

PRESS RELEASE
Prague, June 5, 2008

The Ministry of Finance's proposed public contract for removing ecological damage - one hundred billion crowns gamble

The Ministry of Finance is trying hard to award a public contract worth more than one hundred billion Czech crowns for the removal of ecological damage. Transparency International - Czech Republic (TIC) regards the approach being taken by the Ministry as another ill-considered experiment with public resources. The proposal submitted by the Ministry of Finance would drain the state budget by at least CZK 30 billion completely unnecessarily.

On 9 June 2008 the government of the Czech Republic will decide on a proposal submitted by the Ministry of Finance regarding the next steps to be taken in the process of removal of old ecological damage, which the state promised to take care of during privatisation of state assets in the 1990s. The proposal submitted by the Ministry recommends accepting the least suitable option.

The Ministry is basing its decision on an analysis it paid for, the specialist quality of which is open to question and whose conclusions are biased. Furthermore, the Ministry has attempted to conceal the contents of the analysis from the public. **This case involves the largest ever public contract in the Czech Republic, with estimated demands on public finances of CZK 116 billion.** For this reason TIC is convinced that awarding such a contract should be preceded by in-depth specialist discussions. A decision should certainly not be reached on the basis of completely inadequate information.

TIC has acquired an expert opinion on the Ministry's proposal. Resulting analyses reveal that the arguments used by the Ministry in favour of awarding the public contract to a single supplier in the form of "quasi-concessionary proceedings" are completely

unfounded and opportunistic. This is not a case of quasi-concession since it does not anticipate the transfer of any other than regular economic risks to the supplier. Awarding the contract by the method proposed will increase the cost by at least one quarter in comparison with other options. For this reason the experts recommend dividing up the contract, which would result in more favourable terms.

Though the Ministry of Environment has submitted fundamental negative observations regarding the materials submitted by the Ministry of Finance, these were rejected out of hand. Clearly Minister Kalousek does not want to lose time processing specialist reservations, but wants to push on with awarding the contract for CZK 116 billion as quickly as possible. “It is not clear what interests the Ministry has in mind, but they are clearly not those of the general public. The government should reject the proposal submitted by Minister Kalousek and demand more detailed information before reaching a decision,” says David Ondráčka, director of TIC.

Transparency International is asking the government to proceed as responsibly as possible when awarding a contract of this size and to verify thoroughly the economic efficiency of the proposed solution. The material submitted by the Ministry of Finance is clearly insufficient for this purpose.

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