

- Fall of Nečas' government
- Pension reform "restart"
- EU Energy Green Paper 2030



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Political Rating

CCC+ President Zeman started to shuffle the cards of Czech politics in an unprecedented series of steps on the edge of his constitutional powers. The very last in a long series of corruption scandals (see below article) empowered the president to use the argument of obtaining 2,717,405 direct popular votes in the 2013 presidential elections against the government issued from the parliamentary election three years ago. The new "caretaker" government of Mr. Jiri Rusnok is composed of people without any electoral legitimacy who have proved full loyalty to Zeman and his entourage. Most are connected with important business interest groups (Agel, Vítkovice, ČEZ, Czech Energy, pension funds), which may question their future decisions. In practical terms, the government will have to seek ad hoc support for its legislative proposals, starting with the state budget in the parliament during a long electoral campaign that in fact started with the fall of Nečas' government. The social democrats are getting polarised between those who recognise the leadership of the president for the whole left (including Communists and Zeman's party SPOZ) and those who prefer autonomy of their own party

and oppose the shift to a semi-presidential system. **The political investment in the current cabinet ability to conduct policies is highly speculative. We are changing the rating to CCC+.**

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Reform Watch

One of the crucial reforms of the outgoing Nečas government – pension reform – soon will be crucially affected by the constantly changing Czech politics. It is noteworthy to say changes in pensions have so far been rather unsuccessful. Instead of several hundred thousand people joining the second pillar (i.e. investing a small part of their salary and social insurance into private pension funds), less than 73,000 joined during the first five months, with June being the last month for individuals older than 35 to enter the system. Nečas recently wanted to make the second pillar more attractive; for instance, by allowing inheritors to decide whether they wanted to move funds of the deceased to their pensions' second pillar or receive the money directly. The caretaker government of Mr. Rusnok is

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not very likely to support these ideas (Mr. Rusnok used to serve as chairman of the Association of Pension Funds; however, he resigned and Zeman is not a fan of the second pillar) and the Czech Social Democratic Party – a likely winner of future elections – announced numerous times it would abolish the second pillar and move the funds into the third pillar (additional pension savings).

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Fall of Nečas' government

The police intervention that took place on 13 June at many places including the government office started a rapid fall of the government which, for the last three years, had been led by Prime Minister Petr Nečas (ODS). Several corruption cases are connected through Jana Nagyová, a director of the prime minister's cabinet. Following the intervention, Nagyová ended up in custody together with three former MPs from ODS, who resigned last November and were soon installed in lucrative posts in state-owned companies. The prosecutor qualified these appointments, in which Ms. Nagyová served as a negotiator, as a bribe. Another accusation is directed at the illegal use of military intelligence to monitor the prime minister's wife, which was also organised by the director of the prime minister's cabinet, who is believed to have close personal ties to the prime minister. The last accusation heads towards the non-transparent procurements in state-owned companies and at Prague City Hall. Under the weight of these accusations of his closest collaborators, the prime minister resigned from the government and the front of ODS. As a result, the coalition parties proposed Miroslava Němcová

(chair of the Chamber of Deputies since 2010) as a candidate for prime minister to the president.

Miloš Zeman, the first president to be elected directly, found the fall of the government a good excuse to radically strengthen the president's role and head towards a half-presidential system. Despite the opposition of all parliamentary parties, he nominated Rusnok, an independent economist and former finance minister, for prime minister, who is now trying to form a government without the support of the Chamber of Deputies. We can expect that the presidential Rusnok government will fail to gain trust in the Chamber of Deputies, but the president will let them rule for as long as the political parties agree on early elections. The test of unity will be held in both camps – part of the Social Democrats are considering supporting the Rusnok government, which is composed of a number of its former members. On the other hand, the right wing parties are still denying early elections; the public often interprets this as an obstacle to a solution. According to the Constitution, if the Rusnok government does not gain parliamentary support, it can rule "in the demission", but it will not get any support for any laws, including the state budget for 2014. If the political parties fail to agree on a solution of the constitutional crisis, the position of president in the system will be strengthened at the expense of parliament and the executive, making the president the arbiter in regular elections next spring. In the meantime, the Social Democrats – who according to today's surveys are rated as the expected winner of the upcoming parliamentary elections – can expect a growth of their election rival in the form of SPOZ, a political party full of people from the president's surroundings.

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EU affairs – EU energy strategy

The green paper for a 2030 framework for climate and energy policies is a very general document that does not present any specific measures to ensure European energy security. Rather, it centres on the lessons learned and questions stated by previous and current experience with energy policies in the EU. It identifies the most important questions and discrepancies to which the 2030 framework for climate and energy policies will need to find answers – mostly by learning from its Energy 2020 strategy. To answer the most pressing questions, it is essential to consult the experience and views of stakeholders, who can provide the EU administration with sound evidence.

So far, no answers have been found but an early agreement on the 2030 framework is important to provide certainty for the infrastructure investors, create demand for efficient technologies and spur research and innovation. The framework must also reflect the current economic crisis, budgetary problems, developments on energy markets as well as the availability of technologies and our international commitments. The only thing clear today is that the 2030 framework needs to be in line with Energy Roadmap 2050, which sets the ultimate goals. From this, partial goals for 2030 can be derived. These are greenhouse gas reduction by 40%, 30% share of renewables, and higher shares of energy efficiency and smarter energy.

These targets alone will not ensure greater competitiveness or security of supply. Thus, it is necessary to agree which energy and climate policies can most simply and effectively drive to 2030 because even though the current targets are mutually supporting, there are also trade-offs that can affect price and demand.

To sum up, this green paper gives stakeholders a great chance to find answers to the questions raised by the European Commission and thereby influence the final look of the 2030 framework for climate and energy policies.

EC recommendations to boost Czech economy

Within the European semester, the European Commission had a programme aimed at the coordination of EU member states' economic policies and issued a recommendation for the Czech Republic. The recommendation serves to evaluate the country's progress in the field of economic reforms, to which the member states have committed in the ambitious strategy Europe 2020. The proposal of this year's recommendation focuses on seven different topics. These are the continued consolidation of public finances, support of economic growth, streamlining tax system, and reforms of pension and health care systems. Further, the European Commission suggested increasing the availability of childcare facilities, adopting measures to improve the energy performance of the Czech economy and improve the functioning of public administration and education. The most important message of the paper is that the Czech Republic has a large portion of an untapped potential, and that needs to change.

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Institution you should know



The Czech Trade Inspection Authority (CTIA), which is based in Prague as well as other major cities, is a government institution that falls under the jurisdiction of the Ministry of Industry and Trade. The CTIA's main goal is to monitor and inspect businesses and individuals who supply or sell goods, provide services and offer consumer credit on the Czech market. The CTIA audits and enforces legal compliance with regulatory guidelines that ensure the quality and safety of products and services; the use of properly calibrated certified measuring instruments as well as proper labelling and required certification. In case the audited business does not comply with the regulations, the CTIA may impose fines up to CZK 50 million. In addition to fines, the CTIA also imposes bans on the sale of products or their introduction into the Czech market. Additionally, the CTIA provides consumers a free information and advisory service.

TTIP conference in Prague



CEC Government Relations was a proud partner of the unique conference on Transatlantic Trade and Investment Partnership (TTIP) organised by the Association for International Affairs (AMO) in Prague on June 24–25. The conference, held under the auspices of then PM Petr Nečas and Minister of Industry and Trade Mr. Martin Kuba (on the picture), brought together the leading political and business representatives from both sides of the Atlantic. CEC's Managing Partner Mr. Václav Nekvapil chaired the panel focused on business perspectives towards the transatlantic market, with representatives of global companies UPS, Google, the Boston Consulting Group and member of the Czech National Economic Council Mr. Michal Mejstřík.

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In the Pipeline

07 2013	The Senate will discuss a draft of the amendment to Czech National Bank Act.
08 2013	The bill on electronic collection of law (E-Sbirka) will be in interministerial comments.
09 2013	The Government should debate the first draft of the budget for 2014.

New address:

Please note our new address:

Hellichova 1, 118 00 Prague 1.

All other contacts remain unchanged.



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About us

CEC's Managing Director of the Prague office is Václav Nekvapil, a graduated political scientist with years-long experience from the backstage of Czech politics. He specialises primarily in the field of information and communication technologies, energy, transportation and environment. *"Our company has been on the Central European market for almost 20 years. We were first to adopt the Anglo-Saxon conception of lobbying, which we perceive mainly as a dialogue process among businessmen, politicians and state officials. The basis, however, lies in keeping firms up to date with information on the legal and political environment in which they operate – to know and be prepared for changes always pays off,"* says Nekvapil.

CEC Government Relations, s. r. o.

Hellichova 1, 118 00 Prague 1

tel.: (+420) 222 360 062; mobile: (+420) 604 849 368

e-mail: prague@cecgr.com

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