Resolution on the conflict of interest of the Prime Minister of the Czech Republic

2021/2671(RSP) - 09/06/2021 - Text adopted by Parliament, single reading

The European Parliament adopted by 505 votes to 30, with 55 abstentions, a resolution on the conflict of interest of the Prime Minister of the Czech Republic

Members welcomed the publication of the final audit report by the European Commission's DG REGIO and DG EMPL, which confirms the existence of the ongoing conflict of interest involving Prime Minister Babiš in relation to the Agrofert conglomerate. Mr Babiš was found to be one of the beneficial owners of the company Agrofert, which controls the Agrofert Group, which owns a number of major Czech media outlets, through the trust funds AB Private Trust I and AB Private Trust II, of which he is also the beneficial owner.

Resolving the conflict of interest

Parliament is concerned about the findings of the audit report, which indicate that: (i) European Structural and Investment Funds (ESI Funds) were unduly granted to entities under the Agrofert Group, and (ii) that Mr Babiš was actively involved in the implementation of the EU budget in the Czech Republic, and that he was able to exert influence on bodies such as the Council for the ESI Funds and the national coordinating authority, while at the same time taking part in decisions concerning the Agrofert Group.

Members deplored the Czech government's alleged attempts to legalise the conflict of interest involving Prime Minister Babiš through legislation, proposed at the start of the COVID-19 crisis in March 2020, rather than resolving the conflict of interest itself.

Concerned that the Czech Prime Minister has been and is still actively involved in negotiations on the EU budget and programmes while still in a conflict of interest, Parliament called on the Czech Republic to:

- take measures to ensure that the Prime Minister no longer has any economic or other interests in connection with the Agrofert Group which fall within the scope of Article 61 of the EU Financial Regulation or the Czech Conflict of Interest Act; or

- ensure that business entities under Mr Babiš's control cease to receive funding from EU funds, public subsidies or funds distributed by all levels of government throughout the EU; or

- fully abstain from participating in any EU decision-making process that may directly or indirectly affect the interests of the Agrofert Group.

The resolution stressed, however, that in the light of the functions and powers of the Prime Minister and members of his government, it seems doubtful that such a measure could adequately address the conflict of interest in practice, if the persons in question continue to exercise their public functions, and that resigning from public duty therefore constitutes a more adequate means to fully address the conflict of interest.

Repayment of illegally received subsidies

The resolution urged the Czech government to improve the overall fairness of EU subsidies distribution and set up a system that will guarantee full and complete transparency in the distribution of EU funds.

Parliament condemned the practice of withdrawing funding from EU projects in order to finance them from the national budget when the Commission or the European Court of Auditors have detected irregularities in this respect. It insisted that the payment of funds from the EU budget or the Czech Republic's national budget to companies ultimately controlled by Prime Minister Babiš or members of the Czech government should be ceased until cases of conflict of interest have been fully resolved.

Members reiterated that Czech citizens and taxpayers should not suffer any consequences, including financial ones, arising from Prime Minister Babiš's conflict of interest, and that companies belonging to the Agrofert group should repay any subsidies they have illegally received from the EU or Czech national budgets.

Violations of the rule of law

Members considered that the Czech government's failure to act on Prime Minister Babiš's conflicts of interest is having a negative impact on the functioning of the Czech state authorities, including law enforcement and management and control systems, and on compliance with EU law.

Parliament asked the Commission to assess the situation, together with the Prime Minister Babiš's influence on the Czech media and on the judicial system, with a view to identifying breaches of rule of law and, if confirmed and on the ground of its findings, activate in due time the **conditionality mechanism** for the protection of the EU's budget.

Review of the general regulatory framework

Parliament expressed concern about the shortcomings of the general regulatory framework, which make it difficult to systematically identify the **beneficial owners** of entities receiving EU funds. It considered it urgent that the Commission, in cooperation with national agencies, develop a standardised and publicly accessible format to disclose the end beneficiaries of CAP disbursements.

Member States are urged to prohibit cases of three-digit million euro payments of subsidies to individual natural persons under the new multiannual financial framework (MFF).

The Commission is invited to assess the effectiveness of Article 61 of the Financial Regulation in preventing and resolving cases of conflict of interest and, if necessary, to make proposals in the context of the next revision of the Financial Regulation to further strengthen the rules governing conflicts of interest.

The case of the conflict of interest of Prime Minister Babiš also confirms the urgent need for an interoperable digital reporting and control system for EU finances.