



GOOD GOVERNANCE

ANALYSIS OF ANONYMOUS RECIPIENTS
OF FUNDS FROM REGIONAL
OPERATION PROGRAMMES FOR THE
PERIOD 2007 – 2013
IN THE CZECH REPUBLIC

(WITH EXTENSION OF THE
CONCLUSIONS TO THE EU
INSTITUTIONS)

All rights are reserved. Published by the Centrum of Excellence for Good Governance, z.s. in accordance with copyright law, no part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior permission of the publisher.

Lukáš Wagenknecht

Email: WAGENKNECHT.LUK@GMAIL.COM

Chairman of the Association

(Upon request, further more detailed information about the study, the problems identified as well as recommendations on the measures to take to improve the situation can be provided).

Czech version: 27th September 2016

English version: 21st October 2016

Prague 2016

Contents

NOTE ON THE APPLICABILITY OF THE CONCLUSIONS TO THE EU INSTITUTIONS	4
SUMMARY OF OVERALL CONCLUSIONS FROM THE PERFORMED ANALYSIS IN RESPECT OF THE CZECH REPUBLIC	7
GRAPHIC SUMMARY OF KEY CONCLUSIONS	9
THE PURPOSE OF THE IDENTIFICATION OF CORPORATE OWNERSHIP STRUCTURES AND BENEFICIAL OWNERS	13
RELEVANT LEGISLATION IN THE CZECH REPUBLIC	14
SHORTCOMINGS OF THE EXISTING CZECH LEGISLATION	16
SIMILAR DEFICIENCIES IN THE EU RULES ON GRANTING MONEY FROM EU PUBLIC BUDGETS AND THEIR ENFORCEMENT	17
FUTURE TRENDS IN THE CZECH REPUBLIC	19
FUTURE TRENDS REGARDING GRANTING OF EU FUNDS TO (NON)TRANSPARENT ENTITIES BY EU INSTITUTIONS	20
METHODOLOGY	20
RESULTS OF ANALYSIS FOR ALL REGIONAL OPERATIONAL PROGRAMMES IN THE CZECH REPUBLIC ..	22
RESULTS OS ANALYSIS FOR ROP CENTRAL BOHEMIA	23
RESULTS OS ANALYSIS FOR ROP NORTH-EAST BOHEMIA	26
RESULTS OS ANALYSIS FOR ROP NORTH-WEST BOHEMIA	28
RESULTS OS ANALYSIS FOR ROP SOUTH-EAST BOHEMIA	30
RESULTS OS ANALYSIS FOR ROP SOUTH-WEST BOHEMIA	32
RESULTS OS ANALYSIS FOR ROP CENTRAL MORAVIA	34
RESULTS OS ANALYSIS FOR ROP MORAVIA SILESIA	36

NOTE ON THE APPLICABILITY OF THE CONCLUSIONS TO THE EU INSTITUTIONS

This report was issued in the Czech language with respect to the Czech Republic on 27th September 2016. According to our knowledge, the analysis performed it has so far been the largest one in the EU as regards the transparency/anonymity of corporate and control structures and beneficial owners of EU fund recipients in the whole EU. The parts on rules and enforcement of rules regarding disbursement of funds to recipients - legal persons from the EU budget by the European Commission appear only in the English version of the study.

Although the conclusions made with respect to the Czech Republic cannot be applied to other Member States due to the differing rules on public disclosure of the information on corporate ownership interest in legal persons and the legal quality of the published information on this interest, they can be to a large extent applied to the EU institutions, in particular to the European Commission, and the way it distributes funds from EU budgets to recipients - legal persons. In fact, the fundamental assumptions regarding the rules and enforcement of control over the transparency of corporate and control structures of legal persons receiving funds from the EU budget and the Czech budget are almost identical since:

- (i) the rules on disclosure of "persons with interest" (Czech law) and the "persons with control" (EU law) over the tenderer for a public contract or applicant for public funds are almost identical (neither legislation require evidencing of persons with interest/control over the tenderer for a public contract or applicant for public funds);
- (ii) there are similar interpretation problems as to whether the "notion of persons with interest" (Czech law) and the notion of "persons with control" (EU law) include only "person with direct interest/control" or "also persons with indirect interest/control"; these interpretation problems hamper the effective enforcement of these rules;
- (iii) the practical application of the aforementioned rules is similar since both the Czech authorities and the European Commission require a declaration of honour (Czech authorities require declaration of honour on the first level shareholder(s) of the applicant whereas the European Commission requires a general declaration that no person with control is subject to exclusion reasons): in neither situation are the Czech authorities nor the European Commission able to effectively discover if any person with indirect ownership interest/control would be in the situation of exclusion on the basis of the aforementioned declaration of honour (this declaration is not accompanied by the description of the corporate and control structure and beneficial owner(s), including persons with direct and indirect interest in the applicant, and the evidence thereof which makes it practically useless));
- (iv) the enforcement of the aforementioned rules is similar since neither the Czech authorities nor the EU Commission are effectively checking the information on corporate and control structure and beneficial owner(s) nor the quality of its evidencing.

Thus, one can make a reasonable assumption, which, however, would have to be empirically tested, that the percentage of recipients of funds from the EU budget with anonymous corporate ownership structure and beneficial owners would be similar to the percentage of anonymously owned companies receiving funds from the Czech budget (cca 27 %). Also the percentage of sums distributed from EU budget to recipients anonymous corporate ownership structure and beneficial owners would be very similar to the percentages of recipients with anonymous corporate ownership structure and beneficial owners determined with respect to the regional operational programmes in the Czech Republic (cca 38 %). Last but not least, also the risk factors described

below are largely present in situation of distribution of funds from the EU budget by the European Commission¹.

(Additional note regarding the surveillance over the disbursement of EU funds in the Czech Republic: *The first EU Anti-corruption Report published in February 2014 indicated that corruption practices consisting in diversion of public money paid out to companies with anonymous corporate structures for corruption are an important problem in the Czech Republic² (as well as in certain other Member States)³The figures and numbers of this report confirm the conclusions of the first EU Anti-corruption Report in respect of the Czech Republic and the negative trends in the Czech Republic as regards the transparency of corporate ownership structures. However, the European Commission appears to be unable (or unwilling) to enforce the rule requiring disclosure and evidencing of corporate ownership structures up to the beneficial owners as stipulated in the EU – Czech Republic Partnership Agreement for the programming period 2014 – 2020. These rules on disclosure and evidencing of corporate ownership interest were inserted into the EU – Czech Republic Partnership Agreement EXACTLY FOR THE REASON to prevent the abuse of EU funds by recipients with anonymous ownership structures and beneficial owners. This incapability or unwillingness from the side of the European Commission is even more paradoxical in a situation where (i) a practical methodology on disclosure and evidencing of corporate ownership structure exists, and (ii) the NGO sector in the Czech Republic is ready to certify the disclosure and evidencing of the corporate and ownership structures of future recipients of EU funds in the programming period 2014 – 2020 through the Transparency ID certification (see www.taxparency.eu).*

¹ No one can however reasonably expect that the European Commission would finance an independent study of this kind or that it would not use all its means and power to suppress any independent study of this kind some mercenary decided to finance such a study.

² (COM(2014) 38 final (see the relevant country-specific annexes, section Issues in focus)).

³ The EU Anticorruption Report suggested that similar problems with abuse of anonymous ownership structures could arise in Croatia, Estonia, Latvia, Poland, Romania and Slovenia.

INTRODUCTION

The problem of anonymity of ownership of recipient of public funds, in particular in relation to recipients of subsidies and public contractors is a matter which concerns every citizen and tax payer. Czech Republic – similarly to certain other states of the European Union – do not do anything to remedy this problem. Competent public institutions and bodies allow redistribution of public funds to a number of companies which conceal their ownership structures and true beneficial owners.

In general, it is possible to identify at least four reasons for anonymization of ultimate beneficial owners of recipients – legal persons which receive public funds:

- Financing of politically exposed persons from public funds which could thanks to their relations and conflict of interest influence on the selection of projects which should receive subsidies;
- Financing of interest groups which siphon off the capital financed from public funds outside the Czech Republic while such capital could then serve for the subsequent financing of criminal, terrorist or other illegal activities;
- Financing of projects which in case of disclosure of corporate ownership structure or beneficial owners would not be supported – this refers in particular to the issue of small and medium enterprises (SMEs) where large companies can make thank to the anonymised ownership structure from their controlled subsidiary a company looking like an SME;
- Financing of projects of non-profit organisations created only for the purposes of reception of public funds where the expended public funds do not necessarily support the non-profit activity but to subsidise the business activities of anonymous members of those non-profit organisations (non-profit organisations are not obliged to publish information about their activities or structure until November 2017).

RISK FACTORS RESULTING FROM THE PERFORMED ANALYSIS

- State provides subsidies from EU funds to recipients – legal persons whose corporate ownership structure as well as well as ultimate beneficial owners are fully anonymised;
- State provides subsidies from EU funds to recipients – legal persons whose ultimate beneficial owners cannot be identified but whose corporate ownership structure leads to countries which are considered to be tax havens and which allow for anonymization of company owners;
- State provides subsidies from EU funds to companies created only for the purpose of receiving the subsidy and which would otherwise not exist;
- State provides subsidies from EU funds to companies which do not fulfil their legal obligation to publish documents in the corporate registry, in particular the obligation to publish in the repository of documents of the corporate registry full and duly drawn up financial accounts;
- Notarial deeds about the meetings of shareholders lacking the lists of present shareholders - either because of provisions of only parts of those deeds to the registry courts or because of negligence of notaries - are published in the repository of documents of the corporate registry;
- Financial accounts audited without reservation, but lacking the obligatory legal information about the owner of the company with more than 20 % are published in the repository of documents of the corporate registry.

SUMMARY OF OVERALL CONCLUSIONS FROM THE PERFORMED ANALYSIS IN RESPECT OF THE CZECH REPUBLIC

The performed analysis delivered the following systemic failures⁴:

Out of the total number of 968 projects in which the recipient was a limited liability company, joint-stock company or a non-profit entity, in 230 cases the ultimate beneficial owner of those companies or entities was (in total or in part) the State or a regional or municipal body.

Out of the total number of 464 projects in which the recipient was a business company, in total 123 projects in the value of CZK 3.397.772.836 (EUR 125.843.438) the beneficial owner of such business companies could not be identified. These business companies had their corporate ownership structure anonymised by use of anonymous bearer shares where the owner can change at any time or by use of registered paper shares without any public information about their owner. This group of recipients presents the highest risk since the state and public bodies do not have any possibility to find out whether the granted public money to those companies are not used for financing of corruption or criminal activities.

In total 41 recipients (9% of the total of recipients) with financial allocation in the amount of CZK 837.496.920 836 (EUR 31.018.404) made their corporate ownership structure public but due to the existing legal rules in the Czech Republic this information about the corporate ownership structure could not be relied upon entirely. This was the case of joint-stock companies owned via registered paper shares where the direct or ultimate beneficial owners could have been found in published financial accounts or notarial deeds acknowledging that shareholder meetings took place. Those financial accounts certify the owners only as to the last date of the accounting period, not for the whole accounting period, and the notarial deeds certify the shareholders (owners) present at the shareholder meeting only at a certain date. However, those dates may not correspond, and in most cases did not correspond to the date when the EU funds were granted to the company, such information about owners of such companies cannot be considered as reliable. Hence, even the companies within this group cannot be considered as transparent as regards their corporate ownership structure and beneficial owners since their structure and owners can change any time (without publication) and thus be different at the date of reception of public funds. In conclusion, their neither their corporate ownership structure nor the beneficial owner can be identified as to the date of reception of subsidies of EU public funds.

The analysis showed that the only group of transparent recipients which are business companies is the group represented by limited liability companies whose direct owner is a natural person which is at the same the ultimate beneficial owner. The analysis identified as transparent 284 projects with financial allocation of CZK 4.415.193.214 (EUR 163.525.647).

In total in 16 projects, CZK 348.223.127 (EUR 12.897.152) was provided to recipients – legal persons whose corporate ownership structure leads to a foreign country. Foreign companies within the identified ownership structures were not subsequently analysed. Companies acting as foreign owners and beneficial owners owning the recipients via foreign companies were included either within the group of anonymous owners or uncertain owners if the Czech part of the corporate ownership structure was could not be identified with certainty.

⁴ The analysis stemmed from the general risk factors referred to in Annex III of the Directive EU 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and it is non-exhaustive list of factors and the types of evidence of potentially higher-risk situations under Art. 18 (3) of this Directive: 1) Customer risk factors: a) the business relationship is conducted in unusual circumstances; b) customers that are resident in geographical areas with higher risk; c) legal persons or arrangements that are personal asset-holding vehicles; d) companies that have nominee shareholders or shares in bearer form; e) businesses that are cash-intensive; f) the ownership structure of the company appears unusual or excessively complex given the nature of the company's business. (Art. 18 par. 3 reads as follows: When assessing the risks of money laundering and terrorist financing, Member States and obliged entities shall take into account at least the factors of potentially higher-risk situations set out in Annex III.)

Public officials responsible for granting subsidies from EU funds do not see – as far as corporate ownership structure and beneficial owners – more information than is publicly available. The existing legal rules on disclosure of direct owners of recipients of EU funds owning more than 10 % share in the overwhelming number of cases do not reveal additional information which would not be already available from public sources. In the infinitesimal portion of cases where those disclosure obligations provide public officials with additional information, the accuracy of this information by public officials cannot be anyhow verified by them.

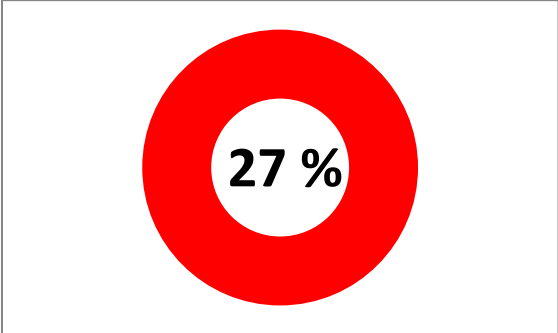
If any recipient – legal person wants to anonymise the information about its corporate ownership structure or beneficial owners, he or she does it very diligently: in such case the analysis revealed that it is not possible from any document published in the corporate registry or the repository of documents of the corporate registry to find any information about the corporate ownership structure or beneficial owners. At the same time, on the one hand, those cases are one of the most risky ones, on the other hand, since the existing IT system used by EU or Czech public administration supposed to check the absence of conflict of interest, beneficial ownership or personal relations are based exclusively on the collection of published data in those commercial registries, these IT systems will miss the information exactly on companies presenting the highest risks.

The analysis of the legal situation was performed as to the date of 10 September 2016. The results of the analysis cannot be used or approximated to other countries due to the differing legal rules on corporate ownership and their public disclosure.

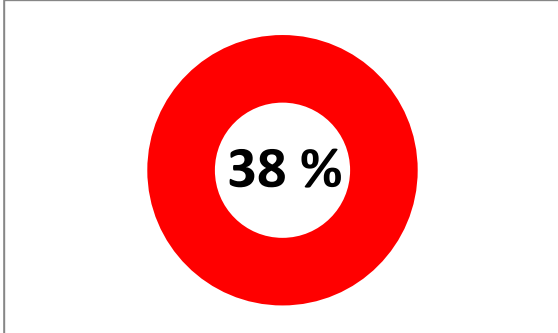
GRAPHIC SUMMARY OF KEY CONCLUSIONS

Overall ratio of anonymous owners in all Regional Operational Programs

Anonymous owner as per number of projects

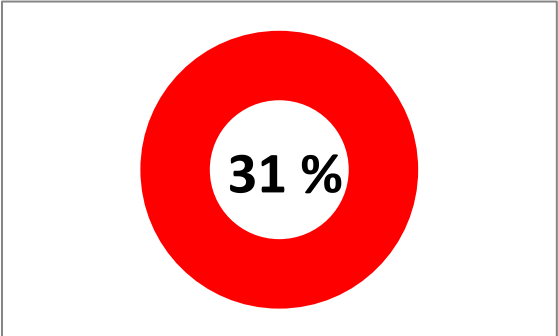


Anonymous owner as per financial volume

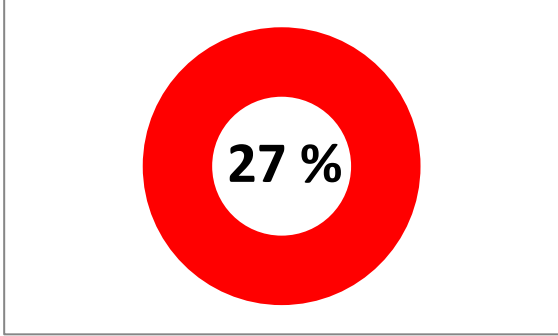


ROP Central Bohemia

Anonymous owner as per number of projects

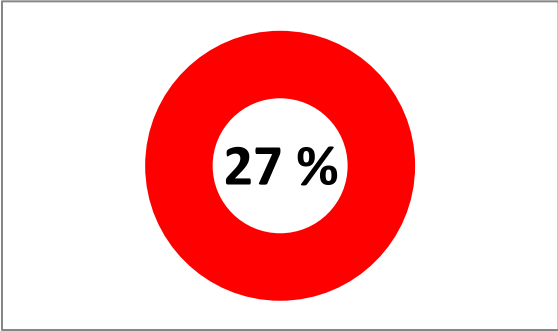


Anonymous owner as per financial volume

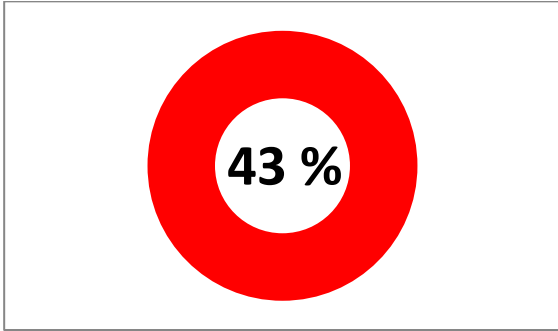


ROP North-East Bohemia

Anonymous owner as per number of projects

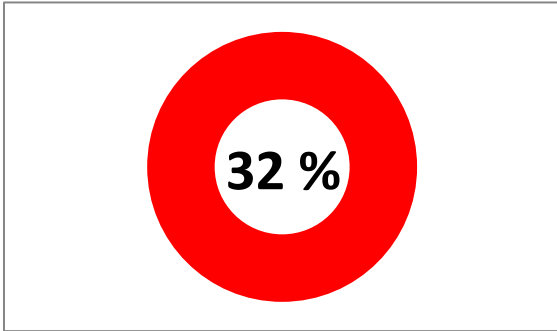


Anonymous owner as per financial volume

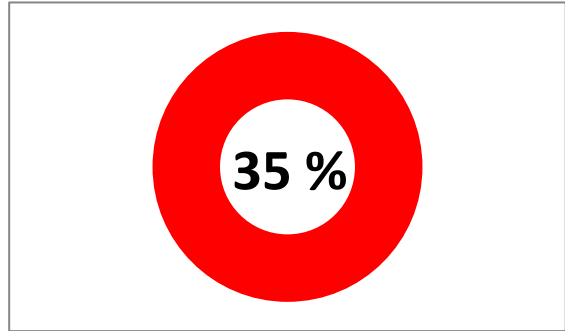


ROP North-West Bohemia

Anonymous owner as per number of projects

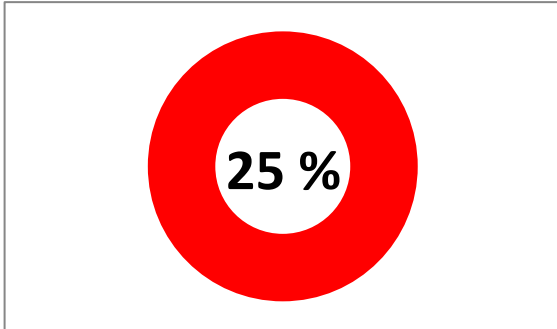


Anonymous owner as per financial volume

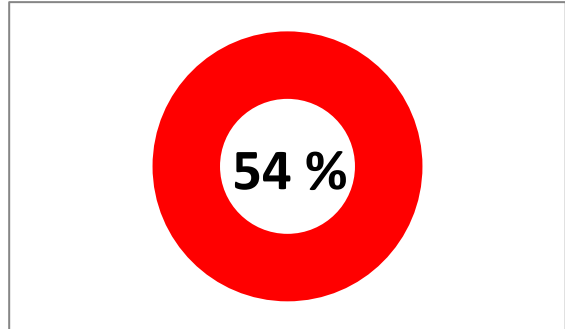


ROP South-East Bohemia

Anonymous owner as per number of projects

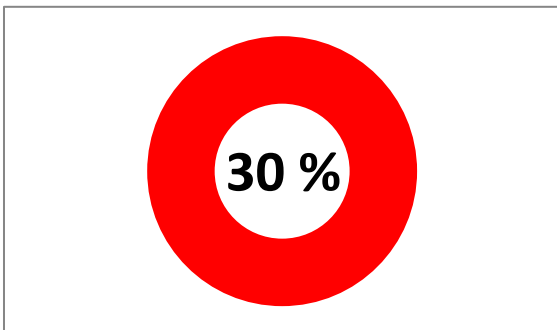


Anonymous owner as per financial volume

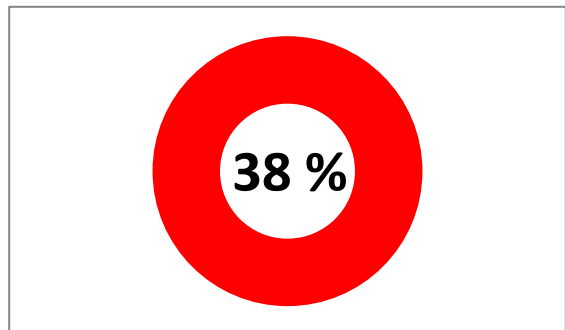


ROP South-West Bohemia

Anonymous owner as per number of projects

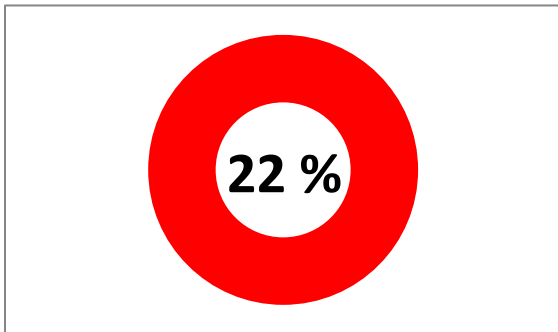


Anonymous owner as per financial volume

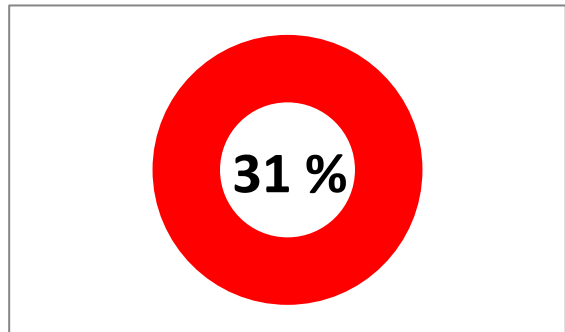


ROP Central Moravia

Anonymous owner as per number of projects

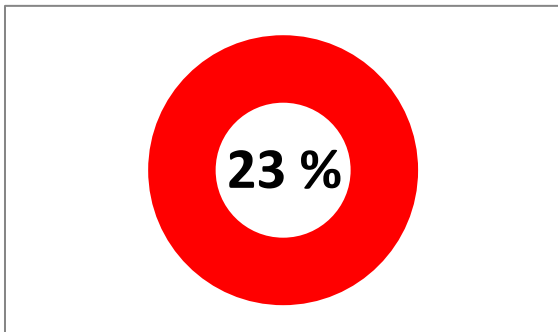


Anonymous owner as per financial volume

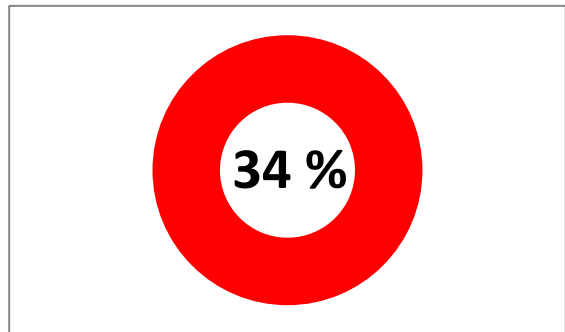


ROP Moravia Silesia

Anonymous owner as per number of projects



Anonymous owner as per financial volume



THE PURPOSE OF THE IDENTIFICATION OF CORPORATE OWNERSHIP STRUCTURES AND BENEFICIAL OWNERS

The purpose of the identification of persons having shares in the corporate ownership structure up to ultimate beneficial owners is to reveal the persons which are effectively controlling legal persons and prevent illicit transfers of funds through complex ownership structures. The 2011 World Bank report entitled "Puppet Masters" described 150 grand corruption cases. Almost all companies included the use of anonymous owners to a total value of 50 billion USD⁵. OECD indicates that "almost every economic crime involves the misuse of corporate vehicles [i.e. companies]"⁶ while an UK government paper suggests that „there is a clear link between such illicit financial flows and company structures“⁷.

Opaque corporate structures also present an obstacle to an effective law enforcement⁸. It is more than paradoxical that anti-money laundering rules oblige private companies disposing with their private money to disclose ultimate beneficial owners in transactions over certain values, but do not require the same from public entities. Money of EU taxpayers paid out to the state can be disbursed to private entities which are part of opaque corporate structures which allow for channelling out these public monies to non-transparent tax havens⁹.

International institutions, such as the World Bank¹⁰ or again the UK¹¹, begin to require legal persons who are beneficiaries of funds from public budgets to unveil their corporate ownership structures up to the ultimate beneficial owner(s). Thus, they try to prevent conflict of interest, corruption or tax avoidance. In the Czech Republic, in 2011, the Czech National Economic Council (NERV) suggested to the government that "companies that are owned by the bearer shares do not have a clear ownership structure, which allows procurement companies directly related to the ones who decide on the contract". Therefore suggested that "public contracts should be attributed only those companies that have a clear corporate ownership structure traceable to individuals."¹²

⁵ World Bank Publications The Puppet Masters : How the Corrupt Use Legal Structures to Hide Stolen Assets and What to do About It (2011)

⁶ OECD (2011): Behind the Corporate Veil: Using Corporate Entities for Illicit Purposes. "Slush funds are created for the collection and distribution of some huge sums of money that are required to participate in corrupt practices. [...] More sophisticated methods typically use bank accounts abroad, preferably in the offshore countries that allow non-transparent management accounts and ensure the anonymity of the ultimate owners. [...] These hidden funds, often containing vast resources, finance gray economy." (OECD: Bribery in Public Procurement: Methods, Actors and Counter Measures, 2007, p. 32).

⁷ Transparency & Trust – Enhanced Transparency of Company Beneficial Ownership, Department for Business, Innovation & Skills, Impact Assessment, 25 June 2014, p. 7.

⁸ "In dozens of jurisdictions, from the British Virgin Islands to Delaware, it is possible to register a company while hiding or disguising the ultimate beneficial owner. This is of great use to wrongdoers, and a huge headache for those who pursue them. Anonymously owned companies can buy property, make deals (and renege on them), launch intimidating lawsuits, manipulate tenders – and disappear when the going gets tough. Those who seek redress run into baffling bureaucracy and a legal morass. Seeking real names and addresses means dealing with lawyers and accountants who see it as their job to shield their clients from nosy outsiders." (The Economist, Corporate Anonymity – Light and wrong, 21 January 2014, p. 55).

⁹ Mechanisms and schemes identical to those used for corporate tax avoidance are being used. The costs of "buying" corporate anonymity with companies providing offshore services start at EUR 1 000 per year.

¹⁰ World Bank wants to stop anonymous firms winning contracts, Stella Dawson, Reuters, 8 June 2015, <http://www.reuters.com/article/2015/06/08/us-aid-worldbank-contracts-idUSKBN0002D520150608>

¹¹ Transparency & Trust – Enhanced Transparency of Company Beneficial Ownership, Department for Business, Innovation & Skills, Impact Assessment, 25 June 2014.

¹² Novotný, J., Lichard, T., Palguta, J., Korupce: Nejen fiskální problém a jeho řešení (Kapitola 4) (Corruption: Not only a fiscal problem and its solutions) in Kohout, P. a kol., Sborník textů pracovní skupiny pro boj proti korupci, Národní ekonomická rada vlády, Boj proti korupci, červen 2011 (Collection of texts of a working group for the fight against corruption, National Economic Government Council, June 2011), p. 47).

RELEVANT LEGISLATION IN THE CZECH REPUBLIC

Regarding the identification and disclosure of direct shareholders the following rules apply:

- (i) general partnership or limited liability partnership is obliged to indicate its associates in the memorandum of association¹³; as regards the disclosure, it is required to register the identity of the shareholders in the commercial register, which is then published there¹⁴;
- (ii) limited liability company is obliged to keep lists of associates, stating their identity, while the data registered in the list of associates may not be used other than for their needs in relation to shareholders¹⁵; as regards the disclosure, it is required to register the identity of the shareholders in the commercial register, which is then published there¹⁶;
- (iii) joint-stock company or European company is obliged to keep lists of shareholders, if it owns paper or book-entry registered shares (in this case it may keep the list of shareholders in the Central Depository); as regards disclosure it is required to register the identity of the shareholder (partner) only if the company has the only one shareholder¹⁷;
- (iv) permanent establishments and branches of foreign company are obliged to indicate the name of a foreign company¹⁸;
- (v) state enterprise is obliged to indicate in the commercial register who acts on behalf of the state as the founder of the state enterprise¹⁹.

Regarding limited liability companies and joint-stock companies, including European companies, indication of the partners or a single shareholder in the corporate register is, however, merely informative indication that a registered partner or shareholder is a shareholder of such company. Although the extract of the commercial register indicates the person Y or the company X as the partner, the real partner of this company can be the person Y or the company B. It is because the crucial to determining who is a partner in a limited liability company is a figure in the list of partners, eventually the share certificate (in Czech: *kmenový list*), for joint-stock companies, including European companies, it is then a figure in the list of shareholders, eventually certificated shares. If the joint stock company or the European Company has more than one owner (shareholder), its name doesn't appear on the extract of the corporate register. The identity of the shareholders of such commercial companies is therefore not accessible to the public.

In addition, commercial companies as accounting entities are obliged to publish every year in in the repository of documents of the corporate registry their financial accounts, whose annex has to include, among others, figures on significant partners, i.e. partners having share above 20 %; such information on partners, however, is also given for informative purpose only²⁰. Alternatively, if the company by the end of 2015 filed in the repository of documents of the corporate registry an annual report containing financial accounts, the information on the owner having share more than 20 % would have appeared in this annual report or in the annex of the financial account, attached to this report.

The Law no 134/2013 Coll., on certain measures to increase the transparency of joint-stock companies, established the obligation for joint stock companies with paper bearer shares to convert them into book-entry

¹³ § 98 (c) and § 119 of the Czech Business Corporation Act.

¹⁴ § 48 (1) (i) of the Czech Act on Public Registers.

¹⁵ § 139 – 141 of the Czech Business Corporation Act.

¹⁶ § 48 (1) (j) of the Czech Act on Public Registers.

¹⁷ § 48 (1) (k) of the Czech Act on Public Registers.

¹⁸ § 49 (c) and § 50 (d) Czech Act on Public Registers.

¹⁹ § 48 (1) (m) Czech Act on Public Registers.

²⁰ § 39 (1) of the Czech Government Ordinance 500/2002 Coll. (in force until 31 December 2015).

or immobilized shares²¹. If joint-stock companies with anonymous paper shares did not transform these shares by 30 June 2014 into book-entry or immobilized ones, these anonymous shares became automatically registered paper shares. This means that as of 30 June 2014, such company transformed by the effect of law into company with registered paper shares was obliged to keep (i) the list of shareholders where the owners of such paper shares should be indicated and (ii) the name of shareholder who proved being at that time the effective shareholder.

A number of various pieces of existing Czech legislation or proposals in the legislative pipeline includes requirements for legal entities to disclose their ownership structure. These include the following provisions:

- § 14 (3) (e), points 2 and 3 of the Act no. 218/2000 Coll., on budgetary rules, as amended, (*identification of legal persons having an interest in the legal entity of the applicant for subsidies or loans from [central] public budgets, including the amount of this share*²²),
- § 10a (3) (f), points 2 and 3 of the Act no. 250/2000 Coll., on territorial budgetary rules, as amended, (*identification of legal persons having an interest in the legal entity of the applicant for subsidies or loans from [central] public budgets, including the amount of this share*²³),
- The Partnership Agreement for the 2014 - 2020 programming period between EU and the Czech Republic (*obligation to ensure the disclosure of ownership structures to beneficial owners, p. 185*),
- § 8 (2) (b) and § 9 (2) (c) of the Act no. 253/2008 Coll., on certain measures against the legalization of proceeds from crime and financing terrorism, as amended (*verification of the identity of the controlling party during the control of the client, which is a legal person and obligation to update information by liable persons under this law*);
- Act no. 137/2006 Coll., on Public procurement, as amended, stating in Art. 68, par. 3, letter b) that joint-stock companies have to declare in their offer who is their direct shareholder having share 10 % and higher (*in force until 30 September 2016*),
- § 104 (2) and § 122 (3) (c) of the Act no. 134/2016 Sb., on Public procurement (**in force from 1 October 2016**). (According to the Act on certain measures against the legalization of proceeds from crime and financing terrorism, the contract owner shall require as a condition for concluding the contract from the selected contractor the presentation of evidence of its ownership structure to the ultimate beneficial owner [Art. 104, par. 2 of the draft Act]; According to the Act on certain measures against the legalization of proceeds from crime and financing terrorism, [the contract owner shall send the call to submit] the evidence of the ownership structure of the supplier to the ultimate beneficial owner (Art. 122 (3) (c) ²⁴;

and the following amending acts:

- Act no. 304/2013 Coll., on Public Registers, ([The public register includes:] indication of (1.) a share on voting rights if the status of actual owner is based on the participation in the legal

²¹ The process of immobilisation includes putting shares into the bank deposit which creates a corresponding account where the bank records the amount of shares put into the deposit. Hence, the immobilised shares can be transferred by a simple credit and debit of the share account in the books of the bank.

²² From the wording of this provision it is unclear whether the notion of "person having an interest" should mean a person with a direct interest only or also person(s) with indirect interest. In reality, however, neither persons with direct or indirect interest are being disclosed since Czech state authorities do not enforce this legal provision (see, „Svlékání do naha“ už je povinné dva roky, jen se nikdo nesvléká, Skuhrovec, Jiří, blog Aktuálně.cz, 19 June 2014, <http://blog.aktualne.cz/blogy/jiri-skuhrovec.php?itemid=23160>).

²³ At the level of regional budget the situation is exactly the same, see the previous footnote.

²⁴ This obligation due to the recent entry into force of the new Czech Act on Public Procurement has not yet been tested in practice.

person, (2.) share in the distribution of resources, if the status of actual owner is based on the fact that the latter is the beneficiary, or (3.) other facts if the status of actual owner is based otherwise (Art. 25a, (1) (d)),

- Act no. 253/2008 Coll., on certain measures against the legalization of proceeds from crime and financing terrorism, currently in the legislative process (*The verification of a client involves identification of the ownership and steering structure of the client and its real owner if the client is legal person, trust or other legal arrangement without legal subjectivity, and adoption of measures to identify and verify the identity of the beneficial owner) and continuous monitoring of the business relationship including scrutiny of transactions undertaken throughout the course of that relationship in order to determine whether the transactions are in conformity with what the liable person knows about the client and its business and risk profile (Art. 9 (2) (b) a (c)).*

SHORTCOMINGS OF THE EXISTING CZECH LEGISLATION

The first EU Anti-corruption report from 3 February 2014 elaborated by the European Commission in the chapter related to the Czech Republic in connection with measures taken as a consequence of the EU Council Recommendation stated that „the 2012 Public Procurement Act still allows to some extent the conclusion of public contracts with companies that have anonymous shareholders and does not offer sufficiently strong safeguards against conflicts of interest, since the companies' true owner may remain hidden.”²⁵

The Partnership Agreement for the programming period 2014 - 2020 between EU and the Czech Republic, i.e. document elaborated by a Member State of the EU, laying down goals and priorities for efficient use of European structural and investment funds (ESIF) contains the provision stating that “having regard to the principle of transparency and avoidance of potential conflicts of interest, applicants will be required to disclose their ownership structure based on the principle of proportionality, according to the methodological instructions regulating the area of financial flows when submitting a project application or during the process of selection of the project. Projects, respectively their promoters, for which there would be a conflict of interest, and will not be able to prove ownership structure will not be able to get support”²⁶ Above-mentioned methodology of financial flows then requires so that each recipient having the legal form of a company justifies in the grant application a list of persons having her at the time of submission of the application the share of more than 10 %, i.e. de facto the same requirement, which stipulates Art. 68, par. 3, letter b) of the Public Procurement Act (in force until 30 September 2016)²⁷.

The duty of a tenderer who is a joint-stock company to submit the list of its direct shareholders having more than ten percent of shares contained in Art. 68, par. 3, letter b) of the Public Procurement Act (in force until 1 October 2016) was ineffective for at least three reasons. The reasons of ineffectiveness of this requirement are numerous: (i) First, if the tenderer is a joint-stock company with paper bearer shares, it is impossible to verify whether the declared shareholders are real legal owners of shares that they claim to own since the ownership of anonymous bearer shares cannot be anyhow objectively determined. Consequently, it is impossible to determine whether the physical person who is the final owner of the anonymous paper bearer shares of the tenderer, and thus the final shareholder of the winning tenderer, is not identical with the person acting in the name of the contracting authority who is for setting the conditions of the tender or responsible for awarding the public contract in the tender; (ii) second, apart from the fact that the accuracy of the declaration of

²⁵ COM (2014) 38 final, ANNEX 3, p. 8-9.

²⁶ Ministry of Regional Development, The Partnership Agreement for the programming period 2014 - 2020.

²⁷ Methodical Guidance on Financial Flows of the programmes co-financed from the EU structural funds, Cohesion funds and the European Maritime and Fisheries Fund for the programming period 2014 – 2020 (in force as of 1. 11. 2015) where it is stipulated in point 2.1. that the national coordination bodies ensure, next to the obligations set out by the EU and Czech legislation and this Methodical Guidance, the each recipient having the form of a commercial company proved in the application for EU subsidy the list of persons who have more than 10 % interest in that company as to the date of filing the application [§ 68 (3) (b) of Act no. 137/2006 Coll., on public procurement] without prejudice to the obligations resulting from 14 (3) of Act no. 218/2000 Coll., and § 10a (3) Act no. 250/2000 Coll.

ownership of anonymous paper bearer shares cannot be objectively verified, this declaration gives information about the shareholders of the tenderer only at the moment when this declaration was done: if the anonymous paper bearer shares are transferred after the declaration is made, this declaration disclosing the ownership of these anonymous paper bearer shares ceases to have any information value, since transfers of these shares, as well as the resulting changes of shareholders of the tenderer, are not anywhere registered; (iii) third, if the disclosed shareholder with a share of more than 10 % is a legal person, in particular a joint-stock company with paper bearer shares, this disclosed information will not allow the identity about the persons who are the final shareholders-physical persons; (iv) fourth, even a person with a shareholding interest of less than 10 % who will not be covered by the existing disclosure requirement can effectively control the company, since articles of association may grant to such a person more than 10 % of voting rights; also, this disclosure requirement will not prevent any physical person who in the name of the contracting authority decided about the award of the public contract and was bribed by paper bearer shares representing 9 % shareholding interest in the winning company, to cash out a dividend representing his „remuneration“ for ensuring that the public tenderer whose shares he had received was awarded the public contract in question.

In relation to the legal persons person which request a subsidy or a loan from the central public budgets (§ 14 (3) (e), points 2 and 3 of the Act no. 218/2000 Coll., on budgetary rules, as amended) or regional public budgets (§ 10a (3) (f), points 2 and 3 of the Act no. 250/2000 Coll., on territorial budgetary rules), those legal persons are obliged to disclose the person(s) with a shareholding interest in the legal person of the applicant. § 18 of the firstly mentioned Act than requires that the request for subsidies or loans should be published, including the information on the persons with a shareholding interest in the legal person of the applicant. Given the fact that the Act on Anti-money Laundering (as well as the AML Directive) do not apply to public authorities, the aforementioned provisions represent the only means of control that the monies paid out from central and regional public budgets are not used for financing of criminal activities, terrorism or activities of individuals subject to international sanctions via anonymous ownership structures of recipients of public money.

However, in the interpretation of the aforementioned provision there is a controversy about whether the notion of persons with the shareholding interest in the legal person of the applicant shall mean only persons with direct shareholding interest or also persons with indirect shareholding interest, i.e. the entire corporate and control structure and beneficial owner(s) of the applicant. This ambiguity and the lack of willingness to public authorities to enforce legal binding rules leads to the situation that neither direct nor indirect holders of shareholding interest in the applicant requesting subsidy or a loan from a public budget are disclosed or verified by public officials²⁸. Hence, neither state nor regional public authorities have any knowledge whether the subsidies or loans granted from public budgets to applicants are not channelled out through their corporate ownership structures and, thus, whether such public monies:

- (i) do not serve for financing of criminal activities, terrorism or activities of individuals subject to international sanctions, and/or
- (ii) are not distributed to applicants whose corporate ownership structure does not lead to non-transparent tax havens and which, thus, may be engaged in aggressive tax planning strategies.

SIMILAR DEFICIENCIES IN THE EU RULES ON GRANTING MONEY FROM EU PUBLIC BUDGETS AND THEIR ENFORCEMENT

Similar deficiencies which were described in respect of Czech rules and enforcement regarding the corporate ownership structures of legal persons who are recipients of grants and other subsidies from the Czech public budgets as well as public contracts, can be found also in the EU Financial Regulations which regulate the disbursement of money from EU public budgets.

²⁸ „Svlékání do naha“ už je povinné dva roky, jen se nikdo nesvléká, Skuhrovec, Jiří, blog Aktuálně.cz, 19 June 2014, <http://blog.aktualne.cz/blogy/jiri-skuhrovec.php?itemid=23160>.

Currently the EU institutions when attributing grants, subsidies or public contracts have no or very little information about the corporate and control structure of legal persons receiving those types of public monies, in other words, they do not know who are the persons who directly or indirectly control the legal persons which receives grants, other subsidies or public contracts from EU institutions. Although Article 106 (4) of Financial Regulation (EU) No 966/2012 stipulates that economic operators or persons having powers of representation, decision-making or control over them are excluded from EU financing when they have been the subject of a final judgement for fraud, including tax fraud, it can be effectively applied only with difficulties. In fact, public officials have little or no chance of discovering those economic operators with control over the applicant since they have only knowledge about the legal person with whom they directly contract, but not about the natural or legal person which controls or owns this legal person (on the basis of the Legal Entity Form)²⁹.

Without having the knowledge of the persons with direct or indirect interest over the legal person receiving grants or other subsidies from the EU budget as well as public contracts, EU institutions are unable to effectively enforce the aforementioned rules of the EU Financial Regulations as regards the corporate ownership structure of the EU money recipients. For example, if a legal person receiving any of the aforementioned type of public funds from the EU budget is 100% owned and controlled by another legal person which is 100% owned and controlled by a beneficial owner (natural person) who is in any of the situations described under Art. 106 (1) of the EU Financial Regulation 966/2012 EU institutions will not in most of cases be able to find out who is the convicted beneficial owner – natural person or even which legal person is the 100% direct owner of the applicant³⁰. Given the fact that they have no knowledge about the persons with direct or indirect control of the legal persons receiving money from EU budget, they have neither any information about whether these persons with control of the applicant are not based in non-transparent tax havens, and thus whether the public money they disburse are not channelled out to those tax havens.

Against this backdrop and on the basis of interviews with responsible EU officers³¹, the EU institutions have almost identical problems as the Czech authorities with the interpretation and application of rules concerning the identification of the corporate ownership structures and beneficial owner(s) of recipients of grants and subsidies from EU, it can be concluded:

- (a) the interpretation of the notion of "persons with control" under art. 106 (4) of Financial Regulation (EU) No 966/2012 is unclear since it is not specified whether this means persons with direct control, i.e. direct controlling shareholders (owners), or persons with both direct and indirect control, i.e. persons within the corporate and control structure and the beneficial owner(s),
- (b) the persons with control (whether direct or indirect) over the recipients of grants and other subsidies from the EU budget as well as over public contractors are not disclosed to the EU institutions nor is the identity of those persons with control (whether direct or indirect) anyhow checked.

Thus, the EU institutions have no knowledge whether the money they are paying out from the EU public budgets are not channelled out through the corporate ownership structures of their recipients and, thus, whether such public monies:

- (i) do not serve for financing of criminal activities, terrorism or activities of individuals subject to international sanctions, and/or

²⁹ Same applies as regards implementation of financial instruments under Article 140 of this Regulation, in particular its Art. 140 (4).

³⁰ Although EU institutions are using systems like ARACHNE, ORBIS or other systems to find some information about corporate and control structures and/or beneficial owner, yet, this information contained in these systems is largely insufficient since it is based only on the collection of information published in voluntarily disclosed financial accounts of usually "clean" companies which have nothing to hide. Hence, the ARACHNE or ORBIS system will be of no use in respect of this important number of companies.

³¹ The interviewed official did not want to have their names disclosed out of the fear from having spoken about this problem.

- (ii) are not distributed to applicants whose corporate ownership structure does not lead to non-transparent tax havens and which, thus, may be engaged in aggressive tax planning strategies.

FUTURE TRENDS IN THE CZECH REPUBLIC

Future trends in the Czech Republic as regards the solution of the issue of anonymous corporate ownership structure and beneficial owner(s) of public funds recipients appears to go in the negative direction. Although the EU Antimoney Laundering Directive 849/2015/EU set out a new obligation for Member States to keep a register of ultimate beneficial owners which has to be, under certain conditions accessible to the public, the Czech political representation tries to prevent any access of the public to the future registers of beneficial owners as well as to base the information about the beneficial owners on unverifiable declarations only.

The Lower Chamber of the Czech Parliament approved in the beginning of September 2016 an amendment of the Antimoney Laundering Act which introduces the registers of beneficial owners. The EU Antimoney Laundering Directive expressly requires that the information about beneficial owners were adequate, current and accurate. However, the proposed amendment to the Antimoney Laundering Act clearly stipulates in its text and in the explanatory report that the information about beneficial ownership and beneficial owners will be based purely on a declaration of honour which will not be verified either by a court or anybody else. This is a straightforward violation of the EU Directive. Moreover, the EU AML Directive gives to the natural persons and legal organisations a clearly formulated, self-executable and directly enforceable right to access the information in the register of beneficial owner if they can prove a legitimate interest (in verbatim Art. 30 (5) of the AML Directive: *Member States shall ensure that the information on the beneficial ownership is accessible in all cases to: [...] (c) any person or organisation that can demonstrate a legitimate interest. The persons or organisations referred to in point (c) shall access at least the name, the month and year of birth, the nationality and the country of residence of the beneficial owner as well as the nature and extent of the beneficial interest held*). The amended Antimoney Laundering Act approved by the Lower Chamber of the Parliament however denies to Czech citizens the direct right conferred by the EU AML Directive to all EU citizens.

Beyond that, the amendment of Antimoney Laundering Act approved by the Lower Chamber raises serious questions as to whether legal persons unwilling to file the information beneficial owners into the register will do so and whether public authorities will be able to enforce this obligation upon them. The configuration of the surveillance system in this area is unnecessarily complicated and ineffective similarly to the surveillance over the publication of financial statements (required under Directive 2009/110/EU and the relevant Czech Act on Accounting and Public Registers) where between 60 to 70 % of Czech companies are violating both the Czech legislation in force as well as the EU Directive and do not publish accurate and up-to-date statements in the commercial registry³².

The approved amendment of the Act on Public Registers introducing the registers of beneficial owners will create an unnecessary burden for the regional courts supposed to maintain the registers of beneficial owners. By contrast, the functioning of the registers of beneficial owners has to be simple and efficient. Moreover, the recent amendments will create for the courts unsolvable situations since this amendments obliges them, on the one hand, to publish certain information, and on the other hand, to keep the same information in secret: for example, the registry courts will be obliged to publish information about the direct owners – natural persons; on the other hand, the information about these direct owners will be at the same time the information about beneficial owners which the registry courts will be obliged to keep in secret.

In addition, the Government ordinance no. 250/2015 Coll., dated 16 September 2015 amending the existing Accounting Ordinance 500/2002 Coll., abolished the obligation to publish in the annex to the financial statements the information about the direct shareholders with the an interest exceeding 20 %. This information disclosure about direct shareholding interest was applicable for years and was not considered to be excessive. Newly, due to the ministry of finance which prepared this amending ordinance no. 250/2015 it will no longer be possible as of 2016 to find in the annex to the published accounting statement the

³² PRESS RELEASE, Nadační fond proti korupci (Anticorruption Endowment), Prague, 12 April 2016, Rozkrývání vlastníků firem: netransparentně a chaoticky, <http://www.nfpk.cz/cz/clanky/4397>

information about direct shareholders with an interest exceeding 20 %. The reason for abolition of this requirement according to the ministry of finance was that it constituted an excessive administrative burden and was not required by the EU Accounting Directive.

The only positive step in the area of disclosure of corporate ownership structure and the beneficial owners of companies receiving public funds is the § 104 (2) of the new Act on Public Procurement which entering into force on 1 October 2016. This provision requires the disclosure and evidencing of corporate ownership structure and beneficial owner(s) of legal persons which win a public tender with a value of EUR 136 000 and more; otherwise they would not be able to access public money. However, there is already an amendment in the Czech Parliament aimed at scrapping this relatively effective rule as of 1 January 2018 (and replacing this rule with a less effective one) as well as it is unclear how this rule will be enforced at least until the end of 2017.

FUTURE TRENDS REGARDING GRANTING OF EU FUNDS TO (NON)TRANSPARENT ENTITIES BY EU INSTITUTIONS

Although the fourth generation of the EU anti-money laundering rules³³ is a step in the right direction, unfortunately „*their definition is so narrow that it can possibly catch money generated by drugs and terrorism, but not illegitimate transactions, such as bribes, diversion of public funds to private accounts or various forms of tax avoidance.*”³⁴ Moreover, these anti-money laundering rules cover only private entities and oblige private companies disposing with their private money to disclose ultimate beneficial owners in transactions exceeding certain values. However, the EU antimoney laundering rules do not cover public authorities and, thus, do not oblige public authorities, including EU institutions to require from recipients of EU grants, subsidies or public contracts to disclose and evidence their corporate and control structure up to the beneficial owners. Hence, money of EU taxpayers can continue to be disbursed by the state to private entities which are part of opaque corporate structures which allow for channelling out these public monies to non-transparent tax havens³⁵.

For these reasons, the Dodds-Niedermayer Report of the European Parliament of 16 December 2015 called on the Commission and Member States authorities to come up with countermeasures which "the Union and Member States should apply as shareholders and financers of public bodies, banks and funding programmes, to be applied to companies which use tax havens in order to put in place aggressive tax planning schemes and therefore do not comply with Union tax good governance standards" and specified that those countermeasures should mean that companies which use tax havens, for example via the person which have control over them which are located in those tax havens shall be (a) banned from accessing state aid or public procurement opportunities at Union or national level, and (b) banned from accessing certain Union funds³⁶.

METHODOLOGY

This analysis was elaborated by six analysts and one lawyer who in the course of August 2016 analysed in total 968 projects which received the amount of CZK 32.292.928.644 (EUR 1.196.034.394) from EU funds. The analysis did not focus on projects where the recipients of EU funds were regional public administrations and the Regional Councils. The analysis also did not cover EU funded projects for the NGO sector since due to the substantial and substantive changes in the Czech legislation on the registration of non-profit associations which

³³ Antimoney Laundering Regulation 849/2015/EU.

³⁴ Kudrna, Z., Deglobalisation 2.0 – Crisis forced multinational firms to return back to their roots, Respekt 41, 6 – 12 October 2014, p. 28.

³⁵ Mechanisms and schemes identical to those used for corporate tax avoidance are being used. The costs of “buying” corporate anonymity with companies providing offshore services start at EUR 1 000 per year.

³⁶ Recommendation C3. Counter-measures towards companies who make use of tax havens of Resolution of European Parliament of 16 December 2015 bringing transparency, coordination and convergence to corporate tax policies in the European Union (2015/2010(INL)).

entered into force on 1 January 2014 and which did not allow for a quantifiable analysis of their membership structures.

The team took as the basis for the data analysis the overview of projects funded from the seven regional operating programmes under which EU funds were disbursed in the Czech Republic which were published on the website of the Czech Ministry for Regional Development www.strukturalnifondy.cz. The analysis of corporate ownership structures and beneficial owners of recipients of EU funds in the framework of aforementioned projects used publicly available data from the web portal of the Czech Commercial Registry at www.justice.cz. The analysis of corporate ownership structures and beneficial owners of recipients of EU funds was performed as to the date of signature of the contract for subsidy grant.

The analysis did not examine only the legal person which was the recipient of EU funds or its direct owners (shareholders), but it tried to identify the entire ownership structure of each recipient up to the (ultimate) beneficial owner(s) to the extent to which information about the ownership structure or beneficial owner(s) was publicly available in the Czech Commercial Registry.

As part of the verification process, 60 different subcategories of information about ownership companies were devised. These subcategories were created by combining two criteria: (i) the intensity of the legally binding character of the information on ownership of a company contained in the Czech Commercial Registry, as foreseen by the relevant Czech laws, and (ii) the public or private nature of the information on ownership of the company. Overall, these subcategories were then summarized into the following four general categories:

Traceable owner – group of projects where the real (ultimate) owner of the beneficiary of funds from the EU who is the legal person, is traceable and verifiable simultaneously from a publicly accessible register. In practice, it is especially the case of limited liability Company without share certificates or a joint-stock company of book-entry shares with one owner.

Uncertain owner – group of projects where a particular information on the real (ultimate) owner of the beneficiary of funds from the EU who is the legal person, is traceable in a public register, but it is not reliable. This information on ownership can be arbitrarily changed over time or can be "overridden" by information on the ownership of higher legal force found in documents whose publication is not legally required³⁷.

Anonymous owner – group of projects where the beneficiary of funds from the EU is a legal person having direct or indirect ownership of the beneficiary (legal person) based on paper securities (shares). Namely, it concerns all owners with paper bearer shares and then owners with paper registered shares when the register does not allow tracing any information on owner with more than 20 % of shares.

Foreign owner – group of projects where the beneficiary of funds from the EU is a foreign legal person whose ownership structure and/or real (ultimate) beneficiary was not further traced.

RESULTS OF ANALYSIS FOR ALL REGIONAL OPERATIONAL PROGRAMMES IN THE CZECH REPUBLIC

Political representation was during the realisation of the Regional operational programs represented by the following political parties:

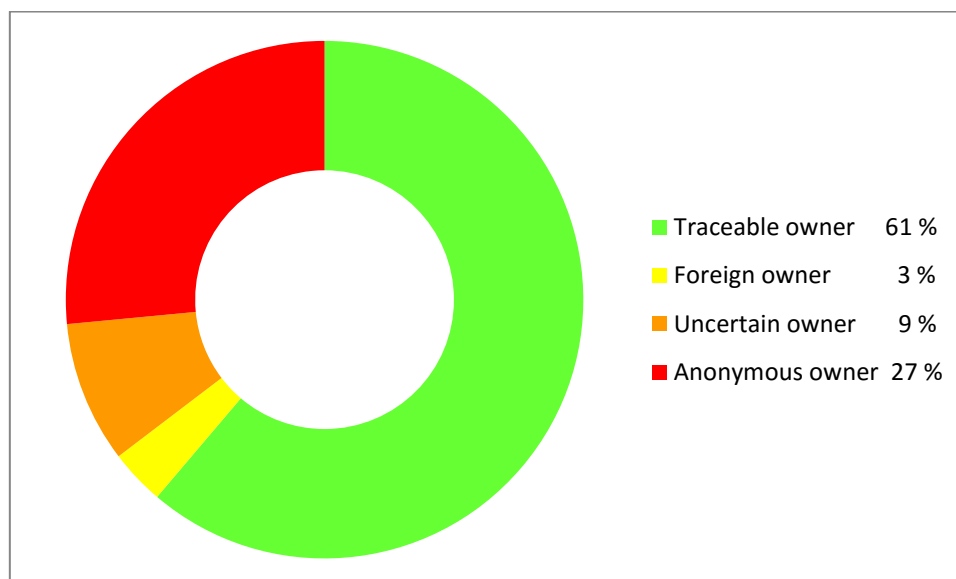
ODS, ČSSD, KSČM, KDU-ČSL, SNK ED, Doktoři za uzdravení společnosti, Koalice pro Pardubický kraj, Koalice pro Královehradecký kraj, Koalice pro Středočeský kraj, SPOZ, SOS and Nezaníci

Total number of certified projects where the beneficiary is private joint-stock company or limited liability company:	464
Total number of certified projects with public ownership (Region, State) ³⁸ :	230
Number of projects of undisclosed recipients having uncompleted documents published in the register:	168
Number of projects linked to politically exposed persons for private projects:	43

Table 1.: Ownership structure as per number of projects

Category of ownership structure	Number of projects	In percent
Traceable owner 61 %	284	61,21%
Foreign owner 3 %	16	3,45%
Uncertain owner 9 %	41	8,84%
Anonymous owner 27 %	123	26,51%
In total	464	100,00%

Chart 1.: Ownership structure as per number of projects

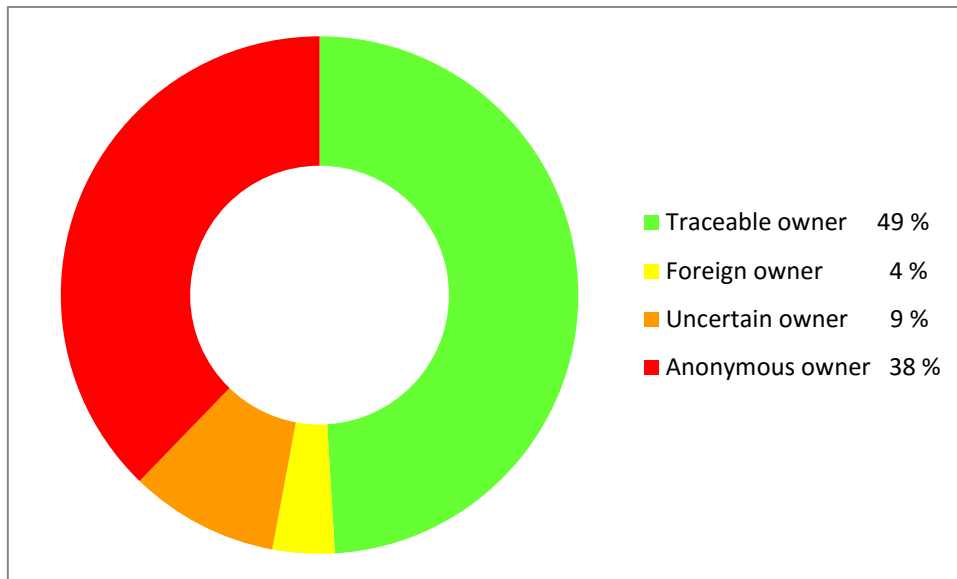


³⁸ It does not include projects where the beneficiary is a public body itself (Region or State), purely NGO-s and private subjects owned by public bodies.

Table 2: Ownership structure as per financial volume

Category of ownership structure	Financial volume	In percent
Traceable owner 49 %	4 415 193 214,30 CZK	49,06%
Foreign owner 4 %	348 223 126,81 CZK	3,87%
Uncertain owner 9 %	837 496 919,80 CZK	9,31%
Anonymous owner 38 %	3 397 772 835,80 CZK	37,76%
In total	8 998 686 095,70 CZK	100,00%

Chart 2 Ownership structure as per financial volume



RESULTS OS ANALYSIS FOR ROP CENTRAL BOHEMIA

Political representation of the Central Bohemia region

2006 – 2008: ODS (+ Koalice pro Středočeský kraj + SNK ED

2008 – 2012: ČSSD with support of KSČM

2012 – 2015: ČSSD + KSČM

Total number of certified projects: 106

Total number of certified projects with public ownership (Region, State)³⁹: 36

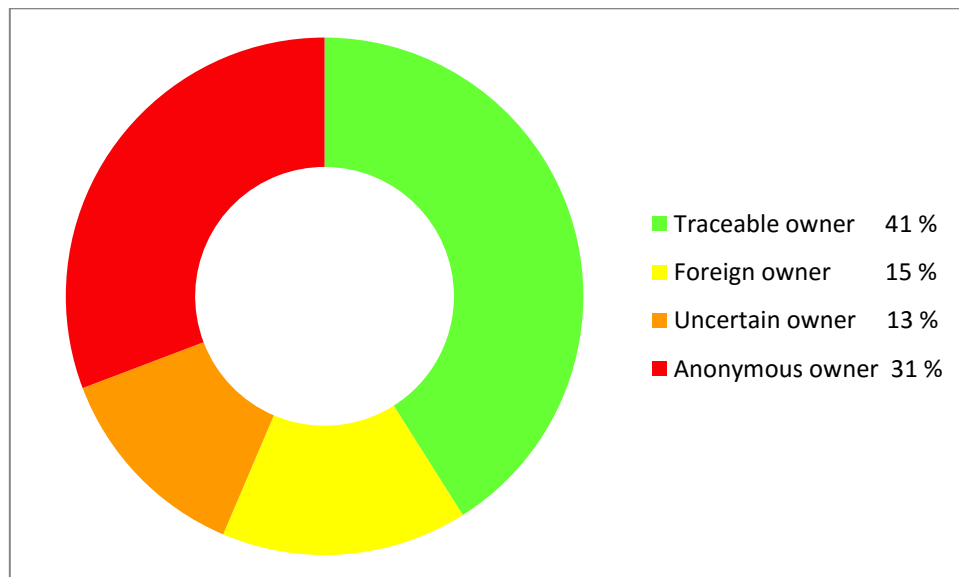
Number of projects of undisclosed recipients having uncompleted documents published in the register: 15

Number of projects linked to politically exposed persons for private projects: 10

Table 3: Ownership structure as per number of projects

Category of ownership structure	Number of projects	In percent
Traceable owner 41 %	16	41,03%
Foreign owner 15 %	6	15,38%
Uncertain owner 13 %	5	12,82%
Anonymous owner 31 %	12	30,77%
In total	39	100,00%

Chart 3: Ownership structure as per number of projects

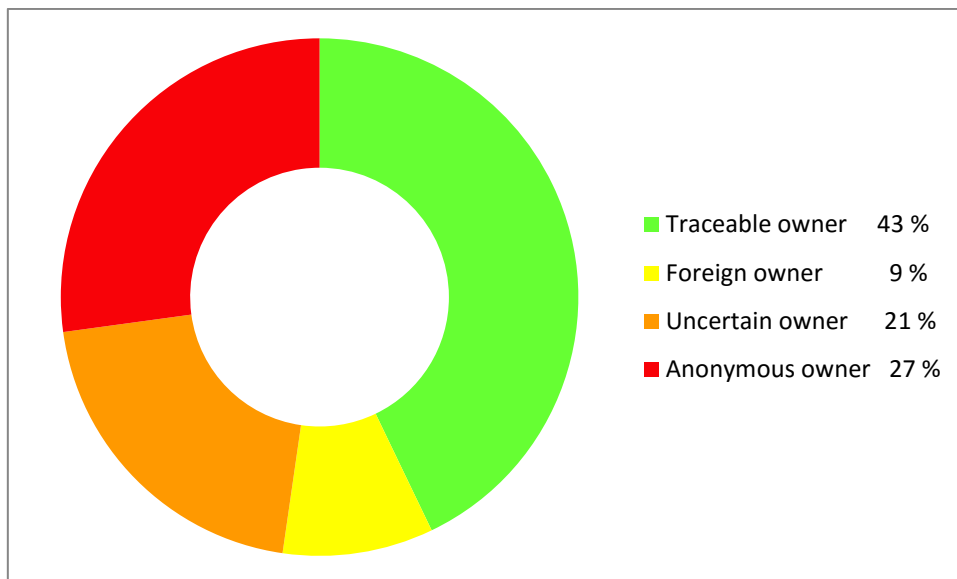


³⁹ It does not include projects where the beneficiary is a public body itself, purely NGO-s and private subjects owned by public bodies.

Table 4: Ownership structure as per financial volume

Category of ownership structure	Financial volume	In percent
Traceable owner 43 %	324 886 139,50 CZK	42,87%
Foreign owner 9 %	71 406 272,00 CZK	9,42%
Uncertain owner 21 %	155 795 734,10 CZK	20,56%
Anonymous owner 27 %	205 837 042,00 CZK	27,16%
In total	757 925 187,70 CZK	100,00%

Chart 4: Ownership structure as per financial volume



RESULTS OS ANALYSIS FOR ROP NORTH-EAST BOHEMIA

Political representation of the Hradec / Pardubice / Liberec region

2006 – 2008: ODS + SNK ED / ODS + Koalice pro kraj / ODS + ČSSD

2008 – 2012: ČSSD + KpKk + SNK ED / ČSSD + KpPk / ČSSD + SOS s podporou KSČM

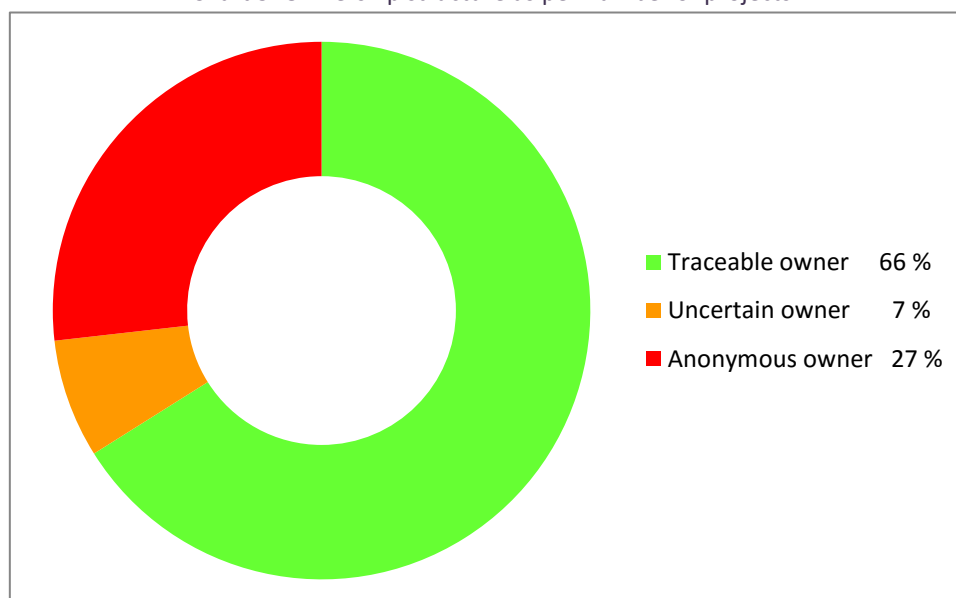
2012 – 2015: ČSSD + KSČM / ČSSD + KpPk (KDU-ČSL, SNK ED, Nezaníci) + SPOZ / Starostové pro Liberecký kraj+ Změna pro Liberecký kraj

Total number of certified projects:	152
Total number of certified projects with public ownership (Region, State) ⁴⁰ :	41
Number of projects of undisclosed recipients having uncompleted documents published in the register:	10
Number of projects linked to politically exposed persons for private projects:	5

Table 5: Ownership structure as per number of projects⁴¹

Category of ownership structure	Number of projects	In percent
Traceable owner 66 %	37	66,07 %
Uncertain owner 7 %	4	7,14 %
Anonymous owner 27 %	15	26,79 %
In total	56	100,00 %

Chart 5: Ownership structure as per number of projects



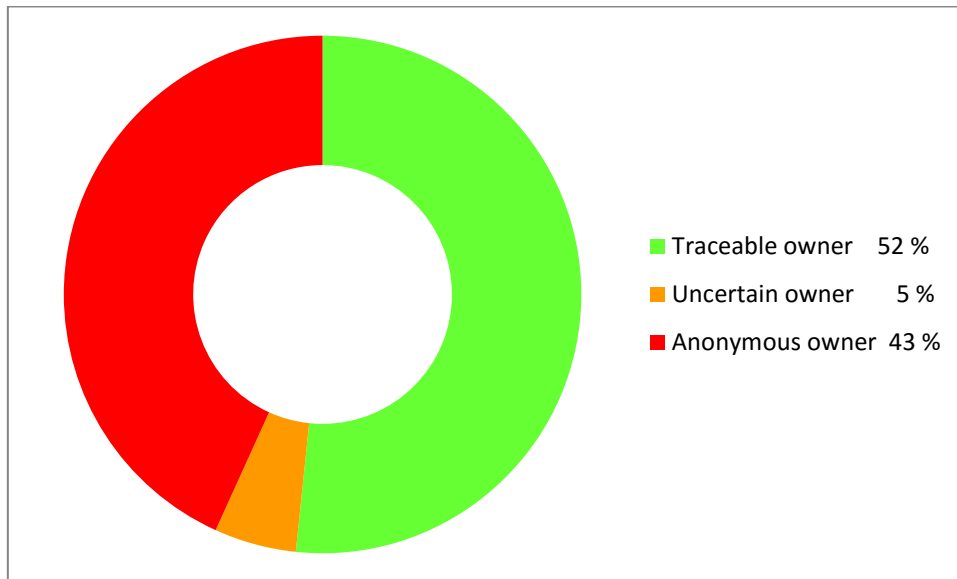
⁴⁰ It does not include projects where the beneficiary is a public body itself, purely NGO-s and private subjects owned by public bodies.

⁴¹ Within the group of anonymous owners two projects for buying of buses realised by companies with paper bearer shares whose foreign shareholder was known; if they were not counted the percentage of anonymous owners 23,2 % resp. 42,3 %.

Table č. 6: Ownership structure as per financial volume

Category of ownership structure	Financial volume	In percent
Traceable owner 52 %	928 330 071,50 CZK	51,65 %
Uncertain owner 5 %	92 189 548,16 CZK	5,13 %
Anonymous owner 43 %	776 936 036,50 CZK	43,22 %
In total	1 797 455 656,00 CZK	100,00 %

Chart 6: Ownership structure as per financial volume



RESULTS OS ANALYSIS FOR ROP NORTH-WEST BOHEMIA

Political representation of the Ústí / Karlovy Vary region

2006 – 2008: ODS + ČSSD / ODS + ČSSD

2008 – 2012: ČSSD + ODS / ČSSD + KSČM + Doktoři za uzdravení společnosti

2012 – 2015: KSČM + ČSSD / KSČM + ČSSD

Total number of certified projects: 97

Total number of certified projects with public ownership (Region, State)⁴²: 41

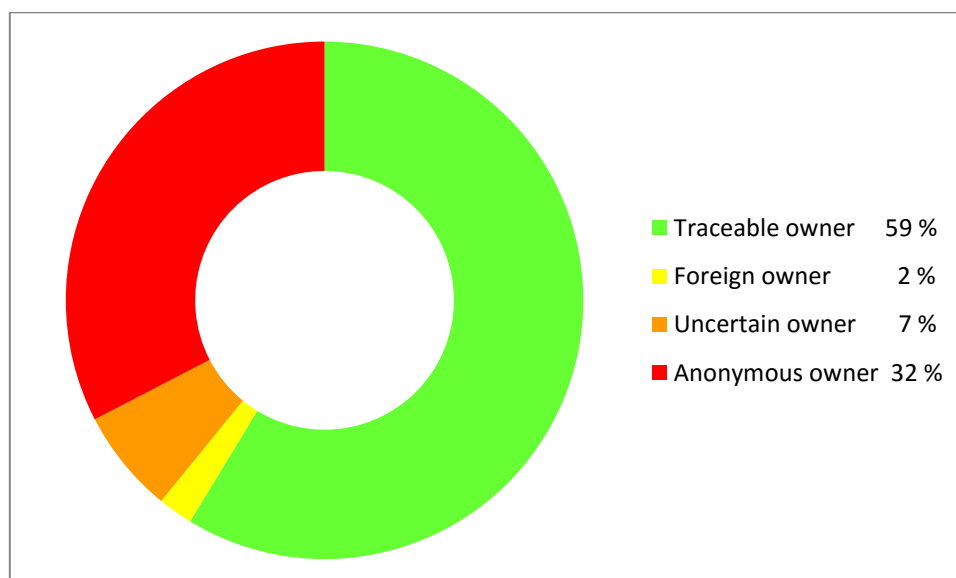
Number of projects of undisclosed recipients having uncompleted documents published in the register: 33

Number of projects linked to politically exposed persons for private projects: 5

Table 7: Ownership structure as per number of projects

Category of ownership structure	Number of projects	In percent
Traceable owner 59 %	27	58,70%
Foreign owner 2 %	1	2,17%
Uncertain owner 7 %	3	6,52%
Anonymous owner 32 %	15	32,61%
In total	46	100,00%

Chart 7: Ownership structure as per number of projects

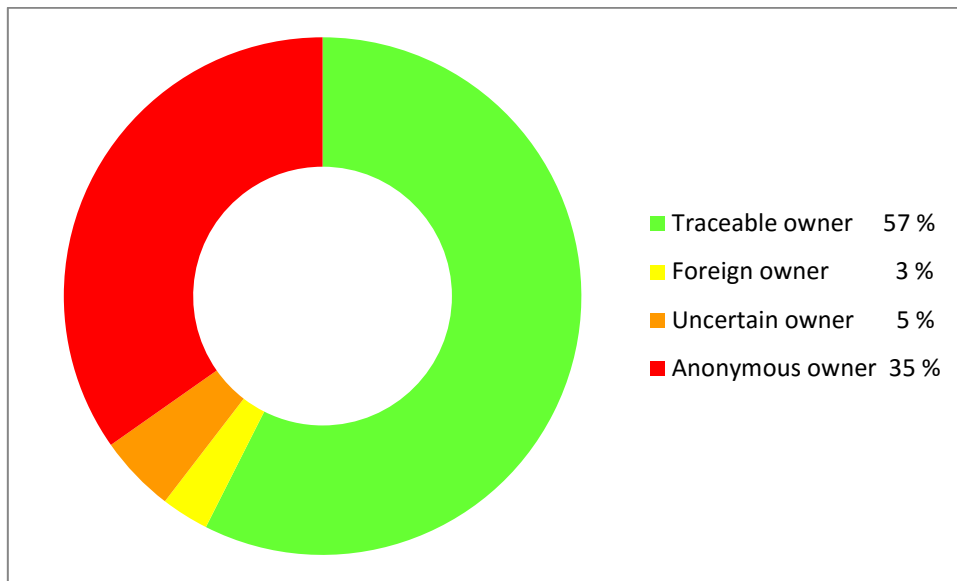


⁴² It does not include projects where the beneficiary is a public body itself, purely NGO-s and private subjects owned by public bodies.

Table 8: Ownership structure as per financial volume

Category of ownership structure	Financial volume	In percent
Traceable owner 57 %	912 280 273,90 CZK	57,44%
Foreign owner 3 %	47 353 339,34 CZK	2,98%
Uncertain owner 5 %	76 623 376,50 CZK	4,82%
Anonymous owner 35 %	551 932 784,60 CZK	34,75%
In total	1 588 189 774,00 CZK	100,00%

Chart 8: Ownership structure as per financial volume



RESULTS OS ANALYSIS FOR ROP SOUTH-EAST BOHEMIA

Political representation of the Vysočina / South-Moravia region

2006 – 2008: ODS + KDU-ČSL + SNK ED/ KDU-ČSL + ODS

2008 – 2012: ČSSD s podporou KSČM / ODS + ČSSD (after two years ČSSD + KDU-ČSL)

2012 – 2015: ČSSD s podporou KSČM / ČSSD + KDU-ČSL

Total number of certified projects: 108

Total number of certified projects with public ownership (Region, State)⁴³: 15

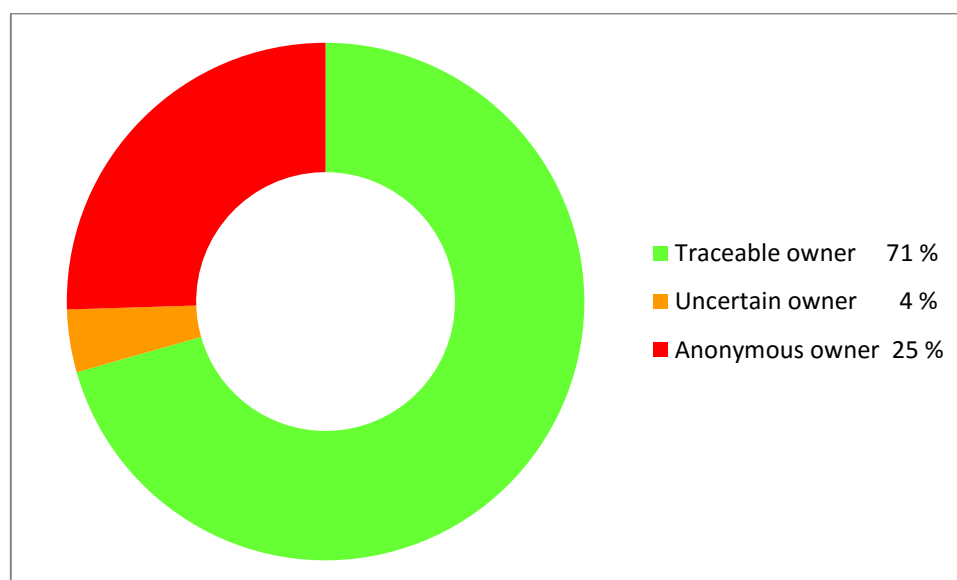
Number of projects of undisclosed recipients having uncompleted documents published in the register: 6

Number of projects linked to politically exposed persons for private projects: 4

Table 9: Ownership structure as per number of projects⁴⁴

Category of ownership structure	Number of projects	In percent
Traceable owner 71 %	36	70,59 %
Uncertain owner 4 %	2	3,92 %
Anonymous owner 25 %	13	25,49 %
In total	51	100,00 %

Chart 9: Ownership structure as per number of projects



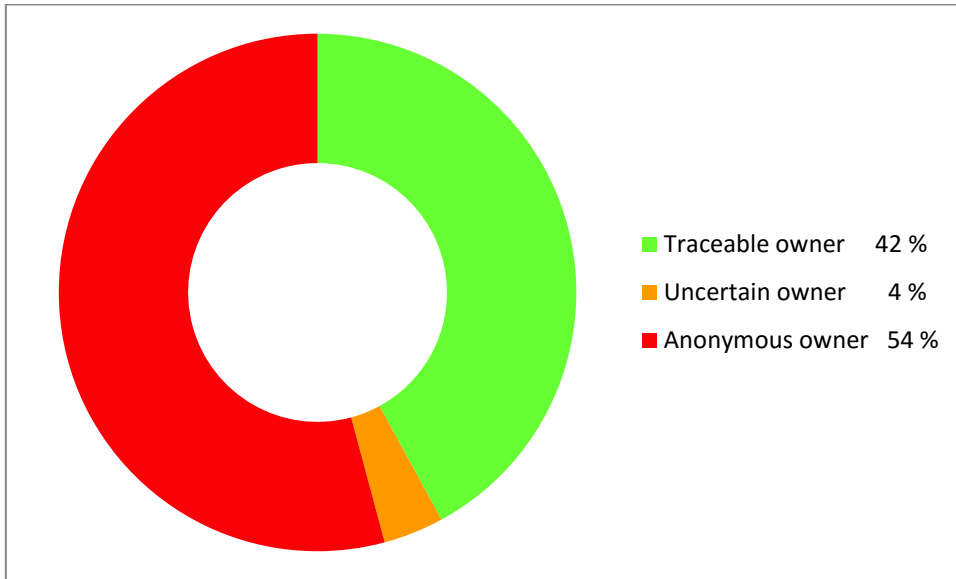
⁴³ It does not include projects where the beneficiary is a public body itself, purely NGO-s and private subjects owned by public bodies.

⁴⁴ Within the group of anonymous owners two projects for buying of buses realised by companies with paper bearer shares whose foreign shareholder was known; if they were not counted the percentage of anonymous owners 23,5 % resp. 53,4 %.

Table 10: Ownership structure as per financial volume

Category of ownership structure	Financial volume	In percent
Traceable owner 42 %	464 326 885,30 CZK	42,05 %
Uncertain owner 4 %	41 681 479,51 CZK	3,77 %
Anonymous owner 54 %	598 298 849,60 CZK	54,18 %
In total	1 104 307 214,00 CZK	100,00 %

Chart 10: Ownership structure as per financial volume



RESULTS OS ANALYSIS FOR ROP SOUTH-WEST BOHEMIA

Political representation of the South-Bohemia / Plzeň region

2006 – 2008: ODS + KDU-ČSL / ODS + KDU-ČSL

2008 – 2012: ČSSD + ODS / ČSSD s podporou KSČM

2012 – 2015: ČSSD + KSČM / ČSSD + KSČM

Total number of certified projects: 180

Total number of certified projects with public ownership (Region, State)⁴⁵: 27

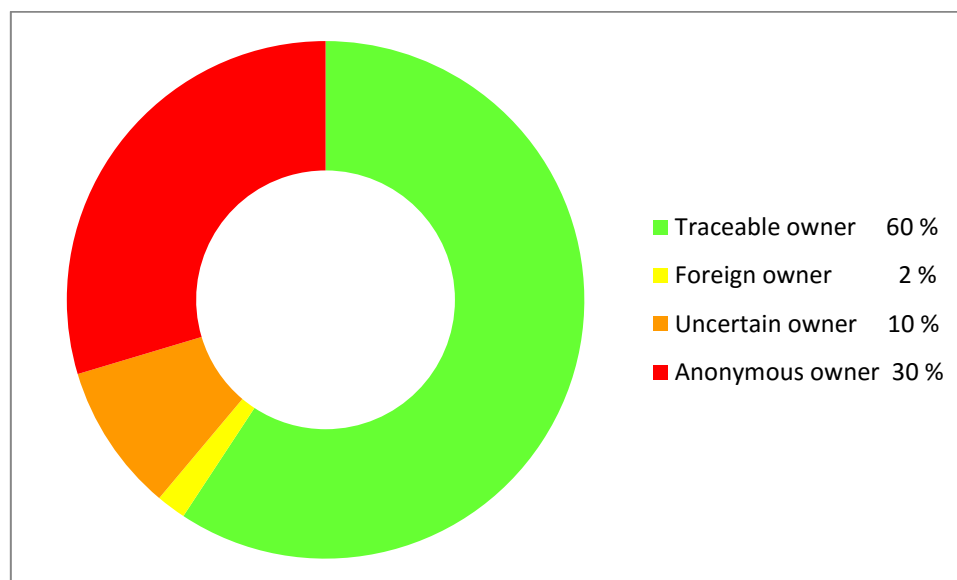
Number of projects of undisclosed recipients having uncompleted documents published in the register: 52

Number of projects linked to politically exposed persons for private projects: 6

Table 11: Ownership structure as per number of projects ⁴⁶

Category of ownership structure	Number of projects	In percent
Traceable owner 60 %	64	59,26%
Foreign owner 2 %	2	1,85%
Uncertain owner 10 %	10	9,26%
Anonymous owner 30 %	32	29,63%
In total	108	100,00%

Chart 11: Ownership structure as per number of projects



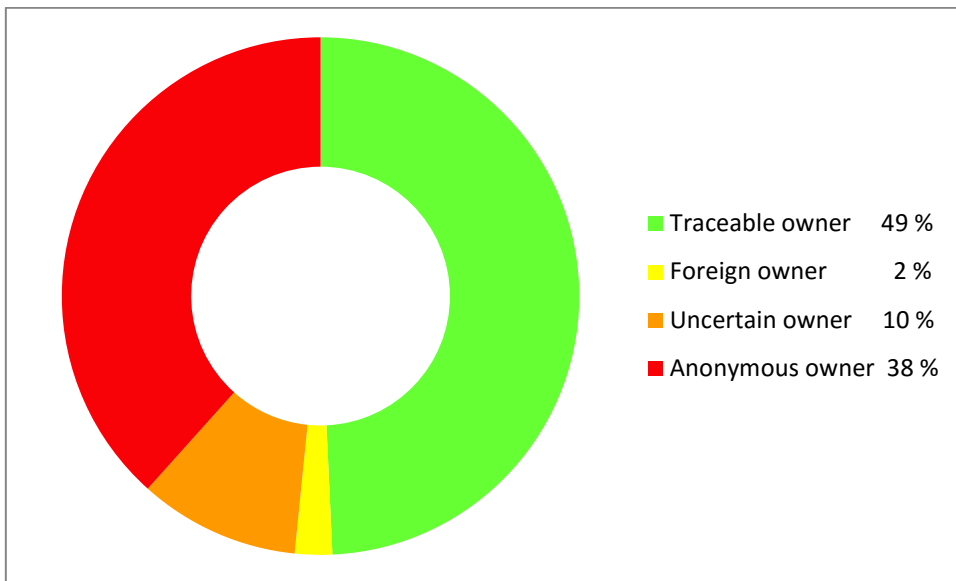
⁴⁵ It does not include projects where the beneficiary is a public body itself, purely NGO-s and private subjects owned by public bodies.

⁴⁶ Within the group of anonymous owners four projects for buying of buses realised by companies with paper bearer shares whose foreign shareholder was known; if they were not counted the percentage of anonymous owners 25,9 % resp. 36,3 %.

Table 12: Ownership structure as per financial volume

Category of ownership structure	Financial volume	In percent
Traceable owner 49 %	577 414 135,80 CZK	49,27%
Foreign owner 2 %	27 296 278,85 CZK	2,33%
Uncertain owner 10 %	117 633 446,80 CZK	10,04%
Anonymous owner 38 %	449 616 875,40 CZK	38,36%
In total	1 171 960 737,00 CZK	100,00%

Chart 12: Ownership structure as per financial volume



RESULTS OS ANALYSIS FOR ROP CENTRAL MORAVIA

Political representation of the Olomouc / Zlín region

2006 – 2008: ODS + KDU-ČSL / ODS + KDU-ČSL + ČSSD

2008 – 2012: ČSSD + ODS + KDU-ČSL / ČSSD + ODS + KDU-ČSL

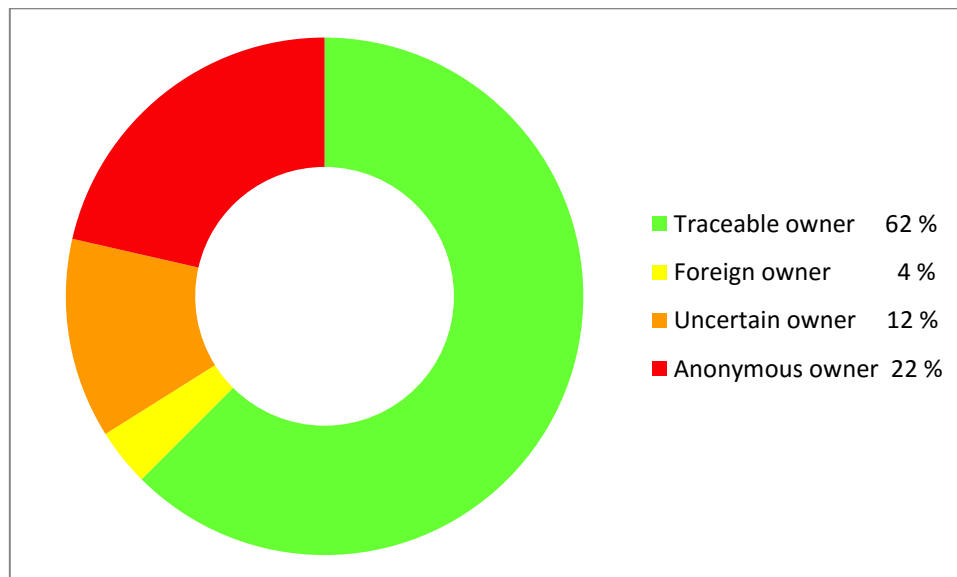
2012 – 2015: ČSSD + KSČM / ČSSD + KSČM + SPOZ

Total number of certified projects:	176
Total number of certified projects with public ownership (Region, State) ⁴⁷ :	23
Number of projects of undisclosed recipients having uncompleted documents published in the register:	39
Number of projects linked to politically exposed persons for private projects:	5

Table 13: Ownership structure as per number of projects

Category of ownership structure	Number of projects	In percent
Traceable owner 62 %	70	62,50%
Foreign owner 4 %	4	3,57%
Uncertain owner 12 %	14	12,50%
Anonymous owner 22 %	24	21,43%
In total	112	100,00%

Chart 13: Ownership structure as per number of projects

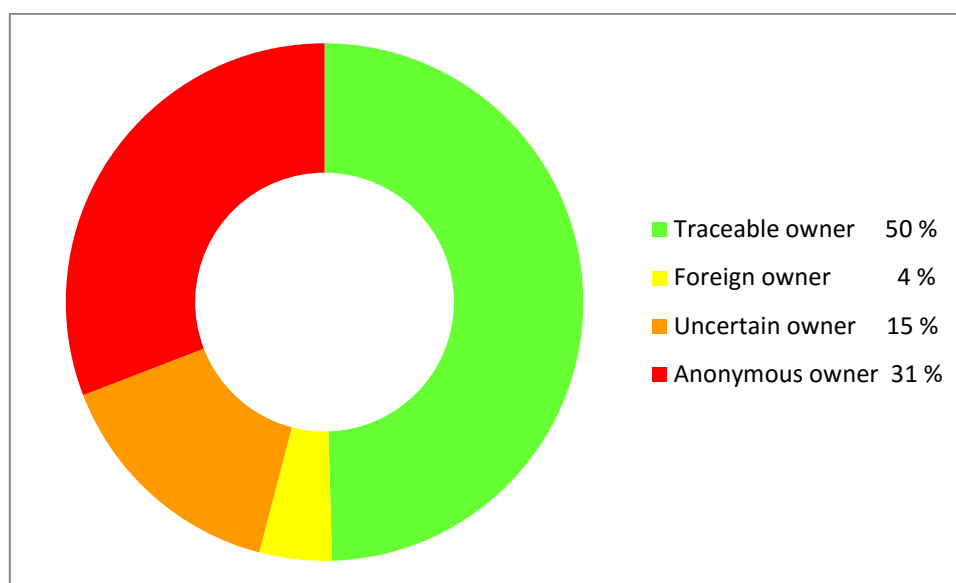


⁴⁷ It does not include projects where the beneficiary is a public body itself, purely NGO-s and private subjects owned by public bodies.

Table 14: Ownership structure as per financial volume

Category of ownership structure	Financial volume	In percent
Traceable owner 50 %	915 928 767,60 CZK	49,54%
Foreign owner 4 %	83 681 332,32 CZK	4,53%
Uncertain owner 15 %	278 806 888,60 CZK	15,08%
Anonymous owner 31 %	570 620 793,80 CZK	30,86%
In total	1 849 037 782,00 CZK	100,00%

Chart 14: Ownership structure as per financial volume



RESULTS OS ANALYSIS FOR ROP MORAVIA SILESIA

Political representation of the Moravia Silesia region

2006 – 2008: ODS + KDU-ČSL

2008 – 2012: ČSSD + KSČM

2012 – 2015: ČSSD + KSČM

Total number of certified projects: 149

Total number of certified projects with public ownership (Region, State)⁴⁸: 47

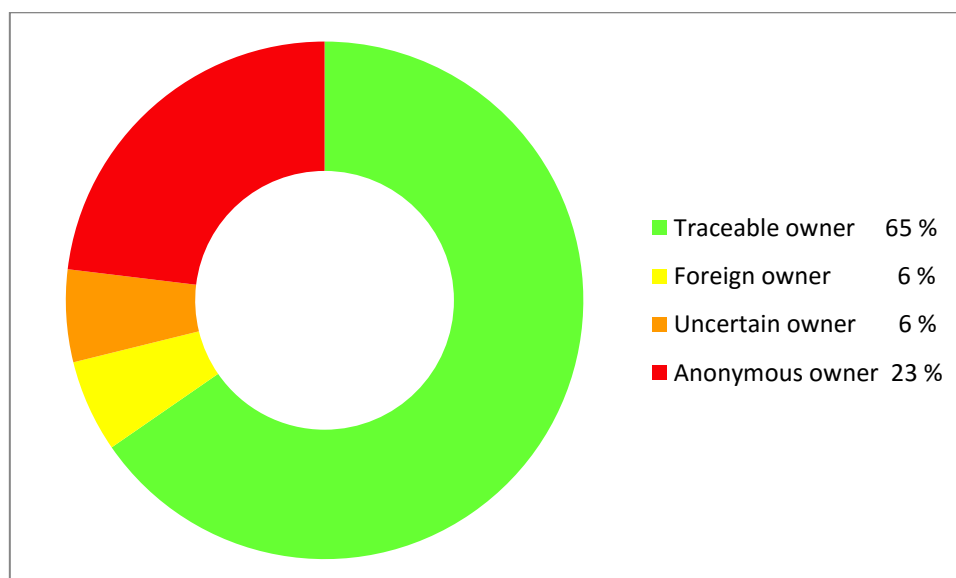
Number of projects of undisclosed recipients having uncompleted documents published in the register: 13

Number of projects linked to politically exposed persons for private projects: 8

Table 15: Ownership structure as per number of projects

Category of ownership structure	Number of projects	In percent
Traceable owner 65 %	34	65,38%
Foreign owner 6 %	3	5,77%
Uncertain owner 6 %	3	5,77%
Anonymous owner 23 %	12	23,08%
In total	52	100,00%

Chart 15: Ownership structure as per number of projects

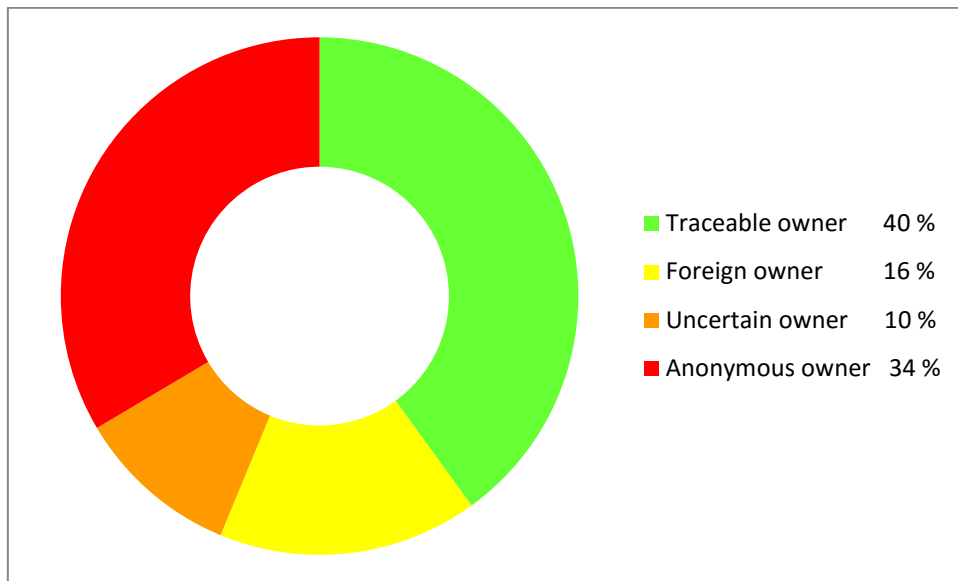


⁴⁸ It does not include projects where the beneficiary is a public body itself, purely NGO-s and private subjects owned by public bodies.

Table 16: Ownership structure as per financial volume

Category of ownership structure	Financial volume	In percent
Traceable owner 40 %	292 026 940,70 CZK	40,01%
Foreign owner 16 %	118 485 904,30 CZK	16,24%
Uncertain owner 10 %	74 766 446,13 CZK	10,24%
Anonymous owner 34 %	244 530 453,90 CZK	33,51%
In total	729 809 745,00 CZK	100,00%

Chart 16: Ownership structure as per financial volume





Centrum of Excellence for Good Governance, z. s. is the independent and no-party oriented think tank, which focuses on research, education and policy advocacy in the area of good governance in the spirit of democratic rule of law.