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HOW TO IMPROVE REGULATORY
BODIES IN SLOVAKIA
HISTORY AND CHALLENGES IN BUILDING
INDEPENDENT AND ACCOUNTABLE STATE
OVERSIGHT INSTITUTIONS

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HOW TO IMPROVE REGULATORY BODIES IN SLOVAKIA HISTORY AND CHALLENGES IN BUILDING INDEPENDENT AND ACCOUNTABLE STATE OVERSIGHT INSTITUTIONS

OFFICE FOR PUBLIC PROCUREMENT (ÚRAD PRE VEREJNÉ OBSTARÁVANIE, UVO)

The Office for Public Procurement is an authority in charge of monitoring public procurement. Annually Slovak public institutions spend 5-7 billion euros on state purchases. Public procurement scandals are salient feature of political life in Slovakia. The rate of single bid contracts is almost double that of EU average. Even state manager and ministers fall on the issue. The highest-ranking politicians ever to be sentenced with corruption crimes are both accused to manipulating the procurement deal.

UVO had a budget of 8,1 million euros in 2016 and employed 194 staff.

Selecting the Chair

The Office is headed by the Chair and two Deputy Chairs. Currently, the Chair is elected and removed by the national parliament (National Council) on the proposal of the Slovak Government. Deputy chairs are appointed and removed by the Government on the proposal of the actual Chair. The chair and deputies are appointed for five-year terms for a maximum of two consecutive mandates. They may not be members of political party, or “act in their interests.”

UVO had five Chairs since its establishment. The first two chairs Rozália Molnárová and Béla Angyal, were directly appointed by the Government as candidates of the coalition SMK party. Angyal was even the party member of SMK (later of Most-Híd, the splinter party of SMK). In 2010 two changes were made. First, the selection was moved from the hands of the government to parliament, increasing the independence of appointment, and secondly, political deal was struck between coalition and opposition that it should be the opposition whose nominee should head the UVO. As a result, Roman Šipoš, the candidate of Smer, the leading opposition party, was consensually elected (Ondrušová, Sičáková-Beblavá, 2013).

Nevertheless, the deal came undone less than a year later. Šipoš stepped down after having been accused of hindering tenders control by the then Prime Minister Iveta Radičová. A year later he became the chief of staff at the office of the Prime Minister Robert Fico. He also lives in the controversial Bonaparte housing residence together with top Smer officials, including the prime minister himself. (Valček, 2015).

The position was left vacant for over a year after Šipoš's resignation. Radičová's government organized first ever open selection procedure. Both the resumes and their plans for the Office of 26 candidates were published online. A group of Transparency International experts preselected five top candidates. However, no head was selected as the early elections put a stop to the process in March 2012.

Table 1: Heads of the Office for Public Procurement in 2000-2017

NAME	PERIOD IN THE OFFICE	NOMINATED BY	APPOINTED BY
Rozália Molnárová	01/01/2000-08/03/2005	Government/ SMK party	Government
Béla Angyal	08/03/2005-07/07/2010	Government/ SMK party	Government
Roman Šipoš	07/07/2010-12/04/2011	Government/ Smer	Government
Zita Tábořská	02/07/2012-14/09/2017	Semi-finished Selection Process	National Council
Miroslav Hlivák	14/09/2017-ongoing	Public Hearing / Most-Hid party	National Council

Source: UVO, Transparency International Slovakia

The new head Zita Tábořská was a nominee of the new Prime Minister Robert Fico, not the opposition. He rejected all the opposition nominees for the post. Eventually he picked Tábořská out of three remaining candidates from Radičová's unfinished selection without any further competitive process or hearing. Yet, she was the first candidate without upfront political backing. In the final parliamentary vote she received 87 out of 150 MP votes.

The current Chair Miroslav Hlivák was selected in the second round of the public hearing conducted in summer of 2016. Only three candidates applied in the first round, one of them was Ms Tábořská. The round was cancelled as neither candidate received enough votes from the government to become its nominee. This was due to the fact that that government's most likely pre-determined candidate Juraj Méry flopped at a public hearing, showing lack of elementary understanding of public procurement.

Both Méry and Hlivák were candidates of the Most-Hid coalition party, leaving the nomination procedure nominally competitive, but de facto still politically pre-arranged (Beňová, 2017). In the parliamentary vote, Hlivák received only 78 votes.

Not only the selection but the end of mandates of UVO chairpeople has become politicized as well. Ms. Molnárová was in the office for five and half years and she stepped down in her second term of office. There were speculations about the political pressure behind that decision, although the former head of political party SMK stated otherwise: "What happened in the Office for Public Procurement? Nothing. Rozália Molnárová said that she did not want to do it anymore) and she left." (Ondrušová and Sičáková Beblavá from eTrend, 2013). On the other hand, Angyal's exit from the office was marked by various political dealings. His five-year tenure ended in March 2010. Prime minister Fico claimed that the post should belong to the opposition, and Angyal is just such a figure. Even though the opposition disagreed, the coalition changed the law and prolonged Angyal's tenure until the next parliamentary elections in June 2010. Angyal's mother party Most-Híd (part of the then opposition) dismissed him from the chairman position of party in Nitra region (Ondrušová and Sičáková-Beblavá, 2013).

Deputy chairs of UVO have been similarly often political nominees. Currently the first deputy chair, Andrej Holák, previously worked as an assistant to the Smer MP as well as head of office at the Ministry of Transport, both highly political posts. The other deputy chair Danka Bekeová has been a career civil servant. She ran a state-owned hospital and later she was put in charge of procurement at the Ministry of Healthcare. By the current law, neither chair nor his or her deputies can be members of political party.

The appeal body, the Board, has 9 members, of which three are chair and his or her deputies. The six remaining ones are appointed by the government through internal hearing. Their CVs and reasons for selection have to be published by the government. The Board members are appointed for five-year terms. They need to have at least five years of public procurement experience to qualify as a candidate. They can be dismissed only for intentional crimes or long-term lack of attendance at Board meetings.

Public Accountability

On the website of the UVO (uvo.gov.sk), the public is able to access large amount of the information about the activity of the Office and all the annual reports. Professional CVs of management and Board members are published as well (with the exception of two Board members appointed in September 2017). Slovakia has one of the highest accessibility of procurement documents in the world, giving any citizen the opportunity of get a very good sense of what UVO monitors (Furnas, 2013). Electronic publication of tender announcements introduced in 2009 was the first big step to transparency. Publication of complete tender documents, including contracts from 2011 onwards another. Similarly, the public is able to access the decisions about the appeals as well as details about tenders under control process on the website.

However, it is not possible to access all the documents that UVO reviewed and on which it makes its decisions. Only a court can do that, which in Slovakia might take two or more years. Hence, the external public control is limited by this factor.

Conclusion

Of all the regulatory bodies, it is UVO that is in the largest spotlight, given the amount of transactions and politically sensitive contracts it monitors. Of all control bodies established before 2010, it has institutionally increased its transparency the most. It provides easy access to its decisions. The selection of the Chair has gone through the first attempt at regular public hearing. On the other hand, despite these improvements the heads of UVO have been repeatedly hot political issue and most of the leaders have in practice been political appointees. The government has a decisive role in appointment of Board and chairs/deputy chairs. As a consequence, a number of its decisions on politically sensitive cases have been analyzed through politicized lenses.

SUPREME AUDIT OFFICE OF THE SLOVAK REPUBLIC (NAJVYŠŠÍ KONTROLNÝ ÚRAD, NKU)

NKU's role is to oversee how public institutions spend taxpayers' money and follow laws in the conduct of their duties. As the only control institution in this study, its status and independence is enshrined in the Slovak constitution. Unlike many other countries, its scope includes local governments as well. Over 8400 public institutions fall under its radar. In 2016 it had a budget of 9,3 million euros and 289 employees.

Selecting the Chair

All in all, six chairs and eleven deputy chairs served at NKU since the office was established in 1993. Chairs are elected by the National Council by the secret ballot. Most of the NKU chairs had strong political connections. Four out of six became chairs after years of political activity. Once appointed, NKU chairs and their deputies must by law give up the membership of the political party.

The mandate is set for seven years and maximum of two terms are allowed. Both the chair and his deputies can be dismissed if their commit crime or breach the conflict of interest law. They can also be sacked for a vaguer reason, however - for of “not fulfilling the duties according to the law.” This made it easier to change the NKU leadership when the new government formed after elections.

In 1990s just like other regulatory bodies at the time, NKU was more a part of government than an independent body set to control its performance. For example, when the former Prime Minister, Vladimír Mečiar (HZDS party), clashed with the former President, Michal Kováč, NKU ran by HZDS nominee Marián Vanko, immediately carried out audit of the Presidential Office (Leško, 2013).

From 2005 the notion that the opposition should select the NKU head took hold. This way Ján Jasovský from the largest opposition party HZDS was elected in 2005 as the first opposition candidate for the role of the Chair. Nonetheless, according to prominent journalist Marián Leško, this move was just made for the publicity, as there might have been a secret deal between the government and HZDS to cooperate (Leško, 2013). In the secret ballot, Jasovský won 79 votes out of 150.

Table 2: Heads of the Supreme Audit Office in 1993-2017

NAME	PERIOD IN THE OFFICE	NOMINATED BY	APPOINTED BY
Marián Vanko	19/07/1993-24/03/1994	HZDS Party	National Council
Jozef Olej	13/04/1994-14/12/1994	SDL' Party	National Council
Štefan Balejčík	14/12/1994-14/12/1999	Union of the Manual Workers of Slovakia Party	National Council
Jozef Stahl	15/12/1999-08/02/2005	SOP Party – Coalition agreement	National Council
Ján Jasovský	09/02/2005-20/05/2015	Opposition – HZDS Party	National Council
Karol Mitrík	20/05/2015-ongoing	Opposition – Pavol Frešo (SDKÚ)	National Council

Source: NKU, Transparency International Slovakia

Similar situation occurred with the selection of the current Chair. Karol Mitrík was nominated only by Pavol Frešo (SDKÚ), by then small opposition force in the parliament. Mitrík was previously an MP for SDKÚ and later appointed to head the state secret service. However, most of the opposition preferred prosecutor Maroš Žilinka. The ruling SMER party supported Mitrík who became the head of NKU in May of 2015. Mitrík gained 82 votes in the parliamentary vote.

Similar trend of political influence could be observed in the appointment of deputy chairs who are also elected by the National Council for seven-year terms. The majority of them were directly connected with a coalition political party. For example, one of the current deputies Igor Šulaj, is the former MP

and shadow minister of finance for the ruling party SMER (the other deputy Vladimír Tóth is a career NKU expert).

Public Accountability

The public is able to access all the information about the financing the Office, its agenda and yearly reports on its website (<https://www.nku.gov.sk>). NKU also publishes all its decisions with its own reasoning, with the opinion of the controlled institution and the final verdict in its online searchable database. Resumes of the chair and his deputies are available as well.

Conclusion

Institutionally, NKU made modest progress towards becoming more accountable and independent body. Leaders are elected by the parliament, not the government, and their mandate was prolonged not to coincide with elections. Its decisions can be easily found and analyzed. Yet elections of NKU officials still tend to be highly political and the consensus that the opposition should have the right to appoint the nominee is not working.

REGULATORY OFFICE FOR NETWORK INDUSTRIES (ÚRAD PRE REGULÁCIU SIEŤOVÝCH ODVETVÍ, URSO)

The office was established in August 2001. Its mission is to regulate the network industries that might have monopolistic power, such as electricity generation, gas, heat and water sector. In practice, its decisions on the maximum prices of electricity or heating that providers can charge consumers can get very politicized. On one hand, it needs to mind long-term sector trends and insure that there is enough investment into repair and power generation. On the other, however, URSO is under pressure by voters (and politicians in tow) to keep prices as low as possible.

In 2016, URSO had a budget of 5 million euros and 114 employees (Úrad pre reguláciu sieťových odvetví, 2017).

Selecting the Chair

So far, there have been five Chairs since the URSO was established. Currently, chairs and his or her deputies are appointed by the Government. Their mandate is six years and can serve maximum of two terms consecutively. Apart from the management, the chair makes first level decisions as well as gives sanctions. He or she might be removed by the government due to breach of law, election to the parliament or if he or his relatives take a stake in regulated industries. Also, the government can remove him should he undermine “independence” of the institution.

The appeal body called the Board, which is also in charge of regulation policy, has six members. The members of Board are appointed by the President and nominated by the Government (3 members) and National Council (3). The president selects the head of the Board.

There were several changes made in 2017. The positions of head of URSO and head of board were separated, so that the same person does not make decisions and sits on appeals body as well. The President was removed from appointing the Chair of URSO and this power was given to the government.

This change of the legislation was criticized by experts and the President. They argued that this move will diminish the independence of the Office since the Government is taking away the option of a candidate refusal from the President. Then again, the Government argued that they are splitting the powers and giving the President even more power as he will have full control over the appellate body – the Board.

Table 3: Heads of the Office for Network Industries in 2001-2017

NAME	PERIOD IN THE OFFICE	NOMINATED BY	APPOINTED BY
Peter Čarakčiev	17/10/2001-04/12/2002	Government/SOP party	President
Ján Matuský	04/12/2002-17/10/2005	Government/Democratic Union party	President
Karol Dvorák	18/10/2005-23/05/2007	Government/National Council	President
Jozef Holjenčík	24/05/2007-07/02/2017	Government/SMER party	President
Ľubomír Jahnátek	25/07/2017 - ongoing	Minister of Economy	Government

Source: *URSO, Transparency International Slovakia*

All five chairs of URSO were in effect political appointees and they were nominated by one of the coalition parties. The longest-serving chair, Jozef Holjenčík was the only one who left involuntarily after 10 years in office in February 2017. He left after allegations that he advised private companies to overrate their property and the URSO will raise the prices of energy respectively (Leško, 2017).

The current chair Ľubomír Jahnátek is the first former politician to fill the position. He served as the Minister of Economy in 2006-10, minister of agriculture in 2012-2016 and was an MP for Smer party between those jobs.

Public Accountability

The URSO's website (www.urso.gov.sk) provides public access to all its decisions and sanctions rulings. Its annual reports are accessible as well. Detailed biographical information is given on both the heads of URSO as well as the board members. From summer 2017 the Board meeting minutes are also published online, including its decisions and vote record (in total, not votes by individual members). However, no reasoning is recorded on these Board decisions.

Conclusion

URSO is the only regulatory body led by former high-ranking politician. This creates space for distrust to how independent the institution can be under his leadership. While separating the position of the head of URSO from head of its appeal body can be praised, overall URSO institutional structure is not strong enough to prevent crises and conflicts of interests in its everyday work.

ANTIMONOPOLY OFFICE OF THE SLOVAK REPUBLIC (PROTIMONOPOLNÝ ÚRAD, PMU)

The PMU is an authority in charge of protection of competition. Aside from monitoring private markets for cartels and dominant position abuse, it also takes a look at possible collusion in public procurement. In 2016, it had a budget of 2.2 million euros and employed 78 staff.

Selecting the Chair

The PMU had nine Chairs so far. The vast majority - seven of them - were nominated and appointed by the Government. The first ten years of the Office often witnessed its subservience to the government.

Ľubomír Dolgoš, the first PMU head, went from the Office straight to politics as an MP for the ruling HZDS. Later he became the Minister of Privatization in its government.

When Slovnaft, the largest Slovak oil refinery and gas retail company was about to buy smaller gas retail company Benzinol in early 1990s, PMU was originally against this trade because Slovnaft would have ended up with 80% of the market. However, the then Government of Vladimír Mečiar supported the deal and since PMU would not budge, it promptly dismissed the then chair Zdenko Kováč and appointed a new one – Pavol Fraňo (Vlna, 2007).

The new law on the protection of economic competition from 2001 increased the independence of the Office. It gave power to appoint chair to the president. The term of the Chair was extended to five years and maximum of two terms. Chair can be dismissed only for specific breaches of law.

Also, it included an official selection process. Danica Paroulková won the job from among 21 candidates. A former lawyer at PMU, she went to head the institution for two mandates. In 2011 Tibor Menyhart, who previously worked at state oil pipeline monopoly Transpetrol, was appointed. However, he was de facto nominee of Most-Híd coalition party. He was reappointed in 2016, when once again Most-Híd was part of the coalition government.

Table 4: Heads of the Antimonopoly Office in 1990-2017

NAME	PERIOD IN THE OFFICE	NOMINATED BY	APPOINTED BY
Ľubomír Dolgoš	1990-1991	Government	Government
Ján Koreňovský	1991-1992	Government	Government
Zdenko Kováč	1992-1994	Government	Government
Pavol Fraňo	1994-1996	Government	Government
Jozef Holic	1996-1998	Government	Government
Peter Nižžanský	18/11/1998-27/09/2001	Government	Government
Danica Paroulková	27/09/2001-25/10/2011	Government	President

Tibor Menyhart	10/11/2011-ongoing	Government	President
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Source: PMU, Transparency International Slovakia

Political pressures resurfaced in 2016, when the head of the Cartels department Peter Demčák and two of its employees resigned, complaining about pressures not to investigate certain companies (Kováč, 2016).

Similar to the URSO, also the PMU has its own board – the Council. It decides on appeals and reviews original PMU decisions. There are seven members of the Council. Six of them are not allowed to be a member of the Office. Additional member, the Chair of the Council, is also the Chair of the PMU itself. The six external members of the Council are nominated by the Chair and appointed by the government who select one person for each three nominees.

Mojmír Mamojka, long-term former national parliament MP for Smer is a notable political appointee in the Council. Kajetán Kičura, a former judge and the current head of State Material Reserves state body, has also the backing of Smer (Kapsdorfer, 2013).

Public Accountability

There is an open access to the cases investigated by the PMU on their website (<http://www.antimon.gov.sk>). All the decisions are posted online with the name of the company which was investigated and the reasoning of the decision made by the Office. The general public is able to find all the annual reports from the year 2000 on the website as well. Professional resumes of chair, deputy chair and council members are published as well.

Conclusion

Institutionally, PMU has shown significant progress from the 1990s. Transparency of its decision-making and quality of its staff enabled to tackle difficult cases in sectors such as construction and catering services in the last five years. Nevertheless, political influence at the leadership level remains a problem, as witnessed in resignation of several key employees in late 2016.

HEALTH CARE SURVEILLANCE AUTHORITY (ÚRAD NA DOHL'AD NAD ZDRAVOTNOU STAROSTLIVOSŤOU, UDZS)

The UDZS was established in 2004. Its role is to oversee health insurance companies and healthcare providers, in financing and quality control. It has a staff of 448 and an annual budget of 18 million euros. (UDZS, 2017). While the Authority carries out most of the time rather technical type of work, it gets into spotlight over two issues – sanctioning hospitals for shoddy treatment of patients and secondly, overseeing health insurer companies. The Authority has three main bodies – the Chair, the Management Board and the Supervisory Board.

Selecting the Chair

The UDZS had five different Chairs in the last 13 years. (see the table below). By law, the maximum tenure of each Chair is 5 years and they can be elected into the position at most twice consecutively. The process of nomination and election of them has not changed since the Authority was established.

The potential Chair is nominated by the Minister of Health and then the Government decides on their appointment. There is no public selection process.

The first Chair Alexandra Novotná, was ANO party member and right-hand advisor of the then Minister of Health Rudolf Zajac (ANO nominee). The UDZS boards were filled mostly by coalition government party members.

Less than half a year later, Novotná moved to become deputy Minister of Health while the then deputy Minister Ján Gajdoš went to head UDZS instead.

Similar to the other regulatory institutions, the best example of the lack of independence could be observed when the Chair is leaving the Office. Since the establishment of the UDZS, no chair has finished their 5-year tenure. One of the reasons for it is that by law the Government is able to dismiss the Chair for vaguely worded reasons such as “for acts that might create doubts about personal, moral or professional qualities needed for the job.”

Before 2007, the Government was able to dismiss chairs only if they broke law or because of gross misconduct. The first “victim” of the changed law was Ján Gajdoš. Soon after the 2006 parliamentary elections where the prime minister Mikuláš Dzurinda lost power, Gajdoš was dismissed and replaced by the Smer party regional MP, Richard Demovič.

In turn, after another change of government in 2010 Demovič was replaced by Gajdoš again, who came from management position in second-largest health insurer Dôvera. Less than half a year after 2012 elections, the new Smer-led government introduced yet another of its nominees, Monika Pažinková. Gajdoš was dismissed for the second time. He returned to manage private health provider ProHealth (ProCare), owned by Penta financial group, the most powerful private group in Slovak healthcare.

Pažinková herself, former manager of health provider in Košice, resigned before her tenure ran out due to personal conflicts of interest. Her critics blamed her for overlooking mismanagement of the Všeobecná zdravotná poisťovňa state insurer due to her relatives’ business ties with controversial provider. (Pravda, 2016).

Her successor is Mr. Tomáš Haško, former long-term deputy head of Fakultná nemocnica Bratislava, the largest Slovak hospital.

Table 6: Heads of the Healthcare Surveillance Authority in 2004-2017

NAME	PERIOD IN THE OFFICE	NOMINATED BY	APPOINTED BY
Alexandra Novotná	01/11/2004-31/03/2005	Minister of Health/ANO party	Government
Ján Gajdoš	01/04/2005-24/01/2007	Minister of Health	Government
Richard Demovič	25/01/2007-27/08/2010	Minister of Health/Smer Party	Government
Ján Gajdoš	28/08/2010-31/07/2012	Minister of Health	Government
Monika Pažinková	01/08/2012-30/04/2016	Minister of Health/Smer Party	Government

Source: UDZS, *Transparency International Slovakia*

The UDZS website (<http://www.udzs-sk.sk/>) contains performance reports with statistics on cases solved and sanctions given. However, unlike other regulatory bodies in this study UDZS is the only one that does not publish concrete decisions and reasoning behind it. Moreover, one does not even have the access to statistics on which providers were sanctioned for substandard healthcare, for instance. Unlike the other regulatory bodies in this research, UDZS website does not include any biographical information about its Board members - only the CV of the chair is provided.

Conclusion

UDZS is characterized by strong political influence in selection of leaders and weak institutional barriers to such pressure. Lack of transparency in its decision-making has not so far enabled the public to counterbalance political ties of its leadership. Another concern arises due to close ties between providers, health care insurers and regulatory body leadership. One hopeful sign is that the current head of UDZS – neither him nor the Minister of Health himself are party members or nominees.

NATIONAL BANK OF SLOVAKIA (NÁRODNÁ BANKA SLOVENSKA, NBS)

NBS is the central bank of Slovakia since the country's independence in 1993. Apart from monetary policy (which was transferred to the European Central Bank's portfolio with Slovakia joining the euro area in 2009), its main competition is to regulate banking and financial services. From 2015 it serves as the chief consumer protection body in the area of financial services as well. It had a staff of 1075 and net balance of 28bn euros in 2016.

Selecting the Chair

The bank Board has six members. The governor and his two deputies are nominated by the government, elected by the parliament and appointed by the president. The three remaining board members are nominated by the Governor and appointed by the government. For governor and deputies there is a term limit of two mandates. There is no limit for other members. All the mandates are for six years (for a while they were five years until 2015).

Candidates for board members need to have university education in finance or economics and additional five years of practice in the area. There is no ban for political party members. The board members can only be dismissed for committing intentional crime or should they "stop fulfilling qualifications for the post." Presumably this is meant if they take a role in business or other activity which breaches the conflict of interest rules.

Table 5: Governors of the National Bank of Slovakia in 1993-2017

NAME	PERIOD IN THE OFFICE	NOMINATED BY	APPOINTED BY
Vladimír Masár	29/07/1993-28/07/1999	National Council	President
Marián Jusko	29/07/1999-31/12/2004	National Council	President
Ivan Šramko	01/01/2005-11/01/2010	National Council	President
Jozef Makúch	11/01/2010-ongoing	National Council	President

Source: NBS, Transparency International Slovakia

All board members are career economists. Ján Tóth has worked at chief economist at ING Bank, Ľuboš Pásztor is a professor of finance at University of Chicago, Vladimír Dvořáček is a former head of financial markets department at the Ministry of Finance and Karol Mrva is a career central bank economist.

NBS had four governors so far. The current governor Jozef Makúch is the first one to serve two terms. He is a career banker. In between jobs at NBS he served as a head of Financial Market Authority. He re-joined the bank's Board in 2006.

Ján Tóth is currently the only deputy governor since 2012 as no one was elected since (and Tóth's mandate runs out in November 2017). The Board has only five instead of six members. This is not the first vacancy in the bank's history. In 2006-7 vicegovernor was not appointed for over a year due to political disputes. Vladimír Tvaroška, the then Minister of Finance deputy was elected by the center-right government in 2006 shortly before the elections. The center-left president refused to appoint him, however. Constitutional courts started to consider the issue. In the meantime, the newly elected center-left government was formed in mid-2006 chose a different nominee (Mravcová, 2007).

Financial entities regulation is hardly without blemish. In early 2000s the government had to bail out three state-owned banks to the tune of 3,5bn euros after many crony practices in lending, often politically approved. In 2017, Rapid Life insurer went bankrupt despite years of complaints and warnings, taking 47 million euros of its clients underwater. NBS has become target of criticism in this case as well (Záborský, 2017).

Public Accountability

NBS provides standard transparency to public of CVs of its board members, annual reports and regulatory decisions at its website (<https://www.nbs.sk>).

Conclusion

NBS is one of the institutionally most stable institutions in the study. Its members were career bankers. No politicians entered its board. Yet for a quarter of its existence so far (six years) it worked without full board membership due to nomination disputes. Its regulatory record is spotty. As of time of writing, it was set to lose another member of its board without timely replacement.

REGULATORY AUTHORITY FOR ELECTRONIC COMMUNICATIONS AND POSTAL SERVICES (ÚRAD PRE REGULÁCIU ELEKTRONICKEJ KOMUNIKÁCIE A POŠTOVÝCH SLUŽIEB, RÚ)

RÚ came to existence in 2014 when the former Telecommunications Office merged with Post Authority due to changes in the nature of respective industries and overlapping competences. The annual budget of RÚ is 4,6 million euros and it employs 143 people. It is financially fully independent as it covers all its budget needs from fees raised from regulated industry.

Selecting the Chair

Vladimír Kešjar is the only Chair so far. He was elected in the parliament as a nomination of the Government. His deputy Ján Flak was appointed by the Government as a nominee of the Minister of Transport. Both of their mandates are for six years and they can serve at most two consecutive terms. They can be dismissed only for committing intentional crime while in office. To be a candidate, they need to have a university education and at least five years of experience in the sectors RU regulates.

Both the chair and the deputy chair need to follow more detailed conflict of interest rules than most of the heads of other control institutions. They cannot be members of political parties. Moreover, nor they neither their close family can own a stake in any business that RU regulates. One year after leaving their positions both chair and deputy chair cannot take employment nor take a stake in a company to which they granted a state support or in other way their decision affected their business, such as signing a procurement contract. As public officials, they also need to hand in asset declarations every year.

Kešjar is a former Smer party member – he was part of its Bratislava Ružinov district ruling council. Flak is a career manager in state postal services. He was the head of Postal Office before moving RÚ. Kešjar was elected in a secret ballot in the parliament run by Smer majority.

Table 7: Regulatory Authority for Electronic Communications and Postal Services in 2014-2017

NAME	PERIOD IN THE OFFICE	NOMINATED BY	APPOINTED BY
Vladimír Kešjar	01/02/2014-ongoing	Government	National Council

Source: RU, Transparency International Slovakia

Public Accountability

Similarly to other authorities, RU publishes its decisions on its website (<http://www.teleoff.gov.sk>). Also, its annual reports are present. However, any biographical information about RU leaders is missing.

Conclusion

RU and its chair are the least visible in public discussions of all regulatory bodies in this survey. Politicization is present in the background of its chair. As compared to other control authorities, its website is below average in its user-friendliness and content. On the other hand, its financing does not depend on central authorities as it covers its needs from regulated industry fees.

COUNCIL FOR BUDGET RESPONSIBILITY (RADA PRE ROZPOČTOVÚ ZODPOVEDNOSŤ, RRZ)

RRZ is the youngest control institution in Slovakia. It was set up in 2012 and its aim is to monitor fiscal performance of the government. RRZ was established during the economic turmoil caused after the financial crisis of 2007-08 and Greek default on its debts. The annual budget of RRZ was 1,1 million euros in 2016 and it employed 15 people.

Selecting the Chair

The Council has three members, of which one is the Chair. All are elected by the parliament for seven-year non-renewable mandates. Unlike the other two members, the chair needs the qualified majority (3/5) of votes in the parliament. The Chair is nominated by the government, another member by the President, and the third member by the Governor of the National Bank (Slovakia's central bank). They all need to have higher university education in finance or macroeconomics and have worked in the field for at least five years. A councilor cannot be a political party member, acting politician nor statutory of a business. Councilors can be dismissed only for committing intentional crimes.

Table 8: Members of the Council for Budget Responsibility 2012-2017

NAME	PERIOD IN THE OFFICE	NOMINATED BY	APPOINTED BY
Ivan Šramko	27/06/2012-ongoing	Parliament	National Council
Michal Horváth	27/06/2012-02/07/2015	Parliament	National Council
Ľudovít Odor	27/06/2012-ongoing	Parliament	National Council
Anetta Čaplánová	03/07/2015-ongoing	Central Bank governor	National Council

Source: RRZ, Transparency International Slovakia

All first three councilors were respected economists in both private and NGO sector. The chair Ivan Šramko is a former central banker and government representative at the OECD. Both Michal Horváth and Ľudovít Ódor are respected young economists who served as advisors to ministers of social affairs and finance, respectively. In their role as councilors they won their respect for data-based criticism of government's policies.

To produce staggered mandates, Horvath was elected for 3 and Odor for 5 years, initially. In 2013 Horvath was replaced by Anetta Čaplánová, the former pro-rector of Economics University. Čaplánová was nominated by the central bank governor Juraj Makúch (himself elected by the parliament). Unlike, Ódor or Horváth, however, Čaplánová is notable for her absence in public discussions (Trend, 2017).

Meanwhile, Ódor's mandate ran out in May 2017 but four months later, the President failed to nominate his successor. Ódor has been rumoured to be likely become chief economist at the Ministry of Finance once his replacement is found. Again, this would mean moving from the post of controller to the controlled. In January 2017, Ódor became a member of Supervisory Board of Slovenska sporitelna, the largest retail bank in Slovakia (Trend, 2017).

Public Accountability

The RRZ website (<http://www.rozpocetovarada.sk>) contained detailed bios of current and previous councilors, RRZ annual as well as its fiscal monitoring reports. RRZ also exemplarily publishes economic data in open formats on which it bases its conclusions.

Conclusion

Of all control institutions in this study, it is RRZ that has arguably received the most trust and positive coverage by the journalists and experts alike. This is primarily the result of widely welcome nominations of the first three councilors. However, uncertainty beckons as good replacements are apparently hard to find. As for the public accountability, RRZ shows the highest standards of any regulatory body surveyed.

CONCLUSIONS AND RECOMMENDATIONS

While on average, the independence and accountability of eight key control and regulatory institutions (UVO, NKU, PMU, URSO, UDZS, RÚ, NBS and RRZ) increased since when they were established, there are still number of problems unsolved. Thirteen of the 28 leaders that headed these institutions so far were previously politicians, mostly on the national level. Three of the current eight chairs (NKU, URSO, RU) were politicians in the past.

Institutional independence was strengthened by moving powers to appoint chairs or their deputies away from government. Both UVO and PMU followed this way. However, URSO recently took the opposite course. As for the nomination procedure, public hearing of candidates was introduced at UVO chair and Board members selection. The average tenure of heads of institutions changed from 2.5 years in the first 10 years of the authorities' existence to 3.9 years in the last ten years. In the last five years, resignations were more the result of failing performance than unrelated political pressure (URSO, UDZS). Currently, all mandates are in the range from five to seven years, to avoid direct clash with electoral four-year period.

In terms of transparency and the access to the information, all the offices made a significant progress. Annual reports, decisions, biographies of the leadership are present on the institutions' websites. Here UDZS is the only notable laggard.

Based on best practices abroad (OECD, 2017) and history of building Slovak regulatory institutions, we propose three main recommendations:

- **1. Implement public hearings as mandatory part of selection of new heads of regulatory bodies.**

Independence of regulatory bodies can be best achieved by appointing independent and expert leadership. The notion of having opposition run the control bodies failed in the current polarized political atmosphere both on theoretical and practical level. Given that the length of mandates of chairs

does not coincide with elections, any head would be leading the authority even after the change of government. Moreover, bodies control not only central government but local governments as well, which means they are in charge of monitoring institutions run by politicians of all parties at one time. Moreover, in practice the opposition either failed to unite on a single candidate, or the government helped elect the candidate of small opposition party, most likely as part of a larger political deal.

The first public hearings used to choose UVO chairs came also short, however. It is easy to use the process of public hearing and yet fix the result beforehand. Therefore, to minimize political influence, we suggest to introduce shortlist stage whereby experts-led committee would choose top candidates and the parliament would be able to choose only from among them. This would raise the odds that a respected nominee would get the chance to become a chair.

- **2. Institute both pre- and post-employment restrictions for Chairs and their deputies with relation to regulated bodies and political positions**

To safeguard the independence of regulatory bodies leadership, we propose to restrict the possibility to come to and from both regulated industries and politics, two key areas of conflict of interest. In post-employment phase this can be supported with extra income to retired heads, or a job offer to remain with the authority for 2 or 3 years after end of the tenure. Regulatory bodies should start tracking post-employment of its former managers and publish it regularly in their annual reports.

- **3. Eliminate possibility to remove heads of regulatory bodies on vague reasons**

Flexibility in removing chairs of regulatory authorities paves the way for successful political pressure. Currently, the law enables to dismiss URSO chair for any reason related to “undermining the independence” of the institution. UDZS heads are vulnerable for similar reasons. No UDZS head finished his or her mandate full-time since the establishment of the office in 2004.

Another change to be considered is **limiting the mandates to single but longer terms** (only RRZ has such restrictions). Possibility of two terms weakens the independence since chair or board members may dampen their criticism in search of reelection. Downside of the policy is further narrowing down of suitable candidates for top regulatory jobs (current RRZ turmoil shows that it might be a real problem).

Similarly, spreading the right to nominate/appoint heads of control institutions among government, parliament and president might weed out politically over connected candidates. RRZ has taken such a route. It the president that has the weakest role of all three bodies (it has no role in ÚVO, UDZS, RU and NKU appointments). To **strengthen president’s role in nominations** might lead to better appointments. However, it might also lead to clashes and vacant positions. The Slovak constitutional courts have been running at 75% of its staff capacity for over three years now after the president refuses to appoint judges elected by the parliament (Prušová, 2017).

Table 9: Powers of appointment of chairs, deputy chairs and board members

GOVERNMENT	NATIONAL COUNCIL	PRESIDENT
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RRZ	✓	✗	✓
ÚRSO	✗	✓	✓
NBS	✗	✓	✓
PMÚ	✗		✓
ÚVO	✗	✓	
ÚDZS	✓	✓	
NKÚ		✗	
RÚ	✓	✓	

Source: Transparency International Slovakia

Overall, however, it is clear that general political culture will bear a heavy influence on how independent and accountable regulatory bodies in Slovakia become in the future. No elaborate system of checks and balances will prevent regulatory bodies from bending to political or private interests if appointees feel that is the way the business is done. While Slovakia has made some progress since 1990s, there is certainly much to be done yet.

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