

The good practices on transparency in Slovak enterprises owned by public sector

**Promoting transparency and implementation of anti-
corruption measures in state-owned enterprises and local
governments in Ukraine**

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November 2018



**TRANSPARENCY
INTERNATIONAL
SLOVAKIA**

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Note

This document is a copy of the original “The good practices on transparency in Slovak enterprises owned by public sector” that was created by Transparency International Slovakia in April 2018 as part of the initiative "Promoting transparency and financial sustainability of regional policies, state-owned enterprises and local authorities in Moldova".

Transparency International Slovakia created this copy without any financial reward for purpose of the initiative "Promoting transparency and implementation of anti-corruption measures in state-owned enterprises and local governments in Ukraine", implemented by Ukrainian think-tank the International Centre for Policy Studies (ICPS), in partnership with the Institute for Economic and Social Reforms in Slovakia (INEKO).

The following examples of the good practices on transparency in Slovak state-owned enterprises (SOEs) and municipality-owned enterprises (MOEs) are described only in their basic structure as a possible inspiration for Ukrainian partners. The examples are based on [transparency ranking](#) of 81 important SOEs and MOEs in Slovakia which was created by Transparency International Slovakia (TIS) in 2015, as well as the following researches.

This document as well as the ranking itself should serve also as a basis for the similar transparency ranking of 50 Ukrainian enterprises owned by public sector. The methodology based on Slovak experiences can be found on INEKO [website](#).

Introduction

No one exactly knows how many state, region or municipality-owned enterprises operate in Slovakia. What is certain is that they annually handle billions of euros. For a better view, only 81 of important SOEs and MOEs included in our 2015 Transparency ranking, administer an annual budget of 9.5 billion euros. This is the sum exceeding the half of the state budget expenses.

It is not only the General Health Insurance Company, the Radio and Television of Slovakia, the Slovak Post Office or the Slovak Gas Industry. The enterprises owned by public sector are in large extent deciding about quality of our railways, motorways, services and prices related with public transport, heating or waste disposal.

These companies operate on the edge between the public and private sector and are publishing considerably less information compared to other state or self-governing organizations. Their managers deciding about hundreds of thousands of euros are often under lower public oversight than Mayors of small villages.

Therefore, we try to increase public oversight of enterprises owned by public sector by different strategies. Whether we are using companies' transparency rankings, consultations with their managers and politicians or raising awareness of both good and bad practices.

The examples introduced in this study are partially based on TIS transparency ranking and we copied its structure in the document as well. The examples are divided into six key areas: I. Economic Indicators; II. Communication and Access to Information; III. Public Procurement and Property; IV. Human Resources Management; V. Ethics; VI. Grants, Sponsoring and Charity.

I. Economic Indicators

One of the most effective tools how to control Slovak public institutions from the economic point of view is to check their published contracts (including the published information related to the orders and invoices). In January 2011, Slovakia introduced the regime of unprecedented openness by deciding to have most of the public contracts published online. The law says such a contract is not even valid after three months since it was signed if it was not published.

However, Slovak SOEs and MOEs became the biggest complainers against the law. They repeatedly argued that they would lose competitive advantage, as in number of instances they actually have to compete against private competitors, who do not have to publish any of their supplier contracts.

One year after initial reforms SOEs and MOEs won themselves an exemption from mandatory publication – from 2012 they are obligated to publish full contracts only for transactions which are not connected with their core business. In the case of the “core business” transactions it is sufficient for them to publish only the related data such as price, subject and counterparty of contracts, rather than their full text. However, the public can still get hold of complete contracts through request at least in theory.

In 2017, TIS was part of Visegrad initiative for transparent municipal-owned enterprises, whose aim was to compare a transparency level of MOEs in V4 countries and to introduce the best practices from Slovakia, Czech Republic, Poland and Hungary. We evaluated set of simple criteria based on TIS methodology in 36 important V4 MOEs and compared their practices.

As the initiative demonstrated, the Slovak enterprises lagged a little behind the Czech and Hungarian ones in terms of overall score. However, despite the exemption from mandatory publication of the contracts, the obligation to publish details regarding all concluded contracts is still a very positive aspect of Slovak SOEs and MOEs in terms of public oversight in comparison with their counterparts in Hungary and Poland.

Moreover, as our research has shown, some Slovak enterprises owned by public sector do not apply the exemption and publish all their contracts in the full form. One of them is Public Transport Company Bratislava, Inc. (DPB in a short form) with the Capital City Bratislava as the only owner. The company employs nearly 2800 employees and the total revenue of the company exceeded 117 million euros in 2017. The representatives of DPB decided to perform above standard in this area and they have published [full contracts](#) for all their transactions.

They also publish the important metadata related to the contracts such as date, name of a supplier, sum or subject of a transaction. It is in a sharp contrast with bad practices in some companies such as Bratislava Water Company Inc., which published the contracts only as the [list](#) of unidentified pdf files in unreadable and unsearchable format.

In the case of orders and invoices DPB has published [metadata](#) exported from their accounting system.

II. Communication and Access to Information

Our last 2015 transparency ranking of the companies owned by public sector revealed the significant shortages in the sphere of Communication and Access to Information. For instance, we found out that only three companies of the whole sample (81 SOEs and MOEs) published the results of their General Assembly on their websites. Similarly, only three companies published fundamental documents, such as the corporation charter, the foundation charter, the status or the social contract on their websites.

In the meantime, the situation has slightly improved, as the example of Heating Plant Kosice (in short TEKO) demonstrates. The company did not publish neither the results of general meetings or the company statutes, nor the information related to the CVs of the management or their salaries. In fact, more than a half of the enterprises kept the salaries and bonuses of their managers in secret.

If you check TEKO website nowadays, after publishing our ranking and a personal discussion about its results with the company's managers the situation has changed significantly. They publish the minutes from the [general assembly](#), the information related to the [executive](#) and [supervisory](#) boards meetings, [CVs](#) of all members of the management and the boards or the information about their [salaries and remunerations](#).

Unfortunately, as our transparency ranking demonstrated, such a high rate of openness is still insufficient in Slovak public enterprises compared with practices in the large foreign SOEs and MOEs.

To gain a clearer picture of the situation in Slovak public companies we compared their results also with the practices in EU companies owned by public sector (such as British State Television BBC, Swedish Electric Power Company Vattenfall or Dutch company Port of Rotterdam).

Seven of ten foreign European companies included in our ranking periodically informed about salaries and bonuses of management in their annual reports. Some of the foreign companies also informed about their total costs, which included business trips with a travel allowance and accommodation.

This type of openness could be especially important in combination with the information related to economic performance of the companies such as their economic plans and evaluate their fulfilment. On the basis of these easily measurable and comparable indicators the public can assess appropriateness of management remuneration in companies owned by public sector. They would also prevent from “golden parachute” compensation practice, which were quite common in some Slovak companies owned by public sector a few years ago.

British public TV [Channel 4](#) could serve as an example of a good practice. When British Newspaper The Guardian published [an article](#) about discrepancy between the salary and other benefits of the TV Chief in 2015 (he earned six times more than the British Prime Minister) and company performance (decreasing number of television viewers and insufficient revenues from advertising), discussion about the adequacy of the state managers’ salaries could have achieved a qualitative higher level.

III. Public Procurement and Property

Slovak SOEs and MOEs reached on average 53% score in the category Public Procurement and Property in our transparency ranking 2015. Almost half of them used electronic auctions for public procurements, competitive practices in their tenders and one fifth of them were able to lure minimally five candidates into their competitions.

In the meantime, the situation related to this area has improved a bit further, since February 2015 the state, municipalities or regional units and organizations which are founded or funded by them (including SOEs and MOEs) are obliged to purchase commonly available goods, services or construction work through the [Electronic contracting system](#) (there are various limits). This instrument helps to eliminate the possibility of influencing the outcome of tenders.

There are other imperfections in this area as well. The research of Visegrad initiative for transparent municipal-owned enterprises demonstrated some of them in the analysis in 2017. For instance, the majority of Slovak public enterprises have not published their actual plan for public procurement on their websites.

The Slovak incumbents could be inspired by the practice from Hungary, where SOEs and MOEs are legally obliged to publish their annual plan of public procurement online. This practice was also confirmed in our research, 8 in 9 involved Hungarian MOEs published the plan on their website. On the contrary, in the Slovak sample (composed of 9 MOEs) only one company - Removing and Disposal of Waste, Inc. Bratislava followed this practice.

In respect of the e-auction, this practice is used far less frequently in Slovak SOEs and MOEs in the sphere of property disposal. According to our transparency ranking carried out in 2015, as many as 85% of companies did not sell and lease their property via e-auctions.

One of the Slovak public enterprises, which follows our recommendations not only in this sphere is Slovak Post. It is one of the biggest Slovak state-owned companies and their management decides to closely cooperate with TIS experts in 2014. In the late 2014 we submitted the [first report of anti-corruption audit](#) with our evaluation of transparency in eight areas to the representatives of the Slovak Post. These areas referred to Public Property Sales, Public Property Renting, Human Resources, Access to Information Policy, Professional Ethics and Conflict of Interests, Media, Grants Policy and Public Procurement.

In March 2015 we presented dozens of our [recommendations](#) which could improve transparency of this company, and they could serve as an inspiration for other companies owned by public sector as well. This activity was covered by several [media](#) too. The company promised to establish the majority of these recommendations till the end of 2015.

Significant progress has been made in the company within past three years. For instance, in the sphere of sell and lease property policy they implemented e-auction directly to the [Status](#) of property committee. The company started to publish also the [invitation](#) to the committee meetings or the [minutes](#) from sales or leases of the property on its website as well.

IV. Human Resources Management

In May 2015 the Mayor of the capital city Bratislava Mr. Ivo Nesrovnal asked representatives of Transparency International Slovakia for help with the selection procedures aimed at choosing the directors of four important city-owned companies (Public Transport Company Bratislava, Inc.; Waste Disposal Company Inc.; Bratislava Water Company Inc.; METRO Bratislava Inc.).

According to TIS, selection procedures are the best way of filling the key positions in a public sector and we are not aware of any disproving arguments. We had felt the lack of positive examples supporting political nominations.

As our rankings exposed - many companies owned by public sector are inefficient and constantly in red numbers. But when we checked the business register and focused on how the managements of the companies are created, we found out the strong [correlation](#) with the election cycle. More than sixty per cent of the managers in SOEs and MOEs were replaced within one year after the related elections. Most of them without the selection procedures, because they were simply straw men of the elected politicians.

At the same time, we categorically reject simplifications that transparent selection procedures do not secure nominations on the basis of expertise, and are in fact just an expression of incumbents' will.

Therefore, we decided to accept the offer and two of our experts joined the committee for selection procedures as observers. We focused mostly on defining formal rules, providing an adequate amount of information and overseeing selection procedure.

On demand of the Mayor of Bratislava our experts elaborated the list of [recommendations](#) on how the process of selection procedures in city-owned companies should look like. Subsequently, TIS experts prepared also a proposal of particular [criteria](#) which should be used for the selection of directors in MOEs.

The members of Local Parliament mostly accepted our recommendations, the candidates had to submit the professional CVs, the development business plan for the company, they went through the public hearing, the background check provided by the forensic science agency and media research related to their relationships and liabilities.

Based on these criteria, the candidates should be assessed. Analytical assessment of the candidates might partially eliminate attempts to politicize the process and favor the candidates who were supported in different platform than open selection procedure.

Unfortunately, the procedure was accompanied by several doubts (related to the backstage agreements for instance), which we criticized in our related [final report](#).

Despite the shortages of the process, the unprecedented number of candidates have been participating in the competition and neither members of Local Parliament nor general public had never been so well informed about the background of the candidates before.

It was also a valuable experience for the experts of TIS and we utilized it for creating the [manual](#) for Mayors and active citizens with our recommendations about how to carry out selection procedures in self-governments.

V. Ethics

The situation in the sphere of ethical infrastructure has slowly improved in Slovakia over the past years. In our first transparency ranking of public enterprises in 2012 only a few of them published the Code of Conduct on their websites. In our ranking in 2015 the number of companies publishing the Code has doubled, but it still involved only one of eight companies. Currently, only 2 in 10 biggest Slovak SOEs do not publish the Code on their websites.

However, the Code of Conducts are still good example to illustrate the differences between Slovak SOEs and large foreign public companies from EU. In fact, 9 of 10 evaluated foreign companies in our 2015 ranking had published the Code. Foreign companies owned by public sector can serve as an example for Slovak SOEs as for the contents of these documents, too. In most cases their Codes embraced more extensive spectrum of the topics and they dealt with particular procedures such as the prevention of conflict of interest more precisely.

The best quality Codes should include also an anti-corruption program, which is absent in most of Codes of Slovak companies owned by public sector. As our last ranking showed, only four Slovak companies from the whole sample compiled their anti-corruption program or deal with the risks of corruption and corruption prevention practices in their Codes of Conduct or other documents. Slovakrail (ŽSSK) was one of these companies and one article of their [Code](#) focuses on an anticorruption program.

At the time of our last ranking most of Slovak SOEs and MOEs also did not set up the mechanism for whistleblower protection. Since July 2015 it has become compulsory also for Slovak SOEs and MOEs to adopt a written whistleblowing policy.

The Heating Plant Kosice (TEKO) is one of the good examples. They provide the special section of their website with the information related to the ethical standards, the whistleblower protection and the integrated management system including their [Code](#) of Conduct, the written rules for [whistleblowers](#) protection or the [certificates](#) based on ISO standards.

Unfortunately, many Slovak institutions have applied the whistleblowing policy only formally and they have no or only a very few reports related to the legislative. As some recent whistleblower cases have revealed, the passing of the directive (it is compulsory also for the private companies with more than 50 employees) is not enough.

It is very common for whistleblowers to face threats from their superiors, isolation or mockery of their surroundings. They worry that reporting corruption will lead to a negative reputation that will, in turn, jeopardize their job and career. This is the reason why TIS has taken the initiative "[We stand by the brave](#)" for Slovak businesses.

We are in the middle of the process right now and more than 300 companies with approximately 175 000 employees have joined the call so far. These mostly private companies have sent the clear message: blowing the whistle on corruption or wrongdoing is a sign of professionalism, moral credit and courage for them. These are qualities that they value highly in their companies and candidates with such profiles will welcome among them.

They have also offered the whistleblowers their support in terms of job interview, coaching, career advice or requalification in further career. At the same time the companies have also made a commitment to their own clients and employees that transparency and ethics are the guiding principles of their business and there is a zero tolerance for corruption.

VI. Grants, Sponsoring and Charity

In our last transparency ranking, the Grants, Sponsoring and Charity policy formed the overall score at a relatively small scale (the weight of the policy area was only 9%). However, some Slovak SOEs and MOEs operate with the significant budgets for this purpose and the absence of formal rules leads to arbitrary and sometimes also controversial decisions.

According to our ranking, only five most generous companies owned by public sector donated more than 8 million euros per year in that way. Only 5% of evaluated companies had rules for assigning subsidies and grants and 7% had rules for donations and sponsoring.

However, thanks to compulsory disclosed contracts, their decision in this area may be controlled by the public. In this way we disclosed in the [blog](#) in 2015, how generous were the state-owned companies as donors, such as National Lottery Company Tipos, Slovak Post, Transpetrol or Slovak Gas Industry to Hockey Club Slovan Bratislava, which is shielded by various letterbox companies and by a powerful businessman and reputed patron of the ruling political party SMER Juraj Široký.

Thanks to exploring the deeds of gift in Central Register of Contracts we could call attention to malpractices in the state-owned companies Transpetrol and Tipos, which in secret, through an inactive, [non-profit organization](#) and [noninvestment fund](#) financially supported the private Slovak Archeological and Historical Institute, founded by a controversial businessman Zoroslav Kollár. The head of non-profit organization Values of Life who was officially endowed with 30 000 euros by Transpetrol, was not able to remember this donation. The annual report of this organization showed, that the money was transferred to Kollár's Institute.

Thankfully, a few Slovak SOEs and MOEs have come to understand how devastating these practices could be for their prestige and trustworthiness and they have started to pay attention to this problem. One of the most remarkable examples is state-owned company Slovak Post, which have implemented our recommendations in this area.

They have created the specific sequence called "The Post for the people" on their subpage related to the corporate social responsibility. The company has published the [rules](#) for obtaining financial support including forms for grants, sponsoring, support from the 2% of taxes mechanism or other cooperation.

They also publish the [lists](#) of the granted organizations, the subjects supported from the 2% of taxes mechanism and even the black list of subjects, which broke the corporate rules. The company also publishes the tables evaluating grant requests with particular criteria and points for each applicant.

Another good practice in this field is already mentioned by Public Transport Company Bratislava, Inc. (DPB), which publishes all the information about the subjects and projects which have been supported by them on the specific [section](#) of their website. In contrast to some others SOEs and MOEs in the ranking, DPB usually does not provide financial support for the applicants. Mostly, they provide gratuitous transport, places for various events or free space for advertising inside the vehicles or other gifts.

Conclusion

State-owned enterprises and municipality-owned enterprises in Slovakia administer every year public assets worth several billions of euros. Many of them are responsible for running areas crucial for the country and communities, such as public transport, infrastructure, transmission systems or health insurance.

On the other hand, enterprises owned by public sector operate on the edge between public and private sector and the space for the public oversight is limited. There are various statutory exceptions in the laws aiming at protection against their competitors (for instance SOEs and MOEs are not obligatory to disclose contracts related directly to the subject of their business activities). Therefore, it is much more complicated for local activists, journalists, NGOs or ordinary citizens to get relevant information from state-owned or municipally-owned companies.

The effort to protect companies owned by public sector against drawback in an economic competition is a legitimate interest of the state, but it mustn't paralyze possibilities how to control their performance. In Transparency, we strongly believe in public oversight not only in case of the local politicians and civil servants, but also in relation to the performance of SOEs and MOEs representatives.

The very effective way how to push for more open approach to the public oversight is to introduce the good and bad practices from the individual companies. The transparency ranking is a strong tool how to achieve this. At the same time, the measuring and comparing of transparency level in individual SOEs and MOEs is also an effective tool aiming at decreasing of the space for the corruption and clientelism.

However, it is important to stress that the ranking cannot measure the corruption itself, but only the willingness to publish valuable information about decision-making process (what is necessary for the public oversight) and the existence of the rules for the important processes (which is useful for the decreasing of the arbitrary decisions of the companies' representatives). Therefore, it is not possible to say, that the company which is on top of the ranking is the automatically resistant to the opaque behavior. But it is easier to find some indications about it. And vice versa.

If representatives of NGOs, journalists or active citizens want to succeed in making SOEs and MOEs more open to public oversight, it is necessary to use also other effective ways, such as communicating with the managers and politicians, counseling, lobbying for the legislative amendments or publishing the causes.

Related links

Transparency ranking of 81 important Slovak SOEs and MOEs:

<http://firmy.transparency.sk/transparency.php?l=en>

Publication; Slovak companies owned by public sector remain non-transparent

http://www.transparency.sk/wp-content/uploads/2015/12/statne_firmy_web_a5_eng.pdf

Publication; How to realize a selection procedure in self-governments

http://www.transparency.sk/wp-content/uploads/2015/12/statne_firmy_web_a5_eng.pdf

Analysis; The transparency level of municipal-owned enterprises in V4 countries / Slovak Case Study: Public Transport Company Bratislava

http://www.transparency.sk/wp-content/uploads/2017/01/V4-Study-Slovakia_en_final.pdf

Policy Brief; As a summary of the core knowledge from the analysis of municipal-owned companies from V4 countries including the formulation of practical recommendations

http://www.transparency.sk/wp-content/uploads/2017/01/mos_v4_finalpolicy-brief_en.pdf

The project implemented by INEKO institute in 2017-2019 in Moldova:

<http://www.ineko.sk/projekty/promoting-transparency-and-financial-sustainability-of-regional-policies-state-owned-enterprises-and-local-authorities-in-moldova>

About TIS

Transparency International Slovakia is a nonprofit, non-party political, non-governmental organization located in Bratislava. It is the national branch of worldwide nongovernmental organization Transparency International and it has been working in Slovakia since 1998. Transparency deals mainly with corruption problems in the public area of Slovakia on both levels – the central and the decentralized governance. The organization aims mainly at upholding such values in Slovak public sphere as transparency, responsibility, confidence and integrity – the values which significantly reduce corruption. Actual information available on www.transparency.sk.