign in the CR are specified as follows:

1. In cooperation with the Ministry of Informatics the **Ministry of Interior** should prepare a conception **for publicizing all administrative rules, procedures, and requirements on the Internet**. No area of public administration should be characterized by over-regulation and disorganization. Presently, the situation in some fields of public administration is highly opaque. **This diminishes the effectiveness of public administration and creates opportunities for corruption.**
2. In cooperation with the Ministry of Justice the **Ministry of Informatics** should prepare a pilot project for the **employment of a web application** that would provide information about the **development of court cases**, including all main events such as court hearings, appeal and referral of cases, results from a higher instance. This **information system should be introduced into a selected county court in the CR**. This would introduce a mechanism that could prevent unsubstantiated delays of court decisions. The record of every case would be publicly accessible through the Internet, including the record of names of the individuals responsible for concrete decisions.
3. In cooperation with the Ministry of Informatics the **Ministry of Interior** should prepare a **program of training** based on international experience and designed for **policemen and members of specialized anticorruption units** that operate in the CR. The training should be focused on the possibilities for using ICTs in the investigative and monitoring activities of the police and other investigative and law enforcement agencies.
4. In order to utilize the potential ICTs hold for making **public procurement** more transparent, the **Ministry of Informatics** in cooperation with the Office for the Protection of Economic Competition should work out a **methodology that would allow not only for publicizing bidding opportunities on the Internet, but also for organizing the tenders themselves electronically**. The present system provides information about public tenders; however, it is not possible to organize **full-fledged e-tenders**. If e-tendering were introduced it would enable wider range of interested bidders to take part in tenders and it could also challenge the presently entrenched firms which artificially increase prices of public contracts.
5. In order to achieve at least a minimal control over parliamentary lobbying the **Ministry of Interior** should prepare a legal norm on the obligatory registration of lobbyists. The list of the registered lobbyists should be made public through the Internet. The list should also contain the record of lobby activities of the recognized lobbyists.
6. The **Ministry of Interior** should prepare an amendment of the relevant legal norm that would make the publication of political parties' annual reports on the Internet a **compulsory requirement for obtaining public funding**. This measure should be accompanied by related measures in **the form of an auditing institution that would focus on controlling revenues and expenditures of political parties and legal limits put on possible types of private donors**.

The employment of ICTs can bring more transparency into public administration and politics. Also, increased transparency will have a tangible effect on corruption only if it is

accompanied by measures in two other dimensions of anticorruption struggle - **minimizing corruption incentives**, i.e. introducing a stable system of remuneration and career prospects for public servants and **improving policing**, i.e. increasing the probability that corrupt activities will be disclosed. **Strengthened control mechanisms and strict penalty provisions should become important components of any successful anticorruption strategy:**

1. In cooperation with the Police Directorate the **Ministry of Interior** should prepare a **method for police investigation** focused on cases of great political corruption. The goal of this recommendation is to increase the probability of disclosure of corrupt politicians at the central as well as municipal levels.
2. The **Ministry of Interior** should prepare a proposal that would ensure that those **ministerial departments and areas of public administration that are vulnerable to corrupt activities** (e.g. customs, departments that organize big public tenders, traffic police) are regularly exposed to **audits** of their internal procedures by monitoring and law enforcement agencies.

Last but not least, one of the most emphasized dimensions of the anticorruption struggle is the strengthening of **civil society participation**. **In order to facilitate the activities of the NGOs working on corruption in the CR:**

1. The recently reinvigorated **cooperation** between the organizations working on corruption **should continue**.
2. As the policy of openness and responsiveness to the relevant state offices **has not yet brought any tangible results** in terms of the substantially diminished levels of corruption in the CR, **all anticorruption NGOs should take a relatively tougher stance on corruption**. **Within the confines of the valid legal norms the corrupt politicians and bureaucrats should be directly confronted**.
3. Transparency International – a leading anticorruption NGO in the CR - should take a **more active stance** in the anticorruption campaign. Based on the experience of other national chapters of Transparency International (e.g. Bulgaria) it should employ the strategy of **direct monitoring of big governmental deals** (public tenders). In addition, the recent auctions of private sector's debts by the Czech Consolidation Agency provide an opportunity for the active involvement in the anticorruption struggle.



## I. Introduction

This research report summarizes the **findings of a research on corruption and the possible employment of information and communication technologies (ICTs) in curbing it**. The introductory parts of the report focus on the employment of ICTs against corruption in general; however, the core of the paper concentrates on corruption and ICTs **in the Czech Republic (CR)**. The main findings of the research are followed by **policy recommendations**; hence, the motivation and the goal of all recommendations are presented against the background of the **assessment of the present situation**. The presented recommendations are formulated in a way that makes them applicable also in other East European countries.

In order to better specify methods for the use of ICTs against corruption, the report first classifies corruption in Eastern Europe (section III). Subsequently, the report generally defines how ICTs can be employed in order to fight some types of corruption (section IV). Further, the report precisely specifies how to use ICTs against corruption in the CR (section VII). At the same time, the report indicates that ICTs cannot mitigate corruption automatically. ICTs can be powerfully employed against **some types of corrupt activities**. Essentially, the employment of ICTs increases the **transparency of the system** (e.g. the state) that employs them. However, the fight against corruption consists not only of the promotion of transparency that minimizes corruption opportunities. There are **two more dimensions of the anticorruption struggle** – diminishing corruption incentives and strengthening monitoring mechanisms. Although this report **primarily focuses on the employment of ICTs in the anticorruption struggle** (sections IV, V, VII, IX), it also touches upon other two dimensions and proposes recommendations for them (section VIII). This report seeks to contribute to the recent debate on corruption in Eastern Europe and in the CR. The ultimate goal of the report is to propose applicable recommendations for this policy area. While several reports on corruption are already available, there are hardly any papers and documents that offer **specific recommendations**. For example, there are recent reports on corruption in the CR and Eastern Europe by the EU Accession Monitoring Program – EUMAP.<sup>3</sup> Although they offer comprehensive overviews of the present situation and should be regarded as **good complements** to this report their recommendations are surprisingly general and underdeveloped.<sup>4</sup>

The next (second) section of the report defines corruption, specifies what are the costs and sources of corruption, and explains why corruption should be fought against. In order to better specify the possibilities for the employment of ICTs against corruption in the CR (and elsewhere in Eastern Europe) the third section offers a typology of

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<sup>3</sup> I refer to Reed 2002a; 2002b here. There are also other reports available on the EUMAP's website (see section X for the link).

<sup>4</sup> A glaring example is a recommendation that concerns public prosecutors. According to EUMAP, steps should "be made in order to free public prosecutors from unhealthy influence" (see Reed 2002b: 68). What steps should be made is not specified. The same applies to 'unhealthy influence'. The recommendation obviously does not say anything concrete, and so leaves one to wonder what is the significance of this proposal.

corruption in Eastern Europe. This section also distinguishes between three dimensions of the anticorruption struggle – minimizing corruption opportunities, minimizing corruption incentives and strengthening control mechanisms – and underscores that ICTs are well-suited to be used for the elimination of corruption opportunities. The report states that the employment of ICTs must be accompanied by policy measures in the two other dimensions – minimizing corruption incentives and strengthening control mechanisms. The fourth section explains how ICTs can be used against the categories of corruption defined in the previous section. The fifth section summarizes the recent situation in the field of information policy in the CR and points out that no attention is paid to the use of ICTs against corruption. The report argues for deeper cooperation between the recently established Ministry of Informatics and the Ministry of Interior which is primarily responsible for the Czech anticorruption struggle. The sixth section presents selected evidence on corruption in the CR and the seventh section describes the anticorruption campaign of the Czech state. This section concludes with specific policy recommendations for the employment of ICTs in the anticorruption struggle and specifies agencies responsible for the fulfillment of the recommendations. This section also contains specific recommendations for making party finance more transparent. The eighth section extends the focus of the report to methods for the elimination of corruption incentives and to strategies for the strengthening of control mechanisms. In this section the report primarily concentrates on the recent civil service reform in the CR and the recently debated strategies aimed at uncovering corruption. The section concludes with specific policy recommendations for this area. The ninth section extensively describes the activities of NGOs that fight corruption in the CR. This section devotes special attention to the employment of ICTs for promoting the goals of the anticorruption NGOs and concludes with specific policy recommendations for this area. The last section briefly describes the available sources on corruption and the employment of ICTs against it.

## II. What is Corruption and Why to Fight It?

**What is corruption?** The term *corruption* is used to describe a variety of activities. The students of corruption concentrate on various issues such as bribery, kickbacks, ethics violations, illegal asset accumulation, violations of procurement regulations, political nepotism, cronyism, campaign and party finance violations, money laundering, illegal transactions, freedom of information, public governance, financial accountability and many other issues (see, for example, World Bank 1998; 2000a: 103-109; Transparency International 2001). Although numerous definitions of corruption might be found in the literature, depending on the focus of a particular study, there is convergence on a basic definition that understands corruption as the abuse of public power for private benefit (World Bank 1997; McMoy and Heckel 2001). According to the World Bank (WB), **corruption** is “*the abuse of public office for private gain*. Public office is abused for private gain when an official accepts, solicits, or extorts a bribe. It is also abused when private agents actively offer bribes to circumvent public policies and processes for competitive advantage and profit. Public office can also be abused for personal benefit even if no bribery occurs, through patronage and nepotism, the theft of state assets, or the diversion of state revenues.” (World Bank 1997: 8-9) This definition is broad enough to encompass all types of corruption one encounters in reality. It also places the public sector at the center of the phenomena of corruption. This report uses this definition of corruption.

**What basic types of corruption do we distinguish?** According to Rose-Ackerman corruption occurs when private agents try to obtain favorable treatment from public officials with the help of illicit payment: “(p)ayments are corrupt if they are illegally made to public agents with the goal of obtaining a benefit or avoiding a cost.” (Rose-Ackerman 1999: 9) If corruption becomes widespread, it “is a symptom that something has gone wrong in the management of the state. Institutions designed to govern the interrelationship between the citizen and the state are used instead for personal enrichment and the provision of benefits to the corrupt.” (ibid.) Hence, corruption undermines the effectiveness of public administration and substantially decreases the quality of public governance. If corruption affects the structure of state bureaucracy it wipes out impartial officials and replaces stable and predictable rules applicable to all citizens with a system that provides benefits on the basis of the ‘purchasing power’ of individual clients. This type of corruption takes place at the office level and is called **petty “bureaucratic corruption”**.

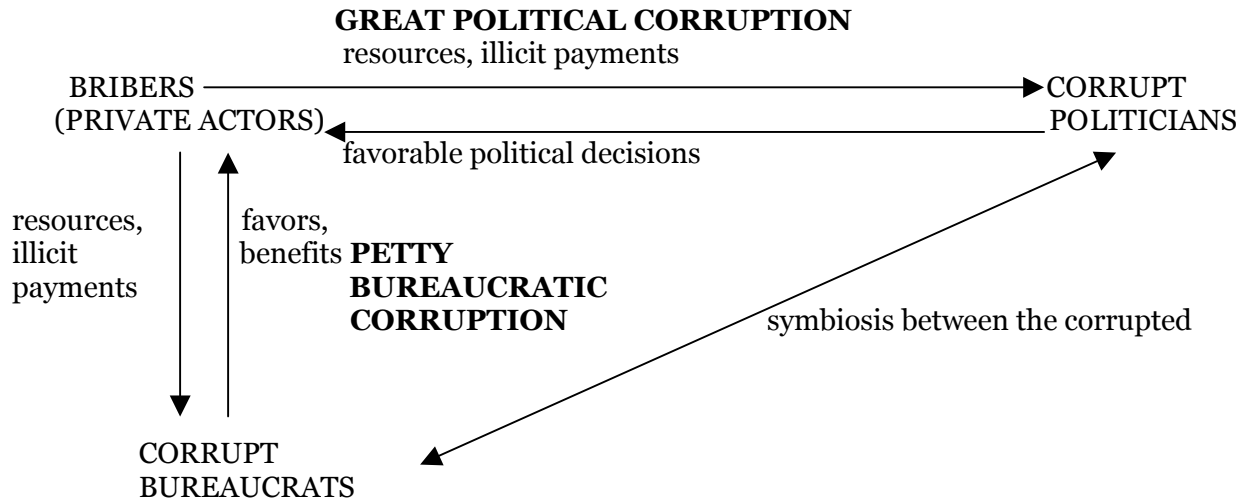
Petty bureaucratic corruption is often related to **grand “political corruption”** that affects politicians in the highest echelons of power. In other words, symbiosis is often established between corrupt bureaucrats and corrupt politicians. According to Donatella della Porta and Alberto Vannucci, the public official is “a necessary ally for the corrupt politician because his help is often necessary for the *implementation* of the political decisions that have been paid through bribes” (della Porta and Vannucci 1999: 138). Although it is analytically useful to keep the distinction between the two forms of corruption, one also needs to keep in mind what both of them have in common. Both

types of corruption bring substantial **economic, social and moral costs** to the society affected by it.

**What are the costs of corruption?** Bribery increases the prices of public works and services, makes the selection of contractors inefficient and wastes those resources that are used in covering illicit activities and obtaining political rents on the basis of manipulated political decisions and protection (della Porta and Vannucci 1999: 10). In addition to these immediate economic costs corruption brings negative long-term consequences mainly in the form of ineffective public administration and the general mistrust of the citizenry in political institutions of a corrupted state. In the words of Donatella della Porta and Alberto Vannucci, “the spread of corruption within the public service introduces elements of inefficiency, where the primary purpose of an operation becomes generation of payoffs. ... the confidence of those in an organization not directly involved in corruption is undermined, leading to generalized inefficiency. At the level of the political system as a whole, the spread of corruption erodes the support and trust of citizens in democracy, in public institutions in general, and in the political class in particular.” (ibid.) Hence, corruption does not only hamper the functioning of public administration, but is able to substantially disrupt the democratic institutions of a corrupted state and progressively diminish public support for and trust in political institutions. Last but not least, corrupt members of the political class provide ample opportunities for the networks of *organized crime* to enter into the political system of a state affected by widespread corruption. **Essentially, the costs caused by corruption are the reason why corruption should be fought against.**

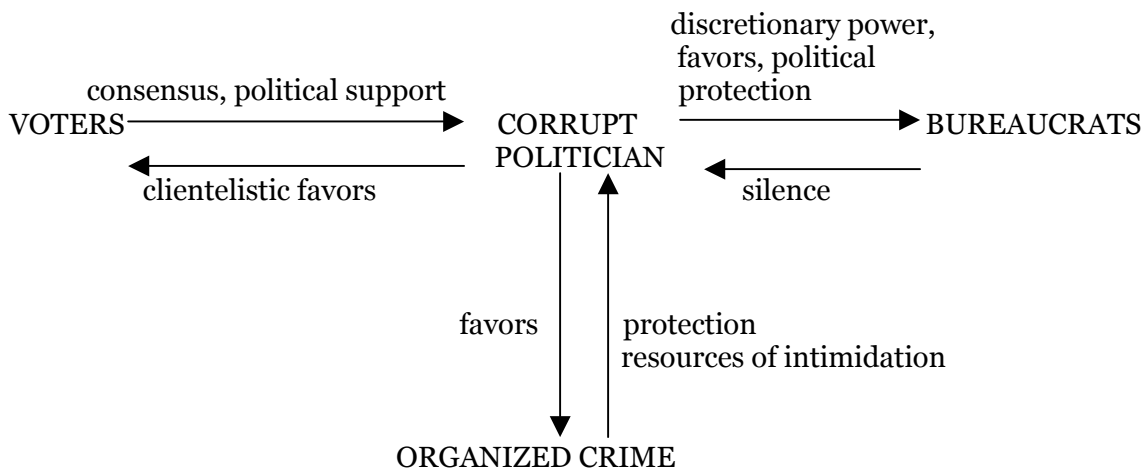
**Who are the main actors in corrupt exchanges?** As the above-specified definition of corruption suggests the main actors of corrupt exchanges are typically corrupt bureaucrats and corrupt politicians, as well as private actors who illegally strive to get some benefit from the former two (see also della Porta and Meny 1997). These relationships can be depicted in a figure. Figure 1 shows corrupt exchanges between bribers, corrupt politicians and corrupt bureaucrats. Figure also shows main linkages among these actors and schematically summarizes the dimensions of corruption discussed in the previous paragraphs of the report. While horizontal arrows represent relationships that constitute great political corruption (the exchange of money for favorable political decisions between private actors and politicians), vertical arrows show relationships that constitute petty bureaucratic corruption between private actors and bureaucrats. The two-way arrow between bureaucrats and politicians illustrates symbiosis between petty and grand corruption.

Figure 1: The Main Actors in Corrupt Exchanges and Relationships among Them



In addition to these ‘typical’ actors, corrupt exchanges often involve criminal networks and sometimes also the wider population that provides political support to corrupt politicians and gets clientelistic favors in return. Della Porta and Vannucci (1999: 23) depict the relationships among these actors of corrupt exchanges with the help of a simple figure (see Figure 2). The figure shows the main linkages that are established among actors in a **highly corrupted polity**, where the political elite pays for popular support by favors and where organized crime has obtained access to the political system.

Figure 2: Role of Organized Crime in Illegal Exchanges Involving Corrupt Politicians



Source: adopted from Della Porta and Vannucci 1999: 23.

**What are the sources of corruption?** Corruption flourishes where there is no check on the discretionary powers of bureaucrats and where politicians are not held accountable to the citizens. In other words, corruption typically occurs where there is an opportunity for an exchange of resources and services that can be kept covert.

Corruption occurs in the context of systems of rules that create opportunities for corrupt behavior. Therefore, when searching for the sources of corruption it is necessary to focus not on corrupt individuals, but on **corrupt systems**. In the words of Klitgaard *et al.*, “instead of thinking about corruption in terms of an individual breaking the law and violating a trust (which are true), one thinks about systems that are more and less susceptible to various illicit activities” (2000: 26). **Corruption does not prosper in systems** (be they public offices, private firms, state institutions, non-governmental organizations, the offices of local administration) that are characterized by open democratic culture, open competition, transparent and predictable rules that limit the use of arbitrary power, developed system of control and easy access to information. According to Klitgaard *et al.*, “(c)orruption loves multiple and complex regulations with ample and uncheckable official discretion.” (ibid.) Hence, one can schematically represent corruption (C) as the function of monopoly power (M) plus unchecked discretion (D) minus accountability (A):  $C = M + D - A$  (ibid.: 26-27).

Therefore, instead of generating moralizing exhortations against corrupt bureaucrats and politicians one “should cold-bloodedly look for ways to reduce monopoly power, limit and clarify discretion, and increase transparency” (ibid.: 27). There is no point in morally denouncing corruption anymore. By now the consensus about the negative consequences of corruption has been established.<sup>5</sup> Hence, in order to curb corruption one needs (1) to focus on it in a **systematic way** and (2) to **diminish corruption opportunities** by increasing the overall transparency of a system, i.e. by proposing such **institutional solutions** that would keep major political actors under control.

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<sup>5</sup> For descriptions of the process of institutionalization of the anticorruption norm, see Galtung 2000; Wang and Rosenau 2001; McCoy and Heckel 2001.

### III. Typology of Post-Communist Corruption and Dimensions of the Anticorruption Struggle

Before specifying anticorruption strategies in more detail the following paragraphs focus on defining the **forms of corruption in post-communist Eastern Europe** (see Table 1). Table 1 offers a typology that consists of three groups of corrupt activities. The first group of corrupt practices is formed by **petty bureaucratic corruption** (low-level administrative corruption). Bribery of public officials to bend rules and to get some benefit or favor (e.g. to escape punishment) belongs to that category (Table 1: I.A.). Bribery can be either initiated by the citizens or solicited by the bureaucrats who can even do it in an organized way. Corruption opportunities are further created by the deliberate over-regulation (I.B.) that makes the citizens to search for “shorter ways” to get their things done by offering a bribe. For example, in the CR this problem concerns the registration of firms by commercial courts (see Reed 2002a: 169-170). Another way how to solicit illicit payments especially from small entrepreneurs is via abusing inspection powers (I.C.). This is a particularly powerful strategy in the cases when the exact rules of doing business are not clearly stated and publicized, i.e. when I.B. is combined with I.C. (the structure of the paragraph draws on Karklins 2002: 24-25).

*Table 1: Typology of Post-Communist Corruption*

I.	Low-level Administrative Corruption
I.A.	Bribery of public officials to bend rules
I.B.	Deliberate over-regulation, obfuscation, disorganization
I.C.	Using licensing and inspection powers for extortion
II.	Self-serving Asset Stripping by Officials
II.A.	Diverting public resources for civil servant spoils
II.B.	Mismanagement and profiteering from public resources
II.C.	Profiteering from privatization
II.D.	Malpractice in public procurement
II.E.	Nepotism, clientelism, and “selling” of jobs
III.	“State Capture” by Corrupt Networks
III.A.	<i>De facto</i> takeover of public institutions for private business or criminal activity
III.B.	Forming collusive networks to limit political competition
III.C.	Undermining free elections through slush funds, hidden advertising etc.
III.D.	Misuse of legislative power
III.E.	Corruption of the judicial process
III.F.	Misuse of auditing
III.G.	Using <i>kompromat</i> for political blackmail and coercion
III.H.	Corruption of and in the media

Source: adopted from Karklins 2002: 24.

Corrupt practices in the second group of the typology (see Table 1) belong to both the above-defined categories (petty and grand corruption). Resources can be diverted (II.A.)

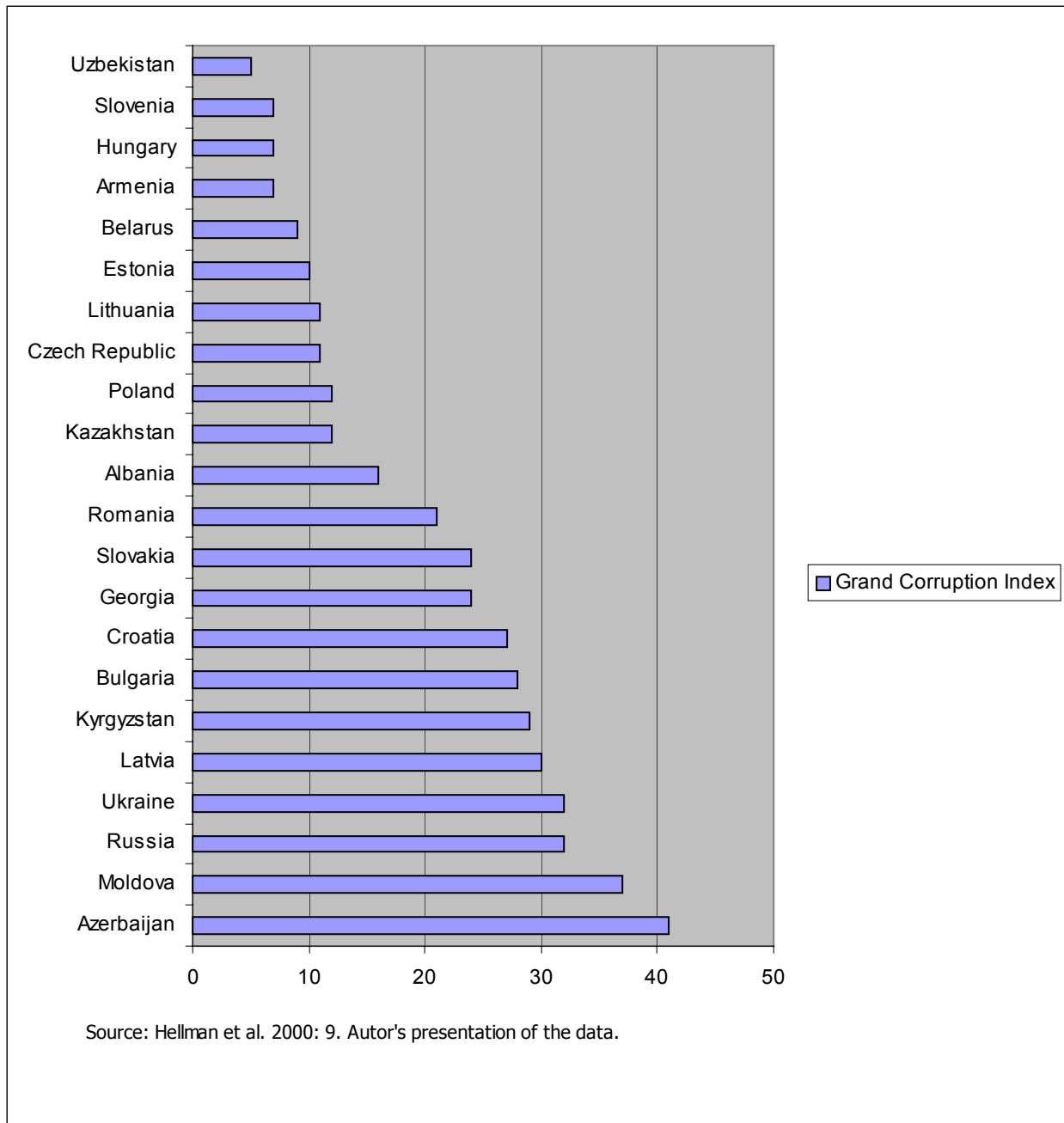
into “shadow” hidden budgets and “often the salaries of state officials and civil servants are supplemented with hidden second salaries and bonuses” (Karklins 2002: 25). Even more importantly, this type of corruption may lay the foundations of the above-mentioned symbiosis between corrupt politicians and corrupt officials (see Figure 1): “(b)onuses and special salaries are paid at the discretion of supervisors, which gives them extensive leverage. While this use of discretionary power is problematic in itself, it is major tool to enforce **compliance** and even **collusion**.” (Karklins 2002: 26; emphasis added) Such collusion often leads to the misuse and embezzlement of the public property (II.B.). While this type of corruption is common for all countries around the world, specifically in the context of Eastern Europe profiteering from privatization turned out to be one of the most serious (II.C.). Nontransparent deals related to the privatization process characterized the post-communist development in Eastern Europe and there are many privatization scandals directly related to powerful politicians and political parties. For example, financial scandals related to illegal “privatization money” brought in 1997 to the end the coalition government in the CR (see Box 3). Corrupt activities of public officials and politicians did not stop once the biggest companies were privatized. As many companies were not privatized successfully, at the end of the day they had to be bailed out by the state. As a result, huge debts were concentrated in the hands of the state, thus providing the **additional opportunity for nontransparent dealings** with them. In the CR a single state institution – the Czech Consolidation Agency (CCA) - presently holds this type of debts. By the beginning of 2002, the CCA gathered debts for around 400 billion Czech crowns (CZK) - approximately 11 billion USD at that time - and it was expected that it would overtake additional 200 billion CZK (Spurny 2002a). The CCA presently sells the debts for fragments of their original prices, and thus makes it possible for all those responsible for the mismanaged privatizations to regain control in “their” firms (Spurny 2002b). Needless to say, this system does not only create opportunities for corruption, but it directly invites it.<sup>6</sup> The same applies for public procurement (II.D.). It is safe to say that public procurement in the CR is manipulated and mismanaged not only at the level of central state offices, but also at the level of municipalities and regions. For example, between 2000 and 2002 the Czech government acquired an “absolute exemption” from the provisions of the Law on Public Contracts that regulates public procurement. The exemption allowed the government to avoid organizing public tenders (for more, see subsection VII.1). An outrageous case of widespread corruption that almost resulted into the murder of an investigative journalist was discovered at the Ministry of Foreign Affairs in 2002 (see, for example, Spurny and Kundra 2002). Further, public tenders organized at the municipal level are often affected by conflict of interest. For example, in Prague a coalition of NGOs was established in order to fight cases of corrupt public tenders (for more, see subsection IX.3). Last but not least, this group of corrupt activities contains nepotism, clientelism and “selling of positions” that take place at all levels of public administration and in all state and municipal institutions (II.E.).

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<sup>6</sup> In addition, according to some accounts, the system provides opportunity for money laundering (see Pokorny 2003).



Figure 3: Composite Index of State Capture



The third group of corrupt activities is formed by **great political corruption** (see Table 1). In line with the WB's definition of corruption Table 1 uses the term "state capture" instead of "political corruption"; however, both terms describe the same phenomenon – high-level systemic corruption. The WB distinguishes **state capture** from **administrative corruption**, which is the distinction that corresponds with the differentiation between petty bureaucratic and great political corruption. According to the WB, state capture (i.e. great political corruption) "refers to the actions of individuals,

groups, or firms in both the public and private sectors *to influence the formation* of laws, regulations, decrees, and other government policies (i.e., the basic rules of the game) to their own advantage by means of the illicit and non-transparent provision private benefits to public officials” (World Bank 2000b: 1). The WB further defines state capture according to its primary locus (it can occur in the legislature, the executive, the judiciary, or state regulatory agencies), the type of the actor that captures (it can be private firms, political leaders, or narrow interest groups) and the nature of illicit benefit provided to state officials (direct bribes, illicit equity stakes, informal control rights). However, all forms of great political corruption are aimed at “extracting rents from the state for a narrow range of individuals, firms, or sectors through distorting the basic legal and regulatory framework, with potentially enormous losses for the society at large” (ibid.: 2). Figure 3 shows the composite index of state capture for twenty two East European countries.

Rasma Karklins breaks political corruption down into eight distinctive categories (see Table 1). The *de facto* takeover of public institutions is an extreme case of state capture (III.A.). In this case criminal networks penetrate state institutions and *de facto* privatize the state in order to make it to serve their particularistic interests. Another type of corrupt activities is collusive networks formation. Collusive networks (III.B.) are usually formed between post-communist *nomenklatura* and the new managerial class for self-serving purposes (Karklins 2002: 28). A further type of corruption is illicit campaign finance (III.C.). In this case a powerful group seeks to acquire political power by secretly supporting certain political forces in the election campaign. However, the efforts of powerful interests to influence policy-making do not stop after the elections. Indeed, the safest way to shape legislation is via the direct “purchasing” of desired laws (II.D.). For example, there is no regulation of parliamentary lobbying in the CR. As a result, “(a)ccording to experienced MPs, the effect of uncontrolled lobbying on legislative process has become more serious over time. Recent cases in which lobbying behind the scenes is regarded as the main influence on Parliament’s decision on important laws include the passages of legislation to abolish duty-free shops in 2001, the passage of a Lotteries Act in 1998 and of Hunting Act in 2001.” (Reed 2002a: 166) Corrupt activities may also flourish in the judicial system (III.E.). This type of corruption takes many different forms. For example, in the CR there are *clans* around some county courts that are formed by some local judges, state prosecutors, attorneys, police bosses and other members of local elites. In line with the operational logic of a clan these networks manipulate only those cases which involve huge amounts of money and/or affect someone from the network. Hence, their activities cannot be easily discovered. According to some estimates, the total proportion of the manipulated court cases amounts to 18 per cent of all court decisions in a particular locality (Sazavsky 2002). Related to judicial corruption is the misuse of auditing, investigative, and control powers (III.F.). As this type of corruption tends to affect the monitoring agencies that are supposed to fight it, it is especially dangerous. In the worst cases the monitoring agencies are misused for the generation of *kompromata* against the political rivals of corrupt politicians (III.G.). Frequently, cooperation of corrupt journalists is needed in order to achieve that goal (III.H.).

In order to achieve the ultimate goal of this research, namely to propose methods for curbing public-sector corruption with the help of ICTs, it was necessary to distinguish between different types of corruption. There are **various types of corruption** and not all of them can be successfully fought against with the help of ICTs. By and large, ICTs help in increasing the transparency of the system (see the next section). However, their use must be accompanied by **other policy measures** in order to make an anticorruption strategy of a particular state effective and successful.

If an anticorruption strategy is to be viable, it must be designed as a **multi-pronged endeavor** that includes a set of complex measures in different spheres of society and state organization. Thus, the employment of ICTs in public administration will not bring any tangible results in the anticorruption effort unless it is accompanied by other measures aimed at fighting corruption in the public sector. For example, even if there is a considerable effort to computerize public administration processes in order to make them more transparent and citizen-friendly, this effort will encounter a major resistance from the side of civil servants if they are underpaid, lacking career prospects and unable or unwilling to acquire necessary skills. After all, why should they cooperate if their only advantage - unchecked discretion - is going to be minimized by enabling the interested publics and auditing institutions to monitor their behavior? Probably, in order to make them more cooperative a **stable system of civil service** must be put in place together with requirements for civil servants' integrity and **tough control mechanisms**, including clearly defined penalty provisions.

More specifically, one needs to define all **dimensions of the anticorruption struggle** and the role ICTs can play in it. In order to fight corruption one needs to focus on three distinctive aspects – (1) corruption opportunities; (2) corruption incentives, i.e. salaries; and (3) the likelihood of detection and punishment of corrupt activities, i.e. policing (Quah 2001: 30). A successful anticorruption strategy should incorporate all the three dimensions. Thus, it has to (1) specify methods for **minimizing corruption opportunities** via increased transparency; (2) diminish corruption incentives through putting in place a **stable system of civil service**, including clearly defined career prospects and a system of remuneration, and (3) increase the **probability of detection of corrupt activities**, i.e. develop concrete control mechanisms. This report touches upon all the three aspects of the anticorruption effort (on the civil service reform and the control mechanisms, see section VIII). However, it primarily focuses on **minimizing corruption opportunities**, as it is this dimension where ICTs hold the biggest potential for promoting the anticorruption effort (see the next section).

#### IV. Can Information Technologies Curb Corruption?

The recent boom of ICTs brought about an extensive debate on the potential new technologies hold for restructuring public governance and for eventually reforming the institutions of representative democracy (see Hacker and van Dijk 2000; Bennett and Entman 2001; DiMaggio *et al.* 2001). While there are some **e-enthusiasts** who believe in the almost unlimited potential of new technologies for making public administration more effective and for reinvigorating political participation of the citizens through the electronic means, the more balanced accounts point out difficulties and problems alongside the heralded promises (Crabtree 2002; Steyaert 2002; Walch 2002; Matsuura 2003). Moreover, according to some pessimist arguments, the boom of ICTs may not bring any democratic improvements, i.e. *e-democracy*; instead it can lead to a new version of dictatorship – **e-tatorship** (Thompson 2002).

It is clear that ICTs alone will not bring any major impact on the existing institutions and procedures. Non-democratic systems continue to be undemocratic even after the elements of **e-government** are introduced into them. According to Thompson, the belief, “that e-government and e-Democracy are in some way coextensive is one that should be rejected. There is no limitation on the use of computers and the Internet to mature democracies, and no reason to assume that the technology is inherently democratic...” (ibid.) Moreover, electronic media can create additional opportunities for strengthening the position of undemocratic rulers if they manage to monopolize control over their deployment. In such cases, as there is no democracy, it does not make sense to be focusing on how to make it electronic; rather, it is necessary to look at “the ways we democratise the ‘e’” (ibid.). Therefore, in order to bring the potential of ICTs for democracy to its full realization, one needs to understand them in the context of broader political and behavioral changes. ICTs do not automatically lead to democracy. **E-democracy** “is not about applications; it’s not about the tools. It’s about the changes in the system, technology, and people – the whole lot. Consequently, it’s not technology alone that’s going to make Internet-permeated society an e-democracy.” (Steyaert 2002) Nobody disputes the potential ICTs hold for making democracy more transparent and open to the citizens; nobody disputes that there is a genuine opportunity to use ICTs for fostering political participation of the population. However, this cannot happen automatically. In order to take advantage of ICTs for further democratization, it is necessary to conceive them in the broader context of the existing political and social institutions.

In a similar vein, although ICTs hold potential for curbing corruption, they cannot automatically turn corrupt systems into transparent ones. If a corrupt government introduces ICTs, it can in the best case become a **corrupt e-government**, but hardly a transparent and effective government. There are different opinions concerning the potential of ICTs for curbing public-sector corruption. As ICTs generated a revolution in thinking about the future of the **governance** of public matters, the use of them has lately come to be perceived as a simple recipe that, if successfully applied, would help us to put a stop to all corrupt exchanges. The unpredictably rapid development of the Internet and other technological devices is expected not only to reorganize **public**

**administration**, but also to make both the public-sector officials and the executives more **accountable** to the citizens. From this vantage point, the **soft power of electronic media** should make the notoriously self-interested bureaucrats to finally pursue the public interest proper. Such ideas sometimes result in the so-called 'Panoptic vision'. This vision implies that due to the management control made possible by the development of ICTs the ultimate victory over public-sector corruption is a matter of several forthcoming years. However, although the new technological applications have a genuine transformative potential in the field of curbing corruption, their use must be **precisely specified and accompanied by additional institutional measures** if it is to result in a tangible inhibition of corrupt activities (Heeks 1998; 1999).

To begin with, all types of **petty bureaucratic corruption** (see Table 1) can be powerfully diminished through the **increased transparency** achieved by using modern electronic media. If all administrative rules, procedures and requirements were **publicized on the Internet** there would be no room for over-regulation and disorganization (see Table 1: I.B.). In a similar vein, if individual administrative decisions were published on the Internet together with the names of responsible bureaucrats it would become difficult to issue a corrupt decision, since it might raise doubts in the informed public (Table 1: I.A. and I.C.). For example, it would be easy to manipulate the waiting list of the applicants for public flats if the list were kept by a single official in her drawer. It would become nearly impossible if the list were kept on the Internet and every applicant could check her position at every moment. The same concerns court decisions. It would be relatively easy for a judge or a court administrator to slow down the proceeding of a case if there were no clear requirement to give account to the parties in the case. As soon as the histories of the cases of a particular court are accessible through the Internet this type of manipulation is made impossible. As a result, an opportunity for corruption in the judicial process is substantially diminished (Table 1: III. E.).

Generally, the employment of the Internet in the administrative proceedings in all fields of public administration brings more transparency; therefore, it minimizes the opportunities for public officials to monopolize access to relevant information and to extract bribes from their clients. **Petty corruption can be substantially curbed by the employment of ITCs.** For instance, the OPEN System developed for the city administration of Seoul (see Box 1) offers an example of the successful use of ICTs in the anticorruption struggle. Due to the OPEN System the status of every application submitted to the city administration of Seoul can be checked via the Internet. In this respect, citizens can acquire real time information on their applications and can find out who is currently reviewing them, their status, estimated date of approval, or reasons for which applications were returned. However, as the case of the anticorruption strategy used in Seoul also well illustrates, the application of ICTs is not a universal panacea for the problem of corruption. The OPEN system was introduced as one of the elements of a **complex anticorruption strategy** based on preventive and punitive measures, transparency of administration and public private partnership introduced prior to computerization (Transparency International 2003a: 25).

### **Box 1: An Example of a Successful Application – The OPEN System**

“The Online Procedures ENhancement for Civil Applications (OPEN) System refers to a system that discloses the administrative procedures, that are susceptible to improprieties, and allows the citizens to monitor the status of their applications on the Internet. For example, a citizen who applies for a construction permit no longer needs to meet or call the official assigned to the case but can check each step of the procedure and the outcome with real time information at home or at work on the computer. Those who are not familiar with computers or have limited access to the Internet can look up the information at the local ... ward office with the assistance of office personnel. Until now, other similar systems ... only provided final decisions through the Internet. The OPEN System, however, is a dynamic system that makes available real time information on the status of an application, tracking its progress until its finalization. The approval dates and contents of the investigation by the chief clerk, the section chief, and the director as well as the schedule timetable, and detailed descriptions for returned documents or incomplete documents are made available to the applicant as the decisions occur.”

An excerpt from a detailed description of the OPEN system. Available at <http://english.metro.seoul.kr/government/policies/anti/civilapplications/>

The employment of ICTs can also powerfully foster **the anticorruption struggle against the corrupt practices included in the second group of the typology of post-communist corruption** (see Table 1: II.). A computerized system makes it possible to develop more accessible tools for controlling the ‘shadow’ budgets established for diverting public resources for personal benefits (II.A.). Naturally, left on its own, computerization does not solve anything. Moreover, it can only provide an additional opportunity to qualified computer operators to gather funds for themselves. For example, in a public work department a computerized payroll system was introduced with the intention to remove all “ghost workers” from the system. However, 18 months after the introduction of the system an audit was done and it uncovered a computer operator who was collecting not only his own wage, but also wages of thirty nonexistent workers added by him to the system (the case study adopted from Heeks 1999).

**Although ICTs cannot automatically bring transparency to a mismanaged system, they can facilitate it.** It is far easier to control a computerized payroll system than to be checking piles of papers. Hence, although ICTs themselves cannot put a stop to the misuse of public resources, they make it possible to disclose it better, if their employment is accompanied by the strengthened control mechanisms, i.e. if the probability of disclosure is increased (Table 1: II.A.). The same concerns mismanagement and profiteering from public resources (Table 1: II.B.) and profiteering from privatization (Table 1: II.C.). ICTs make it more probable for monitoring agencies and the police to discover cases that belong to this category. Moreover, ICTs can also be a major obstacle for the cultivation of **corrupt ties in the political system**. If political parties were obliged to submit their annual financial reports to an independent auditor and to publicize them on the parliamentary website, it would bring a powerful systemic tool that could prevent political corruption (Table 1: III.B.; C.; D.; for more, see below; Box 3; and subsection VI.2).

The importance of ICTs for the **transparency of public procurement** (Table 1: II.D.) has already been widely demonstrated. The Internet is typically used for providing comprehensive information about bidding opportunities at a single website that can be accessed by potential bidders and citizens (Transparency International 2003a: 27-29). Although the direct evidence is missing, it is believed that the employment of the Internet will make public procurement schemes more transparent and accessible to a wider range of bidders, thus leading to a decrease in prices of public contracts. For example, in the case of Chile, savings between 7 and 20 per cent were reported after the introduction of elements of e-procurement (ibid.: 28). However, the employment of ICTs cannot automatically improve mismanaged procurement - the example of the CR demonstrates that providing comprehensive information on the Internet is not a magic solution. Although since 2000 all calls for public tenders must be publicized on a central website, public procurement in the CR displays signs of manipulation and corruption (for more, see subsection VII.1). The same applies to nepotism, clientelism and “selling” of jobs (Table 1: II.E.). Although publicizing vacant places on the Internet seemingly improves the situation, it does not in itself prevent nontransparent deals that are usually made prior to the job opening.

The employment of ICTs may also play an important role in **preventing some types of grand political corruption**. There is probably no possibility for using ICTs against corruption if the state is completely captured by criminal networks (Table 1: III.A.; B.). However, ICTs can definitely help minimize corruption opportunities in the cases of **illicit party finance, legislative and judicial corruption** (Table 1: III.C.; D.; E.). *First, political parties* should be obliged to subject their annual financial reports to an independent auditor institution and the reports together with the reports of auditors should be made accessible on the website of the Parliament (for more, see subsection VII.3). For example, in the CR political parties submit the reports in one hard copy that is accessible in the library of the Chamber of Deputies. This does not ensure that the wide public can keep its eye on party finance in the CR. If the reports were made publicly accessible through the Internet the situation would be much better. This measure would also serve as an additional disciplining mechanism for party bosses to submit as detailed and true reports as possible.

*Second*, as noted above, there is no regulation of **parliamentary lobbying** in the CR, which means that lobbying activities cannot be controlled. In order to make the situation more transparent the obligatory registration of lobbyists should be required and the list of the recognized lobbyists should be made public through the Internet. This list should also contain the record of the lobby activities of the recognized lobbyists (see also subsection VII.2).

*Third*, ICTs can improve the situation in the **judiciary**. If the record of court cases were publicized through the Internet every citizen could check each step of the procedure and the final decision at home or at work on the computer. Most importantly, if the computerized system were introduced it would become impossible to obstruct court procedures. Obstructions often excessively delay the final decision. Further, specifically in the CR, the employment of ICTs can help solve the problem of corrupt registration of

firms by commercial courts. Presently, as it is not absolutely clear what the exact requirements for firm's registration are, the courts often turn the applications down and the whole procedure becomes too long. In addition, this system creates corruption opportunities for middlemen – some attorneys and attorney offices – who obtain the registrations in return for the extra payments from the applicants. If the exact requirements for each commercial court were published on the Internet the probability of rejection would be substantially decreased and the opportunity to extract bribes from the applicants would no longer exist. Indeed, it is a project currently carried out by the Czech chapter of Transparency International (see also subsection IX.2).

All available documents focused on curbing public-sector corruption stress that in order to carry out a successful anticorruption strategy, credible political leadership must be ensured (see, for example, Langseth *et al.* 2000: 63; Quah 2001: 34; World Bank 2000b). According to this standard story, credible leadership is a necessary precondition for the anticorruption effort. If the elected politicians do not comply with the high standards of personal integrity, any anticorruption effort will lose its credibility in the eyes of the public. Therefore, it is necessary that the government does not misuse its unique standing of chief executive and that the country's political parties are funded in a transparent way, thus preventing political corruption from flourishing.

However, these recommendations do not focus at the problem of corruption in a systemic way. They subscribe to a perspective that conceives of corruption in terms of an individual breaking the law instead of looking at the possibilities for making **corrupt systems** more transparent. Hence, instead of searching for **innovative institutional solutions**, they point out individual moral qualities as a necessary condition for a successful anticorruption struggle.<sup>7</sup> However, as already noted above, it is necessary to focus on the institutional possibilities that could **change the organization of the system in a way that would make even corrupt politicians to follow public interest**. Indeed, as specified above in this section, there are ways how to use ICTs in order to make the executive, the legislature as well as the judiciary more transparent and accountable to the public.

Electronic media not only directly help curb public-sector corruption by increasing the transparency of the political and administrative systems, but can also facilitate the activities and cooperation of the actors focused on fighting corruption (see also section IX). As corruption flourishes when there is a **monopoly of power** (usually on the side of state bureaucrats), it is vital that actors other than the state officials get involved in the anticorruption campaign. As noted above, even the most extensive computerization cannot turn a corrupt system under the control of a powerful clique into a transparent one. In this case, electronic tools make the entrenched powerholders even more powerful, as they acquire additional means of power and influence.

Therefore, it is the activities of **nongovernmental organizations** (NGOs) and **media** independent of the state that are vital in keeping the engine of the anticorruption struggle going. In this respect, ICTs can enhance the involvement of diverse actors

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<sup>7</sup> For this point I am especially grateful to Laszlo Bruszt.



representing various social interests so as to (1) de-monopolize the anticorruption effort; and (2) to enable various actors to obtain information about the activities of other actors. This holds the potential of increasing the transparency of the whole system without concentrating the power of control in the hands of a single institutional actor such as the state. This strategy fully utilizes the potential of the ICTs. It aims at a decentralized model of corruption control and therefore, preempts the mismanagement of information technology by asymmetrically empowered actors such as the state or municipal bureaucrats. For example, in the CR as part of the struggle against the conflict of interest of the deputies of municipal assemblies the Prague based NGO Regeneration publicized on the Internet the list of deputies of the central Prague assembly and of their involvement in private firms that take part in local public tenders (for more, see section IX).

## V. Information Society Building in the CR

As demonstrated in the previous section, ICTs hold potential for curbing corruption. Also, as noted above, the introduction of ICTs into public administration has recently come to be debated under the headings 'information society building' and 'e-government building'. The problematic of e-government became an issue also in the CR. There is a perceived need to utilize the potential of ICTs for making the administrative processes more effective and transparent. However, it was not primarily the problem of corruption that made the government to consider the use of ICTs. Rather, the perception that ICTs in public administration were employed spontaneously, uncoordinatedly and ineffectively in the beginning of the 1990s and the international trends drove the coordination of activities in this area.

The beginning of the coordination of the **state information policy** dates back to 1998. In this year the Governmental Council for State Information Policy was established as an interdepartmental body for the coordination of the activities in the area of information policy. In 1999 the government adopted a basic political document, the State Information Policy, which was in 2000 followed by the Action Plan for the Completion of the State Information Policy. The stated priorities of the state information policy are (1) information and digital literacy; (2) IT-based democracy; (3) development of public administration information systems; (4) communications infrastructure; (5) trustworthiness and security of information systems and personal data protection; (6) e-commerce; (7) transparent economic environment and (8) information society: stable and safe (Statni informacni politika 1999).

In the 2001 state budget 865 million Czech Crowns (CZK) were devoted to the projects specified in the Action Plan. In 2002 the CR joined the eEurope+ initiative which is a version of the well known EU eEurope initiative modified for the candidate countries. The aim of the initiative is to ensure greater competitiveness of the candidate countries through the use of ICTs. In October 2000 the Office for Public Information Systems (OPIS) was established. The OPIS was an office of the central public administration and was responsible for the development and integration of public administration information systems. Since the beginning of 2003 the responsibilities of the OPIS have been overtaken by the newly established **Ministry of Informatics** (see Ministry of Informatics 2003). In addition to these developments, new legal norms that were meant to facilitate the progress of information society and e-government in the CR were gradually adopted, the most important among those the Law on Public Information Systems and the Law on Electronic Signature. Therefore, the European Commission, in its *2001 Regular Report on the Czech Republic's Progress towards Accession*, stated that "(g)ood progress has been made in the area of the information society" (European Commission 2001: 48).

On the other hand, despite the adoption of the Law on Electronic Signature, due to the lack of implementation the electronic signature could not be used in the official communication between citizens and public offices. In addition, some provisions of the law have recently been disputed and, according to some accounts, the law allows for

several contradictory interpretations. The author of the law did not accept the criticisms and set about to defend it against the critiques (for the debate, see a theme section in Inside 2002). However, as a result of these uncertainties and the uncoordinated nature of the law's implementation the electronic signature is underused in the CR. According to the experts, this has to do with the **general climate in the civil service** that is generally **e-government-unfriendly**. However, provided that there are some other important IT-based projects being prepared, ensuring the wider support of civil servants is critical for these projects' success.

In the 1990s the building of e-government faced several **further problems** (The Leadership Forum 2002). First, there were not enough resources available from public sources and the available limited sources were not spent in an effective way. This had to do with the lack of coordination of information systems' building. According to the former minister without a portfolio, who was responsible for the employment of information technologies in public administration, only 20 per cent of the resources channeled to the building and upgrading of information systems in the public sector were spent in a coordinated way (ISSS 2002). Instead of coordination, the building of information systems in the CR was marked by "sectoralism", i.e. by an approach driven by the particularistic interests of respective ministries and other central offices. Hence, the most important problem was a lack of a competent coordinating agency such as a Ministry of Information or a similar type of the central state office. The situation was characterized by a diffusion of authority over the introduction of e-government in the CR. The competencies were dispersed among the minister without a portfolio, the OPIS and some other ministries. As a result, there was no institution able to make particular offices cooperate and to impose a single standard on them. As one observer said, it was enough to have a look at the web presentations of different ministries in order to understand that standardization was needed (Jirkovsky 2002).

Therefore, the earlier version of this report (see also Cisar 2002b) concluded: although the employment of ICTs should ultimately contribute to a more decentralized organization of public administration, their introduction needs an agency to coordinate the activities of all involved actors.<sup>8</sup> This was proven by international experience. If such an agency is lacking there is no institutional representation of the interest in the use of ICTs in public administration. Therefore, the experts active in the field underscore that the problem of the employment of ICTs is primarily political. It is necessary to make a political decision whether and to what extent one needs the ICT applications and whether and to what extent there are citizens ready to use them.

The recent establishment of the **Ministry of Informatics** is the concrete response to the above-identified problems. The ministry is primarily responsible for the portal of public administration, for the preparatory work on the legal framework for e-commerce and e-government (specifically for a single design of the IT-based public administration registers), for the building of a single communication infrastructure for the public

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<sup>8</sup> The interim research report also recommended: a well-empowered coordinating institution has to be designed to implement the goals of the state information policy. This agency should have the status of a ministry. This can be done in two ways: either a new ministry is established or an existing one extends its agenda so that it *fully* incorporates information society building in the CR.

administration offices, for the standardization of the public administration information systems, for the legislation of the telecommunication industry, for the regulation of the Czech post and for the promotion of computer literacy among the population (Ministry of Informatics 2003). The last goal is particularly pressing in view of the fact that when compared to other countries, the Czech citizens have not fared very well as regards computerized communication with public offices. According to a research conducted by Taylor Nelson Sofres in 2001, the use of on-line communication with public administration within the last 12 months was reported by 17 per cent of the population of the CR. In the international comparison made by the same consortium this is a result that ensures an average ranking for the CR. However, 28 per cent of the population intends to use on-line communication in the future (Taylor Nelson Sofres 2001). There will be a growing segment of the population willing to communicate through the Internet and it is to a large extent up to the state if there will be conditions conducive to a wider use of the Internet.

All the problems notwithstanding, the situation was gradually improving even before the establishment of the Ministry of Informatics. For example, the web presentations of all major state offices as well as municipalities in the CR have improved tremendously and today some of the websites provide the citizen with rich and well-structured information regarding the particular sector of public administration. Ministries established electronic entry points at their websites and on the basis of the Law on Free Access to Information (adopted in 1999) extended the scope of publicly provided information. There are several other promising developments in this field such as an effort to establish a public administration portal ([www.centralni-adresa.cz](http://www.centralni-adresa.cz)) which is particularly important from the point of view of a greater transparency of public procurement. Since 2000 all calls for public tenders must be posted there and it is even possible to find the winners of public tenders there (see also Reed 2002: 175).<sup>9</sup>

In line with the recommendations of the earlier version of this report the program of information society building was concentrated in the hands of the new ministry; however, **the employment of ICTs for curbing public-sector corruption has not yet found the way to the agenda of the new institution.** In view of the demonstrated opportunities for the use of electronic tools in the anticorruption fight (see section IV), **this is regrettable.** The Ministry of Information should without delay start cooperation with the Ministry of Interior which is primarily responsible for the preparation and fulfillment of the governmental anticorruption strategy. Presently, the anticorruption strategy does not pay any attention to the employment of ICTs. **The coordinated effort of the two ministries should bring the issue to the political agenda and stimulate cooperation with other central offices of public administration and ministries** such as the Ministry of Justice. For example, the Ministry of Informatics is responsible for the preparation of a single design of the IT-based public administration registers. It will consist of the register of inhabitants; the register of economic units; and the register of territorial identification and immobilities. Especially in the case of the register of economic units ICTs can improve the presently

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<sup>9</sup> However, there are numerous problems related to public procurement in the CR. Public procurement is considered nontransparent and prone to manipulation and corruption (for more information, see section VII.1).

disconcerting situation that is characterized not only by the lack of a central registry but also by **extensive bribery**. Although the direct evidence is lacking, it seems that the present system opened a wide room for ‘intermediary agents’ - some attorneys’ offices and individual attorneys - to virtually monopolize, probably in cooperation with court officials, the points of registration – the commercial courts - and ‘cash’ access to them (based on confidential information; see also Reed 2002a: 169). **Therefore, the employment of ICTs must be incorporated into the governmental strategy for curbing corruption. Specific policy recommendations** for the employment of ICTs in the anticorruption campaign in the CR are listed in the following paragraphs (subsection VII.2). Before that, however, the report focuses in the following section on the selected evidence on corruption in the CR.

## VI. Selected Evidence on Corruption in the CR

### VI. 1. General Overview

In the CR the fight against corruption became one of the stated priorities of the government that came to power in 1998. However, despite the increased attention paid to corruption between 1998-2002, corruption continues to be perceived as one of the most pressing problems of the CR and its civil service. Indeed, the recent assessments indicate that **corruption is on the rise**. Although part of this perceived increase can be attributed to the fact that, unlike in the beginning of the 1990s, the problem of corruption has currently been put to the center of attention (for general background information, see Box 2 and for specific data on the CR, see Figure 5) there seems to be a clear indication that corruption persistently remains one of the **important problems** of the country. In its *2001 Regular Report on the Czech Republic's Progress towards Accession* European Commission states that although the Czech authorities have already taken several important measures to strengthen the fight against corruption and organized crime, "corruption and economic crime (fraud, money laundering, institutional theft and the phenomenon of "tunneling" or asset-stripping) remain a serious cause for concern. In fact, surveys of public opinion show a consistent increase in the perception of corruption and economic crime." (European Commission 2001: 20)

#### **Box 2: International Environment and the Effects of Increased Attention to Corruption**

Transparency and 'sound' governance have become buzzwords of a globalized world. Correspondingly, transparency's "other" – corruption - came to the fore of public attention. The issues of bribery, ethics violations, illegal asset accumulation, violation of procurement regulations, political nepotism, cronyism and other similar activities appeared suddenly in the global agenda, from where they are gradually trickling down to the polities of respective states. Although it seems that the world is more corrupted today than it used to be ten years ago, the burgeoning literature on the problem suggests that it is rather the substantially increased political and scholarly attention paid to the problem of corruption than the corruption itself that has undergone a radical boom during the last several years. Transparency and corruption go hand in hand in a number of academic publications, newspaper articles, international financial institutions' reports and recommendations. The IMF and the World Bank have included transparency into their conditionality requirements, and the OECD followed suit with the anticorruption regulation. In the 1990s, the anti-bribery norm became a firmly institutionalized international standard for the increasingly integrated world. Nowadays, even the most corrupted officials are compelled to frame their public discourse in terms of transparency and integrity.

The available evidence on corruption in the CR is of two types. The first type of evidence is **quantitative data** in the form of numbers of persons prosecuted, investigated, accused and convicted in relation to corruption. While this type of evidence constitutes a relatively reliable source of data, due to the fact that it consists only of the actually disclosed cases of supposed corruption it certainly **heavily underestimates the real level** of corruption in the country. This type of data is presented in the two following tables. The data are divided into five distinct categories, as they are defined by the Criminal Law: abuse of power by a public official (paragraph 158); failure to perform task by a public official through neglect (par. 159); accepting a bribe (par. 160); bribery (par. 161) and indirect bribery (par. 162).

*Table 2: The Number of Prosecuted and Investigated Persons in Cases Related to Corruption*

<b>Year</b>	<b>Par. 158 Abuse of Power by a Public Official</b>	<b>Par. 159 Failure to Perform Task by a Public Official through Neglect</b>	<b>Par. 160 Accepting a Bribe</b>	<b>Par. 161 Bribery</b>	<b>Par. 162 Indirect Bribery</b>	<b>Bribery (Total)</b>
1993	185	4	46	85	6	137
1994	325	20	50	94	1	145
1995	234	6	34	135	2	171
1996	232	15	25	110	5	140
1997	211	11	18	68	6	92
1998	250	6	37	106	3	146
1999	304	20	32	80	2	114
2000	262	17	18	88	2	108
2001	283	18	15	142	6	163

Source: MVCR 2002.

Table 3: The Number of Accused and Convicted Persons in Cases Related to Corruption

Year	Par. 158 Abuse of Power by a Public Official		Par. 159 Failure to Perform Task by a Public Official through Neglect		Par. 160 Accepting a Bribe		Par. 161 Bribery		Par. 162 Indirect Bribery	
	Acc.	Con.	Acc.	Con.	Acc.	Con	Acc.	Con.	Acc.	Con.
1993	70	18	0	0	27	6	108	47	2	0
1994	205	86	13	2	55	18	140	68	3	3
1995	198	78	11	0	60	23	177	88	1	1
1996	247	79	3	0	65	24	169	111	11	2
1997	220	69	9	3	29	34	122	98	0	1
1998	236	100	4	4	41	20	140	88	4	1
1999	253	85	6	9	68	19	119	88	4	3
2000	232	100	6	3	48	49	106	68	4	1
2001	262	99	8	1	51	28	149	83	1	3

Source: MVCR 2002.

The second type of evidence is provided by international and domestic **surveys of corrupt behavior**. The most-widely-referred-to international survey is the **Corruption Perception Index (CPI)** published every year by the international non-governmental organization Transparency International (TI). Although the CPI faces serious methodological problems and in fact does not measure corruption, it nevertheless provides a suitable tool for assessing the **trend** in the **perceptions** of corruption in the countries included in the survey.<sup>10</sup> The highest score a country can get is 10 (a country without corruption); the lowest score is 0 (high occurrence of corruption). The trend displayed by the CPI proves that despite the measures taken to curb **corruption**, it is **gaining strength in the CR** (see Tables 4 and 5).

<sup>10</sup> According to TI, the CPI ranks “countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. It is a composite index, drawing on 14 different polls and surveys from seven independent institutions carried out among business people and country analysts, including surveys of residents, both local and expatriate.”



Table 4: The Czech Republic's Score in the CP

Year	The Czech Republic's Score in the CPI
1998	4,8
1999	4,6
2000	4,3
2001	3,9
2002	3,7

Source: Transparency International 1998-2002.

Table 5: The Czech Republic's Ranking in the CPI

Year	The Czech Republic's Ranking	Number of Countries Included in the Survey
1998	37	85
1999	39	99
2000	42	90
2001	47-49 (together with Bulgaria and Croatia)	91
2002	52 (together with Latvia, Morocco, Slovak Republic and Sri Lanka)	102

Source: Transparency International 1998-2002.

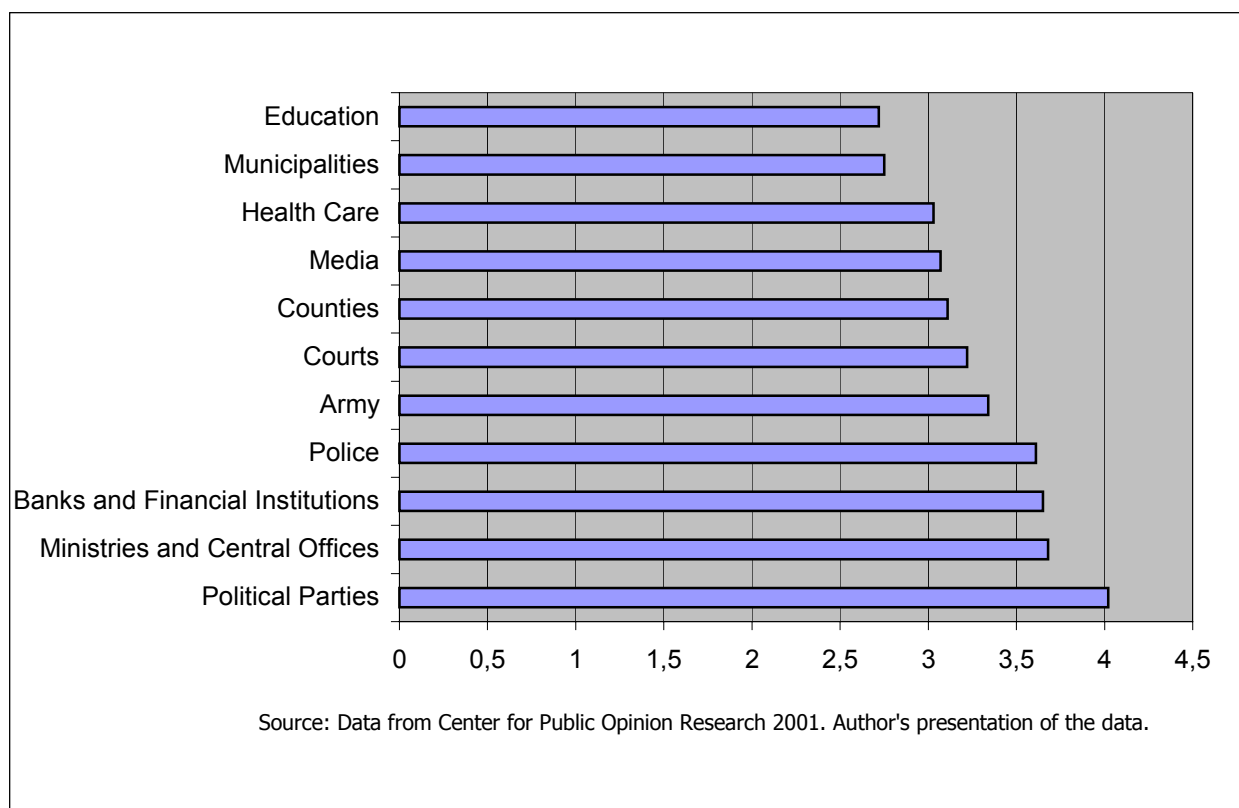
The data displayed in the surveys by Czech research institutes also reveal a high level of corruption. For example, according to the survey carried out by the marketing research institute *GfK Prague* for TI in 1999, 26 per cent of respondents regarded corruption as “necessary part of life” and 24 per cent of respondents said they had been requested a bribe by state officials in the last three years (*GfK* 1999). **State offices** are the main locus of corruption in the CR. Although there has recently been some improvement in this area, according to another public opinion survey by *GfK*, the offices are most affected by corruption (see Table 6).

Table 6: Percentage of Respondents Believing Corruption to “be most widespread” in:

Area	1998	2001
Health Care	15	13
Police	10	14
Judiciary	15	14
Offices	31	20

Source: GfK 2001.

Figure 4: Average Grading of Areas of Public Life according to their Penetration by Corruption



According to a survey by the Center for Public Opinion Research, **political parties** are perceived to be far more corrupted than ministries and central offices (see Figure 4). Figure 4 depicts the results of a survey that was conducted between 2<sup>nd</sup> and 4<sup>th</sup> April 2001 on a representative sample of 1033 respondents at the age of 15 or older. The question the respondents had to answer was: “**Which of the following institutions and areas of public life are according to you affected by corruption. Evaluate according to the [Czech] school grading system, with ‘one’ equal to ‘no corruption’ and ‘five’ to ‘high corruption’.**”

## VI. 2. Corruption in Politics: Selected Issues of Party Funding<sup>11</sup>

In 1997 scandals related to party finance brought down the governmental coalition (see Box 3). In response to the scandals the Czech political landscape underwent a major change and in the subsequent elections (1998) the social democrats scored victory with a program that put fight against corruption on top of the political agenda. The government adopted an anticorruption strategy in 1999; however, the available evidence does not prove that it was successfully implemented (see also subsection VII.1). According to expert knowledge as well as according to some surveys of public opinion, one of the areas that have been most strongly penetrated by corruption has been **party finance** (see Figure 4). Therefore, the report pays special attention to this component of political corruption.

### Box 3: The Financial Scandals at the End of the 1990s

The first big scandal related to party finance in the CR emerged before the 1996 elections to the Chamber of Deputies. Several exotic donations were reported on the list of the donations to the Civic Democratic Party (CDP). These donations were reported under the non-existent names of Lajos Bacs from Budapest and Radjiv M. Sindha from the Republic Mauritius. Due to these two non-existent sponsors a charge was brought against the former deputy chairman of the CDP who was held responsible for dividing the sum of money from one donor among several fictive sponsors that resulted in estimated tax arrears of almost 1 million CZK. According to the later investigations, the money in question was supposedly received by the party from the firm Moravia Steel in relation to the public tender for Trinec Metalworks. In fact, this was not a typical case of corruption in which a firm would try to “buy” its victory in a tender. The received sum of money was paid in order to “persuade” the CDP to support in government a major state subsidy for the mitigation of environmental damages in Trinec Metalworks. The subsidy constituted a necessary condition for the profitability of Moravia Steel’s investment into the company. Unsurprisingly, this interpretation of the scandal remained contested.

In 1997 another major scandal seriously affected the CDP. This scandal ultimately led to the fall of the second Klaus government, a split within the party and the establishment of a new political subject – the Union of Freedom – which was largely formed by those party members who did not accept the rather lukewarm approach of the CDP’s leadership to the allegations brought against the party in relation to the scandal. According to these allegations the party was using a secret bank account in Switzerland in order to channel donations from firms that did not want to be official donors of the party. In addition, the account was supposedly used by the firms that were taking part in **privatization of important corporations**. Although this allegation was not proven by the later investigations, in 1998 information was released that after a one-year long investigation the police was almost sure that the party had been using money coming from bank accounts abroad. Nevertheless, thus far the police did not manage to find any direct proof. The party denied the police information. The investigation of the whole scandal is gradually fading away. In addition, in April 2001 the Chamber of Deputies

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<sup>11</sup> This section draws on Cisar and Tomas 2003 (forthcoming).

adopted an amendment that freed political parties from the obligation to pay donation tax. This amendment virtually discontinued the three-year long investigation of the CDP. As a result of the amendment it is impossible to convict the representatives of political parties for not paying taxes related to the received donations.

This box draws on Cisar and Tomas 2003 (forthcoming). The chapter contains a more comprehensive overview of scandals of all Czech political parties and scandals' consequences for the later developments in the CR.

According to the valid legal norms, the possible forms of party revenues are: (1) reimbursement of election campaign costs; (2) state funding of party's and movement's activity; (3) membership contributions; (4) donations and inheritance; (5) revenues from the rent or sale of party's and movement's property; (6) interest on savings; (7) revenues from participation in the business of another legal entity whose activities are: (a) publishing and printing activities; (b) publishing and promotion activities; (c) organizing cultural, social, sport, entertainment, educational and political events; (d) production and sale of objects propagating the party program; (8) revenues from lotteries and from cultural, social, sport, entertainment, educational and political events; (9) loans and credits.

In the CR **public funding of political parties** constitutes the biggest share of political parties' revenues (see Table 7). Public funding of the Czech political parties consists of **two parts**. First, political parties receive a **fixed subsidy** and a **subsidy for every seat** in the Lower or Upper Chambers of Parliament won in the elections. Second, parties are entitled for **reimbursement of their election expenses**. Therefore, in the election years the share of state funding in the structure of party budgets becomes absolutely dominant (see Table 7).

Since 1991 each political party has been obliged to submit an **annual financial report** to the Chamber of Deputies. There was no penalty provision regulating cases of parties' failure to fulfill this obligation. An important amendment introduced in 1994 imposed on the parties the obligation to submit their annual financial reports not only to the Chamber of Deputies, but also to the Supreme Inspection Office (SIO) which was empowered to control the reports and to alert the Chamber of Deputies, the President, and the government to the insufficiencies in the reports. However, on the basis of a proposal made by a group of 44 Deputies this provision was declared null and void by the Constitutional Court in 1995. The Constitutional Court accepted the Deputies' argument that the provision on the right of the SIO to control the financial reports was an illegitimate extension of SIO's constitutional rights, as the SIO was supposed to inspect the management of state property. According to the Deputies, political parties did not belong to this category. The Constitutional Court accepted their arguments and the provision was abolished. In response to the ruling of the Constitutional Court the Chamber of Deputies adopted a new amendment that required that the **annual financial reports of the political parties be publicly accessible**. There is an important fact related to this amendment (information by Vojtech Simicek in Slonkova and Kudera 1998). The original expression that the reports should be "complete and true" was limited to the expression that the reports should be "complete". Thus, since

then parties have been obliged to submit complete, but not necessarily true financial reports. Correspondingly, parties could be penalized only in case their reports were not complete.

*Table 7: Direct Public Funding 1995-2000 (percentage of the party's total revenues)*

	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Civic Democratic Party	45,9	73,1	52,7	83,4	67,6	51,9
Czech Social Democratic Party	22,7	93,4	80,0	94,4	78,9	72,3
Christian and Democratic Union – Czechoslovak People's Party	27,8	54,9	44,1	69,0	44,3	40,7
Union of Freedom	-	-	-	88,6	84,7	76,2
Civic Democratic Alliance	48,7	46,8	46,4	65,4	80,9	68,1
Communist Party of Bohemia and Moravia	10,5	52,0	19,7	53,3	21,8	21,5
Association for Republic – Republican Party of Czechoslovakia	84,9	99,1	97,9	98,0	-	-

Source: Cisar and Tomas 2003.

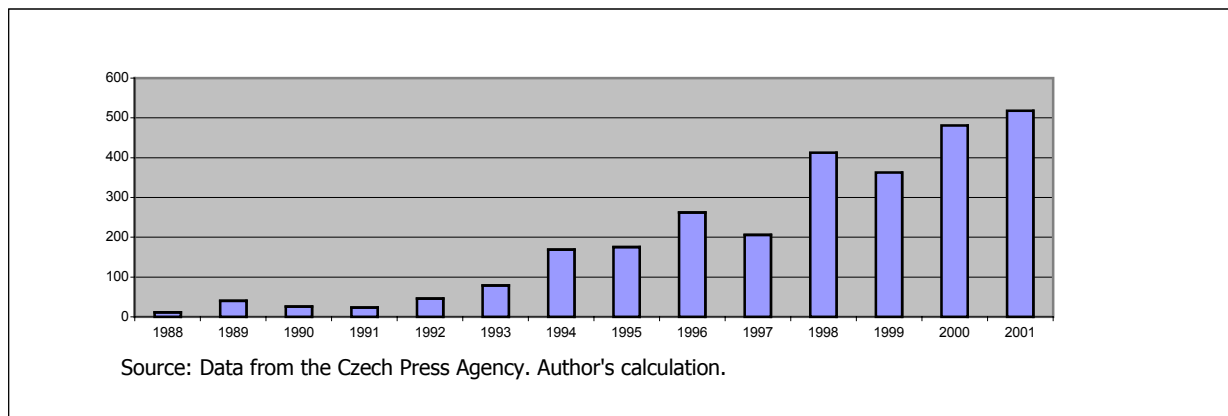
## VII. Anticorruption Strategy in the CR since 1998

### VII. 1. General Overview

Corruption became a **major political issue** in the CR in 1998, when the country's political system was heavily influenced by a series of party finance scandals. Due to the financial scandals in the then ruling Civic Democratic Party (see Box 3) the second government of V. Klaus collapsed at the end of 1997 and a new transitory government under the leadership of the then governor of the Czech National Bank Tosovsky was appointed. Unlike the previous coalition governments, which in the first half of the 1990s put the issue of corruption into oblivion, the transitory Tosovsky government marked corruption in its list of priorities. For example, the government was unprecedentedly open to cooperation with the NGOs working on corruption.

Corruption became one of the major **issues in public debate**. In 1998 the intensity of public debate on corruption almost doubled. This is demonstrated in Figure 5 that displays the frequency of appearance of the **word 'corruption'** in the news of the Czech Press Agency (CPA) between 1988 and 2001. Figure 5 is based on a **database** compiled by the author with the help of a computerized search of the official news archive of the CPA. The database consists of 2812 news issued between 1988 and 2001 that contained the word 'corruption'. Figure 5 displays the frequencies of appearance of the word 'corruption' for particular years. The frequency is taken as a rough **indicator of the intensity** of public debate on corruption in the CR. The figure shows that although the frequencies have gradually been on the rise since the end of the first half of the 1990s (and especially in 1996) the major increase came only in 1998. This is attributed to the financial scandals of political parties and the subsequent increase of attention paid to corruption. Since 1998 corruption has been placed high on the political agenda in the CR.

*Figure 5: Frequency of Appearance of the Word 'Corruption' in the CPA News Archive*



It is necessary to mention that there were some efforts to put corruption to the agenda already in 1997; however, subsequent events related to the big financial scandals in the

then ruling political parties erased these moderate attempts from the public memory. Indeed, according to a public opinion survey conducted by *GfK* in 1999, it was the past communist governments together with Klaus' governments (1992-1997) that mostly contributed to the spread of corruption in the country (*GfK* 1999). A perceived shift in the overall **political climate** was introduced, according to the same survey, by the transitory government of Tosovsky (in power in the first half of 1998). This anticorruption shift was rhetorically reinforced by the social democrats, who came to power after the 1998 parliamentary elections, and who put fighting corruption on top of their political agenda.

The government launched the anticorruption campaign „Clean Hands“ intended to redress the cases of privatization mismanagement. However, despite several „success stories“ the government was unable to mobilize wider social support for its anticorruption objectives and in 2000 the campaign faded away without a major social impact (see also Reed 2002a: 143). It was the opposition politicians in cooperation with civil society groups such as Transparency International, who, by lobbying for the adoption of the **Law on Free Access to Information** (1999), contributed to the increasing accountability of public-sector officials.

On February 17, 1999 the government accepted a **Governmental Program for Curbing Corruption in the CR** and set the direction of the anticorruption struggle in the CR. The priority goal of the Program was fighting public-sector corruption; in particular, corruption of public officials, judges, public prosecutors, policemen, customs officers and employees of financial authorities was regarded as the most dangerous form of corruption. On February 14, 2001 the government accepted the **Report on Corruption and on the Fulfillment of the Governmental Program for Curbing Corruption in the CR**. This Report was followed by another one that was accepted by the government on April 17, 2002 (MVCR 1999; 2001; 2002).

Despite its stated goal to fight corruption the government did not manage to demonstrate its resolution to carry out the adopted anticorruption strategy. Credible commitment on the side of the executive has been perceptibly missing since the anticorruption strategy was approved. **Institutional measures** to make the political elite behave in a more transparent way were not even considered. In addition, the government itself became compromised due to the way it was dealing with **public tenders**. Between 2000 and 2002 the government acquired an “absolute exemption” from the provisions of the Law on Public Contracts that regulates public procurement in the CR. The exemption allowed the government to avoid organizing public tenders. As a result, there were numerous cases when the contract was assigned to a supposedly carefully selected firm, thus leaving the impression of corruption and manipulation. This concerned, for example, the construction of the highway D47 that was assigned without tender to the consortium Housing & Construction for a price that could at the end exceed several times the usual price. In addition, the contract between the state and the consortium is highly disadvantageous to the state and raises suspicions about corruption. The new government that came to power in 2002 even considered declaring the contract null and void (for more, see Spurny 2003).

The government's attitude to public tenders was the climax of the generally disastrous situation in the area of public procurement in the CR. There are several problems related to the Law on Public Contracts: (1) it is not a stable legal norm since it has already been amended many times; (2) it allows for contradictory interpretations; (3) it allows for too many exemptions, especially at the highest levels of public administration; (4) it also applies to some private subjects. As a result, the law did not fulfill one of its main missions, namely the minimization of corruption opportunities. In addition, the implementation and enforcement of the law has remained a far cry from the ideal. According to some experts, the main culprit is the **Office for the Protection of Economic Competition** that is unable to monitor for mismanaged cases and to work on the effective prevention and a sound methodology of public procurement (Transparency International 2002).

## VII. 2. ICTs against Corruption: Policy Recommendations for This Area

From the point of view of the employment of ICTs for curbing public-sector corruption, the **governmental strategy** is characterized by an almost total neglect of ICTs. Thus far, a web presentation focused on corruption has been developed on the website of the Ministry of Interior and consists of basic governmental documents, the Code of Ethic and information on anticorruption strategies abroad. There is also an e-mail contact for victims of corruption. This is, however, a rather poor record. The governmental strategy of the fight against corruption does not pay any attention to the employment of ICTs for curbing public-sector corruption. Therefore, in order to utilize the potential ICTs hold for curbing public-sector corruption (see section IV) the **following specific measures are crucial**:

1. In cooperation with the Ministry of Informatics the **Ministry of Interior** should prepare a conception **for publicizing all administrative rules, procedures, and requirements on the Internet**. No area of public administration should be characterized by over-regulation and disorganization. Presently, the situation in some fields of public administration is highly opaque. **This diminishes the effectiveness of public administration and creates opportunities for corruption**. For example, it is not clear what the exact requirements for firm's registration are. This leads to the present situation characterized by a high number of applications being not accepted. In addition, it creates an opportunity for some attorneys who, when bribed, capitalize on their contacts with the commercial courts and are able to get the registration faster. If the exact requirements for each commercial court were published on the Internet the probability of rejection would be substantially decreased and the opportunity to extract bribes from the applicants would no longer exist.
2. In cooperation with the Ministry of Justice the **Ministry of Informatics** should prepare a pilot project for the employment of an information system similar to the above-defined OPEN system (see Box 1) that would be **introduced into a selected county court**. This would introduce a mechanism that could prevent unsubstantiated delays of court decisions. The record of every case would be



- publicly accessible through the Internet, including the record of names of the individuals responsible for concrete decisions.
3. In cooperation with the Ministry of Informatics the **Ministry of Interior** should prepare a **program of training** based on international experience and designed for **policemen and members of specialized anticorruption units** that operate in the CR. The training should be focused on the possibilities for using ICTs in the investigative and monitoring activities of the police and other investigative and law enforcement agencies.
  4. In order to utilize the potential ICTs hold for making **public procurement** more transparent, the **Ministry of Informatics** in cooperation with the Office for the Protection of Economic Competition should work out a **methodology that would allow not only for publicizing bidding opportunities on the Internet, but also for organizing the tender themselves electronically**. The present system provides information about public tenders; however, it is not possible to organize **full-fledged e-tenders**. If e-tendering were introduced it would enable wider range of interested bidders to take part in tenders and it could also challenge the presently entrenched firms which artificially increase prices of public contracts.
  5. In order to achieve at least a minimal control over parliamentary lobbying the **Ministry of Interior** should prepare a legal norm on the obligatory registration of lobbyists. The list of the registered lobbyists should be made public through the Internet. The list should also contain the record of lobby activities of the recognized lobbyists.
  6. The **Ministry of Interior** should prepare an amendment of the relevant legal norm that would make the publication of political parties' annual reports on the Internet a **compulsory requirement for obtaining public funding**. This measure should be interrelated with other measures in the field of party finance (for specific recommendations, see the next section).

### VII. 3. Towards Transparent Party Finance: Recommendations

According to the WB, in order to make the system of party finance **transparent** it is necessary to introduce a complex set of **institutional measures that minimize opportunities** for party members to get corrupted. The proposed measures are as follows (World Bank 2000b: 42):

1. **All sources of party funding should be made public and candidates should disclose their links to lobbyists and sources of their support, both before and after elections.** At the first glance, this requirement has already been fulfilled in the CR, where donations must be reported in the annual financial reports of political parties. However, the **imperfect legal regulation** throughout the 1990s made it possible that parties were not reporting the real names of their donors and were splitting donations in order to avoid paying donation tax. In 2000 a new amendment defined the formal conditions for donations by a single donor exceeding 50 thousand CZK. A written contract in the form of a donation note is needed that includes the full identification of both the

donor and the receiving party. There is, however, no regulation that would oblige candidates to disclose their links to private companies and other economic subjects. **This is a highly desirable requirement that, if accompanied by making the registration of lobby activities compulsory, would contribute to the higher transparency of party finance in the CR.** Moreover, as the levels of regional and local politics in the CR display a particularly high rate of corruption, the obligation of candidates to disclose their involvement in the private sector should be made obligatory not only at the central, but also at the subnational levels of policy-making.

2. **The use of state resources for political purposes should be banned:** parties in government should be forbidden to use state funds, postal services, cars, computers, or other assets for political purposes. For example, in the last election campaign (2002) in the CR the social democratic government organized its meetings in all regional centers of the CR. Each summit was followed by a press conference, where the amount of governmental spending on meeting the needs of the respective region was announced. **This should be banned.**
3. **The expenditures of political parties should be limited.** There are several mechanisms to achieve this goal such as allocating free time slots on TV and radio in election campaigns, with no additional time allowed, and imposing legal limits on parties' spending, especially as regards election expenses. While the first measure exists in the CR, the second one is still missing.
4. **Public funding of political parties should be considered.** It is believed that public funding limits the room for private interests to "buy influence". In the CR public funding of political parties plays an important role in parties' budgets. In fact, this type of funding constitutes the biggest share of political parties' revenues (see Table 7). **Nevertheless, the available evidence has not proven that this measure is a self-sufficient mechanism for reducing corruption opportunities.** Due to its recent history of scandals related to party funding the experience of the CR demonstrates that public funding on its own cannot ensure a greater transparency of party finance. In order to be effective it must be accompanied by related measures in **the form of an auditing institution that would focus on controlling revenues and expenditures of political parties and legal limits put on possible types of private donors** (see items 5 and 6).
5. **The types of private donors should be limited.** While the present regulation in the CR outlaws donations from public-sector companies, the limitation should be extended so that big firms competing for public contracts are forbidden to donate to political parties.
6. **Party funding should be controlled by a well-empowered institution.** A new independent institution should be designed, or an existing one should be empowered, to control party finance. Such an institution was established, for example, in Canada, India, Ireland and South Africa. As reported above, an attempt to empower the SIO to control the annual financial reports of political parties in the CR failed. Nevertheless, when looking at the data in Table 7 it is clear that the possibility for involving the SIO in the control of party finance should be seriously considered.

7. **Increased publicity should be ensured.** There is a tremendous potential for the use of the Internet in this area. For example, the voting of members of the parliament is accessible through the Internet so that every citizen can check how a particular Deputy or Senator voted. However, as corruption at the municipal level has become a particularly burning problem in the CR, this model should be replicated at this level.

## VIII. Public Service Corruption, Civil Service Reform and Detection Mechanisms in the CR

### VIII. 1. General Overview

As noted in section IV, the employment of ICTs can bring more transparency into public administration and politics. Also, as underscored section III, increased transparency will have a tangible effect on corruption only if it is accompanied by measures in two other dimensions of anticorruption struggle - **minimizing corruption incentives**, i.e. introducing a stable system of remuneration and career prospects for public servants and **improving policing**, i.e. increasing the probability that corrupt activities will be disclosed. In this section the report turns to these dimensions.

One of the most debated problems of the civil service in the CR throughout the 1990s was the lack of a law regulating the civil service. The government brought the draft of the Law on Civil Service in the Chamber of Deputies only in December 2000. However, as the European Commission stated in its *2001 Regular Report on the Czech Republic's Progress towards Accession*, a consensus on the civil service reform was not sufficient in the Czech Parliament. According to the Commission, "in view of the key importance of this Act, this is regrettable...The adoption of the Civil Service Act remains a precondition for establishing an independent, professional, stable and accountable public administration. The previous Regular Report identified the absence of this Act as impacting negatively on the effectiveness of the public administration, in particular by encouraging short-term political appointments and by preventing the establishment of attractive career prospects." (European Commission 2001: 17)

Ultimately, the Law on Civil Service was adopted by the Chamber of Deputies in March 2002. The second chamber of the Parliament – the Senate - followed suit a month later. The text of the new law was made public in the official edition of the Law Codex on May 28, 2002. As the law introduces a **new system of civil service**, there is a considerable time left for the preparation of its coming to force in the beginning of 2004. According to the information provided by the Ministry of Interior, the goal of the new law was to **improve the integrity of civil servants** in the CR and **introduce a system of stable career prospects and long-term expectations for civil servants**, accompanied by legal **limits put on servants' involvement in the private sector activities** and a set of **sanctions for breaching the law**. In addition, according to the original proposal of the law the **salaries of civil servants** were to increase by 40 per cent. According to the Ministry of Interior, the expected increase on the basis of the final version of the law will be approximately 30 per cent.

Although an increase in public servants' salaries is often perceived as an important measure for **minimizing corruption incentives** among civil servants the available evidence **does not prove the validity of this argument**. The results of cross-country comparisons are highly inconclusive: there is **no empirically proven link** between the level of public-sector salaries and the public-sector corruption rate (see Box 4). The inconsistency of the results indicates that one needs to take into account also

some other **contextual variables** such as the character of the institutions, the policy-making process and the political culture in a given country if he is to explain the results of particular anticorruption policies. Left on their own, **higher salaries cannot achieve anything**. To introduce high salaries in the public sector of a country that does not possess functioning institutions equals to creating additional room for corruption, as the officials empowered to decide on who will be working in the generously paid civil service will be generously bribed. Therefore, in order to make this measure effective it is necessary to consider **tightening the control mechanisms designed to detect corrupt civil servants**. In this case, it is not some unidentifiable “anticorruption potential” of high salaries but the simple fear of losing a well-paid position and career prospects that prevents civil servants from engaging in corrupt behavior (see also Cisar 2002a).

#### **Box 4: Do Lower Salaries Lead to Higher Levels of Corruption?**

There is a widely held belief that relatively higher salaries of civil servants contribute to lower rates of public-sector corruption. According to this belief the inadequacy of public-sector salaries significantly contributes to corrupt behavior. In line with this argumentation, Singapore is regarded as a model example of the employment of an anticorruption strategy based on fair salary structures and strict penalties. However, the available evidence concerning the relation between the salaries of civil servants and the rates of public-sector corruption is mixed. Findings from cross-country comparisons are inconclusive, depending on the wage data and corruption data used, on the countries that are included in the analysis, and on the methodology. There is a measurement error in the corruption ratings as well as in the pay data. Corruption ratings do not evaluate the civil service only, but rather public-sector corruption in a broader sense, including legislative and judicial corruption. Moreover, there are limitations of data on public employee payment (e.g. omission of in-kind benefits and allowances, deferred benefits such as pensions, job security) that make it less comparable across nations. These measurement problems make it more difficult to empirically detect a link between pay and corruption.

Nevertheless, according to the findings of some studies, higher salaries of civil servants positively correlate with lower rates of corruption. According to one study, low corruption in Sweden during the 1870-1970 period should be partly attributed to the fact that high-level administrators were earning up to 15 times higher salaries than an average industrial worker. The World Bank’s World Development Report 1997 demonstrated that countries with poorly paid civil servants tended towards higher rates of corruption. These findings were supported also by some other studies. However, some studies found no relationship between the level of corruption and the salaries of civil servants. What is more, there is a study that indicates more severe corruption where pay relative to per capita income is higher.

In addition, as the World Bank’s web page focused on the problem says, “even if a consensus were to emerge that pay did (or did not) influence corruption, the direction of causality would be difficult to establish. If corruption takes the form of waiving fees or taxes, or increasing procurement costs, there will be fewer public resources available to compensate public officials. Corruption could lead to lower pay, rather than the reverse. (There is even reason to expect that under certain circumstances higher pay might

actually worsen corruption. At a given employment level, higher pay may crowd out other funding necessary for provision of services, increasing bribe-seeking opportunities by lengthening queues.)” All in all, “theory does not predict that higher pay will always reduce corruption, and this may account for the weak cross-country links between them.”

This box draws on Wei 2000 and the WB’s website devoted to the civil service reform: <http://www1.worldbank.org/publicsector/civilservice/ineffectivemon.htm#top>

The first step towards the introduction of a stable and professional civil service has been made in the CR. Although there are many critics of the new Law on Civil Service, it holds a promise for the future in the form of **predictable long-term career prospects and relatively well-paid jobs for civil servants**. In addition, in order to ensure the integrity of civil servants there are **plans to tighten the monitoring and detection mechanisms aimed at discovering corruption in the civil service**. The Ministry of Interior was assigned by the government to consider the employment of the mechanism of “direct provocation”, i.e. the deliberate offer of a bribe to a civil servant in order to test her integrity. According to the latest version of the proposal for the use of provocation, the tool should be used only in exceptional cases; for example, when there is a substantiated suspicion or when an official is in a position where she decides about the distribution of huge amounts of money. Moreover, the result of the test should not have direct legal consequences, i.e. in case someone accepts an offered bribe, he should lose his job, but should not be prosecuted (see Kedron 2003). However, according to the critiques of the proposal, this is exactly its weak point. While corrupt officials discovered by the police are prosecuted, officials disclosed through the test of integrity should only lose their jobs. Therefore, according to some experts, **provocation makes sense only as a part of prosecution**.

There are **specialized anticorruption agencies** operating in the CR (for a detailed description, see Reed 2002a: 147-150; 156-158). There is the **Department for Revealing Corruption and Serious Economic Criminality** that has so far suffered from the lack of institutional independence and the lack of independence from politicians. According to some accounts, the police also “established a special department (“Department 15”) in 2001 with the task of investigating possible crimes committed by influential Czech political personalities” (ibid.: 156). Further, in 1996 a **Financial Analytical Unit** was established at the Ministry of Finance to control transactions characterized as suspicious by financial institutions.

**Strengthened control mechanisms and strict penalty provisions should become important components of any successful anticorruption strategy**. However, equal emphasis should be put on **prevention**. There are several possible elements of a strategy for successful prevention of administrative corruption. The very fact that **civil servants are aware of the control mechanisms serves as a powerful tool of the anticorruption effort**. It can also be facilitated by the introduction of an ethical code of the civil servant. However, such an ethical code must be accompanied by a proper enforcement mechanism. If there is no such mechanism, the ethical code turns into a rhetoric device without any real-world relevance.

## **VIII. 2. Civil Service Reform and Detection Mechanisms: Recommendations for This Area**

1. In cooperation with the Police Directorate the **Ministry of Interior** should prepare a **method for police investigation** focused on cases of great political corruption. The goal of this recommendation is to increase the probability of disclosure of corrupt politicians at the central as well as municipal levels.
2. The **Ministry of Interior** should prepare a proposal that would ensure that those **ministerial departments and areas of public administration that are vulnerable to corrupt activities** (e.g. customs, departments that organize big public tenders, traffic police) are regularly exposed to **audits** of their internal procedures by monitoring and law enforcement agencies.

## IX. The Role of Civil Society and the Media in the Anticorruption Effort

### IX. 1. Civil Society Groups

One of the most emphasized dimensions of the anticorruption struggle is the strengthening of **civil society participation**. Civil society groups are expected to contribute to (1) the raising of public awareness about corruption; (2) the promotion of action plans to fight corruption; and (3) the monitoring of government's and public administration's actions and decisions (World Bank 2000b: 45). In addition, civil society groups often gather and publicize information that is utilizable by state agencies and in some cases, civil society groups themselves engage in lobbying deputies and officials in order to influence the policy-making process so that new anticorruption measures are introduced and enforced.<sup>12</sup> Some researchers in the field of curbing corruption believe that increased civil society participation will ultimately lead to the reinvigoration of the fight against corruption. In other words, civil society organizations are believed to be able to break the **cycle of corrupted exchanges** that would otherwise never come to an end. As the most typical cases of corruption do not produce 'victims' but establish links of mutual complicity through which resources are channeled and distributed (see Figures 1 and 2), it is not unproblematic to imagine how such a system could be made more transparent. As a response to that problem, public control exercised by interested civil society organizations is believed to produce sufficient pressure to bring this type of exchange to a halt.

**Two types of civil society organizations** are distinguished: (1) groups that take a collaborative stance to some state offices and try to cooperate with the responsive parts of the public administration in order to formulate and promote action plans to fight corruption; (2) groups that engage in more confrontational strategies and, instead for cooperation, opt for a direct challenge to those whom they regard as corrupt (see, for example, Fric 2002). Both types of civil society organizations operate in the CR. The most visible organization of the first type is the Czech chapter of **Transparency International** (TI) which has established links to the political system of the country and is often listed by state officials as the single most important civil society organization focusing on curbing corruption.<sup>13</sup> The Prague-based association **Regeneration** represents the second type here. One of the activities of the association is the direct monitoring of conflict-of-interest cases involving deputies of Prague municipal assemblies and employees of Prague municipal offices.

The subsequent paragraphs focus on the activities of TI, Regeneration and some other relevant NGOs in the CR. Box 5 presents a case study of the role of the media in

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<sup>12</sup> For general overviews of and contributions to the recent debate on the role of social movements, NGOs and other civil society organizations in politics, see Melucci 1996; della Porta and Diani 1999; Giugni *et al.* 1998; Aminzade *et al.* 2001; Hardt and Negri 2001.

<sup>13</sup> The last Report on Corruption and on the Fulfillment of the Governmental Program for Curbing Corruption in the CR prepared by the Ministry of Interior and accepted by the government on April 17, 2002 devotes considerable attention to the activities of TI.



awareness raising about corruption. On the basis of the assessment of the present situation the report concludes with a set of recommendations.

## **IX. 2. Strategies of Transparency International in the CR<sup>14</sup>**

The national chapter of TI was founded in June 1998. As the Czech Republic was the only East European country, where in 1998 there was still no national chapter of TI, there was a strong interest by the Berlin headquarters to move into the CR, too (for general information on TI, see Galtung 2000; Wang and Rosenau 2001). Thus, international pressure was the first important condition for TI's establishment in the CR. The second one was that the problem of corruption started to be perceived as a real one within the country itself. This obviously facilitated the establishment of an organization claiming curbing corruption to be its main objective. According to the perception of the activists themselves, besides these two reasons, there was a third, equally important, one. It was the fall of Klaus' government at the end of 1997 that opened the theretofore closed institutional points of access and also contributed to the change in the country's political culture. The anticorruption program of TI overlapped with the reinvigorated effort of the government to fight corruption (see also subsection VII.1).

After the Czech chapter of TI was established, it engaged in practices of networking and coalition building. TI's aim has been to create multi-sectoral coalitions that would provide it with sufficient social and material support generated through the network ties, and with points of institutional access to the country's political system. As TI does not resemble a network of devoted activists, its networking activities seemingly target categories of political players that in some cases differ from the targets of other non-governmental organizations: "TI enlists the energies of leaders of corporations, national governments, NGOs, and international agencies. It works hard at forming links among these elites and is not particularly concerned about including activists who do not hold top organizational positions." (Wang and Rosenau 2001: 39) The Czech chapter to an extent proves this observation, although this does not exhaustively describe all strategies and objectives of the organization.

The Czech chapter's possible cluster of organizations with which it may establish links includes actors from all social spheres – from civil society, state, and, increasingly, also from the business sector. First, there are **non-governmental organizations** such as the EastWest Institute; the International Institute for Marketing, Communication and Entrepreneurship; the Center for Community Organizing; and recently also Regeneration. Some environmental NGOs have been contacted, but successful cooperation has not developed. In addition, TI cooperates with some other NGOs when it is in need of some specific services (e.g. legal consultancy).

The most **important TI's partners** are definitely the **state-based actors**. The TI's first field of interactions with the local context was in the state and governmental offices.

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<sup>14</sup> The bulk of information in this section was collected from repeated interviews with TI's project manager, David Ondracka. I am grateful to David Ondracka for his cooperation.

According to a co-founder of TI in the CR, “in 1998 we started to present TI to the political representatives. We contacted a lot of people here, advisers to the president, people from the legislative department of the presidential office, officials in the governmental office. We also tried to contact the Chamber of Deputies and the Senate; however, they were too busy at that time.” (Clough 2001) The Ministry of Interior, the Ministry of Justice, and the police are among the important partners of TI. People from state offices are members of TI’s executive board. In general, public administrators and politicians alike are willing to cooperate with TI. There is also some cooperation with the parliament. The Committee of the Senate on Foreign Affairs, Defense, and Security established a Subcommittee for the Fight against Corruption. Some of the members of this subcommittee have established lasting links with TI and they consult with it on the relevant issues.

This brings us to another category of TI’s partners and links, namely **individual politicians**. In 1998-99 there was an important collaboration between TI and the politicians who prepared the Law on Free Access to Information (the law was adopted in 1999). TI organized a seminar, a happening, and it also directly lobbied the Deputies and the Senators. In cooperation with the EastWest Institute TI addressed the Senators and the Deputies and the campaign was highly successful, as 25 per cent of them replied back and confirmed their support for the draft law. After the adoption of the law TI organized an information campaign among the population. There was also some cooperation with the Chair of the Senate.

TI also cooperates with the **academicians**; one of them is involved in TI’s campaign against corruption in the police structures. Further, a new project was set up in 2001 focused on coalition building in the **business community** (firms are required to subscribe to a Code of Ethics and behave accordingly), and TI intends to bring together these firms with the representatives of environmental NGOs. Although this particular project has not yet been completed and there are numerous problems related to the cooperation with the business community TI intends not only to cooperate with diverse actors, but also plans to serve as a locus for the cooperation of actors from different social sectors.

However, the main TI’s partners are to be found within the ministries, other state offices and big firms more than within the sector of citizens’ activists. On the other hand, it does not follow that TI resists cooperation with other NGOs; rather, it carefully weights the expected benefits and costs of such cooperation, as it turned out that the close links with certain NGOs could close TI’s access to some ministries. As a result of this focus, the organization seems to be ‘well equipped’ to secure for itself necessary access to the political system and respond to the developments there. However, this is at the cost of **diminished ‘mobilizing potential’** in the NGO sector.

Most recently, TI started a new project aimed at fighting **corruption at the regional level**. Also, TI focused on corruption among the councilors, deputies and civil servants of the **Prague City Hall**. This reinvigorated the previously rather lukewarm cooperation with **Regeneration** (see also below). On the basis of the regional round-table on Corruption-Free Town Halls in the Visegrad 4 Region, which took place

between February 7 and 9, 2003 in Prague, TI presented an extensive list of **recommendations** with the intention to make the Prague City Hall more transparent and accountable to the citizens (Transparency International 2003b). Last but not least, TI is presently completing a project whose aim is to publish on the Internet the exact requirements for firm's registration by commercial courts (for more, see section IV).

### **Box 5: TI and the Role of the Media – An Example of Awareness Raising**

According to its own perception, TI definitely contributed to the fact that corruption became an important political issue in the CR at the end of the 1990s. This was partly due to the most visible TI's instrument of public awareness raising, namely the Corruption Perception Index (CPI). The media, when reporting about the results of the popular CPI, always devote substantial attention to other issues related to corruption, thus contributing to establishing the issue as an important problem. As a result, TI brokers information that becomes a resource in political struggles. The importance of TI's function as an **information broker** became clear in 2001 when the information it provided facilitated an intense political clash between the political elite and the country's leading investigative weekly **Respekt**.

In TI's 2001 CPI report the CR was ranked as the 47-49<sup>th</sup> out of 91 listed countries (see Table 5 above). This would not say much if the CPI did not provide an opportunity to compare the listed countries to each other and in time (see Tables 4 and 5 above). From this point of view the CR fared worse than in 2000 and it was followed by Colombia in the 2001 ranking. The information was released and offered to others to use it according to their own interest. In its regular Monday's issue on 22 October 2001, **Respekt** published an article criticizing the government of the social democrats for creating corruption climate in the country. According to **Respekt**,

“[i]n Czechia public interest challenged corruption and three years ago brought Milos Zeman to the prime minister's chair. However, his government lost the fight against corruption as it is demonstrated by the data of Transparency International, as well as by the corrupted behavior of ministers starting from Brezina, the youngest one, and finishing with Gregr, the oldest one.” (Holub 2001a)

The government challenged the weekly's interpretation of the governmental anticorruption campaign and promised to bring the case to the court with the intention to completely destroy **Respekt** by asking for an enormous monetary compensation. According to the prime minister, the ministers felt deeply offended and **Respekt** should have been already destroyed anyway. Finally, there was an opportunity to achieve this goal. The ensuing confrontation between the weekly and the government brought into the debate a number of various actors from the CR and from abroad. Due to the prime minister's declaration, the whole conflict acquired a 'freedom of speech' framing. It was claimed that a democratic politician should not utter sentences like these. However, as the confrontation moved on, the debate also invited people directly involved in the corruption field to propose **new strategies for curbing corruption** in the CR. For example, the chair of TI's executive board and at that time director of the Czech Statistical Office utilized this opportunity to advertise TI's institutional innovation for minimizing corruption opportunities in the case of public procurement - the so-called

integrity islands.

While TI was continuing its routine work, the issue of corruption was taken up by Respekt which took pains to present on its pages the available evidence supporting the claim that the social democratic government was indeed corrupted (see, for example, Holub 2001b; c). The problem of corruption received increased publicity, although the case Respekt vs. the government gradually withered away. However, the whole affair definitely affected the public arena. First, the conflict coincided with the official anticorruption campaign and in fact made it rather ineffective. Second, it questioned the integrity of the government that claimed the fight against corruption one of its main objectives.

### **IX. 3. Other NGOs: Coalition “SOS Prague”, Regeneration, and the Environmental Law Service**

The project “SOS Prague” started in 1998 as a coalition of professional environmental NGOs and local associations of Prague citizens and focused on conflict-of-interest cases involving deputies from municipal assemblies in Prague and employees of municipal offices.<sup>15</sup> Since its establishment the coalition has been ‘detecting’ conflict-of-interest cases and has been trying to subvert municipal decisions that were in conflict with the public interest. According to one participant in the project, it turned out that **almost all decisions made by Prague municipalities have been affected by conflict of interest**. According to the same account, big construction companies finance some political parties in Prague. In turn, these companies regularly receive huge public contracts. The informant stressed that this was not even a matter of manipulated public procurement, as **there was virtually nothing public involved in the whole process**. Supposedly, **regardless of the public interest, projects are designed so that interested people and/or political parties profit from them**. The direct evidence is naturally missing; however, the available evidence also proves the generally disastrous situation in the field of public procurement. For example, a recently released report by an audit institution that focused on the department of the city investor of the Prague City Hall discovered a number of problems in the tenders organized by the department (Value Added 2002).

The NGO called **Reconstruction** provided the coalition SOS Prague with public relations services and necessary expertise in the field of corruption.<sup>16</sup> Based on the experience of SOS Prague a bigger project called “**Conflict of Interest and Politics in the Public Administration**” has developed. The goal of this three-year long project is to prepare a set of policy recommendations that will be submitted to committees of the Chamber of Deputies. In order to be able to better lobby for its goals Reconstruction moved to a building that is located just in front of the building of the Chamber of Deputies. Lobbying in the Parliament will be a rather novel component in the organization’s strategic repertoire. Thus far, Reconstruction has mainly been focusing on the level of municipal (Prague) politics and in order to challenge the detected conflict-of-

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<sup>15</sup> For more comprehensive information, see <http://www.sospraha.cz>.

<sup>16</sup> For more comprehensive information, see <http://greenways.cz>.

interest cases it usually opted for a **direct confrontation** with the suspected deputies. Most importantly, the organization developed a database to monitor the **involvement of the deputies of the central Prague assembly in private firms and published it on the Internet** (see Reconstruction 2002).

Yet another important NGO that got involved in an important case relevant to corruption and the quality of public governance in the CR is called the **Environmental Law Service** (ELS). According to its 2000 Annual Report, the organization is a public interest law organization that focuses on promoting the public interest. According to the ELS, the type of public interest that needs the most intensive legal protection is “the defense of the environment and human rights, especially where such defense involves public participation in decision making, public monitoring of state administrative authorities, and citizens’ access to justice.” (ELS 2001: 3)

In 2001 the ELS got involved in the case of the new Civil Proceedings Code which threatened to circumscribe the rights of some parties to administrative proceedings on the territory of the CR. The Civil Proceedings Code is the basic legal norm that regulates all administrative procedures in the CR. The main reason for the preparation of the new norm was the perception that the old one that was adopted in 1967 has become outdated. The Czech government brought the draft of the new Civil Proceedings Code in the Chamber of Deputies in September 2001.

Already at the time of drafting of the law the ELS voiced its objections to it. Due to the use of the Internet by the author of the law - the Ministry of Interior - the ELS could keep track of the developments of the draft law and offer comments. Although the organization never got an official reply from the Ministry, the ELS’s comments were supposedly deemed the most thorough contribution to the debate on the draft law. The most important criticism addressed to the draft law pointed out that as a result of a new definition of the status of parties involved in administrative proceedings, it limited the room for the public to participate in these proceeding on an equal footing. Under the original regulation, every party involved in a proceeding possesses the same rights. Regardless of whether a particular party is a multinational corporation or an owner of a small garden, everyone has the same procedural rights.

The new draft law proposed to give to the civil servants the discretion to decide on the scope of the rights of involved parties. As a result, the rights of some parties could be circumscribed and, in addition, such a regulation would prepare the ground for corruption, as it would be the judgment of a particular official that would ultimately determine the rights of interested parties. The ELS criticized the inequality introduced by the draft law and its potential to **create new corruption opportunities**. In order to prevent the adoption of the law, the EPS lobbied the Deputies and participated in the meetings of the relevant parliamentary committee. Although the government made two consecutive attempts to push the draft law through the Chamber of Deputies, it ultimately failed.

#### **IX. 4. NGOs and the Use of ICTs: Recommendations for This Area**

All the described NGOs use **information technologies** in order to promote their goals. The most visible way they use them is the development of web presentations that in some cases offer really valuable information not only on their activities, but also on the fight against corruption in general. TI maintains the most developed web presentation. Its website provides diverse and rich information and links to all types of resources relevant to corruption throughout the world. Besides the links, there are descriptions of TI's projects, summaries of several research projects focused on the corruption climate in the CR and other East European countries, results of TI's most visible research projects such as the CPI and the Bribe Payer Index (BPI), monitoring of the press, and discussion forums on selected problems. Therefore, TI's website serves as a particularly suitable starting point for everyone interested in corruption and related issues. Until recently the most striking feature that characterized TI's website was the lack of links to other Czech NGOs dealing with corruption.

**The earlier version of the report concluded:** the activities of NGOs in the field of anticorruption struggle in the CR are marked by an excessive lack of cooperation and information exchange. Although it cannot be expected that those NGOs that opt for more confrontational strategies will be willing to cooperate with those organizations that try to cooperate with state agencies, the present situation significantly undermines the potential inherent in a more robust information exchange between interested actors. There is no need to establish strong cooperative ties. It would not be possible and, moreover, it could erase the diversity of approaches to corruption.<sup>17</sup> Different organizations have developed their own organizational autonomy and they want to preserve it in the future. However, even under these conditions the combination and exchange of diverse expertise could facilitate the efforts of involved organizations. The core of the problem is to find a form of cooperation that would enable participants to preserve their autonomy, their genuine goals and characteristic strategies and yet, be able to link them through what could be called 'weak ties' (on the concept of 'weak ties, see Granowetter 1992).

Therefore, **the earlier version of the report recommended:** a common information server should be established. The establishment of the server focused on the fight against corruption would not only facilitate information exchange among the NGOs active in this field, thus promoting their genuine goals, but would also improve communication between the NGO sector and the media and between the NGO sector and the state. The quality of communication between NGOs and journalists is not always the best. Sometimes, the activists are 'cited' in a newspaper without being actually contacted by it. Sometimes, the issue of corruption is overtaken by totally inexperienced journalists whose media products remain a far cry from the standards of the profession. The establishment of a server, which would include regularly updated information for journalists, would significantly improve the quality of public debate on the issue of

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<sup>17</sup> On the importance of the diversity of the representations of public good and the disagreement over them, see Gutman and Thompson 1996; Stark and Bruszt 1998; Macedo 1999. For a somewhat different view, see Habermas 1996.

corruption in the CR. The server would also contribute to the de-monopolization of the anticorruption effort by providing high quality information on corruption and the activities of the NGOs fighting it to the interested state actors. Thus far, only TI managed to find a way to the Ministry of Interior that is responsible for the formulation of the state anticorruption strategy. However, it would be exaggerated to talk about a coordinated cooperation between TI and the ministry. Their cooperation remains sketchy, unsystematic and superficial. Therefore, the establishment and the maintenance of the server could improve this situation and provide the officials with a wider range of relevant information. All in all, the establishment of the server would enable various actors to obtain information about the activities of other actors. This is a strategy that fully utilizes the potential of ICTs and aims at a **decentralized model of corruption control**.

The situation has started to change since the second half of 2002. In the beginning of 2003 TI's website provided new links to the **local projects** of other **NGOs** and **researchers** working on corruption. It was possible to promptly find recent **reports on corruption and anticorruption in the CR** and elsewhere in Eastern Europe published by the EU Accession Monitoring Program - EUMAP (for the CR, see Reed 2002a; 2002b). Also, it was possible to immediately link to the website "Conflict of Interest" that offers the available results of **Regeneration's project on the conflict of interest** of the **deputies of the central Prague assembly**. Most importantly, there is the database of the **involvement of the deputies** in private firms (see above and Reconstruction 2002). According to TI, the improvement of cooperation does not concern only the virtual space of the Internet, but it also characterizes the real-world relationships between the organizations.

#### **In order to facilitate the activities of the NGOs working on corruption:**

1. The recently reinvigorated **cooperation** between the organizations working on corruption **should continue**.
2. As the policy of openness and responsiveness to the relevant state offices **has not yet brought any tangible results** in terms of the substantially diminished levels of corruption in the CR, **all anticorruption NGOs should take a relatively tougher stance on corruption. Within the confines of the valid legal norms the corrupt politicians and bureaucrats should be directly confronted**.
3. TI should take a **more active stance** in the anticorruption campaign. Based on the experience of other national chapters of TI (e.g. Bulgaria) it should employ the strategy of **direct monitoring of big governmental deals** (public tenders). In addition, the recent auctions of private sector's debts by the Czech Consolidation Agency provide an opportunity for the active involvement in the anticorruption struggle.

## **X. Where You Can Learn More**

For general overviews of the recent situation in the field of corruption in the CR and other accession countries, see the reports on corruption published by the EU Accession Monitoring Program: <http://www.eumap.org/reports/2002/content/50>. Additional information on corruption can be found on the websites of Transparency International. If you are in need of general literature on corruption you can use the website of TI's headquarters: [www.transparency.org](http://www.transparency.org). If you need country specific information go to the website of a country you are interested in. For example, the Czech chapter's link is [www.transparency.cz](http://www.transparency.cz). Further, the World Bank Anticorruption Knowledge Center provides rich and comprehensive information on many aspects of corruption at <http://www1.worldbank.org/publicsector/anticorrupt/>. For the recent developments of the information policy in the CR, see the website of the Czech Ministry of Information <http://www.uvis.cz/>. There is no specialized on-line information source on the use of ICTs in the anticorruption struggle. There are printed publications that touch upon the problem on the very general level. See, for example, Richard Heeks, ed. *Reinventing Government in the Information Age: International Practice in IT-enabled Public Sector Reform*. London: Routledge, 2001.



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