

## The Czech Republic: Prime Minister Babiš pilloried by European institutions

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On 13 December, the European Parliament (EP) passed a resolution by an overwhelming majority (434 votes for, 64 against and 47 abstained) stating that the prime minister of the Czech Republic Andrej Babiš is in violation of the EU's conflict of interest regulations. In MEPs' opinion, Babiš has influence on the negotiations of the multi-annual financial framework and on the mechanisms for using EU funds, and is also the beneficial owner of companies receiving subsidies from the EU, above all Agrofert, a holding operating in the food and agricultural sector (among others). In 2017 Babiš delegated the management of his companies to trust funds but, in accordance with Czech law, he can change the rules of operation with these funds and receives the profits generated by them. The EP has appealed to the European Commission (EC) to regain the illegally paid EU funds and to withhold further payments to Agrofert (along with other measures). The latter demand, according to the EC, has already been complied with since 2 August, i.e. the day when the stricter EU conflict of interest regulations came into force. The Czech institutions in charge of EU funds are still to be audited by the EC in January and February 2019. In its investigation report in December 2017, the European Anti-Fraud Office (OLAF) pointed to the suspicion of "numerous violations of EU law" with Babiš and his family using EU subsidies; the case is currently being investigated by the Czech prosecution authorities.

### Commentary

- The resolution will not undermine Prime Minister Babiš's position at home to a serious degree because Czechs are predominantly not interested in the EP's work – as many as 31% of Czechs (the largest proportion in the EU) perceive this institution negatively, and only 25% positively. However, Andrej Babiš has been avoiding a dispute with EU institutions. He has emphasised that it is the EC and not the EP that is the partner for talks with him and is arguing that EU institutions have become engaged in the dispute due to the Czech opposition. Proof of this can be found in the fact that two thirds of the 30 MEPs present during the debate preceding the vote were Czechs. However, the EP's raising of the issue of Babiš's conflict of interest and the mobilisation of the EC (which had not been eager to start the discussion) to become engaged was to a great extent an effect of efforts of the Greens, who have no Czech MEPs in their grouping. The vote in the EP has complicated Babiš's position inside the liberal faction ALDE whose MEPs are now divided over his conflict of interest (only slightly more than one third were opposed

to the resolution). The leader of ALDE, Guy Verhofstadt, who is usually active in similar debates in the EP, has not taken a clear stance on the Czech prime minister's case.

- The controversies over the irregularities in spending EU funds, which have also been discussed with reference to Slovakia and Hungary over the past few months, will most likely be used by the EC and the net contributor states during the negotiations of the new multi-annual financial framework of the EU. This is one of the reasons why Babiš wants this issue to be settled with the EC in a quick and non-confrontational manner. However, Babiš is interested in a solution that will enable him to maintain his office of prime minister and for Agrofert to continue benefiting from EU funds. In 2017, this holding received half of the EU agricultural subsidies allocated to the Czech Republic, while as much as two thirds of the sum (equivalent to over 39 million euros) were in direct subsidies (e.g. per hectare). One indication that Prague is ready to co-operate with the EC is the fact that the Czech government on 17 December passed a bill introducing statutory amendments excluding Babiš from the work of a government advisory body on EU funds, which was one of the EC's recommendations.