

Utilization of Eurofunds in Slovakia – An Opportunity for Growth or for Corruption and Clientelism?

(Paper)

Authors:

Ivan Kuhn

Analyst of European Affairs and Eurofunds Utilization

Dušan Sloboda

Analyst of Public Administration and Regional Policy Areas

Radovan Kazda

Analyst of Environmental Policy Area

M. R. Štefánik Conservative Institute

Medená 5

811 02 Bratislava

conservative@institute.sk

www.institute.sk

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Summary

Nontransparent allocation and thefts within procurement procedures. Holding back of the information. Non-compliance with the senseless goal of regional disparities reduction. Politicians' prattles on the utilization. Doubtful efficiency and incredible wasting. This is also a way to perceive our first more than seven years of experience with the eurofunds.

Since the beginning, the eurofunds are accompanied by jurisdictional fights. These include the disputes on the number of operational programs and the ministries responsible therefor, the fights for its administration between the regional and central Governments and, at last, but not at least, the political games questioning whether the role of the main coordinator belongs to either Government Office or a ministry in charge with the regional development during the pre-admission period, right with regard to the so wistfully expected income from the eurofunds after the country has been admitted to the EU. These fights were not and are not about better allocation of public fund nor they are about regional development. Primarily, these are bigpower fights for the direct influence on whose „boys“ the eurofunds will be straightly allocated to. Since the programming periods are not exactly identical to the electoral periods, the Governments will always either blame each other for unflattering utilization or usurp also the other's merits in case of good pace in the eurofunds spending. Chapter |1| gives our view on the eurofunds utilization.

Wasting in eurofunds is not only when the money from our taxes are spent for useless projects published in well hidden cork boards, declared right for the cork board authors themselves. Logos for millions, over-priced legal services, non-market high prices for ads in media, hundreds of pages of permanently reviewed manuals for the bureaucratic apparatus, hundreds of new bureaucrats and their training in luxury hotels. Dirty wheeling-dealing for the sponsors of the ruling parties. Also the intelligence service points out at high corruption and clientelism degree. Also this endless wasting is one part of the eurofunds utilization. Chapter |2| summarizes the selected cases.

The eurofunds are allocated in the EU for tens of years already. Their scope is continuously widening (new regions, new support targets) although they are unable to meet the defined goals efficiently. The growth of the public sector role in the society (since most of the eurofunds are allocated to support the projects executed by either central or local Governments) and the increase of both corruption and clientelism are the negative aftermaths of this policy. An example thereof can be found in the eight social enterprises in three regions (with the least economic development and the highest unemployment). These enterprises were supposed to be donated millions of euros for their activities by the government from the European Social Fund. The social enterprises were the government-subsidized project of the Minister of Labour Ms. Viera Tomanová aimed to the employment increase. Both businesspeople and municipalities were welcome in this business. Pursuant the act valid from May 2008 (with paragraphs related to social enterprises in force from September 2008), this had to be either company or non-profit entity employing disabled unemployed persons who had to constitute 30 percent of the headcount at least. At the same time, the social enterprise had to utilize 30% of the profit at least *“for creation of new jobs or improvement of labor conditions each year“*. The project had to operate for five years at least, with the government subsidies paid during 28 months. The eight model projects had to be donated by an irrevocable financial contribution from ESF equal up to 95% of the justified costs. As it was found later on, in most of the model projects the priority was not the creation of new jobs, but attempts to misuse both EU and Slovak Republic budget finances in favor of people connected to one of then ruling parties. We focused on social enterprises in Chapter |3|.

EU supports with high amounts also such private projects, which have very low likelihood to succeed on the market basis. The EU support tools are based on wrong presumption that the private capital market will not be able to respond flexibly to the market demand generated by the Government's decision. Subsequently, this error generates series of errors, market distortions and contributions to the market monopolization. We demonstrate them in the Chapter |4| with an example of subsidizing in waste management.

Step by step, the long-year thesis of the politicians on eurofunds reducing the regional disparities becomes less and less audible. There is no wonder since the reality does not prove it. From our admission to EU, the difference in registered unemployment between the districts even increased. Moreover, the eurofunds in Slovakia do not come first of all to those regions where they should according to the political declarations. For more details, read in Chapter |5|.

Corruption and clientelism thrive also in eurofunds in Slovakia. The reason why is that neither ministries nor another public administration bodies participating in the eurofunds allocation are automatically obliged to publish all information on the decision-making procedure of the applications (projects) approval. Complicated bureaucratic mechanisms on both sides (both donors and recipients) means unnecessary costs and time losses, and it generates the room for unequal, inequitable and nontransparent decision making. In Chapter |6|, we bring our systematic suggestions for changes and the summary of selected changes made during the last period.

| 1 | First of All: The Utilization?

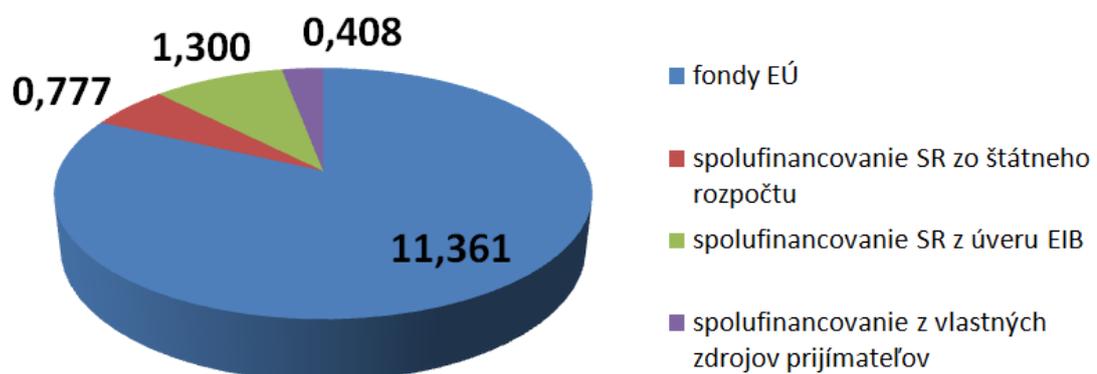
In Slovakia, the eurofunds are often squandered and its allocation takes place in a thievish manner. No government can change this, if the utilization just for the utilization will remain the main purpose. The eurofunds constitute an opportunity, say the politicians, and not only the Italian mafia¹ is able to seize such “opportunity”. Under the European rules, the formula is simple: just keep the country in such a poor condition, which should ensure the inflow of the „gifts“ from Brussels still for a long time. However, the conversion of this poor condition into the bankruptcy, as in case of Greece, should be avoided.

When Slovakia was entering the EU, many politicians were convincing us it will be good for the country. And, since to explain the citizens the advantages of the common market, not to mention the disadvantages of Brussels bureaucracy and regulations, is harder, more handsome examples were used. For example, the eurofunds and billions, which will flow into the regions from the EU. We will utilize, exploit and spend. Well, this is not related to the grass roots so much as to those persons around the politicians who were promising that.²

Eurofunds between 2007 and 2013

Within the 2007-2013 programming period, it is expected to utilize in Slovakia the total amount of €13,846,000,000.00. This includes €11,361,000,000.00 from the EU funds (structural funds and Cohesion Fund), further complementary co-financing sources such as the national sources equal to €777,000,000.00 (state budget) and the governmental loan from the European Investment Bank equal to €1,300,000,000.00, as well as the receivers' own sources estimated at €408,000,000.00 (diagram No. 1.1).³

Diagram No. 1.1 Eurofunds and their co-financing. Sources expected for the 2007-2013 programming period (in billions of euros)



Legend: blue = eurofunds, red = national budget, green = EIB loan of the Government, violet = own funds
Source: Government of the Slovak Republic, www.rokovania.sk, calculations of the authors

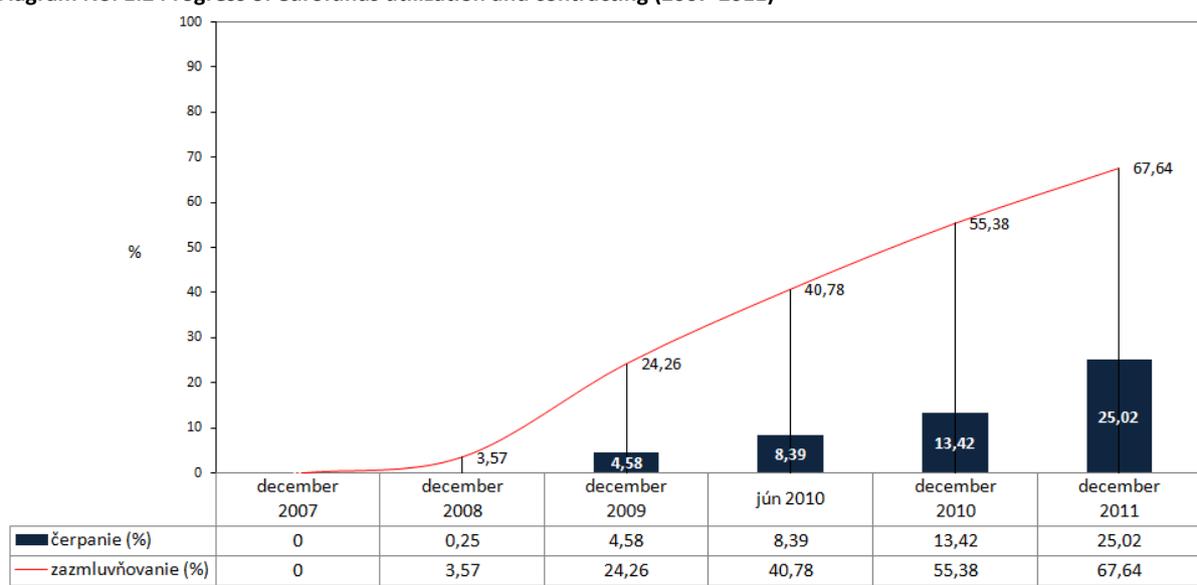
¹ „Where do the EU Structural Funds go?“ on <http://eufunds.ftdata.co.uk>.

² Some cases are described in Chapter 2 and the case of ‘social enterprises’; in Chapter 3 herein.

³ See „Návrh na uzatvorenie Dohody o financovaní medzi Európskou investičnou bankou a Slovenskou republikou – Rámcový úver na financovanie prioritných projektov v rámci Národného strategického referenčného rámca SR na roky 2007 – 2013“ on <http://www.rokovania.sk/Rokovanie.aspx/BodRokovaniaDetail?idMaterial=18855> (in Slovak version).

From the point of view of the administered eurofunds coming from Brussels amounting €11,361,000,000.00 during the current 2007-2013 programming period, Mr. Fico's Government contracted 40.78% and utilized 8.39% thereof during 30 months (from January 2008 till June 2010, since we lost the entire 2007 negotiating with the European Commission (EC) and further preps). During it's 18 months (from July 2010 till December 2011 included), Radičová's Government contracted further 26.86% and utilized 16.63 from the Brussels „fount“. Both utilization and contracting rates increased, however, this is how the standard cycle progresses. Since the programming periods are not exactly identical to the electoral periods, the Governments will always either blame each other for unflattering utilization or usurp also the other's merits in case of good pace in the eurofunds spending (diagram No. 1.2).

Diagram No. 1.2 Progress of eurofunds utilization and contracting (2007-2011)



Legend: thick column = utilization, red line = contracting

Source: Government of the Slovak Republic, www.rokovania.sk, calculations of the authors

Too Much Programs, Red Tape and Frequent Organizational Changes

Although the politicians talk permanently about the eurofunds utilization, the obstacles accompanying this process (its speed and transparency) are arising mainly due to the environment they (in co-ordination with Brussels bureaucracy) generated, approved and are managing.

In the current 2007-2013 programming period, the eurofunds utilization started too late. Mr. Fico's Government decided to change the funds allocation into operational programs and to change their composition as decided by the Mr. Dzurinda's Government in 2006. The subsequent time-consuming negotiations with the European Commission caused the launching of the first calls as late as in 2008.

The change of the powers act by Mr. Fico's Government, who closed the Ministry of Construction and Regional Development as of July 2010, whose powers of the central co-ordination body passed to the Government Office, caused another delay. Another factor was the parliamentary elections, which not only ended with Mr. Fico's Government, but they also brought another change of the power act, drafted by Ms. Radičová's Government and approved by the parliament. From January 2011, it is the Ministry of Transport, Construction and Regional Development, who is accountable for the eurofunds as the central co-coordinator. The change of the Government implied also the change of persons in charge for the individual operational programs in the ministries.

The crucial trouble with the eurofunds allocation consists in high number of operational programs, priorities, measures and calls, as well as in clumsy and nontransparent project cycle. During 2007-2013 programming period, the eurofunds in Slovakia are allocated throughout 11 operational programs divided in 54 priorities executed by the mean of 90 measures. The doubts on the utilization rate and transparency of the too bureaucratic process are related directly with the high number of the calls made (Table No. 1.1).

Table No. 1.1: 2007-2013 period operational programs

<i>Operational program name</i>	<i>number of priorities</i>	<i>number of measures</i>	<i>number of calls made⁴</i>	<i>number of approved projects</i>	<i>contracting (%)</i>	<i>utilization (%)</i>
Informatisation of Society	4	6	49	78	33,30	11,28
Competitiveness and Economic Growth	4	8	30	915	83,17	44,38
Research & Development	7	9	35	455	61,53	25,37
Education	5	11	60	769	52,54	20,86
Environment	7	7	45	602	70,58	27,33
Bratislava Region	3	5	20	286	52,55	36,27
Transport ⁵	7	7	-	98	52,27	27,61
Technical Assistance ⁶	2	10	-	102	88,98	44,20
Employment & Social Inclusion	5	12	132	1590	93,13	45,62
Healthcare	3	6	13	66	98,73	48,34
Regional Operational Program	7	9	28	1893	85,84	43,31
Total Slovakia	54	90	412	6854	65,66	30,85

Source: Central co-ordination body, <http://www.nsrr.sk/cerpanie/>, calculations of the authors

Slovakia's Net Position

EU is not remotely about bonuses or pluses only. Our membership was conditioned by the approval of ten thousands of pages of European regulations generated by Brussels institutions, as well as by the obligation of incurring of considerable costs by both government and entrepreneurs to ensure the compatibility of our milieu with the EU standards. These disadvantages of the „return to Europe“ were not compensated even by the expected opening of the borders since from among the old member countries only United Kingdom, Ireland and Sweden opened their labor market for us without restrictions; others followed just later on.

All our politicians, from the left to the right, paid the lip service declaring the billions of euros to be sent to us from Brussels as the main tangible gain. They spoke less to the citizens about the fact that the membership implies not only to receive the euros, but, first of all, to send them to the common EU strongbox. As shown in the INESS analysis,⁷ the information on the final accounts available proves that „the revenues vs. expenses ratio related to the membership and funds utilization was equal to 1.1 at the end of 2010. In other words, we gained by 11% more than we sent to the EU,“ while „between 2004 and 2010, in order to receive €1.00 from the EU budget, it was necessary to spend 90

⁴ From among the total of 412 calls, 60 did not take place for diverse reasons.

⁵ No calls are made within the Operational programme Transport. The exclusive authorized applicants (public entities ensuring the management and operation of the public transportation systems) are defined directly in the operational programme.

⁶ Projects from pre-defined group of receivers (public administration entities involved in the management, implementation and monitoring of the operational programs, mainly the managing authorities and intermediators) are financed via the Operational programme Technical Assistance and no public procurement based on the calls takes place there.

⁷ The INESS analysis „Štátny rozpočet a eurofondy“ can be found on <http://www.iness.sk/stranka/6757-Statny-rozpocet-a-eurofondy.html> (in Slovak version).

cents from our sources. Till 2009, it was even €1.00 exactly. It means that the EU entry just inflated the state budget, both on revenue and expense sides.”

Table No. 1.2: Slovakia's state budget and eurofunds (2004-2010 balance)

year	total revenues (millions of €)	total contributions (millions of €)	net financial position (millions of €)	co-financing (millions of €)	Slovakia's total expenses (millions of €)	Slovakia's cash flow (revenues minus expenses, millions of €)	expenses vs. revenues
2004	304	291	13	32	323	-19	1,06
2005 ⁸	705	486	219	128	613	92	0,87
2006	894	526	367	309	836	58	0,94
2007	911	590	321	283	873	38	0,96
2008	893	643	250	399	1 042	-149	1,17
2009	1 120	696	424	433	1 128	-9	1,01
2010	1 672	628	1 045	410	1 037	635	0,62
Total	6 499	3 859	2 640	1 994	5 853	646	0,90

Source: INESS, www.iness.sk, INESS calculations based on the final accounts of the public administration for the years from 2004 to 2010

Furthermore, INESS states that “besides the proper balance of the relationship with the EU, from the point of the taxpayer, also the process of the contributions and costs for the co-financing is important. Unless the government will compensate the EU contributions by decreasing of other expenses, both expense and revenue sides of the budget shall grow unavoidably. Before anything is sent to the EU, the government shall collect or borrow it. Then, the EU will send back these sources under the condition the government must spend it on expenditures approved right by the EU (although agreed bilaterally, but within the goals defined in Brussels). Thus the eurofunds utilized for expenditures unknown for the government before (because the government would not finance them without eurofunds) mean the state expansion (financed by us in 90% till now) by the mean of sources, which are subject not only to the decisions of the bureaucrat from Slovakia, but also to that in Brussels.”

Evaluation on the Second Line

We find the continuous long-lasting focusing of the eurofunds public debate just on the utilization rate to be a rough and excessive simplification. First of all, the eurofunds efficiency and transparency should be monitored and increased (see the Chapter |6| hereof).

A detailed reporting and benchmarking related to prices of the individual types of goods and services procured within the projects financed by the eurofunds is missing. The monitoring of compliance with the declared goals (either on program or on project level) is often based on general and not very customized indices. Often, it is not possible to verify whether, and up to which degree, the index change was or was not related to the executed projects.

Although the massive eurofunds inflow to the public sector and economy is being justified politically, with the need of regional disparities reduction, there is no continuous monitoring of the compliance with this goal available for the public and no attention is paid to such evaluation within the evaluation framework of the eurofunds successfulness. The planned defined allocations by regions are not met. The intra-regional disparities can be caused also by the system of so-called growth and

⁸ After the inclusion of additional levies based on temporary exception, from the source based on 2004 GNP.

development poles, which is preferring towns and bigger municipalities in detriment of those smaller, while a highly fragmented structure of settlements with majority of small municipalities prevails in Slovakia – two thirds of the municipalities have population lower than 1,000 (for more details, see the Chapter |5| hereof).

During years, the Government of Slovakia participates also on the „debate“ on the eurofunds future allocation draft for 2014-2020, with the outcome eurofunds law drafts, called the “cohesion policy package“ in the official Eurospeak. Since the 2010 Lisbon strategy has failed, one of the main goals of the eurofunds squandering has to be now the compliance of 2020 Europe strategy.

Programming Periods, Inspection Bodies, Irregularities and Audits

Currently, we find ourselves in an interesting phase as far as the eurofunds „implementation“ concerns. The allocation of the package designed for the 2007-2013 programming period is in progress, as well as the debate on the future of the regional policy (better known under the more comradely notion of „cohesion policy“ in the Eurospeak) during the next programming period between 2014 and 2020. At the same time, the end of the past 2000-2006 programming period, which took place in Slovakia as reduced, from our admission to EU in 2004, is in progress.

As far as the 2004-2006 programming period concerns, as of September 30th, 2010 Slovakia has sent to EC the final documents including the final applications for payment of all operational programs of that period. As stated in the Government report,⁹ *“all irregularities and refunds done till July 31st, 2010 were deduced as well as the unauthorized money for the correction of the ERDF public procurement feedback verification and the unauthorized expenditures for the so-called “wall-board tender“ of the Ministry of Construction and Regional Development of the Slovak Republic“. For the period between January 1st, 2004 and September 30th, 2010, i. e., the moment of submission of the final applications for the payments to EC, the payment authority received 2,713 discrepancies with the financial impact on the EU budget, while with regard to the total volume of the discrepancies found, the successful recovery rate of the unauthorized expenditures was 61.26% in the time of 2004–2006 programming period closure.“*

Between January 1st, 2004 and September 30th, 2010, 5805 documents called “Report on Discovered Irregularity“ including the non-pecuniary irregularities and mandatory updates pursuant the EC regulatory requirements were reported at the payment authority level within the quarterly OLAF irregularity reports to EC. At the level of structural funds and Cohesion Fund, 268 reports worth a total of €120,439,952.46, including the unconfirmed irregularities worth €4,431,445.25, were reported to OLAF for the 2004-2006 programming period.

The Supreme Audit Office of the Slovak Republic (NKÚ SR), established as the body responsible for the issuing of statements on termination of aid from structural funds and Cohesion Fund during 2004-2006 programming period, from May 2004 to December 31st, 2010, has inspected 207 entities within the structural funds, including 41 entities in positions of managing authorities, intermediate bodies, payment authorities and bodies under § 10 (these entities were inspected repeatedly) and 166 aid end receivers, inspected right on site in order to assure additionally the sample inspection. Furthermore, within the Cohesion fund, 57 subjects were inspected. These include 35 entities in positions of managing authorities, intermediate bodies, payment authorities and bodies under § 9 (these entities were inspected repeatedly) and 22 aid end receivers, inspected right on site in order

⁹ See „Správa o implementácii a čerpaní predvstupových nástrojov, štrukturálnych fondov a Kohézneho fondu programového obdobia 2004-2006 a iných finančných nástrojov za obdobie od 1. 7. 2010 do 31. 12. 2010“ on <http://www.rokovanie.sk/Rokovanie.aspx/BodRokovaniaDetail?idMaterial=19498> (in Slovak version).

to assure additionally the sample inspection. NKÚ SR has found 1,015 insufficiencies and has issued 1,015 recommendations for their elimination while monitoring this elimination till it is completed.

Before the second Mr. Robert Fico's Government arrival after March 2012, it is good to remind Brussels has already issued its partial invoice for the previous Mr. Fico's coalition ruling within the eurofunds. The currently approved and received expenses, which will not be covered from the eurofunds due to either EU or Slovak law breach, is €7.1 million for the “wall-board tender” (see the Chapter |2| hereof for more details) and €2.7 million for the “social enterprises” (see the Chapters |2| and |3| hereof for more details). These expenses will be paid from the Slovak taxpayers' money solely. However, all this would be almost negligible, providing these amounts were not the only ones „utilized“ in unauthorized, purpose- or senseless manner. Indeed, also the Slovak Information Service mentioned the existence of corruption and clientelism related to the eurofunds allocation as early as in its 2007 report.

Based on the results of audits made in 2010, European Commission also proceeded to postpone the payment deadline for Environment and Informatisation of Society Operational Programs. For the Transport, Employment and Social Inclusion and Education Operational Programs, the Commission warned it will suspend the payments (except for the national projects aimed to labor market active policies), if the managing authorities do not submit the reports on the required corrective measures adopted.

| 2 | Cases

Due to the long-term decline of the rule of law in Slovakia, we face again the risk that the majority of the cases and finally, the responsibility of their protagonists will be swept under the rug again. However, there is no wonder about that since we are a country where it is normal that the active judge and Ex-Chairman of the Supreme Court becomes the Minister of Justice, deforms the justice, and then, from the minister's chair, he jumps straightly back to the chair of the Supreme Court Chairman and to that of the Chairman of the Judiciary Council. We are a country where the President rejects arbitrarily to assign the candidate duly elected by the Parliament, to the post of the Attorney General. And the judiciary independence is just a void term.

The wasting belongs to the eurofunds the same way as the Eiffel Tower belongs to Paris. The indignant artists of Paris perceived the Gustav Eiffel's tower as the city desecration, they called it „a tragical street lamp“ and blamed it to be „an obscure factory stack“. And although it had issued just a temporary building permit and it had to be demolished after twenty years, the tower stands on its place up to now. Today, the temporariness and ephemerality of the eurofunds looks like to be the same fiction as the temporariness of the stay of „allied“ armies in Czechoslovakia after 1968, because the eurofunds are persisting in the EU, in modified version, from decades ago.

The wasting in eurofunds has a lot of directions; more than the streets you can find joining under the Arc de Triomphe on the Place de l'Étoile. Wasting in eurofunds is not only when the money from our taxes are spent for useless projects published in well hidden wall boards, just for the wall board authors themselves. Logos for millions, over-priced legal services, non-market exaggerated prices for ads in media, hundreds of pages of permanently reviewed manuals for the bureaucratic apparatus, hundreds of new bureaucrats and their training in luxury hotels. Dirty wheeling-dealing for the sponsors of the ruling parties. Also the intelligence service points out at high corruption and clientelism degree. Also this endless wasting is one part of the eurofunds utilization.

Case „Publication“¹⁰

Case Description and Chronology

The analysts of M. R. Štefánik Conservative Institute (KI), Mr. Dušan Sloboda and Mr. Ivan Kuhn have asked, pursuant the Act on Free Access to Public Information, the individual ministries, which are the managing bodies liable for the eurofunds allocation, **for the publication of information related to the evaluation and awarding procedures which rule the unreturnable funding of the individual projects co-financed from the eurofunds.**

February 2009

The ministries liable as the managing bodies for the eurofunds allocation were asked to make available the information pursuant the Act on Free Access to Public Information. Particularly, on February 16th, 2009, we asked the Ministry of Construction and Regional Development of the Slovak Republic (MVRR SR) as the so-called managing body for the Regional Operational Programme (ROP) and for the Bratislava Region Operational Programme (OPBK) to make accessible, pursuant the mentioned Act, such information related to both of these operational programs. Via letters dated on February 19th and 20th, 2009, MVRR SR asked to extend the request processing deadline by 8

¹⁰ For more details on the case „Publication“, see <http://www.monitoringfondov.eu/article.php?223> (in Slovak version).

working days due to the extent and specificity of the information required, arguing that the search and collection thereof demands more time.

March 2009

On March 6th, 2009, MVRR SR has sent us the answers, which included part of the required information. However, they refused to make accessible the essential information (evaluation datasheets) in the requested digital format. **MVRR SR** has sent it to us in printed format, while **lying they do not have this information in digital format (the truth is they have it included in the ITMS information system – MVRR SR was proven to be a liar by the Ministry of Environment of the Slovak Republic, who sent us identical type of information requested for another operational program in digital format as it can be found right in the ITMS system, administered by MVRR SR)**. MVRR SR sent the information in printed format deliberately, in order to make us impossible to publish them. Moreover, the information was sent censored (the names of evaluators were blanked out, thus no evaluator can be linked to any specific evaluation). In 21st century, this ministry refused the digital communication to us, and they have sent us the fragmentary information on ROP and OPBK in printed format in two 20-kilogram packages. The photo of the MVRR SR packages can be seen of the following figure.

Fig. No. 2.1: 21st-century publication of information by the ministry in Slovakia



Source: Konzervatívny inštitút M. R. Štefánika, www.konzervativizmus.sk, photo by authors

We made a comparison of the individual ministries' response to an identical request of information related to the eurofunds allocation for the projects. This comparison has proven that **some ministries had no problem to understand the request content and developed their answer in due time**

pursuant the Act and in the digital format we required, while other ministries were not willing to publish the information.

MVRR SR led by Mr. Janušek became the leader in keeping secret the information on the eurofunds allocation. While the Ministry of Environment disclosed the required information to us as early as at the beginning of March 2009 in digital format on one DVD carrier, **MVRR SR obstructed continuously, refusing to make accessible the essential part of the required information for several months, pretending they do not understand our request**. On March 23rd, 2009, we submitted an appeal against the MVRR SR resolutions.

April 2009

The ministry continued with its attempts not to make us accessible the information, and on April 2nd, 2009, they have sent us a request for completion of our request since they suddenly “found” a problem with the requester's identification: the MVRR SR Legal Department did not understand whether the information requester is the M.R.Štefánik Conservative Institute (KI) or the KI analyst Mr. Dušan Sloboda as a natural person. Subsequently, on April 7th, 2009, the Minister Mr. Marian Janušek decided to refuse our appeals and confirmed the original resolutions of the Agency for Support of Regional Development – the Ministry section led by the General Director Mr. Igor Štefanov. In these resolutions, our requests for information were refused partially.

MVRR SR made a huge effort to argue why they cannot publish the information we request; they obstructed, pretended they do not understand our request, were hindering and lying; and, finally, they started to search procedural unclarity in order to make them possible either not to or postpone the information delivery. We emphasize that the information we requested for, is the basic document for the verification of the eurofunds allocation transparency. Thus MVRR SR should, by its own initiative, publish such information, and so act in accordance with the oral messages its political leaders and another cabinet members send constantly to the public by the media. MVRR SR action proves the reality differs from the politicians' declarations. Also this keeping of information secret confirms the eurofunds are being allocated veiled and non-transparently in a corruption- and clientelism-friendly environment.

Amount Lost

It is not possible to quantify. This case does not feature a project financed fraudulently or doubtfully from the eurofunds; however, the MVRR SR, by keeping secret the information about the eurofunds allocation process in general, evokes legitimate doubts about this process transparency and lawfulness at individual projects.

Inspection Bodies Action

The refusal of access to information by the ministry, which at that time also had the function of Central Co-Ordination Body – thus, it co-coordinated the management of all the eurofunds in Slovakia – did not lead to any inspection body action.

EU Bodies Action

There was none, at least none is known to us. However, the European regulations should formulate more strictly the obligation to publish the information by the national managing bodies as well as the sanctions resulting from their nonobservance.

Political Impacts

There were none, at least none are known to us. Mr. Marian Janušek was withdrawn in April 2009 due to another case (“wall-board tender“, see hereunder in this Chapter). His successor in Mr. Fico's

Government became Mr. Igor Štefanov, who in our case participated in the position of the General Director of one of the ministry sections (Agency for Support of Regional Development), which refused to deliver the information.

Penal and/or Legal Impacts and Sanctions

There were none, at least none are known to us.

Case „Utilization“¹¹

Case Description and Chronology

From February 16th, 2009, the MVRR SR is hindering the access to information on the eurofunds utilization progress. The publication thereof should be taken for granted. Also the INFOčín Evaluation Committee „awarded“ the Ministry, identifying its action as the *2009 Hostility Act*.¹²

February 2009

On February 16, we requested MVRR SR, pursuant the Act on Free Access to Public Information, to make us accessible the information on eurofunds utilization progress for both the first programming period, which began in May 2004, and for the second programming period, running from January 2007. We asked for monthly reports, in a format as simple as possible (eurofunds total contracting vs. the utilization). We addressed to MVRR SR, which is responsible for the eurofunds co-ordination in both programming periods and also administers the integrated information system on eurofunds (so-called ITMS).

Since we expected the unwillingness of MVRR SR to publish the information, we have sent an identical request for information to the Ministry of Finance of the Slovak Republic (MF SR), which works, within the eurofunds allocation, as the so-called payment authority. MF SR responded partially, and at the same time recommending us to address to MVRR SR, defining the latter as the responsible for the *“keeping of the data in question“*.

However, MVRR SR **refused us the access to the information in its entirety**, arguing that they do not have the required information, or, if so, the gathering of the information from the ITMS database would be difficult. MVRR SR stated in its resolution that *“the requested information is processed thoroughly and do exist only within the above-mentioned integrated structure and format“* (i.e. within ITMS, note by Dušan Sloboda). MVRR SR also argued they are not obligated to generate new information and pretended they do not have the information we requested.

March 2009

On March 6th, 2009, we submitted an appeal against the resolution on information access refusal; we argued and proved that MVRR SR has the information we request, and they even generate such information on monthly basis and publishes on its website, but they remove it completely after the month ends, without introducing it into the web archive. We also argued that MVRR SR processes the information in question *ad hoc*, and the outcome forms a part of Government and ministries documents.

¹¹ For more details on the case “Utilization”, see <http://www.monitoringfondov.eu/article.php?225> (in Slovak version).

¹² The goal of the INFOčín conest is to find both positive and negative examples of application of the Act No. 211/2000 of L.C. on Free Access to Public Information (the InfoAct) while requesting the information and monitor thereby the enforcement of this Act as one of the basic tools necessary for the working democratic society. For more details, see <http://www.infocin.sk/> (in Slovak version).

On March 23rd, 2009, the Minister Janušek decided to refuse our appeal and to confirm (his own!) resolution issued on February 25th, 2009, which refused us the access to the information in its entirety. In his rationales, Minister insists on his original untrue excuses on non-accessibility of the information.

The resolution on the information access refusal was signed right by the same Minister Mr. Marian Janušek, apparently in contradiction with the MVRR SR internal guidelines, since according to the MVRR SR guideline No. 8/2000 on free access to public information in MVRR SR, it is not the Minister, who ought to answer our request, but the *“unit... whose competence the requested information belongs to”*. In this case, according to the MVRR SR organic statute, such a unit is the Section of Regional Development Strategy, i.e. not the Minister.

A good example for MVRR SR could be the Czech Ministry Regional development, which has an identical function in the eurofunds system of the Czech Republic. They manage the information of the public on the eurofunds utilization much better than MVRR SR does, and, first and foremost, they do it by themselves, without any requesting.¹³

May 2009

On May 27th, 2009, in the effort to obtain the requested information by legal means, we were obliged to sue the MVRR SR in order to review the lawfulness of the resolution of the Minister dated on March 23rd, 2009 and of the original resolution dated on February 25th, 2009, as well as the lawfulness of the MVRR SR proceeding.

October 2011

We had no information about the judicial procedure up to October 18th, 2011, when **the Court, almost after 28 months after the sue was submitted, asked us** whether we agree with the procedure without a trial. We agreed. This would mean that the Court will adopt a verdict on the sue without the trial. However, till December 2011, we did not know either the Court verdict or a date when such verdict should be dictated.

Amount Lost

It is not possible to quantify. This case does not feature a project financed fraudulently or doubtfully from the eurofunds; however, the MVRR SR, by keeping secret the information about the eurofunds utilization, evokes legitimate doubts about the allocation process transparency and lawfulness for the individual projects.

Inspection Bodies Action

The refusal of access to information by the ministry, which at that time also had the function of Central Co-Ordination Body – thus, it co-coordinated the management of all the eurofunds in Slovakia – did not lead to any inspection body action.

EU Bodies Action

There was none, at least none is known to us. However, the European regulations should formulate more strictly the obligation to publish the information by the national managing bodies as well as the sanctions resulting from their nonobservance.

¹³ The information on the eurofunds utilization in the Czech Republic is published on <http://www.strukturalni-fondy.cz/Narodni-organ-pro-koordinaci/Dokumenty/Zpravy-2/MMZ>.

Political Impacts

There were none, at least none are known to us. Mr. Marian Janušek was withdrawn in April 2009 due to another case (“wall-board tender”, see hereunder in this Chapter).

Penal and/or Legal Impacts and Sanctions

There was none, at least none is known to us.

Case „Wall-Board Tender“¹⁴

Case Description and Chronology

The MVRR SR, headed by the Minister Mr. Marian Janušek (nominated by Slovak National Party), “procured unpublicly”, in non-transparent way, overpriced goods and services paid from eurofunds and supplied by the companies Avocat and Zamedia, akin to the Slovak National Party (SNS) Chairman. The NGO Aliancia Fair-play,¹⁵ SME daily and other media informed on-the-fly about the tender, which was possibly not published even on that wall board. As proved by the information obtained gradually during the case investigation, in the Ministry, they knew the awardee of the fictitious tender even before the envelopes were opened. In the PC of the person qualified for the public procurement for this tender, an expert has found the developed contract draft between the Ministry and the successful consortium. This has been saved in the PC one day before the tendering committee, composed by Mr. Štefanov, Mr. Behúl and Mr. Labay, opened the envelopes.

May 2007

MVRR SR called for tender worth SKK 3.6 billion (almost €120 million) for the eurofunds and legal service (within the so-called technical assistance) promotion while the announcement of the tender was published only on a wall board in one of the corridors of the Ministry, in its building wing where the public entrance is not admitted (and there is a suspicion this announcement was even not placed on that wall board). The „tender“ was awarded to the consortium of the companies Avocat and Zamedia akin to Mr. Ján Slota, the thence co-ruling SNS Chairman. They were the only applicant for the „tender“.

June 2007

As proven by the checks made in 2009, the envelopes opening took place on June 4th, 2007, at 11:00 a.m. Only one consortium applied for the tender; the committee evaluated the bids and selected the awardee within the next one hour. The awardee was notified the same day about the result.

June 2008

On June 13th, 2008, a session of the Monitoring Committee (MV) was held for the Operational Programme Technical Assistance (OP TP), within which the wall-board tender was executed. One of the points of the session agenda was the approval of the „2007 Annual Report on Execution of Operational Programme Technical Assistance“. The report contained only one sentence related to the public procurement within OP TP: *“In the activities of informing and publicity, which require*

¹⁴ The case “Wall-Board Tender” including the mass media monitoring is detailed on <http://www.monitoringfondov.eu/article.php?nastenkovy-tender> (in Slovak version).

¹⁵ All invoices dated in 2007, 2008 and 2009, which are registered under the wall-board contract, and which were addressed to the Ministry of Construction and Regional Development, were issued by Zamedia, s. r. o., Avocat, s. r. o. and European consultants organisation s. p. r. l., and are accessible on the Aliancia Fair-play website <http://www.fair-play.sk/lab/> (in Slovak version).

*a professional attitude and experience, also a subcontracted agency chosen within the public procurement procedure is involved.*¹⁶

Also one of the authors hereof (Ivan Kuhn) took part on the session as a MV deputy member and the only NGOs representative in the OP TP MV. He asked the MV Chairman and MVRR SR representative to complete the annual report by more detailed information related to the public procurement of goods and services within the OP TP. The Chairman, Mr. Michal Sántai, General Director of the MVRR SR Section of Regional Development Strategy, refused this request arguing that *“the Annual Report has a pre-defined content, which he adhered to, and it is no obligation of the OP TP Managing Authority to submit information about the public procurement therein since this would not be efficient and the limpidity of Annual report would be lost”*.¹⁷

Subsequently, Ivan Kuhn asked the MV Chairman to provide the information on public procurement within OP TP to the MV members aside the Annual Report. The Ministry representative refused also this request, thwarting the MV competence of inspection this way.

November 2008

Mr. Janušek's Ministry kept in secret, for as long as almost one year, the total amount of contracts for the consortium of companies whose members are also the companies Zamedia and Avocat, with links to SNS and its Chairman Mr. Ján Slota. From then, the Ministry keeps in secret, the amount of jobs awarded to the consortium. The funds ought to be utilized for legal and interpretive services and for the advertising. It was found out that Avocat invoiced, for two samples of standard documents, within the legal services, SKK 20 million (€664,000.00) during a three-quarter period. The Ministry paid for these overpriced services while it already had even the documents of that type delivered by another job in the past, when it paid for one of these documents an amount of SKK 70,000.00 (€2,324.00).

January 2009

Based on the invoices requested by Aliancia Fair-play in MVRR SR, it was proven that the Ministry paid to Zamedia SKK 1 million (more than €33,000.00) for the logo creation whilst the usual market prices for logos purchased in an advertisement agency were between SKK 50,000.00 and 200,000.00 (between €1,660.00 and €6,639.00). Since in that time, the Ministry was the Managing Authority for three operational programs (Regional Operational Programme (ROP), Bratislava Region Operational Programme (OPBK) and Operational Programme Technical Assistance (OPTP)) as well as the Central Coordination Authority (CKO), the Ministry gave the agency an order for each operational programme logo plus that one for CKO, while paying SKK 1 million approximately for each logo (for more details on the comparison of prices paid for the logos by the individual Ministries, see the case „Over-Priced Logos“ in this Chapter hereunder).

April 2009

Mr. Marian Janušek ended as a Minister after the inspection of the Office of Public Procurement has proven errancies in the procurement process. Mr. Igor Štefanov became the new Minister. However, he figured in the wall-board tender from the beginning in the position of the General Director of one of the sections of the Ministry (Agency for Support of Regional Development). The representative of Zamedia announced the *“consortium of four companies agrees with the cancellation of the contract*

¹⁶ For the 2007 Annual Report on the progress of the Operational programme Technical Assistance, see <http://www.build.gov.sk/mvrrsr/source/document/003396.zip> (in Slovak version).

¹⁷ See the Minutes of the 2nd Meeting of the Monitoring Committee for the Operational Programme Technical Assistance on <http://www.build.gov.sk/mvrrsr/source/document/003422.pdf> (in Slovak version).

with the Ministry of Construction without claiming the penalty. The contract will be cancelled retroactively from April 23rd, when the Government requested therefor.

May 2009

After a half-year inspection, the Supreme Audit Office (NKÚ) published its findings. NKÚ identified the tender publishing on the wall board as the main infraction while the “entry to the facilities was restricted, on the corridor via door making possible the entry only with either magnetic card or after being opened by the janitor”. Under their opinion, the Ministry “*did not create competitive environment*” since “*the information board was not identified in any manner even during the inspection time*” although the Act on Free Access to Public Information requires so. Neither they regard that wall board as a point accessible to the public pursuant the Public Procurement Act.

July 2009

The SME daily published its own calculations¹⁸ proving that the selected services delivered to the Ministry within this tender were overpriced by as much as SKK 44 million (€1.46 million). For example, this included the organization of conferences, for which the Ministry paid, in 2008, a price higher by SKK 6.26 million (€208,000.00) than the standard market price. The spots in TV Patriot, akin to SNS, costed by SKK 35.3 million (€1.17 million) more than the price paid by Zamedia to TV Patriot.

September 2009

The Police began the investigation of the overpriced billionaire tender as the crime of machination of the public procurement. Office for Combating the Corruption started the penal prosecution against the suspect employees of the Ministry.

October 2009

The European Commission finalized the wall-board tender analysis and decided not to pay a single euro from the eurofunds thereto.

November 2009

NKÚ started new inspection in MVRR SR, this time aimed to the “eurofunds utilization efficiency in the services procurement within the wall-board tender”.

The European Commission confirmed it stopped the procedures against Slovakia related to the possible infringements of the legal regulations in the tender in question since MVRR already terminated the related service providing contract with the consortium awarded.

March 2010

Also the second NKÚ inspection has proven failures and purposeless utilization of public funds within the wall-board tender.¹⁹ Subsequently, and upon the Prime Minister's request, the President revoked Mr. Igor Štefanov (SNS) from his office. Till the elections in June, the Ministry was headed by the Minister of Education Mr. Ján Mikolaj (SNS), who asked the revoked Mr. Štefanov to become his advisor for the MVRR SR management.

¹⁸ SME conversion: minus 44 million, see: <http://www.sme.sk/c/4954399/stefanov-podpisoval-teraz-mlci.html> (in Slovak version).

¹⁹ A report on structural funds inspection result for 2004-2006 – European Regional Development Fund and on the utilization efficiency of the national budget sources for the execution of the contract between the Ministry of Construction and Regional Development and the consortium of companies listed in the Slovak Government Resolution No. 721/2009 can be found on: http://www.monitoringfondov.eu/upload/pdf/Sprava_NKU_nastenkovy_tender.pdf (in Slovak version).

July 2010

Both Office for Combating the Corruption and Special Prosecution Office extended the criminal prosecution related to the wall-board tender. From September 2009, the case included the crime of machination of public procurement only. The Police started the prosecution also for other crimes – infraction of mandatory obligations of alien property custody, harming of the interests of the European Communities and abuse of public officer's authority.

September 2011

The Member of Slovak Parliament elected for SNS, Mr. Igor Štefanov, refused to testify in the criminal case of wall-board tender, when called to do so by the investigator of the Office for Combating the Corruption of the Police Corps Presidium of the Slovak Republic.

December 2011

General Prosecution does not speed the procedure related to the immunity of the Member of Parliament, the ex minister Mr. Igor Štefanov. The competent police investigator submitted no investigation file to the prosecution office during seven months.

Amount Lost

The service delivery tender totaled SKK 3.6 billion (almost €120 million). The companies of the consortium awarded charged the Ministry, only during 2007 and 2008, with invoices totaling SKK 342 million (more than €11 million) whereas 82% of all the invoiced services and goods was the advertisement and promotion. Aliancia Fair-play mentioned that “the companies charged invoices for the legal services in 2007 and 2008 equal to more than SKK 33 million (more than €1.1 million), whilst the contractual fee for the legal services was SKK 3,500.00 (€116.00) per hour. Thus, the companies should work for the Ministry 9,568 hours, i.e. 19 hours per day. In practice, two and a quarter of third lawyer ought to work for the Ministry, with a monthly remuneration equal to almost SKK 620,000.00 (€20,500.00).”²⁰ The Ministry found time to pay €12.8 million, and the investigator computed the total possible loss as much as €97 million.

Inspection Bodies Action

The Office of Public Procurement has been inspecting the tender half a year. However, the Office inspected the procedural point of view of the public procurement and did check neither the ethical failures nor overpriced invoicing. Finally, in April 2009, the Office Chairman identified as the most serious finding the Ministry's failure to prove whether the tender included or not, in higher degree, the so-called non-prioritaire services; thus, whether the tendering method was legal or not. When choosing the services contractor, the Ministry used the under-limit method, thus avoiding the public tendering. The Office did not penalize the Ministry in either way.

The Supreme Audit Office has found the law infringement related to the procurement procedure and reviewed also the payment of selected invoices (based on random choice) while identifying the law infringement.

EU Bodies Action

In April 2009, i.e. half year after the wide presentation of the case in the media, the hence Eurocommissioner for Regional Policy Ms. Danuta Hübner said the decision how to proceed can be made only after the outcomes of the national inspections will be delivered. After the finalization of

²⁰ A summary of the most interesting updated information on the tender on the Ministry of Construction is on <http://www.fair-play.sk/clanok.php?u=3&u1=6&u2=24&u3=390> (in Slovak version).

the inspections by Slovak authorities and its subsequent own analysis, in October 2009, the European Commission decided not to pay the invoiced goods and services from eurofunds since it deemed the tender non transparent and doubtful. Slovakia accepted this decision and did not sue the EC on the European Court of Justice. This way, the Slovak authorities admitted indirectly their own failures. Thus, only the Slovak taxpayers paid the millionaire invoices via the national budget.

Political Impacts

Mr. Marian Janušek finally lost, due to this case and after long months of unceasing public and medial interest, the office. His successor in Mr. Fico's Government, became Mr. Igor Štefanov on April 2009. He also figured in the case as the General Director of one of the sections of the Ministry (Agency of Support for Regional Development). When also the second NKÚ inspection has proven the failures and purposeless utilization of public funds within the wall-board tender, the President revoked, upon Prime Minister's request, Mr. Igor Štefanov (SNS) from the office in March 2010. Till the elections in June, the Ministry was headed by the Minister of Education Mr. Ján Mikoš, who asked the revoked Mr. Štefanov to become his advisor for the MVRR SR management.

Penal and/or Legal Impacts and Sanctions

The Police charged Mr. Janušek that he was involved in machination of public procurement. The impending penalty is from seven to twelve years (the higher sentence due to the damage amount). Moreover, he allegedly committed the crime of infringement of obligations of alien property custody, with the impending penalty from ten to fifteen years. He is also charged to be abusing of public officer's authority, with the same impending penalty from ten to fifteen years, due to the high damage amount. Mr. Janušek is accused since he as a Minister was the Ministry representative and was signing the contracts.

Mr. Štefanov was accused lawfully of the same crimes as Mr. Janušek. However, in June 2010, Mr. Igor Štefanov, as a candidate of SNS, was elected the Member of Parliament and thus he obtained the legislative penal immunity. The Parliament could not release him from the immunity since it did not get any suggestion thereon from the General Prosecution. However, either the Parliament shall approve his prosecution or the prosecution will be possible after March 2012, when his mandate will expire since Mr. Štefanov is not running in the next elections.

The remaining members of the tendering committee (ex Director of Agency for Support of Regional Development Mr. Radoslav Behúl, ex Director of the Department of Regional Development Programs Execution Mr. Tomáš Labay and the qualified person for the public procurement Ms. Zdenka Kudláčová) are accused of machination only.

Case of "Over-Priced Logos"²¹

Case Description and Chronology

There are 11 operational programs within the National Strategic Reference Framework (NSRF). Each of these programs has its own logo. Due to the M. R. Štefánik Conservative Institute (KI) findings based on the Act on Free Access to Public Information, we know the most expensive logo costed more than SKK 2.5 million. The MVRR SR procured the most expensive logos.

²¹ For more details on the case "Over-Priced Logos", see <http://www.monitoringfondov.eu/article.php?predrazene-loga> (in Slovak version).

January 2009

The invoices requested by Aliancia Fair-play in MVRR SR pursuant the Act on Free Access to Public Information did show that the Ministry paid, within the so-called wall-board tender (for the „wall-board tender“ case, see the corresponding section of this Chapter), paid SKK 1 million (more than €33,000.00) for the logo creation whilst the usual market prices for logos purchased in an advertisement agency were between SKK 50,000.00 and 200,000.00 (between €1,660.00 and 6,639.00). Since in that time, the Ministry was the Managing Authority for three operational programs (Regional Operational Programme (ROP), Bratislava Region Operational Programme (OPBK) and Operational Programme Technical Assistance (OPTP)) as well as the Central Coordination Authority (CKO), the Ministry gave the agency an order for each operational programme logo plus that one for CKO, while paying SKK 1 million approximately for each of them.

Fig. 2.2: Examples of over-priced logos procured for millions of Slovak crowns



Source: Konzervatívny inštitút M. R. Štefánika, www.monitoringfondov.eu

March 2009

Pursuant the Act on Free Access to Public Information, KI asked all the seven central government entities (seven ministries and the Government Office), which are the managing authorities for the operational programs within the NSRF, to answer the questions related to the used public procurement method and the price paid for the procurement of the individual operational programs logos. The monitoring proved that despite more or less the same outcomes/products supplied (logo and design manual for its use), the paid price differences between the individual managing authorities were abysmal. The difference between the most expensive and most cheap logo (without taking into account the logo price announced for the operational Programme Healthcare, which was delivered within wider scope of services) was as high as SKK 2,519,805.00 (€83,642.00).

Amount Lost

Provided the managing authorities of the eight operational programs would procure the logo for the same price as the Ministry of Economy of the Slovak Republic did for the operational program Competitiveness and Economic Growth (SKK 50,000.00, i.e. €1,660.00, V.A.T. included), they should save from the public funds (those of both EU and the national budget of the Slovak Republic) more than SKK 7.8 million (more than €206,000.00).

Inspection Bodies Action

There was none, at least none is known to us (except the Supreme Audit Office inspection related to the wall-board case, which also included the procurement of four MVRR SR logos).

EU Bodies Action

There was none, at least none is known to us (except the EC decision related to the wall-board case).

Political Impacts

In April 2009, Mr. Marian Janušek lost his office of Minister due to the related wall-board case. For the other ministries also procuring overpriced logos, no impacts are known.

Penal and/or Legal Impacts and Sanctions

There were none, at least none are known to us (except the open procedure related to the wall-board case).

Case of "Websites for Millions"²²

Case Description and Chronology

The results of monitoring of M. R. Štefánik Conservative Institute (KI) have shown abysmal price differences between the individual managing authorities at the procurement for the operational programs websites. The difference between the most expensive and the cheapest web page is as much as SKK 2,214,500.00 (€73,508.00).

November 2009

KI asked those managing authorities (RO) or their subordinated intermediators (SORO), which procured the independent websites development for the needs of the operational programs (seven ministries and the Government Office) to answer the questions related to the used public procurement method and the price paid for the websites procurement.

The monitoring proved that the majority of the managing authorities, while procuring the websites for their operational program, proceeded according to the then applicable §102 (ordering of low-value jobs) of the Public Procurement Act. The managing authorities answered they performed the market research and subsequently called the selected entities for bidding. This does not apply for the operational programme Informatisation of Society (OPIS) since both graphic design and architecture adjustment of the OPIS website were made by the Department of Informatics and Digital Services of the Government Office. The MVRR SR is a specific case. They obstructed and refused to answer to our first request for information, which was identical to those we have sent to the remaining ROs. The ministries procured the websites expensively, with MVRR SR at the highest costs.

December 2009

The Minister promised to explain why the webpages were overpriced; however, he ran away from the journalists instead. From the subsequent explications of Minister Štefanov, who tried to justify the amounts paid for the websites, has arisen that the websites were expensive mainly due to their security. However, the professionals' testing has shown that the MVRR SR were not only multi-fold overpriced, but they were also insufficiently secured.

Amount Lost

Provided the RO of six operational programs would procure the websites for the same price as the Ministry of Economy of the Slovak Republic did for the operational program Competitiveness and Economic Growth and for the Interreg C initiative website, SKK 83,500.00 each), they should save from the public funds (those of both EU and the national budget of the Slovak Republic) more than SKK 8.7 million (more than €288,000.00).

Inspection Bodies Action

There was none, at least none is known to us.

²² For more details on the case "Websites for Millions", see <http://www.monitoringfondov.eu/article.php?milionove-webstranky> (in Slovak version).

EU Bodies Action

There was none, at least none is known to us.

Political Impacts

In March 2010, Mr. Igor Štefanov lost his office of Minister due to the related wall-board case. For the other ministries also procuring overpriced websites, no impacts are known.

Penal and/or Legal Impacts and Sanctions

There was none, at least none is known to us.

“Academia Istropolitana“ Case²³

Case Description and Chronology

During the first Government of Mr. Fico, the eurofunds were flowing also via company of an entrepreneur from Žilina, who knows the then Minister of Education Mr. Ján Mikolaj (SNS) since their childhood. The company Consulting – Education belonging to Mr. Marián Kováčik earned millions of euros on two projects at least, while it was awarded with the jobs in doubtful tenders. The Pravda daily informed that one of the public procurement announcements was just hanged on a wall board.

May 2009

The Pravda daily has found that Consulting - Education belonging to Marián Kováčik (who made a business in civil engineering in the past), a company established in 2007, obtained – shortly after its foundation – the possibility to organize trainings for Academia Istropolitana (AI), while the tender worth SKK 12 million (€398,000.00) for „integral assurance of the education organization“ allegedly, according to Pravda, was published in the wall board inside the Academy and on the web, but just shortly. The tender included the procurement of the so-called non-prioritaire services by the mean of under-limit method; due to this, the procurement result had not to be published.

Consulting - Education provided its services also for the State Vocational Education Institute, while this tender for €1 million was not published in the web Official Journal. Both institutions are subordinated to the Ministry of Education. Minister Mikolaj admitted Mr. Kováčik is his friend, but he stated he did not intervene in the selection of Consulting - Education either way. However, Pravda held a document proving that Mr. Mikolaj appointed two members to the committee selecting the company. Mr. Kováčik did not keep in secret that the proper minister supports his company in the public tenders carried out by AI.²⁴

February 2010

Ministry of Education intends to assign €46.5 million to its contribution-based entity, Academia Istropolitana, for the „National Qualification System within the Context of Further Education Aided by a Consultancy System“ project.²⁵ During the next four years, AI will reallocated this amount of money among the educational companies executing the project. The AI ex director, Ms. Alena Dušatková, said to SME daily that this institution is going to do the same thing it already did in the past for €2.6 million within another project paid from the eurofunds. The only thing she finds

²³ The case „Academia Istropolitana“ including the mass media monitoring is detailed on <http://www.monitoringfondov.eu/article.php?academia-istropolitana> (in Slovak version).

²⁴ „It is agreed with Johnny, we will arrange his support, we will compensate this to him,“ said Mr. M. Kováčik. The then-director of Academia Istropolitana made a minutes of meeting thereon: see http://ekonomika.etrend.sk/fileadmin/user_upload/etrend/dokumenty/uradny_zaznam_AI.jpg (in Slovak version).

²⁵ For more details on the executed national project, see <http://sustavapovolani.sk/> (in Slovak version).

purposeful, is the public register of the qualifications while „*the project other outcomes will end as unnecessary papers, which were millions paid for. However, there is another purpose there – make earn the friendly persons and companies on those papers, and this is why it is so over-priced*“.

Amount Lost

Even if taken into account the two jobs mentioned only, the Consulting - Education belonging to a civil-engineering entrepreneur Mr. Marián Kováčik should earn almost €1.6 million (SKK 50 million). According to the AI ex director, an important part of the €46.5 million assigned for the national project of the qualifications register will end as either purposelessly incurred, or as „purposefully“ assigned to friendly companies.

Inspection Bodies Action

There was none, at least none is known to us.

EU Bodies Action

The European Commission Directorate-General for Employment, Social Affairs and Equal Opportunities and Directorate-General for regional Policy have dealt with the case of „National Qualification System within the Context of Further Education Aided by a Consultancy System project. We do not know the way these Directorates-General opined about the project.

Political Impacts

There was none, at least none is known to us.

Penal and/or Legal Impacts and Sanctions

There was none, at least none is known to us.

Case of “Schools Reconstruction”²⁶

Case Description and Chronology

According to the SME daily findings, the companies akin to the then coalition parties forming the Government of Mr. Robert Fico (2006-2010) were suspiciously successful in the 2008-2009 tenders for reconstruction of primary schools and kindergartens.

In August 2008, the Prime Minister Robert Fico said that in case of two equal projects, the Minister may select even his partisan fellow. „*We do not find acceptable the discrimination of almost two-third majority of Slovak population in the tenders simply just because they are sympathizers or members of the ruling parties.*“

February 2010

According to SME daily, „*the jobs for €8.5 million approximately (more than SKK 250 million) were awarded to the company Omos from Trstená. Its owner, Mr. Marián Murín, ran for the mayor office of Mútne municipality for the coalition of Smer-SD (Direction – Social Democracy), HZDS (Movement for Democratic Slovakia) and SNS in 2006. Moreover, he made business with Mr. Jozef Cudrák, a SNS nominee in the National Property Fund.*“

„*Jobs for almost €18 million (SKK 540 million) were awarded also to a company Eurobuilding from Bratislava, which stands the entrepreneur Mr. Miloš Stopka behind. Between 1995 and 1998, the*

²⁶ The case “Schools Reconstruction” including the mass media monitoring is detailed on <http://www.monitoringfondov.eu/article.php?rekonstrukcia-skol> (in Slovak version).

Children and Youth Fund, then managed by HZDS nominees, rented several lucrative real estates, for prices several times lower than the market ones, throughout Slovakia. Mr. Stopka's brother in law, Mr. Miroslav Gábriš, who had more than standard relationship with the HZDS parliament member Mr. Jozef Tarčák, was the Chairman of the Fund”, wrote SME daily. „Mr. Stopka's company succeeded also in tenders, which were repeated, because the principal has cancelled them originally. For example, the reconstruction of primary school and kindergarten in Pruské for almost €1.1 million belongs here. It was Eurobuilding who was awarded the repeated tender to. This way, Stopka's company was awarded also with the job for the reconstruction of the primary school in Žiar nad Hronom, for almost €1.4 million. Nobody else has applied for the repeated tender,“ stated SME daily.

The company Furmet Group from Považská Bystrica, which rented the office to the then SNS Member of Parliament Ms. Milada Belásová, succeeded in five tenders at least while being the only applicant for three times.

Amount Lost²⁷

In 2008 and 2009, Slovakia utilized via MVRR, headed by the SNS nominees Mr. Marian Janušek (till April 2009) and Mr. Igor Štefanov (till March 2010), €165 million approximately (SKK 5 billion) within the Education Infrastructure priority for the primary schools and kindergartens reconstruction. Omoss succeeded in nine tenders worth more than €9 million (SKK 270 million), Eurobuilding in eighteen tenders worth almost €19 million (SKK 570 million) and Furmet Group in seven tenders worth almost €8.3 million (SKK 250 million).

Inspection Bodies Action

There was none, at least none is known to us.

EU Bodies Action

There was none, at least none is known to us.

Political Impacts

There was none, at least none is known to us.

Penal and/or Legal Impacts and Sanctions

There was none, at least none is known to us.

Case "Commissions"²⁸

Case Description and Chronology

The fact of eurofunds being reallocated in Slovakia for commissions by the mean of intervening both process of the projects selection and their evaluators assignation. In March 2010, the HZDS-ĽS leader Mr. Vladimír Mečiar accused SNS, the then coalition partner, who was allegedly asking between 15 and 30 percent for the intermediation of the eurofunding. The case of so-called commissions repeated also in September 2011, when after the accusation of the ex adviser of the Deputy Minister of Labour, the Minister of Interior Mr. Daniel Lipšic announced similar actions and declared that

²⁷ The information source is the SME daily; for more details on sources, see <http://www.monitoringfondov.eu/article.php?rekonstrukcia-skol>

²⁸ The case "Commissions" including the mass media monitoring is detailed on <http://www.monitoringfondov.eu/article.php?provizie> (in Slovak version).

“successful applicants had to sign consultancy contracts with certain companies which will pass a 30-percent bribe through.”

March 2003

On his press conference, Mr. Vladimír Mečiar, the HZDS Chairman, charged indirectly SNS saying its people take from fifteen- to thirty-percent commissions for intermediation of subventions from the ministries of construction and environment to municipalities. He said two mayors have informed him about the way of subventions allocation. One of them has paid the percentage and received the subvention while the other has not and did not received the money from the government.

September 2011

Mr. Tomáš Richtarčík, the ex adviser of the Deputy Minister of Labour, Ms. Lucia Nicholson from SaS (Freedom and Solidarity), was accused of corruption related to the eurofunds utilization. According to the charge, together with another persons, via Social Implementation Agency, they took from the applicants the commission from the funds approved for their projects. It was the proper ministry who informed about the case. *„This person was active for long time in the environment of the structural funds, he even worked in the ministry in the past, so I had the best references about him,“* said Ms. Nicholson to SME daily about his ex adviser.

Amount Lost

Providing that from 15 to 30 percent of all eurofunds allocated by the EU to Slovakia during the 2004-2008 and 2007-2013 programming periods would be spent for the so-called „commissions“, i.e. for the corruption, then it would be equal to between €2 billion and €4 billion, with no national budget co-funding included).

Inspection Bodies Action

There was none, at least none is known to us.

EU Bodies Action

There was none, at least none is known to us.

Political Impacts

Mr. Vojtech Kišš, head of the Social Implementation Agency, which reallocates the eurofunds for the support of new jobs creation, has withdrawn from his office after Mr. Tomáš Richtarčík was accused.

Penal and/or Legal Impacts and Sanctions

According to the then Attorney General, Mr. Dobroslav Trnka, the Special Attorney would examine Mr. Vladimír Mečiar. We have no information whether this even happened or not.

The Police detained six persons in total within the case of Mr. Tomáš Richtarčík. Three were in position of witnesses. The policemen utilized several participants of the procedure as agents. No investigation outcome is known.

Case „Selection of Evaluators“²⁹

Case Description and Chronology

The Ministry of Labour, Social Affairs and Family of the Slovak Republic has called for a tender for selection of external evaluators of the eurofund projects. The tender duration was less than three days, and those interested learned too late about, if at all. This way, the Ministry achieved, only or mainly the application of those, which the Ministry had interest to evaluate the projects with. The evaluators selection juggling is one of the typical ways how to intervene the projects selection process.

May 2010

Persons assigned into a position of so-called external evaluators under suspicious circumstances were supposed to make the decisions about the reallocation of tens of millions of euros for the eurofund projects of the Ministry of Labour, Social Affairs and Family. According to SME daily findings, the call was published on the Social Implementation Agency (SIA) website on Wednesday afternoon and the applicants could apply till Friday, while the interested entities registered as the website news subscribers received the informative e-mail as late as on Sunday morning, i.e. after the deadline was over. 30 applicants responded to the Ministry call.

November 2010

The new management of the Ministry of Labour, Social Affairs and Family, which was appointed after the parliamentary elections in June 2010, has fired the employees who participated on the approval of those projects, which indicated the marks of asset stripping. Also the contracts with the external evaluators were terminated.

Amount Lost

The projects evaluation by external evaluators is remunerated under conditions agreed contractually. Non-transparent selection of evaluators predetermine also the non transparent selection of the successful eurofund projects. The selection process is accompanied by the so-called commissions to the persons participating thereon.

Inspection Bodies Action

There was none, at least none is known to us.

EU Bodies Action

There was none, at least none is known to us. However, the European regulations should formulate more strictly the obligations of the managing authorities related to the evaluators selection process and to the projects assignment to the evaluators as well as the sanctions resulting from their nonobservance.

Political Impacts

There was none, at least none is known to us.

Penal and/or Legal Impacts and Sanctions

There was none, at least none is known to us.

²⁹ The case “Selection of Evaluators” including the mass media monitoring is detailed on <http://www.monitoringfondov.eu/article.php?vyber-hodnotitelov> (in Slovak version).

“Center for Social Dialogue“ Case³⁰

Case Description and Chronology

During her stay in the office of the Minister of Labour, Social Affairs and Family, Ms. Viera Tomanová signed a mandatory contract with her subordinate, Mr. Ivan Bernátek, the Head of the Educational Center. She was supposed to be paid almost €60,000.00 for the work on the national project of the “Center for Social Dialogue“. Her Deputy Minister, Ms. Emília Kršíková was supposed to earn more than €77,000.00. Their per hour rate was €37.50. They were earning the money also by keeping the expert discussion just between themselves.

September 2010

The ex Minister of Labour Ms. Viera Tomanová (Smer-SD), ex Deputy Minister of Labour Ms. Emília Kršíková (Smer-SD) and another persons in positions of the representatives of employees or employers were earning the money from the eurofunds via national project “for support of the tripartite and bipartite social dialogue“.³¹ High officials of the National Union of Employees (RÚZ), Federation of Employers' Associations (AZZZ) and Association of Towns and Villages of Slovakia (ZMOS) were participating on the projects for the other party. Both Ms. Tomanová and Ms. Kršíková signed the contract on May 2010, with the termination in 2013; the former managed to invoice €1,500.00 and the latter €3,225.00. Such action is in contradiction with the Constitution and the Constitutional Act on conflict of interests. After the case presentation in the media, the ex minister terminated the mandatory contracts, which were supposed to be the base for her earning from the eurofunds. The Ministry confirmed the termination of the mandatory contracts of both representatives of the ex management. According to Pravda daily, „Ms. Kršíková, in accordance with the delivered reports, worked 135 hours on various projects during May and June of this year. Taking into account the standard working time in her main office, this means 479 hours of work, i.e. eight per day, including the holidays and weekends. From January 2010 till April 2011 she worked even 3,265.2 hours, which, including the Deputy Minister office equals to 288.6 work hours per month, i.e. 13.1 hours approx. per working day or 9.6 hour per calendar day.“

October 2010

The Ministry had not heart enough to publish the entire list of participants of the “Center for Social Dialogue“ project. Even the Act on Free Access to Public Information was of no use. The Ministry refused to publish who was earning on the social dialogue with the ex minister Ms. Viera Tomanová. They published just the initials, with the following explanation made to SME daily: „Pursuant the Personal Data Protection Act, any information enabling either directly or indirectly to determine any specific person, is deemed as personal information. Therefore we publish only the initials of the natural persons who signed the mandatory contracts.“

Amount Lost

Ms. Viera Tomanová, within the Center for Social Dialogue project, and within the mandatory contract No. 1, was supposed to be paid €6,600.00 for 176 hours of work. Within the contract No. 2, she was supposed to be paid €52,800.00 for 1,408 hours of work. Ms. Emília Kršíková, within the Center for Social Dialogue project, within the contract No. 1, she was supposed to be paid €8,587.00 for 220 hours of work.

³⁰ The case “Center for Social Dialogue“ including the mass media monitoring is detailed on <http://www.monitoringfondov.eu/article.php?centrum-socialneho-dialogu> (in Slovak version).

³¹ For more details on the executed national project, see: <http://www.socialnydialog.sk/sk/>

Within the contract No. 2, she was supposed to be paid €68,625.00 for 1,830 hours of work. Within the National System of Professions, she was supposed to be paid €40,500.00 for the total of 1,080 hours. Besides them, more than 10 other persons from the tripartite participated in the project; most of them have signed mandatory contracts exceeding €70,000.00.

Inspection Bodies Action

There was none, at least none is known to us.

EU Bodies Action

There was none, at least none is known to us.

Political Impacts

There was none, at least none is known to us.

Penal and/or Legal Impacts and Sanctions

There was none, at least none is known to us.

“NADSME“ Case³²

Case Description and Chronology

NADSME (in Slovak Národná agentúra pre rozvoj malého a stredného podnikania – NARMSP, i.e. National Agency for Development of Small and Medium Enterprises – NADSME) is an agency under the Ministry of Economy, which includes the representatives of both government and entrepreneurs. From May 2004, NADSME was participating on the implementation of projects funded from structural funds within the Sector operational programme Industry and Services and in the current programming period, it worked, from 2007, as the implementation agency via operational programme Competitiveness and Economic Growth. Due to the eurofunds suspicious reallocation, also both European investigation body OLAF and Slovak Police were interested on NADSME. Finally, from June 10th, 2011, all NADSME activities related to the structural funds implementation were transferred to another agency of the Ministry, i.e. to Slovak Innovation and Energy Agency (SIEA).³³

Summer 2005

The whole story of the NADSME asset stripping is rooted in the summer 2005. Then, the agency signed, without the consent of the Board of Directors, a contract with a company Cassovia BIC from Košice on the administration of the risk capital for small and medium enterprises. Immediately afterwards, the Agency transferred SKK 1.5 billion (€50 million) to this company. For six years, Cassovia BIC was supposed to be remunerated for the administration with 3 percent p.a. (SKK 45 million, i.e. €1.5 billion). Moreover, it was supposed to share the eventual profit, but not the loss. At the end, Cassovia BIC was obliged to return the money to the government.

2006

A NADSME daughter company called Fond fondov has been founded.³⁴ This company created another risk capital funds. Slovenský rozvojový fond received SKK 500 million (€16.6 million) and

³² The case „NADSME“ including the mass media monitoring is detailed on <http://www.monitoringfondov.eu/article.php?nadsme>

³³ For more details on NADSME, see <http://www.nadsme.sk/sk/content/narmsp-a-strukturalne-fondy-eu> and on SIEA, see <http://www.siea.sk/strukturalne-fondy/> (the latter, in Slovak version only).

³⁴ For more details o NADSME funds, see <http://www.fondfondov.sk/>.

Fond Seed Capital SKK 400 million (€13.3 million). NADSME gave the decision powers in these funds to non-government minority shareholders who sent the government funds also to their akin companies.

May 2007

Special Court released the charge against the NADSME ex director Mr. Ľudovít Balco, who, according to the attorney, allegedly defrauded more than SKK 1.5 billion (€50 million) by transferring this amount to Cassovia BIC in 2005.

October 2009

After more than two years, Specialized Penal Court in Banská Bystrica reopened the trial with the NADSME ex director Mr. Ľudovít Balco.

March 2010

The legal analysis came to the conclusion that in several cases, the fund money has not been utilized in accordance with the investment proposal. Hospodárske noviny drew the attention also to the fact that the subvention of SKK 80 million (€2.66 million) from Slovenský rozvojový fond has been granted to Mr. Peter Struhár and Mr. Boris Kollár for Fun rádio, while Mr. Struhár is a shareholder in this fund throughout several companies.

October 2010

There is reasonable suspicion that both Fond Seed Capital and Slovenský rozvojový fond utilized the public funds in a manner often allowing the illegal profits of very particular interest groups. OLAF started to be interested in the eurofunds worth €50 million, utilized by Fond fondov. The Ministry of Economy did not publish who and how was supposed to make the fund asset stripping. Mr. Martin Chren, the then Deputy Minister said to SME daily that the contracts with the companies, which were supposed to profit from the system, cannot be unveiled and „the publishing is subject to high penalties and even for us, in position of the Ministry of Economy, these contracts were not accessible.“

June 2011

All NADSME activities related to the structural funds implementation were transferred to Slovak Innovation and Energy Agency (SIEA). NADSME justifies the transfer of activities with „*the termination of the SO/RO Authorization for NADSME related to the fulfillment of the Managing authority tasks within the operational programme Competitiveness and Economic Growth and the termination of Authorization for Managing authority to SORO at the Industry and Services sector operational program projects implementation. NADSME did not have the extended mandate for the ŠF implementation activities due to the intent of creation of one single SORO and fusion of the implementation agencies as to December 31st, 2011.*“ However, the real reason of the gradual stopping of NADSME activities was the suspicion of systematic asset stripping of its funds.

Amount Lost

The Prime Minister herself said there is a suspicion of €4.5 million and further transactions within NADSME funds worth €13 million have obscure background. According to the Ministry of Economy, the government lost control over €30 million approximately, which were facilitated by NADSME. The risk of the obligatory refund to EU is up to €50 million for the money deposited to Fond fondov.

Inspection Bodies Action

There was none, at least none is known to us.

EU Bodies Action

Due to the eurofunds suspicious reallocation, also European investigation body OLAF was interested on NADSME case. However, their findings on this case were not published till now.

Political Impacts

Gradual reduction of NADSME (founded by the joint initiative of EU and Slovak Government in 1993) activities took place.

Penal and/or Legal Impacts and Sanctions

Mr. Ľudovít Balco, the NADSME ex director, was accused in the case related to Cassovia BIC, and absolved from guilt later on. According to the mass media, also the Slovak Police investigated the case of Fond fondov. However, their investigation findings on this case were not published till now.

“B.R.O.S. Agency“ Case³⁵

Case Description and Chronology

The Ministry of Environment of the Slovak Republic promoted an operational programme via stands, expensive documents and huge campaigns. At least this is how it should look like according to the Ministry formal paper reports. However, the reality was different.

2008

The execution of the Communication plan for the operational programme Environment for the years 2008 to 2013 has begun. A small ad agency B.R.O.S. was awarded with the tender worth €11 million while defeating much greater agencies, namely Creo/Young & Rubicam and Publicis Knut. B.R.O.S. was awarded the job within a negotiation procedure without publishing, after the so-called proposal contest took place. The both greater ad agencies were excluded from this contest.

March 2010

According to the documents disposable to the TREND weekly, B.R.O.S. invoiced a total of 120 infodays, worth €8,285.00 each. The mass media did not find out the funding purpose since the Ministry refused to make accessible the requested information, thus ignoring the Act on Free Access to Public Information.

According to TREND, the Ministry paid B.R.O.S. also for the „design and execution“ of the fair stand (with an area between 50 and 100 square meters) at the Coneco fair in 2009 in Bratislava a total of €153 065.00, thus a price equivalent to a newly built family house in Bratislava surroundings. An unnamed supplier of turn-key fair services said to TREND that he is able to provide for his client an equipped stand, up to one hundred square meters, for €10,000.00 to €15,000.00. The Ministry paid to B.R.O.S. a total of €386,231.00 for stands in four fairs during 2009.

Within the mass media publicity for the operational programme, the ad required further over-priced services. Based on the monitoring made by experts for the mass-media campaign planning for TREND, the Ministry of Environment should pay, for nine months of the campaign advertising, €750,000.00 approximately. However, the invoices for the TV, press and radio ads exceeded €3.8 million.

³⁵ The case “B.R.O.S. Agency“ including the mass media monitoring is detailed on <http://www.monitoringfondov.eu/article.php?agentura-bros> (in Slovak version).

The operational programme promotion included also a TV publicizing series called Štvorlístok (The Quatrefoil). The agency invoiced €79,000.00 for each episode. A half-an-hour low-cost document subcontracted without major settings or trips – such, as includes The Quatrefoil – should not cost more than €8,000.00, opined the people from TV environment. B.R.O.S. asked a ten-time value. However, the film does not look like a professional product, but more like an amateur video. For the design manual (which defines the basic visual elements of the campaign, e.g. the logos or heads of the official letter paper) with 58 pages, B.R.O.S. invoiced almost €40,000.00. As far as the design manual concerns, also the purchase of the over-priced logo for the operational program itself shall be reminded. According to the KI findings, the Ministry purchased, besides the logo, also another design manual from the company Respo promotion; the price paid was €31,600.00. This way, the Ministry paid more than €71,000.00 for two design manuals.

November 2010

According to the then Minister Mr. József Nagy, the European Commission warned it will request the Government the return of the money paid for the over-priced promotion of the operational programme. During his visit in Slovakia, the Regional Policy Commissioner, Mr. Johannes Hahn, said the Commission is investigating this case.

Amount Lost

From the total amount of €12 million, the Ministry found time to pay almost everything as of March 2010, when the case appeared in the mass media. Although originally the contract was scheduled for 5-year period, the agency sped up and spent the money within less than two years, before the parliamentary elections in June 2010.

Inspection Bodies Action

The Office of Public Procurement investigated the case within 2008 integral inspection.

EU Bodies Action

The European Commission investigated this case. However, its findings on this case were not published till now.

Political Impacts

Till August 2009, three SNS nominees managed the Ministry of Environment. The first one, Mr. Jaroslav Izák was obliged to withdraw the office after it was proven that the Ministry allocated funds for solar panels to the familiars of its staff. The second one, Mr. Ján Chrbet, during whose office the contract with B.R.O.S. was signed, was revoked by the Prime Minister earlier than within three quarters of year due to the case of emissions since Mr. Chrbet was unable to deal with the situation by himself. The third SNS nominee, Mr. Viliam Turský, was in office three months only, since he was obliged to leave due to over-priced job for flue ash elimination. Afterwards, the Prime Minister Robert Fico ended the SNS control of the Ministry and his nominee Mr. Jozef Medved' became the Minister in October 2009.

Penal and/or Legal Impacts and Sanctions

There was none, at least none is known to us.

Case “Analyses”³⁶

Case Description and Chronology

In Slovakia, you could profit very well on the structural funds. It was sufficient to write a three-page analysis. Or you could just allow to be paid for analyses, which have either never been written, or been identical to analyses paid for in a different project. The copied analyses went throughout several projects, and have been paid again and again from the eurofunds.

September 2010

Methodology and Pedagogy Centre paid for 18-page business analysis €158,000.00. The analysis was included in the dubious job awarded to the company Columbex. It was a part of the project related to kindergartens and the analysis had to be financed by the eurofunds. However, the European Social Fund did not accept this item and therefore it had to be paid from the national budget.

November 2010

The internal inspections of the Ministry of Labour, Social Affairs and Family proved also the spending of money for analyses and projects not meeting the basic criteria. The Deputy Minister Lucia Nicholson (SaS) said for the mass media, that in Slovakia there is a group of professionals who made their business in structural funds, *“sit in the offices and write papers about nothing for big money.”* So, money was paid also for half- or three-page analyses or for analyses compiled from the web. For example, almost €180,000.00 was spent for the e-learning project, i.e. for the education and training via internet. However, the trainer was not able to document he trained anybody. Within another projects, the soccer clubs who accepted the eurofunds for the support of Romani community (see the case “Romani projects”), allegedly spent about €100,000.00 for various analyses and the remaining money exceeding €10,000.00 for the training of people selected by a subcontractor.

October 2011

In 2009, the association Ľudia a voda (Water and People) was awarded almost €110,000.00 for the project „Artists and Craftmen from Upper Šariš“, aimed to provide jobs for twenty skilled, but unemployed craftsmen and to create a web page about the traditional crafts. Almost half of the amount had to be spent for analyses. Ľudia a voda did not submit the analyses to the government although they paid €32,000.00 for them.

December 2011

As shown by the inspections, the authorized utilization of the first payment of €32,000.00 is doubtful since at the beginning, Ľudia a Voda were unable even to submit the analyses they paid this money for. In one of the analyses, its author used a text more than 60-% identical to a document developed in 2009, i.e. before the project execution start.

Amount Lost

Just these few cases show useless analyses for tens thousands of euros, whereas the Ministry estimates such practice was usual in Slovakia during the past years. In 2011, the Social Development Fund management decided that from the subventions supporting the creation of jobs shall not anymore be refunded the analyses as justified costs.

³⁶ The case “Analysis of Nothing” including the mass media is detailed on <http://www.monitoringfondov.eu/article.php?analyzy-o-nicom-esf> and the retaled case “Fictitious Analyses” including the mass media monitoring is detailed on <http://www.monitoringfondov.eu/article.php?kravcikove-analyzy> (in Slovak version).

Inspection Bodies Action

Aside the proper inspections of the Ministry of Labour, Social Affairs and Family, which is one of the managing authorities, we do not know any outcome of inspections by another bodies.

EU Bodies Action

There was none, at least none is known to us.

Political Impacts

There was none, at least none is known to us.

Penal and/or Legal Impacts and Sanctions

There was none, at least none is known to us.

Case “Romani Projects”³⁷**Case Description and Chronology**

In Slovakia, millions of euros for Romani projects never even reach the Romanys and end in companies and agencies who made their business in fraudulent rent seeking in the eurofunds. Between 2007 and 2013, Slovakia may utilize €200 million approximately from the structural funds for the Romani projects.

September 2010

The following findings of Život weekly reporter, after the random selection of four finalized projects for the support of Romani community, were interesting:

1. In Krásnohorské Podhradie, the NGO Rómske víly Džajany has been awarded €278,300.00 (SKK 8.4 million) for the project Support for Labor Market Opportunities. However, the NGO itself has no use from the project, which is managed by a company Banbury Management from Bratislava, established in October 2009, who won the tender. Mr. Tomáš Ircha is the company statutory. The project was aimed to train, for the amount given, 40 people from the community of 1,300 Romani inhabitants. After the training, they were supposed to be able to work with PC, communicate and know the basic part of the Labor Code. This had to help them to find a job in a region, which belongs among those with the highest unemployment rate and the lowest investments.
2. In the neighboring Krásnohorská Dlhá Lúka, there is the NGO Združenie gemerských remeselníkov, which is executing similar projects as the NGO Rómske víly Džajany. The former has been awarded a grant of €282,968.00 from the eurofunds. Vocational Trainings, a company established in March 2010, will execute the project. And the statutory is the same Mr. Tomáš Ircha as for the previous project. Also this project will train forty Romanys approximately.
3. Also soccer clubs as final beneficiaries were dealing with the Romani agenda. There is one club in Brezová pod Bradlom, and the other in Košariská (actually, Košariská is the B club of Brezová). Both clubs act also as NGOs. From the eurofunds, they were awarded €294,000.00 and €306,000.00 respectively, for the Romanys trainings. The first project is called „Let's Create Opportunities for the Young“, and the other one is „Employment Support by Skills Development“. The soccer clubs acted as strawpersons – the people in the background utilized them to get the money from the eurofunds.

³⁷ The case “Romani Projects” including the mass media monitoring is detailed on <http://www.monitoringfondov.eu/article.php?romske-projekty> (in Slovak version).

This is confirmed also by the fact that only four Romanys live in Košariská – an invalid woman, her husband and their two children. In one of the projects, a target group was supposed to include twenty persons, and it includes also the edition of two thousand publications. Within the projects, the clubs were supposed to spend about €100,000.00 for various analyses and the remaining money exceeding €10,000.00 for the training of people selected by a subcontractor.

4. Another example is the training of Romanys for €40,000.00 related to the foundation of their own business, or three analyses called Analytical Study of the Territory Potential, Target Group Selection In Interview, and Target Group Identification and Featuring, which costed €73,500.00. According to the then Deputy Minister, Ms. Lucia Nicholson, „for identical money, we might pay a field social employee or a community employee for several years“.

September 2011

The Ministry of Labour, Social Affairs and Family and NGOs presented some absurdities occurred under the veil of projects for the support of Romanys. For example, in an unnamed village, a training of Romani women took place intending to train 40 hairdressers for a settlement with 1,500 inhabitants. Obviously, such number of hairdressers cannot really earn their lives in the local labor market.

Amount Lost

From 2004, Slovakia utilized €76 million in 587 projects for the support of the social inclusion of Romanys from marginalized communities. About 340 projects were aimed to support the field social work. The utilization of €58 million approximately from the funding aimed to the projects dedicated to help the segregated settlements is questionable. This money, dedicated for the settlements, mostly did not arrive to the Romanys and ended in the hands of the companies, which made paper reports on their use for activities beneficial for the Romanys.

Inspection Bodies Action

There was none, at least none is known to us.

EU Bodies Action

There was none, at least none is known to us.

Political Impacts

There was none, at least none is known to us. The facts on dubious, useless projects arose after the inspections carried out in the Ministry of Labour only as late as after the start of the new Government after the elections in June 2010.

Penal and/or Legal Impacts and Sanctions

The Deputy Minister Lucia Nicholson draw the attention to the fact that most of the projects have no formal insufficiencies, however, they are executed in a manner allowing to reach the Romanys only a fraction of the funds. Therefore, these public funds were spent ineffectively.

In October 2011, the Mayor of Žiar nad Hronom, Mr. Ivan Černaj (independent) submitted a criminal complaint on the District Prosecution Office related to the suspicion on stealing of money allocated to the solution of the so-called Romani problem. He reasoned with the statements of the Deputy Minister of Labour Ms. Lucia Nicholson, who said the funds allocated for the projects aimed to the Romani settlement inhabitants ended in hands of private businessmen.

“Columbex” Case³⁸

Case Description and Chronology

Ministry of Agriculture, led by HZDS nominees, signed a job for information systems for the Agricultural Paying Agency (PPA) after they put the information on tender on a wall board. The Ministry executed the tender by under-limit method instead of public procurement. They published the call; five companies have applied, and the Ministry negotiated with two of them: Columbex International and Ditec. Columbex won, allegedly due to the lowest price. An entrepreneur Mr. Alexej Beljajev stays behind this company, as well as behind the another one, which borrowed millions of Slovak crowns to HZDS. An entrepreneur Mr. Peter Lukeš is a member of the Columbex Supervisory Board. So he is in Ditec at the same time.

August 2008

The mass media informed about the non-transparent contract with Columbex, signed by the Minister of Agriculture from HZDS, Ms. Zdenka Kramplová. Subsequently, Ms. Zdenka Kramplová ended in his office since Mr. Vladimír Mečiar, the Chairman of HZDS, i.e. of the party which nominated her, asked the Prime Minister to revoke her. An affair around the HZDS donors, for which Ms. Kramplová as the party statutory was responsible, was the formal reason of her withdrawal, together with the non-transparent IT tender for almost SKK 1 billion (€30 million), which took place under her Ministry. Off-record rumors went about the power game within HZDS and attempts to control the Ministry of Agriculture.

November 2008

Mr. Stanislav Becík, the successor of Ms. Kramplová in the office, asked the tribunal to declare void the contract. Before that, he requested the Office of Public Procurement (ÚVO) to ask this declaration, however, ÚVO could do it only within one year after the contract signature and refused to do so, insisting Mr. Becík is the one who should do it. ÚVO intended to charge a penalty to the Ministry, however it did not since the Ministry addressed the tribunal.

March 2010

The Minister of Agriculture Mr. Vladimír Chovan, the successor of Mr. Becík, withdrew the charge and signed new contract annex with Columbex. The Ministry's *opinio iuris* was they would not succeed in the tribunal, not even in the lawsuit related to the damage compensation. Therefore they opted to sign new amendment changing the initial disadvantage for the government and willing to proceed with the contract. Columbex asked the government an indemnity of €11 million.

May 2010

European Commission addressed a formal letter to the Ministry asking for the tender circumstances. The Ministry justified the use of under-limit method saying that most of the contracted works belong to the category of so-called non-prioritaire services.

July 2010

The new Minister, Mr. Zsolt Simon (Most-Híd), who entered the office after the June parliamentary elections, declared he will analyze the works supplied by Columbex in order to find out the real price and assess whether it was appropriate or not. On his press conference, Mr. Simon informed that some invoices were paid „under very mysterious conditions“.

³⁸ The case “Columbex” including the mass media monitoring is detailed on <http://www.monitoringfondov.eu/article.php?columbex> (in Slovak version).

November 2010

Minister Simon informed he is willing to cancel the contract since it is disadvantageous. He said that the return of the €10 million already paid to Columbex will not be feasible. According to Mr. Simon, it is impossible to distinguish in the contract between the Columbex delivery scope and that of SAP, its subsupplier. The Ministry of Agriculture cannot terminate the contract for tens of millions of euros signed with Columbex by the previous management controlled by HZDS.

August 2011

The Ministry of Agriculture and Rural Development signed an agreement about the end of cooperation with Columbex. At the same time, the Ministry intends to execute an international tender for the administration and activities carried out up to now by Columbex. According to the Minister, the tender outcome might be known in the first half of 2013.

Amount Lost

The annex to contract with Columbex reduced the original price from €30 million to €20 million. However, the Ministry admitted the job still could be over-priced. According to Mr. Zsolt Simon, due to changes of this disadvantageous contract and due to the cooperation termination agreement with Columbex, the government saved in total €3.8 million.

Inspection Bodies Action

ÚVO identified the tender as non-transparent. ÚVO intended to charge a penalty to the Ministry for the tender, however it did not since the Ministry addressed the tribunal.

Also the Supreme Audit Office was checking the Columbex's job in the past. They found out that the contract worth SKK 900 million (€30 million) was not included in the central register at all. This was in contradiction with the internal regulations. The Office found also another mistakes of the public procurement.

EU Bodies Action³⁹

In May 2010, after the case was presented by the mass media, the European Commission addressed a formal letter to the Ministry asking for the tender circumstances. In September 2010, EC carried out the inspection of PPA.

Political Impacts

Formally, the Minister Zdenka Kramplová ended her office due to this case, although the reasons for her withdrawal were apparently else.

Penal and/or Legal Impacts and Sanctions

The Minister of Agriculture Mr. Stanislav Becík asked the tribunal to declare void the contract. His successor, Mr. Chovan, withdrew the charge and signed new contract annex with Columbex.

³⁹ The EC letter dated in May 2010 is accessible on <http://www.scribd.com/doc/32377447/eurofondyPodohospodarstvo>.

Case "Social Enterprises"⁴⁰

Case Description and Chronology

Eight social enterprises in three regions were supposed to be donated hundreds of millions for their activities by the government from the European Social Fund. The social enterprises were the government-subsidized project of the Minister of Labour Ms. Viera Tomanová aimed to the employment increase. Both enterprisers and municipalities were welcome in this business. Pursuant the act valid from May 2008, this had to be a company employing disabled unemployed persons who had to constitute 30 percent of the headcount at least. At the same time, the social enterprise had to utilize 30% of its profit at least *"for creation of new jobs or improvement of labor conditions each year"*. The project had to operate for five years at least, with the state subsidies paid during 28 months.

August 2008

The mass media informed eight social enterprises in three regions will be donated by the government hundreds of millions for their activities. Twelve non-profit organizations applied for the support from the European Social Fund; eight of them succeeded. Behind four of them stays the same founder – an entrepreneur Mr. Juraj Thomka. Plus 1 deň daily wrote he is a friend of the Member of Parliament Ms. Jana Laššáková, a Smer-SD nominee. A time ago, they worked in the same company, called Prevody a agregáty. The four mentioned non-profit organizations, namely Veľkokrtíšsky sociálny podnik (VSP), Horehronský sociálny podnik (HSP), Revúcky sociálny podnik (RSP) and Gemerský sociálny podnik (GSP), had to be donated SKK 98 million approx. (€3.2 million) from the eurofunds. Mr. Vladimír Laššák, Ms. Laššáková's son, signed the approval recommendation for the Ministry. He works as the Director of Regional Department in Banská Bystrica Region Office. Ms. Tomanová said that this letter recommended also the approval of the three remaining unsuccessful projects from Banská Bystrica Region.

May 2009

The number of applications for social enterprise operation license coming to the Labour Center is increasing constantly. Its head, Mr. Ján Sihelský, is talking about 28 applications, excluding those „on the road“ whatsoever. The interest on social enterprises was reported approximately one week after the Slovak Governance Institute (SGI) informed about findings on the social enterprises connected with Smer-SD, which were presented by the mass media. *„One of the social enterprise founders, Mr. Jozef Sarvaš, is a member of the District Organization of the party Smer-SD. Mr. Ján Filo, a GSP Board member, admitted he was nominated in this charge by the Smer-SD District Organization,“* said Mr. Miroslav Beblavý from SGI for the mass media. According to SGI, the accessible information related to the contracts signed by the four social enterprises evoke serious suspicions of both public procurement juggling and partisan clientelism. The four social enterprises (VSP, HSP, GSP and RSP) were cheating at the public procurement. They subscribed a tender for the lecturer for the unemployed people and opted for the cheapest bid. However, the individual tender bids had almost identical prices, very close to the maximum price they were allowed to ask for the training. A social enterprise was allowed to purchase *"the practical skills training"* for €298,745.00. The successful bids were between €298,080.00 and €298,440.00. This indicates an agreement of the bidders.⁴¹

⁴⁰ The case "Social Enterprises" including the mass media monitoring is detailed on <http://www.monitoringfondov.eu/article.php?socialne-podniky> (in Slovak version).

⁴¹ See the SGI press release „Aj SMER má svoje nástenky“ on http://www.governance.sk/assets/files/socialne_podniky_ts.doc (in Slovak version).

August 2009

According to SGI, only three identical companies applied for four identical public procurements; namely the companies MAPA, s. r. o., Košice; Ing. Imrich Héžel – Progres and Mgr. Ivan Királ' - ECON. The three companies participated in the three tenders, and each of them was successful in one of the tenders. The likelihood of three fair contests, under absolutely identical terms, with three identical participants sharing the awards this way, is almost equal to zero.⁴²

January 2010

The European Commission ended the audit of two social enterprises, namely Arvik in Bardejov and RSP. EC cancelled the eurofunds based support for one of them (Arvik) due to great insufficiencies. In December 2009, the Ministry of Labour terminated the contract with Arvik. The Minister of Labour have sent to Arvik more than €2 million from the total €3.4 million approved for its operation. The Ministry of Finance, which is the certifying authority for the eurofunds utilization, was refusing to refund the expenses for the model social enterprises from as early as July 2009. According to SME daily, *“mainly the people and companies akin to Smer-SD were those who feathered their nests on public procurement of the four model enterprises. This is proven by the documents the Ministry of Labour Viera Tomanová submitted to the Members of Parliament.”*

March 2010

In its audit preliminary report, EC reproached serious mistakes to the social enterprises. The mass media presented also a case when the social enterprise took away a job from a private company active in the same business, but without the government subventions.

April 2010

The Ministry of Labour sent letters to model social enterprises recommending them to change their activities. This way, they wanted to save a part of the eurofund subventions at least. The Ministry of Labour confirmed they intend to terminate the contract of the second from the eight.

June 2010

Gradually, the Ministry terminated the contracts with Arvik, RSP and Spišsko-Gemerský sociálny podnik. The social enterprise in Krompachy was liquidated by the town hall itself.

July 2010

The District Court in Banská Bystrica started the bankruptcy procedure against HSP. This implies from the communication published in the Business Bulletin.

August 2010

The assets of Spišsko-gemerský sociálny podnik in Rožňava, which entered into liquidation in June, are sold (see the next Chapter hereof for the case of Spišsko-gemerský sociálny podnik in Rožňava).

September 2010

New management of the Ministry of Labour, which came after the parliamentary elections held in June 2010, announced to Special Prosecution Office the suspicion of perpetration of the criminal delict of damaging the financial interests of the European Communities.

⁴² For more details, see the SGI analysis on <http://www.governance.sk/assets/files/tabulkysocialnepodnikyts.pdf> (in Slovak version).

November 2011

The Office for Combating the Corruption of the Police Corps Presidium launched the penal prosecution in the case of four of the eight social enterprises founded by the ex Minister of Labour Ms. Viera Tomanová from Smer-SD. Police is investigating the subventions to Arvik, Spišsko-gemerský sociálny podnik, RSP and HSP. The Deputy Minister Lucia Nicholson submitted the criminal complaint.

Amount Lost

The Minister of Labour Tomanová allocated €26 million (SKK 800 million) for the eight model social enterprises. The enterprises trained as few as little bit more than 800 unemployed persons while only 277 of the trainees were able to find a full-time job and 87 found a part-time job. Only 18 percent of the trainees entered the labor market. Thus, an average of €67,000.00 per job was utilized. This is higher than the government subvention for the automotive industry. As much as 95 percent of the social enterprise costs consist of the eurofund subventions and the national budget co-funding. The Ministry of Labour circumvented the EC Regulation, which limits the government aid to only 50 justified costs for the disabled job applicants. However, according to the Regulation, the aid should not last longer than one year.

Inspection Bodies Action

SGI submitted the formal communication to the Antimonopoly Office. Upon the EC request, also the Ministry of Finance audited the social enterprises. The Minister Tomanová sent to Arvik in Bardejov the inspection of the National Labor Inspectorate, Labour Center, Tax Office as well as the Office for Combating the Corruption. Upon the recommendation of the Ministry of Finance, also the Office of Public Procurement audited the social enterprises.

EU Bodies Action

Slovak Governance Institute (SGI) submitted the official communication to the European Commission since it opines that Slovakia, apparently in unauthorized manner, donated €26.56 million from the eurofunds to support the social enterprises. In its report published in March 2010, EC reproached to the Ministry of Labour both infringement of European rules on state aid utilization and problems related to public procurement. Based on the audit outcome, EC will not refund any of the eight model projects from the eurofunds. Thus, only the Slovak taxpayers will bear the whole damage via national budget.

Political Impacts

There were none, at least none are known to us.

Penal and/or Legal Impacts and Sanctions

The Ministry of Labor announced to Special Prosecution Office the suspicion of perpetration of the criminal delict of damaging the financial interests of the European Communities. The Anti-Corruption Office investigates the funding of the four enterprises. The Deputy Minister Lucia Nicholson submitted the criminal complaint.

| 3 | Focus on Social Enterprises

One of the greatest affairs related to the misuse, or, better said, to an attempt of misuse of the eurofunds, is the case „Social Enterprises“. In this case, the eurofunds were not misused also due to the case monitoring, by both NGOs and mass media, from the beginning, and due to their presentation of various suspicious activities related to the foundation, funding and activities of the social enterprises. This was the reason why also the EU authorities began to be interested in the case.

Both Ministry of Finance of the Slovak Republic and the Central Financing and Contracting Department (CFKJ), being aware of the high, almost certain probability that the EC will identify the expenses related to the social enterprises funding as un authorized and EC will not refund these expenses, opted for not to send the vast majority of the applications for funding to Brussels. This way, the Slovak Republic paid from its national budget all costs related with the social enterprises funding. Thus, the Slovak taxpayers did so. Despite this, it is necessary to draw attention to this case since, from the very beginning, it was an attempt to misuse the European Social Fund (ESF) money. This story is instructive since we cannot exclude similar, perhaps more sophisticated, repeated attempt to feather somebody's nest from the eurofunds in either next or further future.

First Law, Then Ministry Decision

The Ministry of Labour, Social Affairs and Family of the Slovak Republic created the legal framework for the foundation of social enterprises by amendment of the Act on Employment Services, which entered in force as of September 1st, 2008.⁴³ Among others, also the Final Report on Implementation of Sector Operational Programme Human Resources for 2004 – 2006 Programming Period gives at least the theoretical ground for the foundation of social enterprises:

With regard to the goal of strengthening both cohesion and social inclusion, a contribution – new institute – of social enterprise (§50b, §50c) is introduced as of September 1st, 2008. Primarily, the social enterprise activity is aimed toward welfare goals, creation of jobs for groups of disadvantaged job seekers and their employment sustainability.⁴⁴

The amendment of the Act on Employment Services defined the social enterprise as follows:

Aid for Employment of Disadvantaged Job Seeker in Social Enterprise **§ 50b**

(1) For the purposes hereof, a social enterprise is either legal or natural person, who
a) employs employees, who, before hired, were the disadvantaged job seekers; their share on the total headcount shall be 30% at least,

⁴³ Act No. 139/2008 of L.C. amending the Act No. 5/2004 of L.C. on employment services and on the amendment of certain acts as amended and amending the Act No. 599/2003 of L.C. on aid in material emergency and on the amendment of certain acts as amended. Validity from April 26th, 2008, entry in force from May 1st, 2008, published in the Legal Collection No. 60/2008, p. 1058. NOTE: Entry in force except Art. I §50b and §50c, which enter in force on September 1st, 2008.

⁴⁴ Záverečná správa o implementácii Sektorového operačného programu Ľudské zdroje za programové obdobie 2004-2006, Ministerstvo práce, sociálnych vecí a rodiny SR, Riadiaci orgán pre Sektorový operačný program Ľudské zdroje, done in Bratislava, September 2010, see http://www.esf.gov.sk/documents/2011/Zaverecna_sprava_SOP_LZ_updated_18-5-2011.pdf (in Slovak version).

- b) provides support and aid to employees, who, before hired, were the disadvantaged job seekers, in their seeking for further job in open labor market,*
- c) each year, utilizes at least 30% of the business revenue remaining after the payment of all business expenses for the corresponding taxation period according to the tax return, for either new jobs creation or labor conditions improvement;*
- d) is inscribed in the register of social enterprises.*

§ 50c

(1) The contribution for support of jobs creation and conservation in social enterprise (mentioned as the „contribution“ hereunder) for employees, who, before hired, were the disadvantaged job seekers shall be paid to the social enterprise by the office, whose territory the social enterprise developing its business is located in. The contribution is paid provided the disadvantaged job seeker was hired for definite period, and for half of the regular work time per week at least.

(2) The office shall pay the contribution upon the written agreement for 12 calendar months and not exceeding 50% of the total labor cost under §49(4) computed from the average wage of an employee in the Slovak Republic's economy for the first, second and third quarters of the calendar year preceding the calendar year, which the contribution shall be paid for. The contribution shall not be paid for employment of the disadvantaged job seeker, whose hiring, for the same period, was paid the contribution under §50, §50a, §51a, §56 and §56 for.

(3) Based on signed written agreement, the office shall provide the contribution also after the 12 calendar months expired provided the employee, whose employment support was paid the contribution under paragraph 2, did not succeed in open labor market. The contribution is paid in an amount not exceeding 40% of the total labor cost under §49(4) computed from the average wage of an employee in the Slovak Republic's economy for the first, second and third quarters of the calendar year preceding the calendar year, which the contribution payment is extended for, however, not exceeding 12 calendar months.⁴⁵

The Act draft development started as early as in 2007; even then, the debating experts warned of the potential risks.

The Government draft included also such social enterprise risks as, for example, the management failure or high costs. However, it did not include the past experience related to the misuse of contributions for hardly employable persons.

Social enterprise risks:

- *management failure, insufficient management knowledge,*
- *low-quality business plan,*
- *potential customers' mistrust of products and services,*
- *employees' lack of motivation,*
- *contribution misuse.⁴⁶*

The Government opted for “testing“ of social enterprises in model projects. The model projects were supposed to get unreturnable money amount up to 95% of the reasonable costs for their

⁴⁵ Act No. 5/2004 dated on December 4th, 2003 on employment services and on amendment of certain acts as amended.

⁴⁶ Nové dotácie pre podniky, published in SME on October 8th, 2007, see <http://www.sme.sk/c/3524328/nove-dotacie-pre-podniky.html> (in Slovak version).

activities. This was much higher amount than that one admitted by law for the social enterprises. Also this is why the “model” social enterprises were very attractive and essentially riskless business. Some mass media drew attention to this and further risks as early as in August 2008, thus shortly after the model projects were passed, and just before entering the corresponding paragraphs of the Act in force.

Moreover, there is no problem if the so-called social enterprises bring profits to their founders. The Act stipulates that 30% utilized for the improvement of labor conditions is sufficient. In practice, this might mean the purchase of new computers, cars or other investments in new company. And although all the social enterprises are managed as non-profit organizations, there is no problem to collect their profits throughout the subcontracting, or at the final liquidation.⁴⁷

As proven later on (and as we will demonstrate hereunder), the journalists were not wrong in this case. Even the selection itself of the welfare projects into the model projects was objectionable.

Also the call publication timing is non-standard. The documents for project submittal appeared on the national web of the European Social Fund (ESF) on March 19th, 2008. The application submittal deadline was one month later. “An employee of Košice Region Office drew our attention to the call,” remembers Mr. Imrich Holečko, the Deputy Mayor of Krompachy. Twelve entities were able to respond so quickly. The Minister of Labour Viera Tomanová approved subventions from €1 million to €3.3 million to eight of them.⁴⁸

So, from among the total number of twelve social enterprises applying for the support within the model project, eight succeeded. At least six of these are related to Smer-SD, which was one of the then ruling coalition parties, and both Prime Minister and Minister of Labor, Social Affairs and Family were members of this party.

However, also the foundation dates of some social enterprises are interesting. VSP, RSP and GSP were founded on the same day: on March 31st, 2008, i.e. just a couple of days after the call publication. And this was not the only common feature of these three enterprises. Each of them was founded by Banskobystrický sociálny podnik, a non-profit organization, which was renamed to HSP shortly afterwards. The same person stood behind each of the four social enterprises (for more details see the next Chapter).

The Minister of Labor Viera Tomanová allocated €26.4 million (SKK 800 million) for the eight model social enterprises. These funds were divided among the social enterprises as follows:

Social Enterprises

• Spišsko-gemerský:	€3,456,978.00
• HSP:	€3,438,310.00
• RSP:	€3,458,403.00
• Krompachy Town Hall:	€1,103,639.00
• GSP:	€3,458,270.00
• VSP:	€3,453,936.00
• Agentúra rozvoja Slovenska – Východ:	€3,217,635.00

⁴⁷ Sociálne podniky nemusia nosiť prácu (Štát bude prispievať aj na prácu pre ľudí, o ktorých sa firmy bijú), published in SME on August 26th, 2008, see <http://www.sme.sk/c/4047384/socialne-podniky-nemusia-nosit-pracu.html> (in Slovak version).

⁴⁸ Podniky podľa Potemkina (Sociálne podniky sú skôr hra na podporu zamestnanosti), published by etrend.sk on August 27th, 2008, see <http://ekonomika.etrend.sk/ekonomika-slovensko/podniky-podla-potemkina.html> (in Slovak version).

- Arvik: €3,465,135.00

Members of Parliament from Smer-SD and Social Enterprises

Although the ruling party, Smer-SD, disavowed from its connection to the social enterprises after the affair has arisen with regard to the model projects of the social enterprises, including the possible misuse of the eurofunds, several Members of Parliament from Smer-SD declared their support of the individual social enterprises before the affair arose. Ms. Jana Vaľová was apparently the first one. As early as in November 2007, she said the following to a regional newspaper:

The Government is preparing a law on social enterprise...

- I am glad the model projects are scheduled for Spiš and Upper Zemplín, namely, for the Humenné district. If this law will pass, social enterprises will grow throughout Slovakia. These enterprises should help to deal with the unemployment, mainly in villages, and to find a job for long-term unemployed, people over 50 and those from marginalized groups. The wages in the enterprise shall be refunded from the EU funds. The profit generated in the enterprise will be returned back for the purchases of technology. The condition therefor consists in the enterprise sustainability also after the funds will cease to flow from the EU. I expect a lot of cooperation with the mayors. In one municipality close to Humenné, there is a perspective of creation from 150 to 300 jobs. For the time being, I will not give more details since it is just subject to the approval procedure in the corresponding ministries.⁴⁹

She confirmed her engagement with the execution of the social enterprise also in February 2008.

The Slovak Government will have its session in Humenné in March. Ms. Jana Vaľová, a Member of Parliament, informed about it on the press conference held past Monday. "In the past October I asked the Prime Minister to make the Government session in Humenné. ... We would like to realize both social enterprises and solutions of Romani affairs in the town and the district," said Ms. Vaľová.⁵⁰

On it's session held in Humenné in March 2007, the Government approved the project, which Ms. Vaľová was engaged in. The Minister, from the same party, announced it.

"The Government wants to solve the problems of the long-term unemployed by the mean of creation of social enterprises. This is a model project. The Minister of Labour, Social Affairs and Family Viera Tomanová informed that social enterprises will be created in Humenné and Bardejov within the Prešov region."⁵¹

Another Member of Parliament from Smer-SD, Ms. Lea Grečková, declared her engagement with one of the social enterprises as early as in January 2008.

"I insist I went to work meeting in Gemerská Poloma. I went to see the social enterprise director. Mr. Ján Babič (Smer-SD) and I work hardly on it one year ago and I am proud of the project. Nobody had

⁴⁹ S poslankyňou NR SR Janou Vaľovou aj o projektoch, ktoré pomôžu nášmu regiónu („Som pripravená trpezlivo hľadať spôsoby...“), published in Podvihorlatské noviny on November 26th, 2007, see http://www.podvihorlatskenoviny.sk/admin/data/1196333229_news.pdf (in Slovak version).

⁵⁰ Vláda bude zasadať v Humennom, published in Podvihorlatské noviny on February 25th, 2008, see http://www.podvihorlatskenoviny.sk/admin/data/1204194110_news.pdf (in Slovak version).

⁵¹ Vláda v Humennom podporila rozvojové projekty, March 25th, 2008, see http://www.podvihorlatskenoviny.sk/admin/data/1206519385_news.pdf (in Slovak version).

heard about the enterprise; maybe just because nobody had asked me about it. The European Commission approved funds for it already in October. This enterprise exists really, it just waits for the approval procedures. Anyhow, the EU funds are strictly monitored," she said, and added her idea about how the project, announced also by the Minister of Labour on the Government session in Tisovec, should look like. The Member of Parliament says it is a model project and also another regions are interested in it; however, the areas of Spišská Nová Ves and Rožňava will have it soon. "The project basic idea is to provide long-term jobs. There are socially disadvantaged groups, including not only the long-term unemployed, but also the children who, after the age of 18, leave the orphanage with no place to go to, the people coming from prison, handicapped people, people after the age of 50 who have more difficulties finding the job, Romani community and those who have lost their professional habits".

Moreover, the Member of Parliament said the enterprise will have its own building, machinery helping the unemployed get back their professional habits and she said she has already some agreements with the employers who will provide them the jobs. During the time they spend in a kind of training process, they will be registered in the Bureau of Labor. This will be funded by both EU and Ministry of Labour. The social enterprise will have its own employees, including the Director. He, according to Ms. Grečková, is studying the project and will coordinate the activities. "I traveled also on Monday because of this to Gemerská Poloma; from there, I was supposed to go to Bratislava to meet the Minister to discuss the project," said Ms. Grečková.⁵²

After seven months, when the project was already approved by the Ministry of Labour, Social Affairs and Family, *Hospodárske noviny* daily brought more information about the background of the social enterprise project.

"As found by HN, the project of the Spišsko-gemerský social enterprise located in Rožňava was developed by Members of Parliament from Smer-SD Mr. Ján Babič and Ms. Lea Grečková. One of its founders is a member of the party district organization, Mr. Jozef Sarvaš, a friend of Babič. The enterprise is seated in the address of UFT Production Slovakia, a Slovak-German company, where Mr. Sarvaš works as statutory.

Mr. Jaroslav Chanas, a son of the mayor of Gemerská Poloma (Smer-SD), is the Chief Executive Officer of the social enterprise. "This is a good and purposeful project, which I worked more than one year as a member of Social Affairs Committee on. I do not think there is any kind of clientelism there," responds Ms. Grečková to suspicions of partisan clientelism.⁵³

At last, but not at least, the engagement of the district head of Smer-SD was confirmed also by the mayor of Rožňava, dr. Vladislav Laciak, who was elected as the candidate of Smer-SD in 2006. In December 2008, he stated for the local website as follows:

"Also in the territory of Rožňava town, a social enterprise is developing. This we owe to the political party I represent, and personally to Mr. Babič."⁵⁴

⁵² Grečková: Dôvodom bol sociálny podnik, published in *Gemerský Korzár* on January 17th, 2008, see <http://korzar.sme.sk/c/4436286/greckova-dovodom-bol-socialny-podnik.html> (in Slovak version).

⁵³ Tomanová dotovala ďalší sociálny podnik Smeru, published in *Hospodárske noviny* on August 22th, 2008, see http://hnonline.sk/c3-26610500-k00000_d-tomanova-dotovala-dalsi-socialny-podnik-smeru (in Slovak version).

⁵⁴ Otvorene a o všetkom, published in *infoRožňava.sk* on December 31st, 2008, see <http://www.inforoznava.sk/autorske-rubriky/rozhovory/otvorene-a-o-vsetkom> (in Slovak version).

Also Aliancia Fair-Play, an NGO dealing with watch-dog activities in the area of eurofunds utilization in long term, indicated the suspicion of partisan clientelism in the case of Spišsko-gemerský social enterprise.⁵⁵

Although in some cases the members of Parliament from Smer-SD did not declare their engagement with the social enterprises, the investigative journalists managed to unveil more than only their personal links to the background of these enterprises.

*Eight social enterprises in three regions will be donated by the Government hundreds of millions for their activities. The Ministry of Labour made a decision about it the past month. Twelve non-profit organizations applied for the support from the European Social Fund; eight of them succeeded. Behind four of them stays the same founder – an entrepreneur Mr. Juraj Thomka. Plus 1 deň daily wrote he is a friend of the Member of Parliament Jana Laššáková, a Smer-SD nominee. A time ago, they worked in the same company, called Prevody a agregáty.*⁵⁶

In some cases, the founders of the social enterprises pretended not to be engaged with; and, if the contrary, than these were just “philanthropist activities“, when they helped to establish the social enterprises with the purpose of helping to the unemployed, but that they have nothing to do with operation of the enterprises, and denying at all any personal profit thereof. However, already within a couple of months later, this was proven not to be true.

*Mr. Juraj Thomka, a family friend of Ms. Jana Laššáková, a Member of Parliament from Smer-SD, established four social enterprises in Banská Bystrica region. Her son, who works in the Banská Bystrica Region Office, recommended the approval of the social enterprises projects. After the partisan links affair arose, Mr. Thomka stated for SME daily he has no engagement with the non-profit organizations. “This is not true. I am not a statutory in any of the non-profit organizations,” he said.*⁵⁷

We would like to remind that three social enterprises seated in Banská Bystrica region – VSP, RSP and GSP – were established on the same day: on March 31st, 2008, just a couple of days after the call for model projects submittal was made public. All the three enterprises were established by another non-profit organization, Banskobystrický sociálny podnik, founded by Mr. Juraj Thomka. On April 8th, 2008, i.e. 8 days later on, Banskobystrický sociálny podnik was renamed to HSP, and it also received the ESF aid. Plus 1 deň daily has even discovered the personal engagement of the Smer-SD members in the statutory bodies of certain social enterprises.

Mr. Ján Fiľo, a member of the GSP Board, confirmed to us that he owes this membership to Smer-SD. He is a member of Smer-SD as well. “The Smer-SD district organization nominated me to the non-profit organization,” he told us yesterday. Together with Mr. Fiľo, another Smer-SD partisans are in the statutory bodies of this non-profit organization: the Hnúšťa town parliament member Mr. Dušan Trocha and the Rimavská Sobota town parliament member Mr. Ivan Hazucha. He said there is one

⁵⁵ TI: Ďalší sociálny podnik s podporou ministerstva prepojený na Smer-SD (Podozrenia zo stranického klientelizmu aj na Východe), published by AFP, Bratislava, August 21st, 2008, see <http://fair-play.sk/clanok.php?u=3&u1=6&u2=24&u3=339> (in Slovak version).

⁵⁶ Sociálne podniky spája Smer (Stovky miliónov korún dostanú štyri sociálne podniky. Spája ich známy poslankyne Laššákovéj), published in SME on August 12th, 2008, see <http://www.sme.sk/c/4016807/socialne-podniky-spaja-smer.html> (in Slovak version).

⁵⁷ Zarábajú na nezamestnaných?! published in Plus 1 deň on March 9th, 2009, see <http://www.pluska.sk/slovensko/politika/zarabaju-nezamestnanych.html> (in Slovak version).

man standing behind the project. This man addressed him. “But I will tell you no name,” he responded.⁵⁸

The Mokra Luka mayor elected for Smer-SD, Mr. Julius Laššan, is in another non-profit organization, in the RSP. He ran for Smer-SD also in the last parliamentary elections. “The municipality participated on the project,” responded Mr. Laššan, saying he was addressed by the non-profit organization Director.

Another Smer-SD member is also in the Board of VSP, another successful non-profit organization. This is dr. Ondrej Kollar, No. 130 in the Smer-SD list of candidates for the 2006 parliamentary elections. “I have no time, I will not reply,” he denied to answer our questions. Together with Mr. Kollar, also the Dačov Lom mayor elected for Smer-SD, Mr. Drahotin Zvalo, is a member of this Board.⁵⁹

Even the Smer-SD Chairman and Prime Minister Mr. Robert Fico advocated for the engagement of the Members of Parliament from his party in the model projects of the social enterprises. After the NGOs criticized the way the Smer-SD nominees engage in the establishment of model social enterprises in August 2008, the party boss addressed them from the heights of his office as follows: “It is really perverted to criticize the Members of Parliament for their support to the establishment of social enterprises in regions with high unemployment.”⁶⁰

Although this happened before the affair disclosure, his responsibility for the events of the succeeding months remains untouched.

Government Bureaucracy and Social Enterprises

After the full rise of the affair on model social enterprises and the publishing of findings in the preliminary report of the European Commission auditors and after the mass media started to analyze again the links of the Smer-SD members to six of eight model social enterprises, the strongest ruling party launched a counterattack. The Member of Parliament from Smer-SD, Ms. Jana Vaľova, said one of the pilot social enterprises is linked with the opposition party SDKU-DS (Slovak Democratic and Christian Union – Democratic Party).

“The greatest link is in Arvik, where is Mr. Pataky from SDKU, his daughter, who won all the trainings, and his assistant.”⁶¹

Whereas Ms. Vaľova herself, her family and akins were engaged in the social enterprise Agentura rozvoja Slovenska – Vychod (see the previous chapter and the following chapters).

Arvik was established by Mr. Musah Selmani, and it is headed by Mr. Jozef Sendek. Mr. Erik Maxin is a partner in another Selmani's company, which employs the people from Arvik. His brother, Mr. Radovan Maxin, worked till not so long time ago in Social Implementation Agency as the Head of the

⁵⁸ V škanale su namoeni Smeraci, published in Plus 1 den on August 13th, 2008, see <http://www.pluska.sk/slovensko/politika/v-skandale-su-namoceni-smeraci.html> (in Slovak version).

⁵⁹ *Ibidem*.

⁶⁰ Tomanova ako Štefanov, published in SME on February 4th, 2010, see <http://komentare.sme.sk/c/5225354/tomanova-ako-stefanov.html> (in Slovak version).

⁶¹ Z Arviku vedu nitky k Smeru i SDKU, published in SME on February 15th, 2010, see <http://ekonomika.sme.sk/c/5241182/z-arviku-vedu-nitky-k-smeru-i-sdku.html> (in Slovak version).

*Communication Department. According to the official documents, the Ministry of Labor is the provider of the eurofunds aid, and the Social Implementation Agency is the executor.*⁶²

However, the journalists of STV (Slovak Television) informed about these facts much earlier, in their programme Reportéri⁶³ (see the following chapters for more details). So which was the link between Arvik and SDKÚ-DS?

*Who are Maxin brothers and Mr. Sendek? Five years ago, Mr. Radovan Maxin was a member of Nová Generácia, the SDKÚ-DS youth organization. In the past, also his brother Erik and Mr. Sendek were members of SDKÚ-DS. During the previous election period, Mr. Erik Maxin was an assistant of the Member of Parliament from SDKÚ-DS, Mr. Ján Pataky. According to Nová Generácia statement, Mr. Radovan Maxin ceased to be its member as early as in 2006. Both Mr. Sendek and Mr. Erik Maxin quitted SDKÚ-DS two years ago. "They expelled me," said Mr. Sendek. He said the reasons were personal. According to Mr. Štefan Kužma, the not-so-long-time-ago head of the SDKÚ-DS center in Prešov, Mr. Sendek's group did not pay their 2009 membership fees. "Now I understand why they did not like the membership in our party," said Mr. Kužma.*⁶⁴

Thus, much more interesting than the links to SDKÚ-DS, are the personal links among the people who founded Arvik, worked there, were awarded with lucrative jobs, and, first of all, had contacts to the people in Social Implementation Agency, which is liable for the management of the operational programme Employment and Social Inclusion, funded by ESF.

*However, the Social Implementation Agency, whose communication was managed by Mr. Radovan Maxin, is subordinated to the Ministry of Labour. This is under the Smer-SD custody. It was the Agency chief, Ms. Mária Martonová, who introduced Mr. Maxin therein. And it was her who was in the supervising and monitoring committee, which recommended the approval of the social enterprises model projects. However, Ms. Marton was given the notice to quit the Agency as of the past November. Mr. Radovan Maxin had to join her once the affair on Arvik link to the Social Implementation Agency arose. The formal reasoning of their departure given by the Ministry were the organizational changes. However, their punishment was not that big since both of them received an alternative job offer in the Ministry of Labour. Mr. Maxin refused it. Ms. Martonová became Ms. Tomanová's adviser for the eurofunds.*⁶⁵

Dubious Procedures of Public Procurement

As the model social enterprises hardly started to work, the first information about nonstandard internal procedures appeared. The first information related to the procurement of services, mainly the educational ones. Although formally was everything in accordance with the law, there is no doubt the law spirit was bypassed. At least four from the eight model social enterprises abused of the law insufficiency the same way as the MINISTRY OF CONSTRUCTION AND REGIONAL DEVELOPMENT OF THE SLOVAK REPUBLIC did at the so-called "wall-board tender", also related to the eurofunds, namely to those for consultancy services for the operational programme Technical

⁶² *Ibidem.*

⁶³ Reportéri sa Nižňanskému bránia, published in SME on October 8th, 2009, see <http://www.sme.sk/c/5052520/reporteri-sa-niznanskemu-brania.html> (in Slovak version).

⁶⁴ Z Arviku vedú nitky k Smeru i SDKÚ, published in SME on February 15th, 2010, see <http://ekonomika.sme.sk/c/5241182/z-arviku-vedu-nitky-k-smeru-i-sdku.html> (in Slovak version).

⁶⁵ *Ibidem.*

Assistance. The education belongs among the non-prioritaire services, which the principal need not to submit to the tendering. The “market research“ was sufficient: he had to address three entities at least, and to make a choice from among their offers.

The Chairman of the SGI Board Mr. Miroslav Beblavý informed about the apparent anti-monopoly law breach by four social enterprises on his press conference. According to Mr. Beblavý, VSP, HSP, GSP and RSP abused of the law insufficiency and bypassed the standard public tender. They searched for the companies providing the so-called non-prioritaire serviced (education of the unemployed) by the mean of market research only.⁶⁶

Moreover, the jobs were awarded to entrepreneurs akin to the parties of the then ruling coalition.

Mr. Imrich Héžel's company, Progress, was awarded the jobs from VSP and HSP. In the 2002 parliamentary elections, Mr. Héžel ran for Smer-SD. Mr. Ivan Királ, a candidate of ĽS-HZDS in the 2006 municipal elections, succeeded with an offer for GSP. RSP awarded a company from Košice called MAPA, s. r. o. Mr. Beblavý said there was no political link found for this company. However, this does not mean there is none, he added. The SGI Executive Director, Mr. Ctibor Košťál informed they will request the Ministry of Labour to publish the names of the remaining bidders; as soon as these are known, the suspicion of political juggling of the public procurement can be discarded.⁶⁷

Mr. Héžel was awarded the trainings in both HSP and VSP. “Should I bury myself just because I am a member of Smer-SD? Or, God forbid, hang myself? It was me, who won here, and the others won elsewhere. Everything was in accordance with the law. I cannot be discriminated due to my political allegiance. This is the matter of anyone himself,” he responded.⁶⁸

Certain mass media already informed that Mr. Imrich Héžel won two from four “contests“. He ran unsuccessfully for Smer-SD in 2002 parliamentary elections; and one won Mr. Ivan Királ, who ran for HZDS in 2006 municipal elections. The unsuccessful bidders are the only ones who might confirm no juggling. However, the social enterprises, although being requested to provide their names, did not provide these data.⁶⁹

Besides the public procurement method and the awarded companies, also their winning amounts were interesting.

Within the market research, the social enterprises called for bid to two or three selected companies. Each of the four social enterprises awarded the job to the bid with the lowest price. Mr. Beblavý does not like the idea that each from among the four enterprises defined the same maximum price (€298,745.27), which they are willing to pay. VSP and HSP will pay for the trainings €298,260.00, GSP €298,080.00 and RSP €298,440.00. According to Mr. Beblavý, the difference between the

⁶⁶ Verejné obstarávania sú čisto v réžii sociálnych podnikov, published by SITA on May 19th, 2009, see <http://www.zakon.sk/Main/lwDefault.aspx?Template=lwArticles.ascx&phContent=lwArtShowTasr.ascx&LngID=0&CatID=189&ArtID=12915> (in Slovak version).

⁶⁷ Inštitút: Sociálne podniky sú nástenkovými tendrami Smeru, published in SME on May 19th, 2009, see <http://www.governance.sk/index.php?id=1173> (in Slovak version).

⁶⁸ Sociálne podniky prihrali ďalšie milióny ľuďom blízkym vláde, published in Pravda on May 14th, 2009, see http://spravy.pravda.sk/socialne-podniky-prihrali-dalsie-miliony-ludom-blizkym-vlade-puo-sk_domace.asp?c=A090514_095519_sk_domace_p23 (in Slovak version).

⁶⁹ Sociálne podniky nerobia súťaže, published in SME on May 19th, 2009, see <http://www.sme.sk/c/4849435/socialne-podniky-nerobia-sutaze.html> (in Slovak version).

*highest and the successful offer is between 0.1 and 0.22% while differences such as 5 or 6% are usual.*⁷⁰

Thus, the facts indicated the bidders have agreed within the public procurement. This is the antimonopoly law breach. The total value of the jobs awarded such suspicious way was €1.19 million.

Despite of this, the Social Implementation Agency (SIA) of the Ministry of Labour, Social Affairs and Family replied that the public procurement was in accordance with law; and, if there was any contest infringement, the problem is on the side of the entities participating in the public procurement, and not the problem of the social enterprise who organized the public procurement.⁷¹

However, the Head of the SIA Communication Department, Mr. Radovan Maxin (his name was already mentioned herein, in relation with one of the model social enterprises) has omitted one important fact: first of all, if the bidders had to make cartel agreement for the public procurement, they should know about each other. Since this public procurement was not published anywhere, and the three bidders were addressed and selected by the social enterprises, it looks most likely they knew about each other right from the social enterprises representatives. However, the Ministry of Labour, Social Affairs and Family, in addition to the statement that the public procurement was in accordance with the law, transferred the entire responsibility to the ESF aid recipient: *The public procurement process is running under the receiver's (social enterprise) management solely; and it is the receiver who is the only liable for its course and results. This means, in no case somebody from the Ministry of Labour, Social Affairs and Family could affect the public procurement progress, said the Ministry Mass Media Department to SITA.*⁷²

Obviously, it is the ESF aid receiver who is liable for the public procurement performance. However, the Ministry obviated its supervisory obligation related to both the paper lawfulness and the real lawfulness, including the accordance with the antimonopoly law and efficiency of the eurofunds utilization. The Ministry just stated the following:

*"If the facts in contradiction with the public procurement rules will be proven for the individual social enterprises pursuant both the contest and the rules mandatory for the social enterprises, then such enterprises shall be liable accordingly", said the Ministry Mass Media Department.*⁷³

However, the Ministry of Labour, Social Affairs and Family did not developed any initiative aimed to audit the dubious public procurements. Thus, SGI, an NGO, addressed the Antimonopoly Office of the Slovak Republic.⁷⁴ Instead of defending the interests of the government and of the EU (and their taxpayers), the Ministry just informed they are not intervening in public procurements organized by the social enterprises. This dastardly attitude contributed to the ineffective utilization of the Slovak national budget funds (since either European Commission refused ultimately to refund these

⁷⁰ Inštitút: Sociálne podniky sú nástenkovými tendrami Smeru, published in SME on May 19th, 2009, see <http://www.governance.sk/index.php?id=1173> (in Slovak version).

⁷¹ See <http://www.sme.sk/vp/10954/> (in Slovak version).

⁷² Verejné obstarávania sú čisto v réžii sociálnych podnikov, published by SITA on May 19th, 2009, see <http://www.zakon.sk/Main/lwDefault.aspx?Template=lwTArticles.ascx&phContent=lwArtShowTasr.ascx&LngID=0&CatID=189&ArtID=12915> (in Slovak version).

⁷³ *Ibidem.*

⁷⁴ Sociálne podniky pošpinil klientelizmus, tvrdí inštitút, published by aktualne.sk on August 7th, 2009, see <http://aktualne.atlas.sk/socialne-podniky-pospinil-klientelizmus-tvrdi-institut/ekonomika/slovensko-a-ekonomika/> (in Slovak version).

expenses or the Ministry, being aware of the EU rules infringement, even did not submit such expenses to the Commission).

Two months later, SGI has proved the public procurement of these educational services has been juggled.

“While procuring the „training of practical skills“ educational module for the social enterprises, we came to a suspicion of public procurement juggling. In the meantime, we obtained further information, directly from the social enterprises, on the entities participating in this procurement and on the prices of the submitted offers,” said the SGI Executive Director Ctibor Košťál on Thursday. Moreover, the successful companies had neither references nor there are any records on them being awarded with jobs of similar type in the past.⁷⁵

1) Only 3 identical companies applied for four identical public procurements; namely the companies MAPA, s. r. o., Košice; Ing. Imrich Héžel – Progres and Mgr. Ivan Királ' - ECON. The three companies participated in three tenders, and each of them was successful in one of the tenders. The likelihood of three fair contests, under absolutely identical terms, with three identical participants “sharing“ the awards this way, is almost equal to zero.

2) It is likely the mentioned companies coordinated their offers. There is no other explanation how the same company, in different tenders with identical scope and time, gave different offer prices (thus resulting in the awards „sharing“ among all applicants). For example, Mgr. Ivan Királ' - ECON offered the price for services €298,800.00 in two tenders and it was unsuccessful. In the third tender, it quoted €298,080.00, i.e. a price lower by €720.00, and it succeeded. It is unlikely any company would submit different offers for identical tenders, being thus deprived of the possibility to succeed in more procurements. Different offers cannot be explained by the extent of the provided service in different regions since the public procurements were identical.⁷⁶

The coordination of offers is forbidden by law whatsoever. “Based thereon, we opine there was an agreement among the individual applicants, who helped each other to win in the respective tenders,” said Mr. Košťál. According to the Chairman of the SGI Board, Mr. Miroslav Beblavý, the model projects misuse the social enterprise brand.⁷⁷

⁷⁵ *Ibidem.*

⁷⁶ Skutočná nezamestnanosť je oveľa vyššia a sociálne podniky zlyhávajú, Slovak Governance Institute (SGI), August 6th, 2009, see <http://www.governance.sk/index.php?id=1298> (in Slovak version).

⁷⁷ Sociálne podniky pošpinil klientelizmus, tvrdí inštitút, published by aktualne.sk on August 7th, 2009, see <http://aktualne.atlas.sk/socialne-podniky-pospinil-klientelizmus-tvrdi-institut/ekonomika/slovensko-a-ekonomika/> (in Slovak version).

Table No. 3.1: Social Enterprises: Detailed list of the individual tenders and prices quoted for services

<i>social enterprise</i>	<i>budget (maximum amount in €)</i>	<i>number of offers</i>	<i>minimum price offer in €</i>	<i>winner</i>	<i>political affiliation</i>	<i>offers in the tender</i>		<i>offers difference</i>
RSP	298 745,27	2	298 440	MAPA, s.r.o., Košice	unknown	offer No.1	applicant name: MAPA, s.r.o., Košice price offer: €298,440.00	€360.00
						offer No.2	applicant name: Mgr. Ivan Királ' - ECON price offer: €298,800.00	
HSP	298 745,27	3	298 260	Ing. Imrich Héžel – Progres	2002 parliament candidate for SMER-SD	offer No.1	applicant name: Ing. Imrich Héžel – Progres price offer: €298,260.00	€2,340.00
						offer No.2	applicant name: Mgr. Ivan Királ' - ECON price offer: €298,800.00	
						offer No.3	applicant name: MAPA s.r.o., Košice price offer: €300,600.00	
GSP	298 745,27	2	298 080	Mgr. Ivan Királ' - ECON	2006 – municipal candidate for HZDS-LS	offer No.1	applicant name: Mgr. Ivan Királ' - ECON price offer: €298,080.00	€720.00
						offer No.2	applicant name: MAPA, s.r.o., Košice price offer: €298,800.00	
VSP	298 745,27	3	298 260	Ing. Imrich Héžel – Progres	2002 parliament candidate for SMER-SD	offer No.1	applicant name: Ing. Imrich Héžel – Progres price offer: €298,260.00	???
						offer No.2	applicant name: Mgr. Ivan Királ' - ECON price offer: ???	
						offer No.3	applicant name: MAPA, s.r.o., Košice price offer: ???	

Source: SGI

Mr. Radovan Maxin from SIA reminded that the mentioned public procurement underwent the audit of the Ministry of Labour, which did not find any law breach. According to him, this is also why the Ministry has no reason to stop the refunding of these expenses.

“If somebody will request the Antimonopoly Office to evaluate the eventual breach of the competition rules, the Ministry of Labour as the managing body is not authorized to express whether the competition rules were infringed or not,” added Mr. Maxin. As he stated afterwards, should any law breach be proven, the tender applicants will be penalized. “The social enterprise cannot be penalized since any cartel agreement should be made at applicants' level,” he continued.⁷⁸

Thus, Both Ministry of Labour, Social Affairs and SIA continued with their buck-passing arguing that everything was in accordance with the law and there is no reason to cease the funding of model social enterprises from ESF.

⁷⁸ *Ibidem.*

Table No. 3.2: Offers for trainings made to four social enterprises by applicants⁷⁹

Entity	offer order	offer price in €	outcome	
MAPA, s.r.o., Košice	offer No. 1	298 440	winner	RSP
	offer No. 2	298 800	non winner	GSP
	offer No. 3	300 600	non winner	HSP
	offer No. 4	more than 298,260.00	non winner	VSP
Mgr. Ivan Királ' - ECON	offer No. 1	298 080	winner	GSP
	offer No. 2	298 800	non winner	RSP
	offer No. 3	298 800	non winner	HSP
	offer No. 4	more than 298,260.00	non winner	VSP
Ing. Imrich Héžel – Progres	offer No. 1	298 260	winner	VSP
	offer No. 2	298 260	winner	HSP

Source: SGI⁸⁰

Expensive Renting of Facilities, Expensive Ads and Luxury Cars

Paradoxically, these social enterprises, which received high subventions from the eurofunds via government with the purpose of employment of long-term unemployed people, mostly unskilled, thus low-income citizens, purchased, besides the machinery and work tools, also luxury cars and rented administrative facilities in historic buildings in town centers. And the sellers were, accidentally, the people akin to Smer-SD.

The already mentioned HSP is an example. HSP headquarters is in Brezno, inside a historical building in the town center. According to the cadastre of real estate, the building belongs to the children of the Smer-SD district head and Vice Mayor Mr. Ján Račák (52), his son Matúš (25) and daughter Veronika (23). "I do not know anything about the social enterprise," said Mr. Račák. The phone disconnected suddenly while asking about the rent of facilities. Afterwards, Mr. Račák did not pick up the phone at all.

*According to the documents from the Ministry of Labour, the non-profit organization paid to the offspring of the Smer-SD boss in Brezno the rental equal to €2,711.00 (SKK 90,000.00) for the building and €4,282.00 (SKK 129,000.00) for the training facilities in the past year. Also the district office of Smer-SD and the headquarters of the company Rado-lift belonging to Mr. Račák are in this building.*⁸¹

HSP operates in Brezno less than one year. It gave the job to 70, manufactured a couple of wooden garden houses, purchased a luxury SUV and a big Mercedes-Benz. The current Director, Mr. Norbert

⁷⁹ The tenders for trainings took place in RSP, HSP, GSP and VSP. The latter did not provide data to the Institute.

⁸⁰ Sociálne podniky pošpinil klientelizmus, tvrdí inštitút, published by aktualne.sk on August 7th, 2009, see <http://aktualne.atlas.sk/socialne-podniky-pospinil-klientelizmus-tvrdi-institut/ekonomika/slovensko-a-ekonomika/> (in Slovak version).

⁸¹ Funkcionári Smeru sa nabaľujú na prenájmoch, published in Plus 1 deň on March 14th, 2009, see <http://www.pluska.sk/showdoc.do?docid=175393&showRate=true> (in Slovak version).

Nikel, says they will not receive all the money at once, but in parts. "Up to now, we received about a quarter," he added. He thinks this is not sufficient. They find not time enough to purchase the wood processing machinery. He was not very willing to speak about the expensive cars purchase. In the time of this purchase, he was not the Director yet. He thinks the vehicle fleet is sufficient. Answering the question about too expensive cars for a social enterprise, he replies that nothing was infringed. "The project included a room to buy cars. So they were bought."⁸²

HSP purchased a Mercedes for transportation of unemployed Romanys to the trainings. HSP paid also for a new tractor, which was apparently absolutely unnecessary. If not so, how can be explained why the tractor stood without move, with seats covered under plastic foils, in Nálepková street in Brezno about one and half year?! On the other hand, RSP purchased a luxury SUV with leather seats for the transportation of the chipping machine. The social enterprises did not buy the expensive cars directly, but via middleman, thus increasing their price excessively.⁸³

After being noticed by the media, the Ministry did not recognized as a justified expense the purchase of a luxury Land Rover⁸⁴ (according to other sources Land Cruiser⁸⁵) SUV bought by RSP. However, in case of this social enterprise, one more interesting information has appeared, indicating the eurofunds assets stripping.

The past year (2009), RSP allegedly had to be awarded with a job from Slovnaft for delivery of wooden pallets at the price of €6.30 per piece. The company spokesman, Mr. Anton Molnár, said Slovnaft did not signed any contract with RSP directly, however, he admitted their supplier may buy the pallets in the social enterprise. The enterprise Director, Mr. Vojtech Paluš, did not comment this information.⁸⁶

Based on this information, it is very likely the RSP funded by ESF manufactured wooden pallets sold for low price to the middleman, who sold it to Slovnaft for market price by return. This way, the profit (from which the social enterprise had to, pursuant the law, utilize 30% for the creation of new jobs or for improvement of the labor conditions) was channeled to another private company.

While finally the Ministry did not recognized the luxury car as the project reasonable expense, the advertisement is authorized, and even mandatory part of the projects funded by the EU. The goal is to inform the wide public about the nature of the projects supported by EU and about their outcome or impact on the country, region or the target groups. However, this was one opportunity more how to have common cake and eat it from the model social enterprises.

⁸² Podnik kúpil drahé autá. Vyrobil pár chatiek, published in Pravda on May 14th, 2009, see http://spravy.pravda.sk/podnik-kupil-draha-auta-vyrobil-par-chatiek-fk8-/sk_regiony.asp?c=A090514_091001_sk_regiony_p23 (in Slovak version).

⁸³ Krmili najedených, published in Plus 7 dní on November 7th, 2010, see <http://www.pluska.sk/plus7dni/zaujalo-nas/krmili-najedenych.html> (in Slovak version).

⁸⁴ Sociálne podniky veľa práce nepriniesli, published in SME on 24. 7. 2009, see <http://ekonomika.sme.sk/c/4946591/socialne-podniky-vela-prace-nepriniesli.html> (in Slovak version).

⁸⁵ V sociálnom podniku nám buchli dverami, published in SME on August 17th, 2009, see <http://ekonomika.sme.sk/c/4977289/v-socialnom-podniku-nam-buchli-dverami.html> (in Slovak version).

⁸⁶ Sedem hriechov Viery Tomanovej / Alebo bájka o sociálnych podnikoch, published by etrend.sk on January 25th, 2010 / Blogy / Paľo Sibyla, see <http://blog.etrend.sk/pavel-sibyla/2010/01/25/sedem-hriechov-viery-tomanovej/> (in Slovak version).

Also an employee of the Televízna spoločnosť BBSK was in GSP, and it was right the regional TV 13, according to Ms. Nicholson, who invoiced an amount exceeding €29,000.00 to GSP for the ad spots broadcasting.⁸⁷

According to Ms. Nicholson (a Deputy Minister of Labour, Social Affairs and Family from the elections in 2010), similar cases can be found in virtually all social enterprises. Also Arvik from Bardejov allegedly had paid expensive advertising.⁸⁸ The mass media succeeded in finding one case, even more suspicious, in Agentúra rozvoja Slovenska – Východ, a social enterprise from Humenné.

Her (note of author: of Ms. Jana Vaľová, a Member of Parliament) nephew, Mr. Ľubor Čirkas, is providing the ads for this social enterprise. For this, he will be paid €20,400.00 (more than SKK 600,000.00). The only visible outcome of his job is the social enterprise web page. Otherwise, he provides the enterprise with a kind of publicity, which cannot be heard in Humenné at all. “I do not know any social enterprise in the town,” said the mayor of Humenné, Mr. Vladimír Kostilník.⁸⁹

Ms. Vaľová said she did not know about his nephew's activities in the social enterprise. This sounds very interesting due to her engagement in the preparatory phase of the model project of the social enterprise (see the Chapter “Members of Parliament from Smer-SD and Social Enterprises”). The name Vaľo appeared also in another relation to Agentúra rozvoja Slovenska – Východ.

Mr. Jozef Vaľo was awarded the tender for construction supervision. He says he is not a relative of Ms. Vaľová. However, when we wanted to talk with him about the supervised sites, he hung up.⁹⁰

Taking into account the publicity made by the Ministry of Labour, Social Affairs and Family to the social enterprises, it is interesting to see the lack of will of all the people, who participated on their operation, to communicate with the mass media.

We even did not get any explanation from the statutory of Agentúra rozvoja Slovensko, Mr. Slavomír Rusinko. His phone was off. Mr. Rusinko is also a member of Smer-SD. He run for this party in 2006 parliamentary elections and represents the party also in the Medzilaborce town parliament. A source, which wishes to remain in anonymity, says it was Ms. Vaľová, who made him to be appointed as the social enterprise Director.⁹¹

Education and advertising were not the only well paid serviced procured by the model social enterprises.

Mr. Rusinko helped to succeed his colleagues with some of the procurements organized by the enterprise. Ms. Tatiana Macková, his ex co-owner of the company BDK in Humenné, and a fellow member of the Supervisory Board of the company Brillant, provides legal services to the social enterprise. She charges more than €30.00 per hour. According to Mr. Peter Wilfling from Via Iuris, this

⁸⁷ TV 13 brala od sociálnych podnikov desaťtisíce eur, published by BBonline.sk on September 30th, 2010, see <http://bbonline.sk/tv-13-brala-od-socialnych-podnikov-desattisice-eur/> (in Slovak version).

⁸⁸ Tomanovej sociálny podnik sa zrútil, published in Pravda on January 14th, 2010, see http://spravy.pravda.sk/tomanovej-socialny-podnik-sa-zrutil-dv2-/sk_domace.asp?c=A100113_201239_sk_domace_p23 (in Slovak version).

⁸⁹ Vaľovej ľudia zarábajú na sociálnom podniku, published in Korzár on January 28th, 2010, see <http://korzar.sme.sk/c/5212695/valovej-ludia-zarabaju-na-socialnom-podniku.html> and <http://tv.sme.sk/va/13758/valova-o-svojom-synovcovi.html> (both in Slovak version).

⁹⁰ *Ibidem.*

⁹¹ *Ibidem.*

*rate is not exaggerated. However, the nature of legal services invoiced by Ms. Macková and their extent are questionable.*⁹²

This problem related to the model social enterprises appeared more often. Much people who provided services to social enterprises or were paid directly by them, were either unable or unwilling to inform the mass media about the work they perform therefor.

Apparently, Agentúra rozvoja Slovensko – Východ planned to spend most of the eurofunds for investment activities. We will provide details for this investment project in one of the following chapters.

*Also Mr. Andrej Makar was awarded a job via Mr. Viktor Macko, another Mr. Rusinko's colleague. His company Maran was appointed to build a Daily station in Kamenica nad Cirochou. Agentúra rozvoja Slovensko will pay more than €723,000.00 (SKK 21.8 million) for the construction, V.A.T. exempt (V.A.T. included, €860,000.00 (SKK 25.9 million). This amount does not include, e.g., the engineering documents developed by Projektink for €23,000.00, i.e. almost SKK 700,000.00.*⁹³

Our attention was drawn also to the comparison of the willingness of Ms. Vaľová to communicate with the mass media in 2007 with regard to the model project of social enterprise in Eastern Slovakia, with her posture on January 2010, when the first results of the European Commission audit in two from among eight model projects were known; this time, she was not willing to express about the activities of her party fellows in the social enterprise. She just repeated the standard mantra stating everything was in accordance with law.

*“Since I do not work in Agentúra rozvoja Slovenska, I am unable to answer your questions. But I believe and am convinced that the procedure for tenders was standard and legal,” she added.*⁹⁴

Ms. Adriana Šklíbová with her company Gestus was awarded the tender for education of unemployed people in Arvik worth €358,000.00. She is not only a daughter of then Member of Parliament from SDKÚ-DS, Mr. Ján Pataky, but also the ex schoolmate, in Bardejov Grammar School, of the Director of Arvik, Mr. Jozef Sendek and Mr. Radovan Maxin from Social Implementation Agency.⁹⁵

The company Management Solution was awarded another Arvik tender worth €176,000.00, this time for the consultancy related to the business establishment. The company owner Ms. Ingrid Grebecová figured in another companies together with Arvik founder, Mr. Musah Selmani, and Mr. Erik Maxin.⁹⁶ Even disregarding this fact, the extraordinarily high amount, paid by the social enterprise for the consultancy related to the business establishment, remains shocking.

And moreover, Arvik rented the offices from a company where figured Mr. Erik Maxin, the brother of the ex head of a department of Social Implementation Agency Mr. Radovan Maxin.⁹⁷ EU asks the

⁹² *Ibidem.*

⁹³ *Ibidem.*

⁹⁴ *Ibidem.*

⁹⁵ Z Arviku vedú nitky k Smeru i SDKÚ, published in SME on February 15th, 2010, see <http://ekonomika.sme.sk/c/5241182/z-arviku-vedu-nitky-k-smeru-i-sdku.html> (in Slovak version).

⁹⁶ *Ibidem.*

⁹⁷ Krmili najedených, published in Plus 7 dní on November 7th, 2010, see <http://www.pluska.sk/plus7dni/zaujalo-nas/krmili-najedenych.html> (in Slovak version).

managing bodies to ensure the eurofunds utilization monitoring. This happens by the mean of developing of regular monitoring reports on the project implementation progress, which are sent to the managing body. As proven, also the monitoring can become an interesting income source.

The company EuroPro was awarded the tender for RSP and HSP monitoring. It charges €2,324.00 per month for each enterprise. The monitoring takes two years. Also Ms. Elena Valovičová, the Press Department Head of the Parliament, is figuring in the company.⁹⁸

Our information was surprising to Ms. Valovičová. “I do not know anything about this job. I do not work in EuroPro from 2005,” she said. However, she is still inscribed as a partner in the Business Register. The company headquarters is in a block of flats in Bratislava, in a flat, where the company statutory, Mr. Marek Fröhlich (23) is living. You will find no door-bell with the company name. It is also interesting that the company, which Ms. Valovičová figures in, was founded by Mr. Miroslav Šipikal, who, as a HSP manager, was remunerated €7,236.00 (SKK 218,000.00).⁹⁹

So, also in this case the people whose names arose in relation with the payment of various remunerations from the model projects of social enterprises pretended they have nothing in common therewith and insisted all the personal links are merely accidental.

Under such circumstances, there is no wonder even the regular “independent” monitoring of model social enterprises did not disclose any problems at their progress.

Yes for Trainings, No for Jobs

The social enterprises have spent big amounts for trainings purchased via nontransparent and, in several cases, apparently juggled public procurements (abusing the public procurement act insufficiency). However, big part of those who passed the training expecting they will get a job in the social enterprise subsequently, has got no job.

Ms. Monika Bartošová, 43, a Romany, came to the social enterprise the past year. She did not work at all in the past, except the activation works for the unemployed people in the recent months. “I had trainings during three weeks. They promised me a job. I was told I can work somewhere as worker or cleaner. From then, nothing happened. They say it is a crisis and there are no jobs,” says the woman, still with no job.¹⁰⁰

Also a lady from Rožňava, who wished to remain anonymous, told face-to-face a similar story to the author hereof. She passed a training organized by Spišsko-gemerský sociálny podnik, n.o. and carried out by Mgr. Erika Matisová – Inštitút celoživotného vzdelávania from Rožňava. Before the training started, they promised the successful leavers to give a job in social enterprise. In October 2008, full of hope, she passed the Educational Module No. 1.1, consisting of the social enterprise staff education for its management, which includes 80 hours, and was awarded the „Educational Certificate“.

⁹⁸ V sociálnom podniku nám buchli dverami, published in SME on August 17th, 2009, see <http://ekonomika.sme.sk/c/4977289/v-socialnom-podniku-nam-buchli-dverami.html> (in Slovak version).

⁹⁹ Funkcionári Smeru sa nabaľujú na prenájmoch, published in Plus 1 deň on March 14th, 2009, see <http://www.pluska.sk/showdoc.do?docid=175393&showRate=true> (in Slovak version).

¹⁰⁰ Podnik kúpil drahé autá. Vyrobil pár chatiek, published in Pravda on May 14th, 2009, see http://spravy.pravda.sk/podnik-kupil-drahe-auta-vyrobil-par-chatiek-fk8-/sk_regiony.asp?c=A090514_091001_sk_regiony_p23 (in Slovak version).

About 20 job applicants registered in the Bureau of Labor, Social Affairs and Family participated on this training. The then Director of Spišsko-gemerský sociálny podnik (during the short existence of this social enterprise, allegedly four persons have already alternated on this position), Mr. Jaroslav Chanas, told this training participant there will be a contest for jobs in the social enterprise in January 2009. Despite the passed training, she did not receive any invitation for contest and did not get any job in the social enterprise.

Therefore, the purpose of the whole training aimed to the following areas is questionable:

1. Bases of Social Enterprise	4 hours
2. Advertising of Social Enterprise Project	6 hours
3. Business Plan of Social Enterprise	10 hours
4. Marketing – Sales – Communication with Clients	5 hours
5. Social Enterprise Management System	8 hours
6. Social Enterprise Regulatory Base	16 hours
7. Obligations of An Employee and of A Manager	16 hours
8. ESF Regulations	15 hours

According to the official data reported on regular basis by the social enterprises to the Ministry of Labour, Social Affairs and Family, the eight model social enterprises generated only 404 jobs as of July 15th, 2009.¹⁰¹

The Ministry official statement says the social enterprises task was not to create new jobs, but train the long-term unemployed people so that they might participate on the labor market more easily.¹⁰² However, let us remind the wording of §50(1) of the Act on Employment Services:
For the purposes hereof, a social enterprise is either legal or natural person, who
a) employs employees, who, before hired, were the disadvantaged job seekers; their share on the total headcount shall be 30% at least.

It looks like the responsible staff of the Ministry either did not know the law or confused the public deliberately. Moreover, although the Ministry was informed about the model social enterprises headcount and the number of trainees, but they did not keep the statistics about the percentage of the successful participants in the labor market.

*Now (note of author: beginning of August 2009), the eight model social enterprises employ 346 persons. Up to now, 864 persons were trained in these enterprises. „The Ministry provided them advance payments in total of €5.67 million,“ said Mr. Zdenko Bošanský from ESF. However, he was unable to specify the number of those who passed throughout the social enterprises and, at the same time, were successful on the labor market.*¹⁰³

¹⁰¹ Sociálne podniky veľa práce neprinesli, published in SME on July 24th, 2009, see <http://ekonomika.sme.sk/c/4946591/socialne-podniky-vela-prace-neprinesli.html> (in Slovak version).

¹⁰² See <http://www.sme.sk/vp/10954/> (in Slovak version).

¹⁰³ Sociálne podniky pošpinil klientelizmus, tvrdí inštitút, published by aktualne.sk, August 7th, 2009, see <http://aktualne.atlas.sk/socialne-podniky-pospinil-klientelizmus-tvrdi-institut/ekonomika/slovensko-a-ekonomika/> (in Slovak version).

*The numbers given by the social enterprises are negligible. For example, RSP found a job for 15 trainees only.*¹⁰⁴

Moreover, the Ministry had no information about the funds utilization efficiency although it subsidized the social enterprises.

*The per-worker costs incurred in social enterprise are €9,800.00 approximately Mr. Maxin emphasized the social enterprises are not the job incubators. „Their primary goal consisted in adaptation of the job applicants to the labor market,“ he reminded.*¹⁰⁵

However, according to other sources, the costs incurred per job in the model social enterprises were much higher.

*According to data accessible in September 2009, the eight social enterprises employed 348 persons only. The Ministry of Labour donated more than €23.5 million from the eurofunds to social enterprises. One person working in such enterprise costs more than €67,000.000. Really efficient help for the unemployed, isn't it?*¹⁰⁶

*According to Mr. Štefanec, the jobs in the social enterprises are the most expensive in Slovak history. “Social enterprises do not help, but hinder new employers while creating new jobs,” said Mr. Štefanec. If the €26.5 million could be divided among 10,000 new freelancers, then each would get €2,650.00. “This would be surely more efficient solution,” said Štefanec.*¹⁰⁷

*According to the data from a Member of Parliament from SMK, Ms. Klára Sárközy, one job in model social enterprises costs €66,300.00 approximately. She says about 360 jobs were created in the social enterprises, 2,000 were trained, but only 18 percent from among them succeeded on the labor market. „I think the reward for the incurred costs is too low,“ said Sárközy.*¹⁰⁸

This way, the social enterprises not only juggled the public procurement, paid inappropriately high amounts for the trainings, but finally, they even did not meet their main task and the Ministry of Labour, Social Affairs and Family did not have any tool to monitor the compliance of the model social enterprises with their tasks. Therefore, there is no wonder that the Minister of Labour, Social Affairs and Family was able to say in January 2010, when the European Commission informed the Slovak Government about the mistakes in the social enterprises implementation, the following:

*However, she admitted the poor success rate of the leavers on the labor market. The social enterprises train often the people lacking even the primary school. „They teach them how to read, write and count,“ explained Ms. Tomanová, and she added that all the social enterprises are in regions with high unemployment rates.*¹⁰⁹

¹⁰⁴ V sociálnom podniku nám buchli dverami, published in SME on August 17th, 2009, see

<http://ekonomika.sme.sk/c/4977289/v-socialnom-podniku-nam-buchli-dverami.html> (in Slovak version).

¹⁰⁵ Sociálne podniky pošpinil klientelizmus, tvrdí inštitút, published by aktualne.sk on August 7th, 2009, see

<http://aktualne.atlas.sk/socialne-podniky-pospinil-klientelizmus-tvrdi-institut/ekonomika/slovensko-a-ekonomika/> (in Slovak version).

¹⁰⁶ See <http://www.oklamali.sk/>

¹⁰⁷ Sociálne podniky sú ako nástenkový tender. Pridrahé, published by aktualne.sk on January 13th, 2010, see

<http://aktualne.centrum.sk/ekonomika/slovensko-a-ekonomika/clanek.phtml?id=1197296> (in Slovak version).

¹⁰⁸ *Ibidem.*

¹⁰⁹ *Ibidem.*

Either the Minister had even no idea about the nature of trainings organized by the social enterprises (see the previous page) or she had no idea about who were the training participants or the entire project stood on wrong fundamentals since the beginning.

Employee – Unemployed – Subsidized Employee

The background people from the social enterprises found also another way of their „utilization“.

„We were about 20 working in HSP,“ says Ms. Jana Oravkinová. „Before that, we all worked for the entrepreneur Mr. Svetlák. He fired us. Then we were registered at the Bureau of Labor and afterwards included into the social enterprise. The social enterprise workshops were in the facilities belonging to Mr. Svetlák. So we were going to work to the same place as before being fired and made the same work as we did for Mr. Svetlák.“¹¹⁰

We found the same way of fictitious inclusion of unemployed people also in Čierny Balog workshop. „Do you know which kind of unemployed people get jobs in HSP?“ asked the local people. „Actually, these people were not unemployed at all. The men were fired from the sawmill of Rosík and asked to submit application for registration in the Bureau of Labor the following day. Miraculously, the Bureau of Labor included them in the HSP training immediately. Before the noon, they were assisting to the training, and, in the afternoon, they worked in the sawmill of Rosík. After the end of the training, they were hired formally by HSP, but in reality, they worked on the same workplace as before, thus in Rosík's facilities and on Rosík's jobs. Even the entrepreneur Ján Rosík did not deny that the people he fired worked right from the following day in his facilities and on his jobs. The HSP Director explained this anomaly saying that „we deliver our services to Mr. Rosík“.¹¹¹

The Director of the Bureau of Labor in Brezno, Ms. Eva Krahulcová, said thence she will investigate whether also the recently registered people were included or not in the social enterprise training. However, as proven later on, the Director wanted investigate herself since she, as well as the directors of Bureau of Labor in Veľký Krtíš, Spišská Nová Ves and Rožňava, lived on the social enterprises, and she, as the expert committee member, according to her own words, participated on the selection of the registered persons qualified for the training. Ms. Krahulcová was remunerated almost €1,000.00 also for the selection of the right unemployed people for HSP. She said for the mass media there is nothing she should be ashamed for.¹¹²

From the summer (2010), HSP is in the bankruptcy procedure, six of the unpaid salaries for its employees had to be paid by the Guarantee Fund; and they are suing for the rest of their money. And how do they live now? However, at least some of the men from Čierny Balog were not affected very much by the existence of HSP. Mr. Miro Haviar worked as the forklift operator for Mr. Rosík before the „splendid“ idea of the Minister as well as he did afterwards, as an HSP employee. And, as we could see personally, Mr. Miro Haviar operates the forklift around Mr. Rosík's workshops also today. The workers from Polomka are in much worse situation. They just may recall with nostalgia times

¹¹⁰ Krmili najedených, published in Plus 7 dní on November 7th, 2010, see <http://www.pluska.sk/plus7dni/zaujalo-nas/krmili-najedenych.html> (in Slovak version).

¹¹¹ *Ibidem.*

¹¹² *Ibidem.*

*when the good old lady came with the idea of social enterprises. Till that time, they had their jobs. Now, they have not. Now, they are really unemployed and registered in the Bureau of Labor.*¹¹³

Who Has Found the Job & Made Money

However, we cannot say the model social enterprises gave job and earning to nobody. But they were not the „groups of disadvantaged job seekers“, as declared by the Act on Employment Services. The background people from the social enterprises were really creative as far as the maximum profit exploitation concerns. As already mentioned herein, the most frequent ways consisted in overpriced purchase of training services and advertising, purchase of luxury cars and the renting of facilities for the social enterprises. However, the social enterprises paid high amounts also for the providing of various (mostly very unclear) consulting services. Usually the persons linked somehow to the founders of the social enterprises, or the founders themselves, or even the Members of Parliament from Smer-SD staying behind the social enterprises, were the providers of these services.

*Mr. Juraj Thomka, a family friend of Ms. Jana Laššáková, a Member of Parliament from Smer-SD, established four social enterprises in Banská Bystrica region. Her son, who works in the Banská Bystrica Region Office, recommended the approval of the social enterprises projects. After the partisan links affair arose, Mr. Thomka stated for SME daily he has no engagement with the non-profit organizations. "This is not true. I am not a statutory in any of the non-profit organizations," he said. However, we have found out Mr. Thomka was remunerated by HSP, as a project manager, €11,522.00 (SKK 347,000.00).*¹¹⁴

Subsequently, when the media tried to contact him in order to have his opinion, he did neither pick up the phone nor responded the SMSs. But finally, Mr. Juraj Thomka gave his statement on the remuneration of €11,522.00.

*„This is not a remuneration. There is a lot of work while launching such a project. You cannot imagine how demanding is the work with the risk group of the people and how much effort it costs you. I am a subcontractor, and there is none working for free today. Honor the work," said Thomka.*¹¹⁵

*The same social enterprise paid also the remunerations to six another managers, among which can be found, e.g., Mr. Norbet Nikel, a member of Smer-SD, or Mr. Ladislav Setnický, a member of SOP, an extinct party. In total, they got €45,741.00 (SKK 1.37 million). However, these remunerations do not include the wage costs of the enterprise employees and management.*¹¹⁶

Most of the money allocated for the dealing with the unemployment flew into the pockets of tens of advisers, who are often unable to explain the scope of their consulting and which kind of advices they

¹¹³ *Ibidem.*

¹¹⁴ 114 Zarábajú na nezamestnaných?! published in Plus 1 deň on March 9th, 2009, see <http://www.pluska.sk/slovensko/politika/zarabaju-nezamestnanych.html> (in Slovak version).

¹¹⁵ Funkcionári Smeru sa nabaľujú na prenájmoch, published in Plus 1 deň on March 14th, 2009, see <http://www.pluska.sk/showdoc.do?docid=175393&showRate=true> (in Slovak version).

¹¹⁶ Zarábajú na nezamestnaných?! published in Plus 1 deň on March 9th, 2009, see <http://www.pluska.sk/slovensko/politika/zarabaju-nezamestnanych.html> (in Slovak version).

*gave the social enterprises. The HSP Secretary, Mr. Norbert Nickel, was unable to answer our question what he got the money for. He just remained silent for a good while.*¹¹⁷

By the way, HSP is in bankruptcy procedure from July 16th, 2011.

*According to documents from the Ministry, the people akin to Smer-SD were earning tens thousands of euros, e.g., in GSP. „For example, one of them was the spokesman of Banská Bystrica Region Office, who was also the regional co-coordinator of the Young Social Democrats, a branch of Smer-SD,“ said Ms. Nicholson. This person is Mr. Roman Lebeda. Ms. Nicholson said that also his father, a district physician, worked there. In addition to them, also a total of 25 external providers were allegedly earning in GSP. Their remunerations for four months of 2008 achieved around SKK 200,000.00 approximately, i.e. €6,600.00 per person. They earned €20,000.00 approximately during 2009.*¹¹⁸

Subsequently, the mass media published the names of certain people working in external positions for GSP in Klenovec, who were remunerated between €36.00 and €39.00 per hour approximately, which is more than an average daily wage in Slovakia. And honestly, they were not the people who might belong to a category of a „disabled job seeker“.

Mr. ROMAN LEBEDA – ex spokesman of the ex Chairman of Banská Bystrica Region Office (BBSK) Mr. Milan Murgaš, a Smer-SD nominee, and a coordinator of Young Social Democrats (a Smer-SD branch) in Banská Bystrica Region.

Dr. LADISLAV LEBEDA – a district physician for adults in Hnúšťa, a member of town parliament in Hnúšťa elected for Smer-SD, Mr. Roman Lebeda's father. „How do you dare to call me and disturb me while I work? Who do you think you are? Ask the Board your questions,“ replied Mr. Lebeda senior and hung up the phone.

Ms. JANA NOVÁ – ex employee of Televízna spoločnosť BBSK, founded under the ex Chairman Mr. Milan Murgaš.

Ms. MARCELA KRŠKOVÁ – a member of town parliament in Zvolen elected for Smer-SD and the Director of the theater in Zvolen. „No comment. I am not there already,“ she replied and hung up.

Mr. JÁN FIĽO – a member of town parliament in Rimavská Sobota elected for Smer-SD and a member of the Board of GSP. He admitted to be a nominee of the Smer-SD district organization.

Ms. LÍVIA HANESOVÁ – a freelancer unable to tell us what was the scope of her job. „I worked as an external project manager,“ she said.

Ms. VERONIKA ŠTIGLICOVÁ – an employee of the Town Hall in Levice. „I worked there as the monitoring manager. I made the documents for the Ministry,“ she said.

Mr. JURAJ FLANK – the Director of Lučenec office of Sociálna poisťovňa, a Smer-SD nominee. „I do not give statements by phone and deny everything you would like to write.“

Ms. BLAŽENA HRUŠKOVÁ – a deputy mayor in Klenovec, elected for Smer-SD and a grammar school teacher in Hnúšťa. „I was an assistant for education and I communicated with the lecturers,“ she said.

Ms. JARMILA KYSEĽOVÁ – the Director of public kindergarten in Hnúšťa. In the kindergarten we were told it was not her, but her husband who worked in the social enterprise. The Director herself did not want to give a comment.

Ms. MARTINA FIZEĽOVÁ – enlisted as an employee of the regional consulting center for the European structural funds in Banská Bystrica Region Office. This center coordinated the social enterprises. „I worked there as the education adviser,“ she said.

¹¹⁷ Krmili najedených, published in Plus 7 dní, on November 7th, 2010, see <http://www.pluska.sk/plus7dni/zaujalo-nas/krmili-najedenych.html> (in Slovak version).

¹¹⁸ Sociálne podniky preverí polícia, published in SME on September 29th, 2010, see <http://ekonomika.sme.sk/c/5571084/socialne-podniky-preveri-policia.html> (in Slovak version).

Ms. IDA MELICHOVÁ – the Director of the Bureau of Labor in Rimavská Sobota. She as a natural person worked as an adviser.

Mr. ONDREJ ANTAL – a partner in the company of Mr. Juraj Thomko, who, according to the mass media, controlled four social enterprises and was a close friend of Ms. Jana Laščáková, the Member of Parliament from Smer-SD.¹¹⁹

Also GSP (one of the three social enterprises established on the same day whose founder was Mr. Ján Thomka, the ex business partner and friend of a Member of Parliament from Smer-SD) is currently (from May 17th, 2011) subject to the bankruptcy procedure.

VSP, another non-profit organization founded by Mr. Thomko, paid almost the same amount as HSP to the managers. The project assistant, Mr. Miroslav Haško, brother of the Smer-SD district organization head in Veľký Krtíš, could enjoy €4,322.00 (SKK 130,000.00). However, the proper project director, Mr. Róbert Paulický, who earns a gross wage of €830.00 (SKK 25,000.00) per month, says he do not envy the managers and the remunerations are paid according to the contract. „I do not envy them; our project is launching quite well.“ he replied.¹²⁰

The project was launching quite well till the government money flew into the social enterprise and generous remunerations could be paid. However, when the Ministry stopped the generous subsidizing, no money remained even for the payment for the energies.

VSP is not paying for the rent almost half a year already. On Tuesday afternoon, VSP was disconnected from the grid partially. The facility closure should follow the next days. Mr. Branislav Králik, a VSP statutory, admitted financial problems, but he said these are temporary only and he do not find them to be a reason for any of the events happening.¹²¹

When the broadcasting of the ad spots was required, the social enterprise budgets had thousands of euros to be spent for the publicity. However, when the mass media asked for information on dealing with the funds of Slovak and European taxpayers, the Ministry was not willing to promote anything.

The following is also interesting: the Ministry under Ms. Viera Tomanová tried to hide the remunerations scandal since in the documents sent from the Ministry to us, the remuneration-related data were blanked out. „The project manager salary is adequate to the extent of his work, authority and responsibility. If we make an average from the known parameters, the medium remuneration of the manager including the overhead expenses does not exceed €1,283.00,“ said the Ministry spokesman Mr. Michal Stuška. „The Ministry did not and will never explore, which political party sympathizes the project author with,“ he added. The government already allocated for the social enterprises in the years 2009 and 2010 more than €229 million (almost SKK 7 billion).¹²²

¹¹⁹ Škandál: Externisti brali za hodinu až 39 eur!, published in Plus 1 deň on October 2nd, 2010, see <http://www.pluska.sk/slovensko/politika/skandal-externisti-brali-za-hodinu-az-39-eur.html> (in Slovak version).

¹²⁰ Zarábajú na nezamestnaných?! published in Plus 1 deň on March 9th, 2009, see <http://www.pluska.sk/slovensko/politika/zarabaju-nezamestnanych.html> (in Slovak version).

¹²¹ Sociálny podnik neplatil nájom, už je bez elektriky, published by SITA on March 30th, 2011, see <http://www.webnoviny.sk/banskobystricky-kraj/socialny-podnik-neplatil-najom-uz-je/325271-clanok.html> (in Slovak version).

¹²² Zarábajú na nezamestnaných?! published in Plus 1 deň on March 9th, 2009, see <http://www.pluska.sk/slovensko/politika/zarabaju-nezamestnanych.html> (in Slovak version).

The transparency was not the strong point of the social enterprises at all, and the journalist had always problems with getting the information about their operation.¹²³ However, in certain moment, the affair of the social enterprises became not only the issue of ineffective utilization, or even misuse of the public funds, but also the press freedom issue. The redactors of the public Slovenská televízia (STV) were in troubles when they made a TV report on one of the social enterprises and the STV Director first tried to withdraw it from the broadcasting, and released it only under strong mass-medial pressure.^{124,125}

One Social Enterprise Story – Great Halo, Great Fall

At the beginning, there was a notice on the web of the Ministry of Labour, Social Affairs and Family ESF Section:

*Press conference on the project of social enterprise in Spiš and Gemer
October 19th, 2009*

The General Director of the ESF Management Section, Mr. Juraj Ťapák, participated in the press conference on the social enterprise project in Spiš and Gemer held in Rožňava on October 12th, 2009. He informed about the role of the managing authorities at the management of the social enterprises activities.

The Director of Spišsko-gemerský sociálny podnik, n. o., Mr. Peter Erdélyi, and the project manager, Ms. Janka Brziaková, introduced the activities and the outcome of the project called Creation and Verification of the Operation of a social enterprise in Spiš and Gemer regions. The Minister of Labour, Social Affairs and Family, Ms. Viera Tomanová, who opened the press conference, emphasized the goal and need for social enterprises in her speech. At the end of the press conference, she declared open the canteen Dobrá kuchyňa, which will provide meals for students in schools of the neighborhood and the entrepreneurs, including the meals transportation to the delivery points; currently they make between 250 and 300 lunches per day approximately. Up to now, Spišsko-gemerský sociálny podnik, n. o. gave job for 140 unemployed.¹²⁶

Eight months after this press conference, the mass media brought absolutely different news.

„After the last audit made by the managing authority, the Ministry terminated unilaterally the contract with Spišsko-gemerský sociálny podnik and RSP due to nonobservance of the contractual terms,“ confirmed Mr. Michal Stuška, the Ministry spokesman.¹²⁷

Before this official statement of the Ministry of Labour, Social Affairs and Family, Spišsko-gemerský sociálny podnik ended its activity de facto on May 17th, 2010. Most of all, this affected the clients of the canteen Dobrá kuchyňa, opened solemnly by the Minister Ms. Viera Tomanová (Smer-SD).

¹²³ V sociálnom podniku nám buchli dverami, published in SME on August 17th, 2009, see <http://ekonomika.sme.sk/c/4977289/v-socialnom-podniku-nam-buchli-dverami.html> (in Slovak version).

¹²⁴ Riaditeľ STV Nižňanský zastavil Reportérov, published in SME on October 7th, 2009, see <http://www.sme.sk/c/5050857/riaditel-stv-niznansky-zastavil-reporterov.html> (in Slovak version).

¹²⁵ Reportéri sa Nižňanskému bránia, published in SME on October 8th, 2009, see <http://www.sme.sk/c/5052520/reporteri-sa-niznanskemu-brania.html> (in Slovak version).

¹²⁶ See http://www.esf.gov.sk/new/index.php?mod=news_activity&nid=175&sid=5c8957230bb85eaf45aba912ff2372ae (in Slovak version).

¹²⁷ Veľkolepý sociálny podnik sa skončil fiaskom (Štátnu dotáciu minuli a narobili dlhy), published in Korzár on June 19th, 2010, see <http://roznavna.korzar.sme.sk/c/5429938/velkolepy-socialny-podnik-sa-skoncil-fiaskom.html> (in Slovak version).

„They stuck the announcement about the end on the door and we were told they will start cooking in September,” said one ex client for Korzár. „I do not know whether they will cook or not. Perhaps yes, if somebody will take it over,” said the enterprise ex employee.¹²⁸

However, nobody took over Spišsko-gemerský sociálny podnik or the canteen Dobrá kuchyňa, and the enterprise underwent the bankruptcy procedure within a couple of weeks.

The enterprise Board adopted the decision on the termination of activities thereof after the Ministry of Labour ceased to refund the enterprise due to the contractual terms breach.¹²⁹

Let's summarize: Spišsko-gemerský sociálny podnik, n.o. was established on November 22nd, 2007, in April 2008, it applied for the ESF funding within the model project of social enterprises, and on June 18th, 2008 the Ministry of Labour, Social Affairs and Family awarded in a subvention of €3,456,978.00. The canteen Dobrá kuchyňa was opened solemnly, on October 12th, 2009, by the Minister of Labour, Social Affairs and Family Ms. Viera Tomanová (Smer-SD), who lobbied the model project of social enterprises. On May 17th, 2010, the canteen Dobrá kuchyňa announced it will not cook due to „organizational reasons“. Spišsko-gemerský sociálny podnik is in bankruptcy procedure from June 23rd, 2010.

Till the contract termination by the Ministry, Spišsko-gemerský sociálny podnik received advance payments totaling – according to the primary information – €1,223,421.00. This included €1,048,408.00 from the eurofunds and €185,013.00 from the national budget. Only the authorized expenses of €231.05 passed the EU certificate.¹³⁰

According to the expression of the Ministry spokeswoman Ms. Slavomíra Sélešová, in case of Spišsko-gemerský sociálny podnik, the Ministry claims a receivable equal to €1,327,661.00, which has been recognized.

Although the Ministry of Labour, Social Affairs and Family declared they will claim the return of all paid funds, it is more than doubtful they will achieve the return of the funds whatsoever. Moreover, also the social enterprise creditors should be paid from its bankruptcy revenues. The enterprise had debts for thousands of euros owed to the services suppliers.¹³¹

The enterprise assets, which started to be sold by the liquidator, are worth more than €300,000.00. He thinks this might compensate about two thirds of the debts. „First of all, the assets are sold for prices exceeding the expertise. They managed to sell part thereof, and the revenue was utilized to compensate the employees, the Tax Office, Sociálna poisťovňa and health insurance,” said Mr. Daniel Janšo, the liquidator.

However, he denied the answer of questions related to the rent price, building reconstruction costs or purchase of specific services, which might allow us the tracing of the taxpayers' money flows. He did

¹²⁸ *Ibidem.*

¹²⁹ Zo sociálneho podniku tiekli peniaze na súkromné účty, Babič tvrdí, že v tom nemá prsty, published in Korzár on August 7th, 2010, see <http://roznava.korzar.sme.sk/c/5496077/zo-socialneho-podniku-tiekli-peniaze-na-sukromne-ucty.html> (in Slovak version).

¹³⁰ Veľkolepý sociálny podnik sa skončil fiaskom (Štátnu dotáciu minuli a narobili dlhy), published in Korzár on June 19th, 2010, see <http://roznava.korzar.sme.sk/c/5429938/velkolepy-socialny-podnik-sa-skoncil-fiaskom.html> (in Slovak version).

¹³¹ *Ibidem.*

*not mention the total of payables and receivables as well, arguing they did not finished the financial statements.*¹³²

However, where is the rest of the money subsidized by the Ministry of Labour, Social Affairs and Family?

*The enterprise was also known due to its overpriced public procurements. For example, it placed orders for the advertising for more than €100,000.00. The enterprise paid generously also for various trainings and consulting. He created only about twenty jobs temporarily, a quarter thereof within the management.*¹³³

*The enterprise had wood-processing and forestry activities and the canteen Dobrá kuchyňa in Rožňava. The subvention was utilized for the purchase of the kitchen and office equipment, cars, forest machinery and caking press for wood briquettes. Great portion of the money was spent not only for the staff wages and overhead costs, but also for consulting, trainings and purchase of services. Allegedly, the enterprise has spent hundreds of thousands for the promotion. It ordered also the cleaning instead of hiring for it the long-term unemployed women, which are hundreds in the Bureau of Labor register of.*¹³⁴

The proof of the „management“ of the EU and national budget funds and of the relations among the people in the background of this social enterprise can be found also in the building on the address Námestie 1. mája 1/104¹³⁵ in Rožňava, where was the Spišsko-gemerský sociálny podnik, n.o. headquarters.¹³⁶

*The building belongs to the company BaMaKo from Poprad, with the lawyer Mr. Jozef Beňo as the only partner. A time ago he had a lawyer office also in Rožňava and he provides legal services also to the ex Member of Parliament from Smer-SD, Mr. Ján Babič. So, it was not casual he had business with the social enterprise. According to well informed sources, Mr. Beňo was Mr. Babič's lawyer at the latter's recent divorce, at his disputes on the hunting ground and also at various different suits. He admitted he knows Mr. Babič, but he did not want to speak about the rest of the issues arguing with the secrecy obligation toward the client. "I will not tell you how much I was paid for the rent. I am a private person. However, I have receivables from the social enterprise and I will recover them," he said. He wants to going on renting the building, but he discarded the kitchen could go on there.*¹³⁷

According to the current extract from the cadastre of real estate, included in the Ownership certificate No. 104 on the plot No. 493, the real estate owner is Mr. Ján Babič, who purchased the building under the purchase contract No. V 372/11 - 623/11.

¹³² Zo sociálneho podniku tiekli peniaze na súkromné účty, Babič tvrdí, že v tom nemá prsty, published in Korzár on August 7th, 2010, see <http://roznava.korzar.sme.sk/c/5496077/zo-socialneho-podniku-tiekli-peniaze-na-sukromne-ucty.html> (in Slovak version).

¹³³ Veľkolepý sociálny podnik sa skončil fiaskom (Štátnu dotáciu minuli a narobili dlhy), published in Korzár on June 19th, 2010, see <http://roznava.korzar.sme.sk/c/5429938/velkolepy-socialny-podnik-sa-skoncil-fiaskom.html> (in Slovak version).

¹³⁴ Zo sociálneho podniku tiekli peniaze na súkromné účty, Babič tvrdí, že v tom nemá prsty, published in Korzár on August 7th, 2010, see <http://roznava.korzar.sme.sk/c/5496077/zo-socialneho-podniku-tiekli-peniaze-na-sukromne-ucty.html> (in Slovak version).

¹³⁵ See <http://www.esf.gov.sk/new/index.php?SMC=1&id=2308> (in Slovak version).

¹³⁶ <http://portal.ives.sk/registre/detailRNO.do?action=uplNy&formular=nazov&id=150094> (in Slovak version).

¹³⁷ Zo sociálneho podniku tiekli peniaze na súkromné účty, Babič tvrdí, že v tom nemá prsty, published in Korzár on August 7th, 2010, see <http://roznava.korzar.sme.sk/c/5496077/zo-socialneho-podniku-tiekli-peniaze-na-sukromne-ucty.html> (in Slovak version).

By the way, according to the mass media information, the social enterprise registered office building renovation was subsidized by the government.¹³⁸

Which is the background of this “social enterprise”? Three persons founded Spišsko-gemerský sociálny podnik, n.o.; Mr. Jozef Sarvaš, a Smer-SD member, was one of them. The people around Rožňava in general know that he is a good friend of the Smer-SD Rožňava district head, thence a Member of Parliament, Mr. Ján Babič. It was right Mr. Babič who was considered to be a “godfather” of Spišsko-gemerský sociálny podnik. The mass media got this confirmed also from two of his partisan fellows - Rožňava's mayor Dr. Laciak and a Member of Parliament Ms. Lea Grečková, who acclaimed proudly to participate in the foundation of Spišsko-gemerský sociálny podnik. And Mr. Babič even behaved as the “godfather” in relation to this social enterprise.

*According to several sources of Korzár, he personally allegedly managed the enterprise till the appearance of troubles with the payments. “He was deciding about each invoice, purchases and everything. The directors were there just to sign his decisions,” said an unnamed source to Korzár. This had to be also the reason of their alteration. Four persons altered on the director's post within less than two years.*¹³⁹

After the Spišsko-gemerský sociálny podnik got into troubles, Mr. Babič stood publicly off its operation.

*Today, Mr. Babič does not acclaim to the enterprise anymore. “I have nothing to do with it. Who said I managed it? This is bunkum. You do not understand it,” he responds today the questions about the enterprise and its assets. He referred to the director, Mr. Ondrej Lešťak.*¹⁴⁰

Firstly, he did not reply the journalist their e-mails and phone calls, and they could find him neither in the enterprise registered office nor at his personal address. Finally, he commented his work in the social enterprise similarly to most of the social enterprises directors after the mass media informed about the strange practices.

*The last director, Mr. Ondrej Lešťak, wants to stay off the enterprise already. “Don't bother me with this!” he replied. He says that when the enterprise entered into the liquidation, it was owing to neither insurance companies nor tax office. “It was the politics what destroyed the enterprise,” he added.*¹⁴¹

It is also noteworthy that Spišsko-gemerský sociálny podnik, n.o., had as much as four directors (the author hereof was able to find the names of three of them) during its short existence (it was founded on November 22nd, 2007 and entered in the liquidation on June 23rd, 2010). The directors of Spišsko-gemerský sociálny podnik, n.o. were, subsequently, Mr. Jaroslav Chanas (already mentioned hereabove, including his link to the ruling Smer-SD), Mr. Peter Erdélyi and Mr. Ondrej Lešťak. According to the information from persons who wish to remain unnamed, the first three left the post

¹³⁸ Veľkolepý sociálny podnik sa skončil fiaskom (Štátnu dotáciu minuli a narobili dlhy), published in Korzár on June 19th, 2010, see <http://roznava.korzar.sme.sk/c/5429938/velkolepy-socialny-podnik-sa-skoncil-fiaskom.html> (in Slovak version).

¹³⁹ *Ibidem.*

¹⁴⁰ *Ibidem.*

¹⁴¹ Zo sociálneho podniku tiekli peniaze na súkromné účty, Babič tvrdí, že v tom nemá prsty, published in Korzár on August 7th, 2010, see <http://roznava.korzar.sme.sk/c/5496077/zo-socialneho-podniku-tiekli-peniaze-na-sukromne-ucty.html> (in Slovak version).

of director when they learned the kind of “business” they were involved in. The fourth one had not time enough to leave since the social enterprise entered in liquidation when he was still (formally) its head.

Here are shown some examples of “publicity” related to Spišsko-gemerský sociálny podnik in the times when it was declared to be the model of the Slovak Government welfare policy supported by the eurofunds:

The ESF General Director intro – “ESF Role in Social Enterprise Activities Management”:

URL: <http://www.esf.gov.sk/new/index.php?id=2310>

Intro of Spišsko-gemerský sociálny podnik, n.o. - “Creation of Social Enterprise and Verification of Its Operation”:

URL: <http://www.esf.gov.sk/new/index.php?id=2311>

A press release from Spišsko-gemerský sociálny podnik, n.o. - “We Gave a Job to 140 Unemployed”:

URL: <http://www.esf.gov.sk/new/index.php?id=2309>

Photo gallery of the conference and the accompanying event:

URL: <http://www.esf.gov.sk/new/index.php?id=2308>

The Beginning of the End for the Model Social Enterprises

In November and December 2009, the European Commission auditors visited Slovakia and audited two from among the eight social enterprises: Arvik in Bardejov and RSP. The audit was aimed to investigate the efficiency of inspection and managing systems at the ESF funds utilization within the framework of the operational programme Employment and Social Inclusion. The audit took place in two phases: from November 23rd to 27th and from December 14th to 18th. The outcome appeared soon. As early as in the middle of January 2010, the European Commission informed about the mistakes at the eurofunds utilization.

*“The audit outcome is known already. The last Friday (on January 8th, 2010), a meeting took place, where the auditors informed Slovak authorities about their point of view and the audit preliminary outcome. The report should be made within two weeks. The report will include all the problems found, including the financial settlement issues,” said for Aktuálne.sk Ms. Carmel Dunne, the Press Secretary of the EC Employment General-Directorate.*¹⁴²

*“The auditors found problems in both social enterprises and the Slovak authorities already informed the European Commission that the Arvik project was cancelled,” said Ms. Chantal Hughes, the spokeswoman of the General-Directorate of Employment, Social Affairs and Equal Opportunities.*¹⁴³

Despite the publication of this information, the Minister of Labour, Social Affairs and Family, Ms. Tomanová, said the auditors did not find important insufficiencies in the social enterprises and she emphasized that EC audited only two from eight of them. But at the same time, she confirmed that

¹⁴² Komisia našla v sociálnych podnikoch fatálne chyby, published by Aktuálne.sk on January 13th, 2010, see <http://aktualne.centrum.sk/ekonomika/slovensko-a-ekonomika/clanek.phtml?id=1199600> (in Slovak version).

¹⁴³ Prvý Tomanovej sociálny podnik skončil, published in SME on January 13th, 2010, see <http://ekonomika.sme.sk/c/5190545/prvy-tomanovej-socialny-podnik-skoncil.html> and <http://tv.sme.sk/va/13558/v-socialnych-podnikoch-sa-nasli-nedostatky.html> (in Slovak version).

as early as in the middle of December 2009, she stopped the funding of Arvik. Both the Minister and the Ministry omitted this fact for as long as one month. Ms. Tomanová did not explain the reasons why the Ministry withdrew the contract; she just made a general statement on the infringement of the contractual terms.

*The Minister Ms. Tomanová withdrew the contract with the model social enterprise Arvik as early as in the middle of December 2009. "In no case this was a decision of the European Commission," she said after the Government session on Wednesday. According to Ms. Tomanová, the Ministry found various insufficiencies in this social enterprise repeatedly and without being eliminated. "I requested the National Labor Inspectorate, Labor Center and tax office to carry out an audit; also I requested the participation of the Office for Combating the Corruption since the European funds are concerned," said the Minister. As he added, she withdrew the contract since the social enterprise infringed the contractual terms.*¹⁴⁴

The auditors came to Slovakia neither haphazardly nor due to the call of Slovak Government. Slovak Governance Institute (SGI) was the one who sent a request to the Commission. SGI had a suspicion that Slovakia paid unauthorized €26.56 million from the eurofunds for the support of the social enterprises and subsidized these non-profit organizations in principal contradiction with the European rules on state aid.

In January 2010, while the Minister pretended there are no serious insufficiencies, the Ministry of Finance, which is the certifying authority for the eurofunds utilization, had different opinion on the issue. As early as from July 2009, they refused to refund some of the expenses of the model social enterprises. Till December 2009, they refunded only for three from among the eight model enterprises.

*The Ministry of Finance released to Brussels only three invoices with the social enterprises expenditures. "These were the only expenses to be paid by the EC. The Ministry of Finance stopped anything else," said Mr. Beblavý. In one case, there was a negligible invoiced amount, and the expenses of the other two social enterprises were audited by the Commission. Thus, the certified expenses to be refunded by the EC are equal to €365,143.00. According to the Ministry of Labour, €10.8 million of the total possible claim of €26.5 million for the social enterprises costs were paid up to now.*¹⁴⁵

Expenditures Approved by Ministry of Finance

The following are the certified expenditures of the social enterprises included in the applications for current refunding by the European Commission (all co-financing sources):

- HSP: € 156.00
- RSP: € 19,936.00
- ARVIK: €345,051.00

¹⁴⁴ Tomanová odmieta kritiku sociálnych podnikov, published by SITA on January 14th, 2010, see <http://openiazoch.zoznam.sk/cl/87798/Tomanova-odmieta-kritiku-socialnych-podnikov> (in Slovak version).

¹⁴⁵ Komisia našla v sociálnych podnikoch fatálne chyby, published by Aktuálne.sk on January 13th, 2010, see <http://aktualne.centrum.sk/ekonomika/slovensko-a-ekonomika/clanek.phtml?id=1199600> (in Slovak version).

*Note: The EC may refund 85% from these amounts. €0.00 is specified for the remaining five social enterprises.*¹⁴⁶

According to Mr. Miroslav Beblavý from SGI, who worked as the Deputy Minister of Labour, Social Affairs and Family between 2002 and 2006, the EC was interested in two enterprises only just because even the Slovak Ministry of Finance did not release to Brussels the refunding applications of the remaining of them.

With regard to Arvik in Bardejov, one more event should be reminded, although mentioned hereabove already. In October 2009, the General Director of the public Slovenská televízia (STV), Mr. Štefan Nižňanský, stopped the finalized program Reportéri, which included also a report about Arvik. He released the report after two weeks only, and with his own comment. Subsequently, he disciplined the report author, Ms. Martina Kubániová.

Moreover to the fact the case of social enterprises is an absolute example of partisan clientelism and of the attempt to misuse the public funds (either from EU or from national budget), it also proves the political pressure on public (or, better said, government-owned) mass media aimed in order to restrict an independent investigative journalism.

On the other side, this case demonstrates the importance of NGOs for the survey of public funds utilization – due to the important contribution of SGI while stopping the inefficient spending of both Slovak and EU sources. This applies mainly in the situation, when the politicians arisen from democratic elections, whose task is to supervise the efficient utilization of public funds, are not only fulfilling this task, but even they are trying, till the last moment, to cover the troubles.

The Minister Mr. Viera Tomanová refused the statements about principal insufficiencies found by the EC auditors during their last inspections in the social enterprises in Slovakia. ...

*“I know these primary opinions of the auditors. They concluded there are no principal mistakes in the national projects,” said the Ministry of Labour, Social Affairs and Family after the today's Government session . However, she admitted the Commission found some insufficiencies. But she did not want to specify these as there was a consultation procedure pending between Slovakia and the EC. “Perhaps there will be some specific and definitive version of recommendations and conclusions within nine weeks,” she said. She also reminded that the Commission audited only two from among the eight enterprises.*¹⁴⁷

*The Minister thinks it is too early for the evaluation of the social enterprises. „No social enterprise has made the financial statements for one single year as the public procurement was long and difficult. They started to work as late as in 2009 and they will close the accounting year just in January,” concluded the Minister.*¹⁴⁸

¹⁴⁶ Prvý Tomanovej sociálny podnik skončil, published in SME on January 13th, 2010, see

<http://ekonomika.sme.sk/c/5190545/prvy-tomanovej-socialny-podnik-skoncil.html> (in Slovak version).

¹⁴⁷ Tomanová: Audítori z EK nezistili zásadné chyby v sociálnych podnikoch, published by TASR on January 13th, 2010, see <http://www.euractiv.sk/socialna-politika/clanok/socialne-tomanova-auditori-z-ek-nezistili-zasadne-chyby-v-socialnych-podnikoch> (in Slovak version).

¹⁴⁸ Sociálne podniky sú ako nástenkový tender. Pridrahé, published in aktualne.sk on January 13th, 2010, see <http://aktualne.centrum.sk/ekonomika/slovensko-a-ekonomika/clanek.phtml?id=1197296> (in Slovak version).

What Did the European Commission Audit Report Find Out?

On his website, Mr. Miroslav Beblavý from SGI published the EC (DG Employment) report on audit of systems of the operational programme Employment and Social Inclusion as of March 1st, 2010. The most interesting statements are shown hereunder.

In its letter to the managing body (note of the author: to the Ministry of Labour, Social Affairs and Family) dated on July 22nd, 2009, the certifying body (note of the author: the Ministry of Finance) refused to certify an important part of the claimed expenses of the social enterprises due to serious findings related to the rightfulness of the expenses. There were also worrisome findings about the level of the personal expenses, expenses duplicity and state aid determination. The data gathering for this audit (November 2009) did not deal with these serious and urgent questions (p. 16).

„The finding affects the funds totaling €25,052,318.46 (the total of the contractual support for the social enterprises).“ (p. 19)

„The aid allocated to the visited social enterprises does not meet the conditions of lawfulness and of the appropriate utilization of the funds. Thus it is recommended to cancel the funding of the social enterprises and enforced the return of any downpayments and refunds.“ (p. 22)

WE recommend to Slovak authorities to verify the state aid terms applicable for grants to other social enterprises and to make financial corrections wherever the state aid rules were not met. (p. 22)

Audit in ARVIK: The audit team disclosed indications of serious fraud while working on site. Agreements between social enterprise and another business entities were found as far as the deliveries, technology, process engineering, sales and staff concerns, with potentially unfair trading. National authorities confirmed the substance of the findings during their subsequent inspection activities. Therefore, the managing authority cancelled the project and initiated the inevitable penal procedure. (p. 26)

RSP audit: Public procurement mistakes were disclosed in the assets purchase since the contract values exceeded the Community (note of the author: European Union) limits. The national “under-limit” procedure was used repeatedly although the competence level is not sufficient therein. Also a case of illegal assignation of public procurement awarding was disclosed. (p. 27 – 28).¹⁴⁹

Will European Commission Refund the Expenses of Model Social Enterprises?

Only during this phase of the case, the possibility was mentioned for the first time that the EC will not refund part of the money totaling €26.5 million, allocated from ESF for the eight model social enterprises. Something similar happened already in Slovakia, in other case related to nontransparent and inefficient utilization of eurofunds or to the attempt of their misuse known as the “wall-board tender”.

¹⁴⁹ AUDIT: Predbežná správa Európskej komisie o kontrole sociálnych podnikov, Draft Systems Adit report for 2007SK05UP002 - Employment and Social Inclusion, A-Rep No <2009 - 1054>, on <http://www.beblavy.sk/2010/03/audit-predbezna-sprava-europskej-komisie-o-kontrole-socialnych-podnikov/>

According to the Ministry of Labour, Social Affairs and Family, already 30% of the costs of the model social enterprises from the total possible claim of €26.5 million were already refunded in the time of the EC audit. 85% of these should be refunded by the EC from the eurofunds.

The reason should be the social enterprises subsidizing, which can be evaluated by Brussels as unauthorized state aid since the social enterprises are active in the business. Except one of the enterprises, they should receive almost €3.3 million each.

„Our findings indicate that this aid took place in controversy with the European law. If this is confirmed, these expenses will become unauthorized expenses from the structural funds,“ said Mr. Beblavý from SGI.¹⁵⁰

However, the Ministry kept stating that everything is OK and in accordance with the EU rules.

The Ministry is discarding such scenario. According to the General Director of the ESF section Mr. Juraj Ťapák, the threat of unauthorized state aid was eliminated at the very beginning, when the terms of social enterprises business were set. He affirms these are non profit organizations and therefore the possibility of unauthorized state aid shall not apply.¹⁵¹

Moreover, the information is leaking to public that the problems appeared not only in the model social enterprises, but also in the eurofunds management system of the Ministry of Labour, Social Affairs and Family.

The EC allegedly found serious insufficiencies in the general management of the model social enterprises projects by the Ministry as well as in both audited social enterprises. This implies from informal information about the EC audit outcome given to the SITA press agency by SGI.¹⁵²

In addition, information was published that, unlike the Ministry of Labour, Social Affairs and Family, the Ministry of Finance was aware of the problems with the rightfulness of the expenses of the model social enterprises.

At the same time, the former has available confirmed information, according to which also the latter, as the certifying authority, is refusing to refund the model social enterprises expenses from July 2009 already. „Therefore, there is very high risk already today, that EU will refund nothing, or jus a small portion of the model social enterprises project. Thus it is likely that the millions of euros already paid by the Ministry will bear the Slovak taxpayers,“ affirms the Institute.¹⁵³

According to the data sent from the Ministry to SGI, the last money were assigned to the social enterprises in October 2009. Approximately €10 million, already paid to the enterprises, came from the national budget. The Ministry of Labour sent the applications for refunding of €300,000.00 only.¹⁵⁴

¹⁵⁰ Sociálne podniky môžu skončiť ako nástenkový tender, published by aktualne.sk on November 27th, 2009, on <http://aktualne.centrum.sk/ekonomika/slovensko-a-ekonomika/clanek.phtml?id=1196311>

¹⁵¹ *Ibidem.*

¹⁵² Tomanová odmieta kritiku sociálnych podnikov, published by SITA on January 14th, 2010, see <http://openiazoch.zoznam.sk/cl/87798/Tomanova-odmieta-kritiku-socialnych-podnikov> (in Slovak version).

¹⁵³ *Ibidem.*

¹⁵⁴ Počiatok kontroluje Tomanovej sociálne podniky, published in SME on February 3rd, 2010, Ministerstvo financií poslalo do pilotných sociálnych podnikov kontrolu, see <http://ekonomika.sme.sk/c/5222311/pociatek-kontroluje-tomanovej-socialne-podniky.html> (in Slovak version).

Also the opposition Members of Parliament were interested about the case. However, also they were told by the Minister there is no fear that Slovakia might repeatedly not get the eurofunds money.

*The Members of Parliament asked the Minister to guarantee the model social enterprises will not end the same way as the wall-board tender. “The Minister said despite some problems that may appear in some enterprises, in the overall framework, such scenario is not real,” said Mr. Iván Farkas, a Member of Parliament from SMK.*¹⁵⁵

*Ms. Tomanová refuses the affirmation that the money spent for model social enterprises will never be refunded from the ESF. “As far as the social enterprises concerns, nobody ever decided not to refund anything from ESF,” she said on her Thursday briefing. She opines the social enterprises are a legitimate tool within the operational programme Employment and Social Inclusion. “It is not true that Brussels said no to this project,” said Ms. Tomanová. And also, nobody found any fatal failure in this operational programme, she continued. According to Ms. Tomanová, the EC auditors inspected only two from eight model social enterprises. „The auditors concluded certain insufficiencies, however, only verbally, with no recommendations adopted,” said the Minister.*¹⁵⁶

Illegal State Aid?

The discussion on social enterprises took also another dimension: the issue of the legitimacy of the state aid received by the social enterprises.

*The state aid can be legal only if provided in accordance with the European law or if authorized by the EC. „The aid for model social enterprises does not meet either of these conditions. The EC did not approve such aid for the social enterprises and the grants are not in accordance with the existing rules of the state aid. The EU rules does not permit the financing of any business in the market up to 85% of its costs. The Ministry pretends not to know the social enterprises are active in the business,” explains Mr. Beblavý. He thinks the government subsidizes an entity which is an artificial competitor of others, thus damaging the economy and the employment instead of helping them.*¹⁵⁷

*As he emphasized, for the EC is not crucial the legal form of the subject, since the social enterprises are non-profit organizations, but whether it generates unfair competition or not. Mr. Beblavý says the Ministry admitted its error indirectly in the case of municipal social enterprises. “So the Ministry set the support to another non-model social enterprises in less generous manner, which was not contrary to the EU terms,” states SGI.*¹⁵⁸

Ms. Tomanová says the Ministry is not obliged to ask for an exemption for the state aid. „Such exemption is already constituted pursuant the EC Regulation and written therein,” said Ms. Tomanová. However, she did not deny, immediately after, that in some cases errors might occur related with unauthorized state aid. “If we find out some activity might be considered as state aid, we

¹⁵⁵ Sociálne podniky sú ako nástenkový tender. Pridrahé, published by aktualne.sk on January 13th, 2010, see <http://aktualne.centrum.sk/ekonomika/slovensko-a-ekonomika/clanek.phtml?id=1197296> (in Slovak version).

¹⁵⁶ Tomanová odmieta kritiku sociálnych podnikov, published by SITA on January 14th, 2010, see <http://openiazoch.zoznam.sk/cl/87798/Tomanova-odmieta-kritiku-socialnych-podnikov> (in Slovak version).

¹⁵⁷ Sociálne podniky môžu skončiť ako nástenkový tender, published by aktualne.sk on November 27th, 2009, see <http://aktualne.centrum.sk/ekonomika/slovensko-a-ekonomika/clanek.phtml?id=1196311> (in Slovak version).

¹⁵⁸ *Ibidem.*

will make corrections. The Ministry of Labour will be uncompromising. If anyone errs, we will withdraw the contract,” promised Ms. Tomanová.¹⁵⁹

Despite of apparent insufficiencies found by the EC auditors, she has proven absolute misunderstanding of the issue:

„The auditors themselves admitted the tool of social enterprises as a legitimate one; it is written in the operational programme,” emphasized Ms. Tomanová. Thus she does not see any reason why the EC might liquidate them.¹⁶⁰

However, the problem was not the proper existence of the social enterprises, but mainly the rules infringement while financing the projects from the eurofunds. And neither auditors nor the EC were interested in the social enterprises liquidation, but just in the observance of the EU rules while utilizing the eurofunds and in non refunding of the expenses not adhering to these rules.

When the Slovak Authorities Wake Up

Despite these findings, the Slovak Government and its Prime Minister adopted the position of the „dead bug“ and eventually tried to cover the whole issue.

At the end of January 2010, the Prime Minister's Press Director “explained“ what is happening around the social enterprises. Mr. Braňo Ondruš said that Mr. Miroslav Beblavý “for longer time already, is dealing with Brussels in order to disrepute the Slovak project of the social enterprises”. In Brussels, they were glad to accept his lobbying, because “also in the EC structures, it is about politics“, and also there you can find people who are helping “the friend in Bratislava“.¹⁶¹

However, at the end of January 2010, the Ministry of finance woke up and started financial audit in the model social enterprises.

The head of the municipal social enterprise and mayor of Krompachy in one person, Ms. Iveta Rušinová, says she had to submit all the social enterprise documents to two auditors from the Ministry of Finance. She says the audit is running one week already. Mr. Vojtech Paluš, the RSP Director, says this should end not earlier than in March. „They check everything, up to the last detail,“ said Mr. Paluš. He compared the audit of the Ministry of Finance with the EC audit, which took place in the social enterprise in December. The audit in Spišsko-gemerský sociálny podnik was also confirmed by its head Mr. Ondrej Lešták.¹⁶²

However, the initiative was not of the Ministry of Finance; they just responded to the EC request.

¹⁵⁹ Sociálne podniky sú ako nástenkový tender. Pridrahé, published by aktualne.sk on January 13th, 2010, see <http://aktualne.centrum.sk/ekonomika/slovensko-a-ekonomika/clanek.phtml?id=1197296> (in Slovak version).

¹⁶⁰ Tomanová: Audítori z EK nezistili zásadné chyby v sociálnych podnikách, published by TASR on January 13th, 2010, see <http://www.euractiv.sk/socialna-politika/clanok/socialne-tomanova-auditori-z-ek-nezistili-zasadne-chyby-v-socialnych-podnikoch> (in Slovak version).

¹⁶¹ Tomanová ako Štefanov, published in SME on February 4th, 2010, see <http://komentare.sme.sk/c/5225354/tomanova-ako-stefanov.html> (in Slovak version).

¹⁶² Počiatok kontroluje Tomanovej sociálne podniky, published in SME on February 3rd, 2010, Ministerstvo financií poslalo do pilotných sociálnych podnikov kontrolu, see <http://ekonomika.sme.sk/c/5222311/pociatek-kontroluje-tomanovej-socialne-podniky.html> (in Slovak version).

*Yesterday, the Commission announced it requested the Ministry of Finance to perform the audit of those social enterprises, which are still operated. „We want to be sure the expenses declared by the other social enterprises are legal, regular and qualified,“ explained the Commission.*¹⁶³

Despite that, both the Ministry of Labour, Social Affairs and Family and its Minister, kept on with their ostrich policy of putting the head into the sand even in front of the Members of Parliament also at the beginning of February 2010.

*Yesterday, the Minister Ms. Viera Tomanová had to explain the doubts related to the funding and political links of Smer-SD to some model social enterprises at the parliamentary committee. She was ordered to do so by the members of the Parliament Social Affairs Committee. However, Ms. Tomanová avoided the explication on model social enterprises operation yesterday. She simply did not arrived to the Committee session. The reason should consist in her disease. Her partisan fellow Ms. Jana Vaľová said she had problems with blood pressure and had to undergo a medical check. Despite that, the Minister was submitting several drafts of welfare laws in the Parliament session already in the afternoon. Ms. Tomanová even did not mention to her Deputy Minister, Ms. Emília Kršíková, that the Members of Parliament might ask her about the social enterprise operation. “I did not think there might be specific questions about social enterprises,“ responded Ms. Kršíková on the Committee session.*¹⁶⁴

The break point came as late as in March 2010.

*The Ministry of Labour accepted the EC objections related to the activities of the eight model social enterprises. Right due to this it is likely Slovakia will not be refunded more than €11 million, which were paid from the national budget to the enterprises. The EC reproached to the Ministry mainly the infringement of the state aid rules. Therefore, the Ministry sent a letter to all eight social enterprises on March 23rd. The TREND weekly magazine has the copy of the letter. In the letter the Ministry recommends the activities the social enterprises should do in order to be in accordance with the European rules.*¹⁶⁵

*This letter, signed by the General Director of the ESF Management Section Mr. Juraj Ťapák, demonstrates the Ministry was trying to extend the deadlines and adjust the enterprises operation in a manner allowing both Ministry of Finance and Brussels to refund their operation finally. “We make this recommendation since the management authority is seeking for the possibilities of coverage of the period with payments suspended by the certifying body, the Ministry of Finance, till the solution of the conflicting questions arisen from the mentioned audits, mainly in the issue of impediment of the competition by the mean of the state aid“.*¹⁶⁶

As recommended, the enterprises should train only their staff and the staff of their partners. The enterprise activities should be aimed to local issues and should follow the public interest. „The

¹⁶³ Čaká sa, koľko zo sociálnych podnikov Brusel preplatí, published in SME on February 5th, 2010, see <http://ekonomika.sme.sk/c/5225746/caka-sa-koľko-zo-socialnych-podnikov-brusel-preplati.html> (in Slovak version).

¹⁶⁴ Počiatok kontroluje Tomanovej sociálne podniky, published in SME on February 3rd, 2010, Ministerstvo financií poslalo do pilotných sociálnych podnikov kontrolu, see <http://ekonomika.sme.sk/c/5222311/pociatek-kontroluje-tomanovej-socialne-podniky.html> (in Slovak version).

¹⁶⁵ Tomanová hasí blamáž sociálnych podnikov, published by etrend.sk on April 7th, 2010 Ministerstvo práce poslalo pilotným podnikom list s odporúčaniami ako prežiť audit Bruselu, dostupné na adrese <http://ekonomika.etrend.sk/ekonomika-slovensko/tomanova-hasi-blamaz-v-socialnych-podnikoch.html> (in Slovak version).

¹⁶⁶ *Ibidem.*

activities provided by the model social enterprise shall be set in a manner not exceeding the local market. At the same time, the municipal social enterprise activities outcome shall aim towards the coverage of the municipality and its inhabitants demand,” wrote the Ministry and gives specific examples as well. The enterprise might establish a barber shop provided there is none in the municipality. Otherwise, this should be the competition infringement since the social enterprise barber shop would have an advantage to its competitors due to the state subsidy.¹⁶⁷

According to Mr. Jozef Sendek, a statutory of Arvik, which the Ministry terminated the contract with, these recommendations are not realistic. “Which bigger municipality has no barber shop?” asks Mr. Sendek. The following are the other recommended activities: folk arts, canteens, nursing services, radio and TV broadcasting or potable water supply for the inhabitants.¹⁶⁸

The directors of the social enterprises should consider these recommendations as “temporary, till the end of the mentioned audits”. After that, the “affairs” should be set in a manner allowing the funding of the welfare activities. TREND wanted to know what the ESF Section meant under the “affairs” and what should do those enterprises, which, with the Ministry approval, purchased expensive manufacturing technology, e.g. for the fabrication of wooden pallets, and now they are required to modify their activities. However, Mr. Ľapák is on an abroad work trip now. The Inspection and Monitoring Department Director of the ESF Section, Mr. Zdenko Božanský, did not want to express about the letter until the audit is finished.¹⁶⁹

After the publishing of certain information from the EC auditors' preliminary report on strange practices in the model social enterprises, the Minister Ms. Tomanová sent her own inspectors to the social enterprises in April 2010 and tried to challenge the findings of the euroauditors.

After the Ministry audit in RSP, they question the findings of the EC about the material and personal links of RSP with its customer. According to the EC findings, the enterprise head, Mr. Vojtech Paluš, is a member of the Board of Directors in Gemstav, a company renting the grounds to the enterprise. He is also linked to the company GOLDEN WOOD, the main customer purchasing the RSP products. “The current inspection findings did not confirm the problem,” said Mr. Stučka. He did not explain how this is possible, when the on-line companys' register does confirm these findings. The Ministry will not discuss further „on specific questions indicated by the audit since the audit is not over,” he said.¹⁷⁰

In this case, the standard procedure was that the enterprise director Mr. Paluš was not willing to communicate by phone with the journalists. He asked them to send their question via e-mail, but he never replied them.

By the way, the EC audit report states that the RSP application for refunding of the amount of €8,533.00 to Gemstav for the facilities renting, is not rightful since no training took place there at that time.¹⁷¹

¹⁶⁷ *Ibidem.*

¹⁶⁸ *Ibidem.*

¹⁶⁹ *Ibidem.*

¹⁷⁰ Tomanová verí sociálnemu podniku poslankyne Vaľovej, published in SME on April 21st, 2010, see <http://ekonomika.sme.sk/c/5338534/tomanova-veri-socialnemu-podniku-poslankyne-valovej.html> (in Slovak version).

¹⁷¹ AUDIT: Predbežná správa Európskej komisie o kontrole sociálnych podnikov, Draft Systems Audit report for 2007SK05UP002 - Employment and Social Inclusion A-Rep No <2009 - 1054>, dostupné na adrese <http://www.beblavy.sk/2010/03/audit-predbezna-sprava-europskej-komisie-o-kontrole-socialnych-podnikov/>

One more interesting information appeared with regard to the inspection of the Ministry of Labour, Social Affairs and Family in the model social enterprises.

Ms. Tomanová sent the inspectors only to five enterprises from the seven. The inspection took place in HSP, VSP, RSP, GSP and Spišskogemerský sociálny podnik. However, while searching for the potential insufficiencies. Ms. Tomanová evaded the municipal social enterprise in Krompachy and the Agentúra rozvoja Slovenska – Východ in Humenné. Why? “Because in these two, the findings subject to the last inspection could not be indicated even theoretically,” said Mr. Stučka.¹⁷²

The Krompachy social enterprise was really outstanding among the eight social enterprises. First of all, unlike the other seven, which received more than €3 million each, this one received something more than €1 million only. The municipality founded the enterprise and no link with any of the politicians or parties was found; there was accusation of neither clientelism nor suspicious public procurements.

However, Agentúra rozvoja Slovenska – Východ was associated, since the very beginning of the model social enterprises, with Ms. Jana Vaľová, a Member of Parliament from Smer-SD, who is, according to the mass media, a friend of the Minister Ms. Tomanová. But even Agentúra rozvoja Slovenska – Východ did not escape the fate of all remaining model social enterprises.

“The Ministry carried out several inspections and audits in this social enterprise. The model project ended by the agreement as of June 30th, 2010.”¹⁷³

Penal Prosecution and Debts Recovery

The same management of the Ministry of Labour, Social Affairs and Family, which started solemnly the project of the model social enterprises in 2008, started to write the epilogue of the case of the model social enterprises.

Perhaps the Ministry managed by Ms. Tomanová (Smer-SD) will have a lawsuit with Arvik, its former social enterprise from Bardejov. Although the Ministry cancelled the enterprise in December 2009, but till that time the enterprise, as one of the eight models, was donated more than €311,000.00 from the national budget and €1.76 million from the eurofunds. Now, the Ministry claims the money back. “The Ministry prefers extrajudicial agreement. However, if this remains without due response, we will demand our claim by judicial procedures,” said the Ministry spokesman, Mr. Stučka, for HN. He did not say whether they will claim the whole amount or only a part thereof. The Arvik “real possibilities to return the money” are unclear.¹⁷⁴

While the Ministry of Labour, Social Affairs and Family was attempting to get the money from Arvik back, the remaining social enterprises were still applying for their expenses refunding.

¹⁷² Tomanová verí sociálnemu podniku poslankyne Vaľovej, published in SME on April 21st, 2010, see <http://ekonomika.sme.sk/c/5338534/tomanova-veri-socialnemu-podniku-poslankyne-valovej.html> (in Slovak version).

¹⁷³ Sociálny podnik po sebe zanechal nedokončenú stavbu, published in Korzár on February 8th, 2011, see <http://humenne.korzar.sme.sk/c/5756064/socialny-podnik-po-sebe-zanechal-nedokoncenu-stavbu.html> (in Slovak version).

¹⁷⁴ Zrušený pilot Arvik smeruje na súd, published in Hospodárske noviny on April 8th, 2010, see http://finweb.hnonline.sk/2-42304580-kp0000_d-45 (in Slovak version).

“We ask for the investigation of the rightfulness of the social enterprises costs. They bring different invoices to us, and we want to investigate their rightfulness. It is not quite normal to refund an invoice for, said unadeptly, incredibly overpriced services,” emphasized the new Minister of Labour Mr. Jozef Mihál (SaS) for TASR. The enterprises started to work under his predecessor, Ms. Viera Tomanová (Smer-SD). However, their support from both eurofunds and national budget was stopped definitely in the middle of June 2010. However, the enterprises are entitled to refund the costs incurred till that time. “One thing is their correct recording, reporting etc. This is issue of the culture of habits as such. The other thing is the material rightfulness of the expenses,” stressed Mr. Mihál. Currently, the enterprises are subject to investigation of a law office and independent auditors. After they will finish, the Ministry intends to publish all the conclusions of these inspections regardless to their outcome. „Everything what we can. Everything, which is not prohibited, is permitted; pursuant to this affirmation, we will publish everything, what is possible to publish,” said Mr. Mihál.¹⁷⁵

After the assignation of the Ministry new management after the elections in June 2010, the things moved pretty well.

The Ministry of Labour, Social Affairs and Family has a suspicion of crimes occurred with regard to the model projects operation of the social enterprises, which were founded with the support of the former government. Therefore today, on September 2010, the Ministry asked the Special Public Prosecution Office to investigate all the related circumstances. At the same time, the Deputy Minister, Ms. Lucia Nicholson, informed the Police Corps President, Mr. Jaroslav Spišiak, about the case. He promised the maximum coordination of the Police while investigating the suspicious enterprises.¹⁷⁶

“The state aid and competition rules were infringed. We will ask all the paid money back. All contracts with social enterprises were signed illicitly,” said the Deputy Minister Ms. Nicholson.¹⁷⁷ The Ministry will claim the €10.8 million paid to the social enterprises within their bankruptcy procedures or restructuring. As Ms. Nicholson said, already now it is clear that most of this money will not be recovered.

Four from eight enterprises ended their business; the Ministry signed withdrawal agreements with the remaining four shortly before the elections. These contracts include the Ministry obligation to refund from the national budget all the operative expenses of the social enterprise. This means €5 million approximately. The ex minister Ms. Tomanová as the former top representative of the Ministry is liable for this case. Slovakia suffered international shame due to Ms. Tomanová's mandate contracts, also financed from the eurofunds as well as due to her case of the social enterprises.¹⁷⁸

“Brussels will not refund a single penny for the social enterprises anymore,” concluded Ms. Nicholson in the press conference and affirmed that all the amounts should be borne by the national budget.¹⁷⁹

It took more than one year to move the things ahead.

¹⁷⁵ Mihál: Sociálne podniky nás môžu stať milióny, published in SME on July 20th, 2010, see <http://ekonomika.sme.sk/c/5472638/mihal-socialne-podniky-nas-mozu-stat-miliony.html> (in Slovak version).

¹⁷⁶ Podnet na špeciálnu prokuratúru pre sociálne podniky tlačová správa Ministerstva práce, sociálnych vecí a rodiny SR, published on September 30th, 2010, see <http://www1.employment.gov.sk/index.php?SMC=1&mod=press&pid=425> (in Slovak version).

¹⁷⁷ *Ibidem.*

¹⁷⁸ *Ibidem.*

¹⁷⁹ TV 13 brala od sociálnych podnikov desaťtisíce eur, published on BBonline.sk on September 30th, 2010, see <http://bbonline.sk/tv-13-brala-od-socialnych-podnikov-desattisice-eur/> (in Slovak version).

Based on the criminal complaint submitted by the Deputy Minister Ms. Nicholson, the Office for Combating the Corruption of the Police Corps Presidium initiated the penal prosecution in the case of four of the social enterprises of Ms. Tomanová. These enterprises caused that the Slovak Republic faces the EÚ sanctions. The penal prosecution (note of author: for the crime of damaging the financial interests of the EU) was started by the Police in relation to the grants paid to Arvik, GSP, RSP and HSP. “We were able to provide exact data and proofs on these enterprises; therefore, the Police could start to act. We still work on the proofs also against the remaining enterprises,” said the Deputy Minister.¹⁸⁰

Also the ex minister Ms. Tomanová, who stood behind the foundation of the model social enterprises and advocated their existence and activities almost to the end, responded to the information on the penal prosecution.

“The Ministry representatives are prattling and lying. The penal prosecution did not started on the base of Ms. Nicholson's criminal complaint; it started on the base of the criminal complaint I submitted for specific findings,” responded Ms. Tomanová. She thinks the Ministry notice on the penal prosecution constitutes the abuse of government body within the pre-election campaign for political purposes and hunt for her.¹⁸¹

The Ministry new management started to act after the elections in order to ensure that at least part of the money paid to the model social enterprises would return to the national budget since various of the social enterprises got bankrupted or liquidated.

For three social enterprises (GSP, RSP and Arvik), the tribunals approved the proposals of the Ministry related to the emission of injunctive reliefs. Based thereon, the tribunal prohibited these social enterprises the management of their assets. At the same time, the Ministry filed suits against these social enterprises demanding the return of the illegally obtained unreturnable financial contributions. In the case of RSP, the District Court in Revúca issued the payment order already. This obligates the enterprise to return the contribution.¹⁸²

HSP, willing to bankrupt voluntarily, owes thousands of euros to the insurance agencies for the levies paid in behalf of its staff. It should pay €15,566.00 to Sociálna poisťovňa. Also two of the health insurance agencies, Dôvera and Union, register the HSP among their debtors, but they do not publish the specific amounts. Based on the proper HSP proposal, the District Court in Banská Bystrica initiated the related bankruptcy procedure. The Court resolution of its initiation entered in force today.¹⁸³

As the HSP Director Mr. Ivan Murín said for TASR, there were several reasons to undergo the bankruptcy procedure against his enterprise. The main reason consisted in the cancellation of the contract with the Ministry of Labour, despite the enterprise written proposal for the review of this

¹⁸⁰ V kauze Tomanovej sociálnych podnikov sa začalo trestné stíhanie, published on November 18th, 2011, see <http://www.employment.gov.sk/v-kauze-tomanovej-socialnych-podnikov-sa-zacalo-trestne-stihanie.html> (in Slovak version).

¹⁸¹ V kauze Tomanovej sociálnych podnikov sa začalo trestné stíhanie, published in/by Pravda/TASR on November 18th, 2011, see http://spravy.pravda.sk/v-kauze-tomanovej-socialnych-podnikov-sa-zacalo-trestne-stihanie-p9o-sk_domace.asp?c=A111118_164348_sk_domace_p58 (in Slovak version).

¹⁸² Odpočet MPSVR SR - Prvý rok po voľbách, see <http://www.employment.gov.sk/index.php?id=21250> (in Slovak version).

¹⁸³ Mihál: Sociálne podniky nás môžu stať milióny, published in SME on July 20th, 2010, see <http://ekonomika.sme.sk/c/5472638/mihal-socialne-podniky-nas-mozu-stat-miliony.html> (in Slovak version).

*decision. Without the continuing funding from the Ministry, the enterprise could not work further. Mr. Murín said also that the funding was very oscillating in the time course. The unresolved issues between Slovakia and ESF caused the company did not receive any funds as long as from the September of the past year. These were suspended within the negotiations related to the problems with the models financing. Mr. Murín said the debts to creditors arose due to capital lack; the settlement of these debts was impossible in such situation. Since there are several creditors, the Ministry claimed the return of the entire amount invested into the enterprise. However, HSP has no money.*¹⁸⁴

One year after the elections, the Ministry of Labour, Social Affairs and Family informed about the progress and successes in the cases of the model social enterprises.

There is a bankruptcy procedure in HSP; the District Court of Banská Bystrica recognized the Ministry as a creditor with its account receivable application included in the procedure.

*Also for Spišsko-gemerský sociálny podnik, the bankruptcy procedure has been initiated and the Ministry shall submit the account receivable application therein. In VSP case, the draft for the bankruptcy procedure initiation is under way.*¹⁸⁵

So the government is trying to recover the paid money. How likely is it succeeds? As shown herein, most of the fund obtained by the social enterprises were spent on high remunerations of the supervisory boards members and advisers, overpriced educational services, expensive spots in regional TVs, monitoring, high rents for the facilities or their renewal. The government will recover none of this.

Part of the money was utilized for the technology purchase, mainly for the wood processing machinery. This investment value decreased in the meantime. And moreover, we do not know whether some of these assets did not changed their owners under such strange circumstance as it happened in case of the Spišsko-gemerský sociálny podnik registered office building. For example, another of the model social enterprises – Agentúra rozvoja Slovensko – Východ, seated in Humenné, had to invest important amount in the building of Daily station for OAPs in Kamenica nad Cirochou.

*A Member of Parliament from Smer-SD, Ms. Jana Vaľová, informed the mass media about the Daily station project in Kamenica nad Cirochou in Humenné at the end of January 2009. Currently, she is the mayor of Humenné.*¹⁸⁶

The ex managing director of Agentúra Rozvoja Slovensko – Východ, Mr. Slavomír Rusinko (also from Smer-SD), who worked in the office till the end of December 2010, already did not acclaimed the project too loudly.

*„The model project was established on June 1st, 2008. I came in as late as in December 2008,“ he responded. „The works on the Daily station were stopped as of April 1st, 2009, due to the funding suspension by the Ministry of Labour,“ explained Mr. Rusinko.*¹⁸⁷

¹⁸⁴ *Ibidem.*

¹⁸⁵ Odpočet MPSVR SR - Prvý rok po voľbách, see <http://www.employment.gov.sk/index.php?id=21250> (in Slovak version).

¹⁸⁶ Sociálny podnik po sebe zanechal nedokončenú stavbu, published in Korzár on February 8th, 2011, see <http://humenne.korzar.sme.sk/c/5756064/socialny-podnik-po-sebe-zanechal-nedokoncenu-stavbu.html> (in Slovak version).

¹⁸⁷ *Ibidem.*

The building works have been interrupted even before the shell has been finished. The building value should be around €750,000.00. The amount already spent by the social enterprise from the Ministry funding is not clear. It is also not clear whether the unfinished shell could be sold in a manner allowing the Ministry to recover a part of the money at least.

Final Invoice

The social enterprises had to bring the jobs to the hunger valleys and to feed the poor. This virtuous goal caused the spending of almost €11 million (about SKK 330 million). Whom this huge amount helped to? "Certainly not to us, the grass roots," said Ms. Vlasta Homolová from Závadka nad Hronom. "I worked in HSP and from the beginning, I knew this is not about poor people. They gave the money to anybody, but we the workers were paid only the first salary in time. All the following were delayed two or three months, and at the end they ceased to pay them at all. I have two children and I had to borrow money in order to feed them. It was not simple, but we had to be silent. The Director ordered each employee of the social enterprise to sign the secrecy agreement."¹⁸⁸

So how much the entire case did cost the European and Slovak taxpayers?

Up to now, the government has paid €11.3 million to the model social enterprises. This is the amount the Ministry of Finance confirmed to SGI. As much as 85% of this amount had to be refunded from the eurofunds. But apparently, this is not going to happen. The Ministry of Labour passed to the Ministry of Finance the expenses worth €8.6 million to be refunded from the eurofunds. However, the Ministry of Finance as the certifying body recognized €3.4 million thereof only, and is asking Brussels to refund as little as €365,000.00. Mr. Ján Počiatek, the Minister of Finance, confirmed this in the Parliament yesterday. He added that from this amount, around €294,000.00 are the ESF funds.¹⁸⁹

SGI informed earlier that most of the amount the Ministry of Finance applies for the refunding from Brussels, was assigned to Arvik in Bardejov. This amount is equal to €345,000.00. However, the Ministry of Labour withdrew the contract with Arvik. "Brussels will not refund this money at least," said Mr. Miroslav Beblavý from SGI, who is also a member of the economic advisers board of SDKÚ-DS.¹⁹⁰

This way, €20,000.00 remain. Most of these were assigned to RSP, which underwent the EC audit in December together with Arvik. „The auditors found problems in both social enterprises and the Slovak authorities already informed the European Commission that the Arvik project was cancelled," said Ms. Chantal Hughes, the spokeswoman of the General-Directorate of Employment, Social Affairs and Equal Opportunities one month ago.¹⁹¹

The question is which expenses will Brussels recognize as rightful. "From the €11.3 million already spent in social enterprises, we applied between zero and €20,000.00 for rightful refunding to Brussels," said Mr. Beblavý.¹⁹²

¹⁸⁸ Křmili najedených, published in Plus 7 dní on November 7th, 2010, see <http://www.pluska.sk/plus7dni/zaujalo-nas/krmili-najedenych.html> (in Slovak version).

¹⁸⁹ Čaká sa, koľko zo sociálnych podnikov Brusel preplatí, published in SME on February 5th, 2010, see <http://ekonomika.sme.sk/c/5225746/caka-sa-kolko-zo-socialnych-podnikov-brusel-preplati.html> (in Slovak version).

¹⁹⁰ *Ibidem.*

¹⁹¹ *Ibidem.*

¹⁹² *Ibidem.*

| 4 | Eurofunds Assignment Under Microscope: EU Support to Private and Public Entities In Waste Management Area

After the 1998 parliamentary elections, the new political representatives of Slovakia launched intensive negotiation about the admission of the Slovak Republic to the EU. Already in the 1990's, the market with the waste as the raw material for further use started to grow intensely. Therefore, the admission of Slovakia to EU was conditioned by the transposition of the framework of this market to the Slovak law. This case study is aimed to analyze the impact of the additional tools of EU implemented in order to support the EU policy goals (pursuant the waste hierarchy defined in the Directive No. 2008/98/EC on waste) on the waste market, business entities structure, competitiveness efficiency and prices of the goods.

The waste market was growing mainly due to two impulses. The first one was the growth of primary (original) prices of the raw materials, which was related to the dramatic demand increase and the gradual exhausting of the easily accessible sources, which caused the costs growth for the raw materials recovery from further sources. Thanks to this phenomenon, mainly the utilization of the wastes separable or processed at low costs has been intensified: e.g. the plastic packages as the “by-product” of the industrial production.

Despite this natural development, the utilization of the secondary raw materials was not competitive in comparison with primary raw materials in a manner the governments of EU states and EC advocated for. They proceeded with environmental regulations under the pressure of green movements and big portion of the public, which agreed with the strengthening of the government role. However, the regulations historical background is also in the rent-seeking. This is a process when the governments are addressed by private entrepreneurs interested in either seeking for some comparative advantage in the market via regulation or being awarded directly some government job.

Therefore, both EU and other strong economies of the world began to regulate the waste market and the market with goods generating the waste (e.g. the product packages, but also the products with expired lifetime, such as electric appliances, tires or cars).

This gave the place for the second, more important impulse for the market of secondary raw materials: the so-called environmental regulations, i.e. the enforcement of the businessmen or citizens to “purchase” the services and goods.

Environmental Regulatory Mechanism

The government intervention in the free market should result into a situation when certain goods or services become more expensive in comparison with the original situation. Nowadays, there is a lot of examples of such interventions of the governments affecting almost every business sector.

As far as the nature conservation concerns, the Government opts for achieving a situation when the population of some species will be higher than it was before the regulation. Within the “atmosphere conservation” (more exact should be the “atmosphere protection against pollutants endangering the population health”), the goal is to achieve lower pollutant concentrations in the air than it was before the regulation. The same shall apply for both surface and underground waters. Within the agenda of the “global warming fight” the Governments are trying to achieve lower level of so-called “greenhouse gases” emissions into the atmosphere than it was before the regulation.

In order to reach this goal, the Governments use various procedures. Their common result is the costs increase for either the population or the businesses due to the mandatory purchases. The examples of such measures are specified in the points hereunder.

1. Deposit Tax/Fee

One of the measures for the waste market development are the attempts to disadvantage the price of the waste location in the deposits in comparison to other (so-called environment-friendly) methods of waste disposal – mainly to additional separation of the municipal waste, separation of packages or thermal processing (burning) of waste.

This was the reason why the Governments imposed tax or fee to the waste discharges on the deposits. Usually, the tax becomes public budget income while the fee is collected into a government fund subsidizing certain purpose-related activities.

Up to now, the European law do not regulate the deposit tax/fee amounts. However, this payment is a mandatory expense (purchase), which is included in the fee the inhabitant pays for the municipal waste. In Slovakia, the municipality imposes this fee. This fee paid for the waste discharge on the deposit (or on a mud-settling pond) is income of the municipality or municipalities, which territories the deposit is located on. The municipality has to utilize this income only for the waste management purposes.

In Slovakia, this fee for the unseparated municipal waste, which is the dominant material on the deposits, equals €10.00 per metric ton approx.¹⁹³ Today, Slovakia has 5.4 million inhabitants approximately. According to the Eurostat statistics for the past year,¹⁹⁴ in 2010, an average Slovak citizen produced 322 kg of municipal waste per year, and approximately 82% of this waste was discharged in the deposits. This means that approximately 1.42 million of metric tons of waste was deposited in Slovakia during 2010. At the basic rate of €10.00 per metric ton, this means an amount of €14.25 million to be paid by the inhabitants in order to meet the Government goal of “deviating the waste from the deposits”. However, this calculation is very open since the fee rates are changed in some minority cases. The change depends on the separation method or deposited waste nature pursuant the waste catalogues. Nor the Eurostat statistics are very precise. Eurostat itself admitted this, since the data gathering method differ significantly by the individual countries. In comparison with other EU countries, this price is considered as deeply under-average (for example, in Great Britain, this rate was as high as €48,00 per metric ton in 2010¹⁹⁵).

With regard to the EU policy goal of the waste deviation from the deposits, this tool appears to be ineffective whenever the waste deposit fee is not causing the overall costs of the deposit are higher than costs for the waste alternative disposal method (e.g. combustion). Moreover, in case of Slovakia, the inhabitants subsidize *de facto* a small portion of the inhabitants of the municipalities, whose territories the deposit is located in. Thus, should this fee become the income of a government fund, EU sources spent for subsidizing of private business can be saved.

¹⁹³ Act No. 17/2004 on fees for waste deposit accessible on

http://jaspi.justice.gov.sk/jaspiw1/index_jaspi0.asp?mod=html&fir=demo&jel=n&age=zak&idc=17/2004 (in Slovak version).

¹⁹⁴ See <http://www.odpady-portal.sk/Dokument/101054/eurostat-v-eu-sa-skladkuje-stale-takmer-40-percent-komunalneho-odpadu.aspx> (in Slovak version).

¹⁹⁵ „Landfill tax set to increase to £48 per tonne“, see <http://www.greenwisebusiness.co.uk/news/landfill-tax-set-to-increase-to-48-per-tonne-1184.aspx>

2. Government Funds

The creation of government funds is another method of the Governments for the subsidizing of the investments aimed to create various equipment for the alternative waste disposal: mainly the recycling technologies and equipment for processing of the biodegradable waste.

In Slovakia, such projects are financed from two funds: Recycling Fund and Environmental Fund.

Recycling Fund collects the fees paid by either manufacturers or importers of goods generating the waste on per-kilogram or per-piece basis. They include mainly the packages (glass, plastics, paper, metal), multi-layer materials, tires, vehicles, electrical devices, oils, batteries and accumulators.

Between 2002 and 2010, the Fund paid, for the project grants, approximate amount of **€124 million**¹⁹⁶ from the mandatory fees. An overwhelming majority of this amount was utilized as a subvention for private companies with the purpose of building of the recycling capacities.

As early as in 2009, the Recycling Fund itself ordered the development of capital needs analysis for the building of recycling and gathering capacities in Slovakia till 2012.¹⁹⁷ The analysis has proven the capacities of the recycling equipment in Slovakia are already sufficient, hence there is no need to subsidize the building of further technologies. Despite this, the subsidizing of private entrepreneurs by the Recycling Fund goes on, although in 2011, this process was slowed down due to the non-approval of the program document “Waste Management Program for 2011 - 2015” by the Slovak Government.

The other subsidizing tool – the Environmental Fund – paid significantly lower grants until 2011. It was aimed mainly to support the municipal projects instead of the private ones. Within the context of the current support from the eurofunds, it is important to draw attention right to the continuous support of recycling capacities building for private entities despite the market saturation with such capacities. At the same time, the subsidizing is cumulated from two sources (the Recycling Fund and the EU grant tools) without any coordination.

As shown hereunder, this results in the use of the both support tools for the building of own capital „empire“ by certain private entities.

3. Manufacturer's Liability

In the area of environmental regulations, the Governments may – aside the taxes and fees collection from the industries – transfer the “green policy” costs directly to the citizens. This procedure is target-specific, well visible and more just since it is the consumer (citizen) who really generates the waste. The target-specific method should result in the consumer's ability to differentiate the amount paid for the Government goals in the waste management area, thus to know the difference between his payment for the deposits and for the waste “green” disposal.

However, at the application of this model, the citizen's costs should be reflected significantly in the municipal waste fee.

¹⁹⁶ „Prijímatelia dotácií: Recyklačný fond (január 2002 - september 2010)“ see <http://www.odpady-portal.sk/Dokument/100510/prijimatelia-dotacii-recyklacny-fond-január-2002-september-2010.aspx> (in Slovak version).

¹⁹⁷ See „Analýza investičných potrieb pre budovanie recyklačných a zberových kapacít v Slovenskej republike do roku 2012“ on http://www.refond.sk/index.php?www=sp_file&id_item=167 (in Slovak version).

Therefore, the Governments use the possibility to “hide” the costs of the so-called environmentally friendly waste disposal directly into the product price. In practice, the costs are transferred to the manufacturer and importer of the goods generating the waste. They shall be liable for the revaluation/recycling of parts of their products.

Based on the rules set this way, the market generated service entities – the so-called authorized entities or collective systems – which provide, for the manufacturers and importers, the revaluation certificates issued by the companies dealing with the waste recovery.

The system of the manufacturer's liability is more complicated than that one of consumer's liability, however, it works much more efficiently than the solutions, which these obligations are covered by a public institution at.

Should either national Governments or EU pass the responsibility for the waste revaluation to the manufacturer and importer solely, there will be no need to subsidize the erection of private recycling facilities. The reasons why the Slovak Government decided to establish the Recycling Fund and enforce the fees from manufacturers and importers thereby, are identical to those of the EU when this created its subvention tools. These reason are based on a wrong premise that the market itself is unable to ensure the erection of the recycling facilities.

However, the market is flexible and able to react promptly to the arisen demand. The Governments created demand for waste revaluation by ordering the manufacturers to ensure it. In some countries, they even increased this demand: either by extreme increase of the deposit tax/fee or by total ban of depositing of certain (or all) wastes.

If the Government announces its intent to regulate the waste market in certain advance (e.g. for the regulation validity within two years), this creates sufficient time for the private initiatives to react to such demand. In case of Slovakia, there were recycling companies in more advanced neighboring countries, e.g. in Austria, before the regulation started. Since the waste transportation is a significant portion of its revaluation costs, there is a reasonable expectation the private investors would opt for the erection of such facilities in Slovakia too.

In the first years, the manufacturer's costs would likely be higher, but right due to the market flexibility the risks intrinsic to the subsidizing would be eliminated. Some subsidized recycling facilities were oversized and appear to be ineffective. This is what right the manufacturers and importers¹⁹⁸ as well as the mentioned study ordered by the Recycling Fund are stressing.

A disadvantage of the market organized by the government is also the costs of the subsidizing systems administration itself. For the Slovak Recycling Fund, the costs analysis has proven that its administration costs are €10.00 approximately per €100.00 of allocated grants, i.e. a sextuple of the Environmental Fund costs.¹⁹⁹ Such cost would not exist in case of manufacturer's sole responsibility.

¹⁹⁸ See „Recyklovateľný Recyklačný fond“ on <http://www.etrend.sk/trend-archiv/rok-2009/cislo-31/recyklovatelny-recyklacny-fond.html> (in Slovak version).

¹⁹⁹ See „Náklady na správu Recyklačného fondu a Environmentálneho fondu“ on: <http://www.odpady-portal.sk/Dokument/100533/naklady-na-spravu-recyklacneho-fondu-a-environmentalneho-fondu.aspx>

Subsidies from EU Structural Funds

The information on the grants awarded from the EU structural funds are provided by the website of the National Strategic Reference Framework of the Slovak Republic (NSRF SR),²⁰⁰ which is reporting to the Ministry of Transport, Construction and Regional Development of the Slovak Republic. Also the information sources of the individual operational programs provide the data about the subsidies. However, the NSRF SR sources allow an integral and overall insight of the subsidies to certain market segments.

In this case study, we selected these types of aid from among all the allotted subsidies, which are related to both waste management area and waste market.

By the comparison of two basic tools of subsidizing (Recycling Fund in the Table 4.1, and two programming periods of the eurofunds in the Tables 4.2 and 4.3 – all the Tables are at the end of this Chapter), we get an insight of the utilization of the structural funds. The following points include the findings of the data analysis.

1. Costs Structure

The most significant part of the EU funds was channeled to the recultivation and regeneration of old deposits. This covered €89.3 million from the €300.5 million subcontracted between 2004 and 2010 (including the co-financing). The public funding of these measures is partially justifiable by the complexity of the ownership issues and the deposit operation economy before the start of the process of their gradual decommissioning. Many of these deposits have not clear ownership and their operators did not create the decommissioning funds. This is a *de facto* environmental burden. These funds were contracted with the local administrations (municipalities) only. A question remains, whether it is necessary to manage these subsidizing tools by the EU or not.

2. Projects for Local Administrations

The second most frequent aid target are the projects for biodegradable waste processing (BDW – compost plants), with €47 million subcontracted in 2004-2010 (including the co-financing). This support is assigned to the local administrations solely since these are obligated to implement the BDW gathering systems in their municipalities till 2013.

With regard to these projects as well as with all the local administration projects, it is important to emphasize the high disproportion between the grant amount and number of inhabitants of either aided municipality or its neighborhood **For example, the town of Žiar nad Hronom was allotted two subsidies for the waste revaluation system equal to €22 million. Žiar nad Hronom has a population of 19,306. Thus, the subsidizing for the waste revaluation system is equal to €1,139.00 per inhabitant. At such per-inhabitant level, Slovakia would need €5.69 billion of subsidies.**

Much lesser, but even so very high subsidies were assigned to Spišská Nová Ves (€6.2 million, i.e. €160.00 per person approx.) and Senica (€3.75 million, i.e. €187.00 per person approx.). **Drahňov, a small municipality, is a specific case: €4.36 million, i.e. €3,441.00 per person).**

²⁰⁰ The information available on <http://www.nsrr.sk>.

Apparently, the related number of inhabitants is not taken into account while allocating the funds. **These subsidies indicate high inefficiency in public funds management.**

3. Private Enterprises

The most controversial part of the EU subsidizing system is the support of private enterprises. As already clarified in the previous subchapters, sufficient recycling facilities have been erected in Slovakia. They form the market environment, sufficient competition and mutual pressure resulting in the prices decrease. For the commodities currently subject to regulations pursuant the waste law, nowadays the subventions for either erection or updating of further facilities is obsolete and ineffective.

Despite that, this policy keeps going on. ELEKTRO RECYCLING s.r.o., a company processing electrical waste, is one of the companies with allegedly oversized facilities (i.e., a plant with capacity much higher than the company's ability to obtain really from the orders in the market). The company is an active beneficiary of subsidies. It received several grants from the Recycling Fund worth €6.1 million and from the EU structural funds worth €6.9 million. **Thus the company received total subsidies as much as €13.1 million.**

The plastics processing market is in similar situation. **The plastics recycling facilities offer is large not only in Slovakia, but also in the neighboring countries. Despite that, several private companies were awarded big grants to build the processing facilities.** Milenium Trading was awarded €13.8 million for construction of plastic waste processing center and J&M consulting €11.7 million for plastics recycling center. But none of these companies is known in the waste market.

Also SHP Harmanec was awarded a grant worth €1.9 million from the Recycling Fund and €1.31 million from the EU structural funds: a total of **€3.2 million.**

Table No. 4.1: TOP 20 private companies awarded from the Recycling Fund (2002-2010)

<i>Applicant</i>	<i>total amount in €</i>	<i>cumulated % of the total amount paid from the RF grants</i>
KOVOD RECYCLING, s.r.o.	23,254,948.00	18.10
ELEKTRO RECYCLING, s.r.o.	6,158,401.00	22.90
V.O.D.S., a.s.	4,340,158.00	26.28
Castor & Pollux, a.s.	3,319,392.00	28.86
KURUC - COMPANY spol. s r.o.	3,254,787.00	31.40
ŽP EKO QELET a.s.	3,241,718.00	33.92
Združenie automobilového priemyslu Slovenskej republiky	3,056,994.00	36.30
AUTO – AZ s.r.o.	2,940,443.00	38.59
DETOX s.r.o.	2,179,544.00	40.29
Asociácia podnikateľov v odpadovom hospodárstve	2,049,724.00	41.88
SHP Harmanec, akciová spoločnosť	1,900,859.00	43.36
ŽOS-EKO, s.r.o.	1,884,460.00	44.83
ROMAG spol. s r.o.	1,825,100.00	46.25
Slovenský hodváb, a.s.	1,694,749.00	47.57
Smurfit Kappa Štúrovo, a.s.	1,493,726.00	48.73
WIP Autovrakovisko, s.r.o.	1,479,022.00	49.88
MATADOR - OBNOVA a.s. v likvidácii	1,434,753.00	51.00
DYNEX, spol. s r.o.	1,390,994.00	52.08
GRANULEX GLAS s.r.o.	1,354,581.00	53.14
PR Krajné, s.r.o.	1,330,000.00	54.17

Table No. 4.2: Subsidies assigned from EU structural funds for the waste management area (2004-2006)

<i>Applicant</i>	<i>project name</i>	<i>total amount of unreturnable financial contribution</i>
ELEKTRO RECYCLING, s.r.o.	Introduction of Dangerous Waste Revaluation Plant	3,992,802.12
Obalové materiály, s.r.o.	Waste Foils Mechanic and Thermal Processing	3,649,505.41
Dunajská Streda Municipality	Dunajská Streda – Mliečany Waste Deposit Recultivation	3,302,263.83
Bošany Municipality	Regeneration, Decommissioning and Recultivation of BABICA – Bošany Deposit	3,017,982.81
Banská Bystrica Municipality	PDO Hor. Pršany - B. Bystrica Deposit, Decommissioning and Recultivation	2,135,446.50
Brezno Municipality	Brezno Municipal Waste Deposit Regeneration	1,972,520.85
Šaľa Municipality	Šaľa – Hetméň Deposit Recultivation	1,392,386.99
Okoč Municipality	Okoč Municipal Waste Deposit Recultivation	1,103,631.58
Partizánske Municipality	NNO Partizánske – Šimonovany Deposit Coverage and Recultivation	1,042,314.55
KOSIT a.s.	Optimization of Secondary Separated Waste Processing	921,579.71
Eko-LON spol. s r.o.	Environmentally Friendly Revaluation of Plastic Waste – Žilina Regional Center	863,041.89
PEMAX PLUS spol. s r.o.	Recycling Plant for Waste Revaluation	815,099.91
Topoľčany Municipality	Topoľčany Municipal BioWaste Composting Plant	769,731.78
Myjava Municipality	Myjava Deposit	696,789.68
ŠTICH spol. s r.o. Humenné	Recovery of Building Waste	679,006.88
Slovenská Ľupča Municipality	Slovenská Ľupča Municipal Deposit Decommissioning and Recultivation	646,914.15
Veľký Krtíš Municipality	Veľké Straciny Municipal Deposit Decommissioning and Recultivation	598,614.15
Veľká Paka Municipality	Veľká Paka Deposit Recultivation	596,911.21
Ľubovnianske region. združenie	Introduction of Sustainable System of Waste Disposal in Stará Ľubovňa	559,628.19
SHP Harmanec	Improvement of Waste Paper Revaluation in Manufacturing Process	558,989.18
Chmeľnica Municipality	Improvement of Waste Management Municipal System of Chmeľnica	548,761.40
Baloň Municipality	Baloň – Municipal Deposit Recultivation	537,394.72
Želiezovce Municipality	Želiezovce Municipal Deposit Decommissioning and Recultivation	462,307.55
Detva Municipality	Detva – Studienec Regional Deposit	457,106.41
LIPTOSPOL, spol. s r.o.	Updating of Tannery Waste Processing	419,977.76
JUGI	Wooden Waste Processing	382,486.88
Stará Turá Municipality	Municipal Waste Separation and Revaluation in Stará Turá	376,687.20
Lipová Municipality	Lipová Municipal Deposit Recultivation	375,446.46
Jelšovce Municipality	Jelšovce Municipal Deposit	331,364.17
Marcelová	Marcelová – Municipal Deposit Recultivation	316,953.69
Bušince Municipality	Bušince Municipal Deposit Decommissioning and Recultivation	299,858.93
Pataš Municipality	Ecoyard and Composting Plant	298,639.18
Palárikovo Municipality	Enlargement and Intensification of the Regional Integrated System of Separated Waste Collection	295,190.03
Tôň Municipality – 346078	Tôň Municipal Deposit Recultivation	284,846.46
Raková Municipality	Raková Updating and Enlargement of the Separated Waste Collection	284,294.61
TMG, a.s.	TMG, a.s. Prievidza – Recycling Center	273,871.46
Terchová Municipality	Improvement of the System of Waste Revaluation and Separation in Terchová	265,990.04
Ľárad Municipality	Ecoyard and Composting Plant	260,257.30
Bzenica Municipality	Bzenica Deposit Decommissioning, Recultivation and Monitoring	239,817.77
Čilizska Radvan Municipality	Ecoyard and Composting Plant	236,180.92

SHP Slavošovce	Waste Heat Recovery	234,050.32
Pribeta Municipality	Pribeta Separated Waste Collecting Yard	220,596.17
Jatov Municipality	Jatov – Deposit Decommissioning and Recultivation	220,160.83
Tešedíkovo Municipality	Tešedíkovo – Deposit Decommissioning and Recultivation	215,540.54
Medveďov Municipality	Medveďov – Deposit Recultivation	205,146.38
SPEKO Šaľa, s.r.o.	Collecting Point of Hazardous and Other Wastes	182,830.12
MENERT-THERM, s.r.o.	Overhaul of Šaľa Boilerhouse – A Boiler for Wooden Waste Combustion	176,332.61
Turany Municipality	Turany Separation Update and Enlargement	175,402.56
Sliač Municipality	Waste Processing – Composting Plant	170,354.34
Juraj Gútai – MASTER WOOD	Waste Revaluation in Master wood	168,416.43
Ladislav Takáč	Ladislav Takáč VICTORY – Wooden Sawdust Revaluation	161,229.60
Galanta Municipality	Tárnok Locality – Deposit Recultivation	158,652.14
Univerzita sv. Cyrila a Metoda	Compounds of Metals From Wastes	149,377.67
Nitrica Municipality	Composting Plant and Waste Management Equipment – Nitrica	148,612.03
Leopoldov Municipality	Separated Collection	139,226.12
Myjava Municipality	Holičov vrch – Myjava Deposit Decommissioning and Recultivation	135,674.29
Eco Team, s.r.o.	Procurement of Technology – HMP Building Waste	129,855.63
V-TETAG, s.r.o	Waste Revaluation In V-TETAG, s.r.o.	129,814.29
Modra Municipality	Composting, Separation, Compost	129,628.11
Bystričany Municipality	Separated Collection and Composting – Bystričany	125,397.54
Ilija Municipality	Inert Waste Deposit Recultivation in Ilija	123,462.11
Kokava nad Rimavicou Municipality	Municipal Deposit Regeneration – Kokava nad Rimavicou	118,735.53
AVE	A Study On Waste Generation	113,689.17
Čífare	Deposit Decommissioning and Recultivation in Čífare Cadastral Territory	105,419.41
Demandice Municipality	Demandice Deposit Decommissioning and Recultivation	99,303.10
Vyšné Nemecké Municipality	Vyšné Nemecké Deposits Elimination and Regeneration	94,339.48
Hranovnica Municipality	Improvement of Waste Disposal in Hranovnica	90,472.13
Združenie TKO Semeteš n.o.	WASTE LIQUIDATION AND SEPARATION	63,068.45
Závadka nad Hronom Municipality	Kýčera – Závadka nad Hronom Municipal Deposit Regeneration	62,203.53
Zlaté Moravce Municipality	Zlaté Moravce Municipal Deposit	61,617.87
H2G, s.r.o.	Waste Material Processing	49,475.54
RRA Senica	Recycling Study	48,401.88
Agroinštitút Nitra	Waste Management	46,491.24
Správa slovenských jaskýň	Liquidation of Waste from Dobšinská Ice Cave	43,152.09
Malacky Municipality	Engineering Documents for Malacky Composting Plant	39,206.81
Trenčín Municipality	Študy of Bio Waste Problems Solution, Trenčín	36,816.21
Ing. Gejza Varga DREVAR	Environmentally Friendly Liquidation of Wooden Waste	29,343.42

Table No. 4.3 Subsidies assigned from EU structural funds for the waste management area (2007-2010)

<i>Applicant</i>	<i>project name</i>	<i>total amount of unreturnable financial contribution</i>
Confal, a.s.	Innovation of Company Recycling Technology	1,511,494.00
Confal, a.s.	Flue Gas Heat Recover	120,805.56
ELEKTRO RECYCLING, s.r.o.	Innovative Technology Implementation	385,500.00
ELEKTRO RECYCLING, s.r.o.	Innovative Technology Implementation	2,551,929.00
Technické služby - B. Štiavnica	Deposit Decommissioning and Recultivation - Ban. Štiavnica –no NO	1,610,935.84
Vydrany Municipality	Vydrany Municipal Deposit Decommissioning and Recultivation	507,248.34
Dolný Bar Municipality	Dolný Bar Deposit Decommissioning and Recultivation	1,922,883.74
Lehnice Municipality	Separated Collection Program in Lehnice	773,555.94
Orechová Potôň Municipality	Orechová Potôň Deposit Recultivation Project	1,032,127.36
Pataš Municipality	Pataš Municipal Deposit Recultivation	339,231.60
Galanta Municipality	Galanta – Javorin Inert Waste Deposit Recultivation	419,295.02
Galanta Municipality	Construction of BDW Revaluation Equipment GA – Zámocká Lúka	1,172,660.88
Sládkovičovo Municipality	Revaluation of Small Building Waste	293,484.33
Tešedíkovo Municipality	Collection Yard for Separated Municipal Waste	1,985,306.69
Trnovec nad Váhom	Composting Plant exceeding 10 metric tons	397,476.11
Brestovec Municipality	Brestovec Composting Plant	175,257.84
Čalovec Municipality	Čalovec Composting Plant	174,185.29
Hurbanovo Municipality	Hurbanovo - Municipal Deposit Recultivation	1,679,157.56
Hurbanovo Municipality	Improvement of Separated Collection Efficiency in Hurbanovo	517,605.45
Pribeta Municipality	Machinery for Separated Waste Collection Yard	252,705.19
Veľké Kosihy Municipality	Veľké Kosihy Composting Plant	174,152.82
Hontianska Vrbica Municipality	Hontianska Vrbica - Municipal Deposit Decommissioning, Recultivation and Monitoring	1,322,898.27
Plášťovce Municipality	Plášťovce – Municipal Deposit Recultivation	546,559.17
Šahy Municipality	Deposit Recultivation In Preseľany nad Ipľom	4,010,611.20
Želiezovce Municipality	Regional Center for BDW Revaluation in Želiezovce	2,040,648.45
Dolné Obdokovce	Separated Collection Municipal Program Dolné Obdokovce	1,592,655.47
Lehota Municipality	Lehota – Deposit Recultivation	462,449.74
Mojmírovce Municipality	Deposit Decommissioning and Recultivation Project	1,108,559.08
Nitra Municipality	Nitra Composting Plant	3,187,226.37
ČECHYNCE Municipality	Čechynce - Deposit Decommissioning and Recultivation	433,102.94
Šurianky Municipality	Šurianky - Municipal Deposit Recultivation	408,635.82
Vráble Municipality	Improvement of Separated Collection Efficiency in Vráble	1,573,332.99
Andovce Municipality	Andovce - Municipal Deposit Recultivation	450,257.21
Michal nad Žitavou Municipality	Michal nad Žitavou - Deposit Decommissioning and Recultivation	419,065.36
Nová Vieska Municipality	Nová Vieska Municipal Deposit Recultivation	261,703.32
Zemné Municipality	Zemné Ecoyard and Composting Plant	337,329.17
Gbely Municipality	Gbely Waste Collecting Yard	708,980.70
Holíč Municipality	Finalization of Waste Management Infrastructure	678,191.04
Kúty Municipality	Kúty Deposit Decommissioning and Recultivation	2,347,242.76
Myjava Municipality	Regional Center for BDW Revaluation	2,829,146.43
Senica Municipality	Senica BDW Composting Plant	3,756,578.59
Unín Municipality	Deposit Decommissioning and Recultivation	452,357.29

Topoľčany Municipality	Topoľčany Waste Final Separation Yard	1,388,888.35
Horná Súča Municipality	Municipal Composting Line and Collecting Yard - H. Súča	1,410,027.82
Nemšová Municipality	Regional Center of BDW Revaluation	4,567,557.71
Nové Mesto nad Váhom Municipality	NMnV Waste Management Update – Phase 2	612,076.62
Nové Mesto nad Váhom Municipality	Mnešice – Tušková Deposit	3,082,375.78
Nové Mesto nad Váhom Municipality	NMnV Waste Management Update	3,061,681.45
Trenčianske Teplice Municipality	Trenč. Teplice – Kaňová Deposit Decommissioning and Recultivation	5,741,748.74
Kátlovce Municipality	Program of Waste Separated Collection - Kátlovce	427,931.83
SLUŽBA, mestský podnik Stropkov	Separated Collection and the Collecting Yard	756,090.29
Trakovice Municipality	Trakovice - Deposit Recultivation	477,136.95
Trnava Municipality	Trnava Waste Revaluation Equipment	3,077,867.00
Trnava Municipality	Boleráz Deposit – Recultivation	3,482,194.05
Banská Bystrica Municipality	Implementation of Separated Collection of Metals and BDW in Banská Bystrica	622,593.88
Čierny Balog Municipality	Kopec – Čierny Balog Municipal Deposit Decommissioning and Recultivation	240,538.77
Heľpa Municipality	Heľpa 2009 Waste Water Treatment Plant	1,397,442.11
Heľpa Municipality	Construction of Municipal Waste Collecting Equipment	735,412.77
MACH TRADE, spol. s r.o.	Improvement of Lead Waste Recovery – desulphurization of Lead Active Paste	791,668.18
Polomka Municipality	Construction of Collecting Yard in Polomka	881,042.41
Telgárt Municipality	Collecting Yard and Waste Separation – Telgárt	442,075.90
Čadca Municipality	Integrated Municipal Waste Disposal Čadca	1,919,861.28
Čierne Municipality	Separated Collection in Čierne	160,184.13
Krásno nad Kysucou Municipality	Enlargement of Separated Collection Systems - Krásno nad Kysucou	217,775.15
Kysucký Lieskovec Municipality	K. Lieskovec Municipal Deposit Decommissioning and Recultivation	170,673.51
Oščadnica Municipality	Construction of Separated Collection Equipment - Oščadnica	181,822.98
Turzovka Municipality	Clean Waste-Free Town: Waste Management Improvement – Turzovka	384,912.07
Brantner Nové Zámky s.r.o.	Optimization of Waste Revaluation in Compost Plant – BRANTNER NOVÉ ZÁMKY	90,563.63
Námestovo Municipality	Zubrohlava Municipal Deposit Decommissioning N container – Phase I	2,197,115.73
Námestovo Municipality	Námestovo 2009 Collecting Yard	300,029.50
Pucov Municipality	Support for Separate Collection Activities in Pucov	110,560.25
Tvrdošín Municipality	Coverage and Recultivation of NNO Tvrdošín – Jurčov Laz Deposit	890,729.00
Tvrdošín Municipality	Tvrdošín Collecting Yard	1,982,032.30
Zákamenné Municipality	Zákamenné Collecting Yard	673,487.37
Liptovský Hrádok Municipality	Engineering Documents for BDW Revaluation By Aerobic Fermentation	678,693.70
Liptovský Hrádok Municipality	Implementation of BDW Separate Collection	417,893.41
Liptovský Mikuláš Municipality	Increase of Separated Collection Quality in Liptovský Mikuláš	2,445,059.52
Pribylina Municipality	Increase of System Efficiency of Integrated Municipal Waste Collection in Pribylina	150,565.64
Ružomberok Municipality	Ružomberok Waste Management Integrated System – Collecting Yard	1,146,996.37
Ružomberok Municipality	Ružomberok Waste Management Integrated System – BDW Composting	1,255,773.48
MEPOS, s.r.o.	Support of Activities in Separated Collection	437,808.09
Technické služby, s.r.o.	Široká Municipal Deposit Decommissioning and	5,322,525.47

	Recultivation	
Lučenec Municipality	Lučenec BDW Composting Plant	2,045,593.64
Poltár Municipality	Poltár – Slaná Deposit Decommissioning and Recultivation	1,060,186.35
KONZEKO spol. s.r.o.	BAT Intensification and Restructuring of Waste Oil Revaluation KONZEKO	2,323,574.32
Dúha a.s.	Recovery of Small Building Waste	624,452.50
EKOSERVIS	Decontaminated Soil Revaluation by BDW Addition In Bior. tunnel –EKOSERVIS	491,031.99
Turčianske Teplice Municipality	Separated Collection of Municipal Waste	709,860.81
Lednické Rovne Municipality	Lednické Rovne Deposit Coverage and Recultivation	3,258,409.53
Lúky Municipality	Lúky Deposit Decommissioning and Recultivation	328,172.42
Brezany Municipality	Waste Separation Improvement and Enlargement in Nedožery-Brezany	311,866.73
Hnúšťa Municipality	Municipal Deposit for Hnúšťa and the Neighboring Area	338,802.34
Združenie obcí EKOLÓG	More Efficient Waste Separation and Collection - EKOLÓG	1,245,676.78
Veľké Zlievce Municipality	Veľké Zlievce Deposit Decommissioning and Recultivation	331,407.04
Detva Municipality	Detva – Studienec Regional Deposit Recultivation, Phase II	532,038.06
Hriňová Municipality	Hriňová Fangová Municipal Deposit Recultivation	1,079,317.36
Banská Štiavnica Municipality	Implementation of Efficient Separation System	3,451,840.10
Kremnica Municipality	Kremnické bane – Ovčín Deposit: Recultivation	1,064,860.87
Nová Baňa Municipality	BDW Components Pre-Revaluation Treatment – Nová Baňa	562,441.97
Žiar nad Hronom Municipality	Separated Collection Intensification in Žiar nad Hronom	3,088,583.77
Žiar nad Hronom Municipality	Žiar nad Hronom Waste Revaluation Center	18,999,848.71
Giraltovce Municipality	Waste Separation and Revaluation System	340,846.73
Humenné Municipality	Separating Yard in Sninská St. In Humenné	2,202,331.52
Humenné Municipality	Municipal Deposit Decommissioning and Recultivation	1,040,473.36
Snina Municipality	Separated Collection Enlargement in Snina	503,489.72
Snina Municipality	Regional Center for Bio Revaluation	2,241,900.66
Michalovce Municipality	Non-Hazardous Waste Deposit Decommissioning and Recultivation – Lastomír	2,043,359.82
Michalovce Municipality	Waste Separation Enlargement and Plant Update	768,375.75
Kežmarok Municipality	Separated Collection Quality Increase	1,299,711.05
Spišská Belá Municipality	Finalization of Waste Separate Collection in Spišská Belá	388,184.71
Spišská Belá Municipality	Deposit Decommissioning and Recultivation – Spišská Belá	1,191,687.70
Vysoké Tatry Municipality	Introduction of Tatran Waste Separated Collection	558,469.45
Torysa Municipality	Torysa Deposit Recultivation	588,876.68
Krompachy Municipality	Halňa 1. Deposit of Industrial Waste	6,284,609.48
Levoča Municipality	"Dlhé Stráže" Levoča Municipal Deposit Decommissioning and Recultivation	3,395,613.71
Spišská Nová Ves Municipality	Regional Center for BDW Revaluation	6,211,189.25
Spišské Podhradie Municipality	Spišské Podhradie Municipal Deposit Recultivation	494,160.03
Stará Ľubovňa Municipality	Stará Ľubovňa Composting Plant	2,332,453.39
Svidník Municipality	Svidník Municipality Collecting Yard	944,563.78
Drahňov Municipality	Drahňov Collecting Yard and Composting Plant	4,364,058.65
Hanušovce nad Topľou Municipality	Hanušovce nad Topľou Deposit Recultivation	968,806.22
Vranov nad Topľou Municipality	Separated Collection Intensification in Vranov	4,179,646.59
Marián Balún BAPA	Krásna Hôrka Quarry – Building Waste Revaluation	1,556,623.94
Kyselica Municipality	Kyselica Municipal Deposit Recultivation	487,411.57
Jozef Podolan	Building Waste Revaluation – Jozef Podolan	109,560.58
Košice Region Office	Preparation of PCB Waste Collection and Liquidation	950,000.00

Mest. podnik služieb mesta Strážske	Strážske Hall – Waste Separated Collection	544,650.87
Združenie obcí pre likvidáciu odpadu Poltár	Enlargement and Improvement of Separated Collection	853,717.50
Stredoslovenské kameňolomy, a. s.	Purchase of Technology for Building Waste Revaluation	605,594.26
INSA, s.r.o.	Collection and Transportation of portable batteries and accumulators and Zn-Mn and Li Processing	872,060.69
Mestský podnik služieb, s.r.o.	Krupina – Biely Kameň Deposit Decommissioning and Recultivation	895,168.23
ELEKTRO RECYCLING, s.r.o.	Enlargement of Revaluation Capacity for Electric Waste	490,519.82
MILENIUM TRADING, a.s.	Revaluation Center for Plastic Waste	13,876,478.79
STAV s r.o.	Building Waste Revaluation	1,125,656.18
Tepláreň Košice, a.s.	Reduction of Dust Level During Coal Discharge	858,123.00
ERSON Recycling, s.r.o	Building Waste Revaluation Equipment – ERSON Recycling, s.r.o	7,655,665.39
ISO & spol, s.r.o.	Recycling Plant Technology Purchase	1,667,944.80
T+T, a. s.	Separated Collection of Paper, Plastics, Glass, Metals and BDW	512,827.50
ARCHÍV SB, s.r.o.	Hazardous Waste Incineration Plant Update	1,153,318.92
ELEMONT, s.r.o.	Bio Waste Composting Plant in Záhorce	1,081,871.72
Helpeko, s.r.o.	Environmentally Friendly Incineration Plant for Hazardous Waste in Považská Bystrica	4,912,660.00
J&M consulting s.r.o.	Recycling Center – Plastics	11,737,402.81
Alternative Energy	Construction of Waste Bio Gas Plant in Bošany	8,250,011.50
Združenie obcí Mikroregión Terchovská dolina	State-Of-the-Art Way of Separation for Almost 30	1,390,758.08
ZRD	Separation Quality Increase for Collection in Rajec Valley	2,485,277.09
Združenie Ekotorysa	Ekotorysa Municipal Waste Separated Collection Intensity Increase	2,849,235.37
Združenie obcí hornej Torusy	ZOHT – Separated Collection Quality Increase and Enlargement	522,066.32
Slov. agentúra ŽP	Sanitary Waste Disposal Policy	320,263.20
Slov. agentúra ŽP	Hazardous Waste Disposal Policy – SAŽP	1,596,914.60
Bziny Municipality	Support of Separated Collection Activities in Bziny	110,560.25
Košice Municipality	Košice Bio Waste Composting Plant	3,774,550.97
Štôla Municipality	Finalization of Waste Management Infrastructure	43,730.71
Nová Ves nad Váhom Municipality	Nová Ves nad Váhom Deposit Decommissioning and Recultivation	192,321.39
Mad Municipality	Mad Municipal Deposit Recultivation 30.6.2008	532,437.54
Jozef Gubo	Low-Energy Recycling of Plastics	177,650.00

| 5 | Myth on Regional Disparities Reduction

Both politicians and Governments were promising regional disparities reduction to the citizens after the admission to the EU. The eurofunds were supposed to help in this issue. Both left and right keep on promising this as well as it will the Government resulting from the next elections.

“Slovakia has huge regional differences. One of the most important and tangible advantages of the EU membership is the possibility of eurofunds utilization within the framework of the EU cohesion policy. From the point of view of Slovak needs and priorities, the main goal of the cohesion policy is the reduction of economic and social disparities in the development of European regions. Slovakia agrees with the opinion that the main attention has to be drawn and higher aid rate has to be aimed right to the lagging regions,” said Mr. Ivan Štefanec, the Chairman of the Parliamentary Committee for European Affairs within his lecture “The Up-To-Now Experiences with Cohesion Policy” in the conference „The Development of Slovakia Regions within the EU Cohesion Policy Framework“, which took place in Bratislava on May 24th, 2011.²⁰¹ The politicians from various parties and Governments repeat these like this „model“ quote much years ago. They do not mind the reality is proving to be different from their long-time imaginations.

Unemployment by Regions Between 2004 and 2011

One of the main indicators for the monitoring of the regional disparities in the EU is the official unemployment rate. At the same time, the unemployment is one of the main long-term problems in Slovakia. And today, the official unemployment rate is growing (13.59% in December 2011) and, moreover, it is higher than it was on the year of admission of Slovakia to the EU (13.07% in 2004).

Unemployment In May 2004

In May 2004, i.e. at the entry of Slovakia into the EU, its unemployment rate was 14.47%. In 20 from 79 districts of the country, the official unemployment rate was exceeding 20%. In Rimavská Sobota district, it exceeded even 30% (30.22%) in May 2004 while the ten most affected districts were completed by Revúca, Veľký Krtíš, Trebišov, Rožňava, Kežmarok, Košice – okolie, Sobrance, Sabinov and Poltár (between 24 and 30%). On the opposite extreme of the ranking were the 5 districts of Bratislava (between 2.5 and 4%) and the districts of Senec, Pezinok, Trenčín, Malacky and Ilava (each one under 7%).

The difference between the districts with the highest rate (Rimavská Sobota) and the lowest rate (Bratislava IV) was 27.68%. While Rimavská Sobota exceeded the national average by 15.75%, Bratislava IV was 11.93% under the average. The eurofunds massive influx from the EU was supposed to deal with the unemployment issue and regional disparities of the districts.

Unemployment In December 2009

In December 2009, i.e. in the time of finalizing the eurofund payments from the first programming period in 2004-2006, the politicians were boasting the utilization of more than one billion of euros exceeded even the 100%, the unemployment rate in Slovakia was 12.66%. In 20 from 79 districts of the country, the official unemployment rate was exceeding 20% - the same as in May 2004. Rimavská Sobota (33.29%) kept the sad first place, followed by Revúca (30.05%). The first ten was completed

²⁰¹ The collection of the conference lectures is accessible on <http://www.nsr.sk/download.php?FNAME=1306744365.upl&ANAME=Zbornik+24052011.pdf> (in Slovak version).

as follows in December 2009: Rožňava, Kežmarok, Sabinov, Trebišov, Veľký Krtíš, Poltár, Lučenec and Krupina (between 22 and 28%). And the lowest unemployment rates are still in the five districts of Bratislava (between 2.7 and 4%), followed by Senec, Pezinok, Galanta, Trnava and Trenčín (between 5 and 7%).

However, the difference between the districts with the highest rate (Rimavská Sobota) and the lowest rate (Bratislava I) increased to 30.58% (thus by more than 3% in comparison with May 2004). Attention should be drawn mainly to the fact that in December 2009, Rimavská Sobota exceeded the national average by as much as 21.03%, which means an increment of more than 5% when compared with May 2004. The districts with unemployment rate exceeding 20% when entering the EU keep on with the same problem also today. Moreover to this, there are as much as 22 districts with greater unemployment rate than the national average and, at the same time, their unemployment rates differ more from the national average than they differed in May 2004. The overall regional disparities are growing. Even worse: although the average unemployment rate in Slovakia is lower, the unemployment rate in the most affected districts is even higher than it was in the time of admission to the EU.

Unemployment In December 2011

In December 2011, when we experience the aftermaths of the long-lasting financial and debt crisis in the Eurozone, this phenomenon is causing also the increase of the average unemployment rate in Slovakia to 13.59%. In 16 from 79 districts of Slovakia, the unemployment rate exceeded 20%. Rimavská Sobota (34.59%) remains the unchallenged „leader“. Revúca (30.79%), Rožňava, Kežmarok, Trebišov, Sabinov, Veľký Krtíš, Lučenec, Poltár and Vranov nad Topľou complete the first ten. As much as eight of these districts were among the first ten already before the admission to the EU in May 2004. The lowest unemployment rate is all the time in the Bratislava urban districts (between 3.53% and 5.60%).

The difference between the districts with the highest rate (Rimavská Sobota) and the lowest rate (Bratislava I) was 31.06%. While Rimavská Sobota exceeded the national average by 21.00%, Bratislava I was 10.06% under the average. When comparing with 2004 data, the following is apparent: although the average unemployment rate is slightly lower (by 0.88%), the differences increased, mainly for the districts with the highest rates. The difference between the district with the lowest unemployment rate and the average decreased slightly; however, this indicates the current crisis affects also the situation in Bratislava districts. Apparently, both the unemployment issue and the regional disparities are being neither resolved nor reduced, despite the billionaire influx from the eurofunds.

Table No. 5.1: Official unemployment rates by regions in 2004-2011

region	Year	2004	2005	2006	2007	2008	2009	2010	2011
Bratislava Region		3.39	2.6	2.29	1.98	2.27	4.36	4.63	5.39
Trnava Region		8.83	7.15	5.22	4.3	4.29	8.37	8.17	8.64
Trenčín Region		8.09	6.8	5.19	4.5	4.95	10.13	9.51	9.62
Nitra Region		14.8	11.39	9.09	7.1	7.41	11.72	11.76	12.92
Žilina Region		11.12	9.33	7.03	5.55	6.2	10.89	10.86	11.63
Banská Bystrica Region		19.5	18.32	16.12	14.1	14.25	19.19	18.86	19.51
Prešov Region		17.5	15.77	13.68	12.05	12.86	18.29	17.75	18.67
Košice Region		18.89	17.5	15.18	13.02	13.5	17.3	16.78	18.53
Slovakia		13.07	11.36	9.4	7.99	8.39	12.66	12.46	13.33

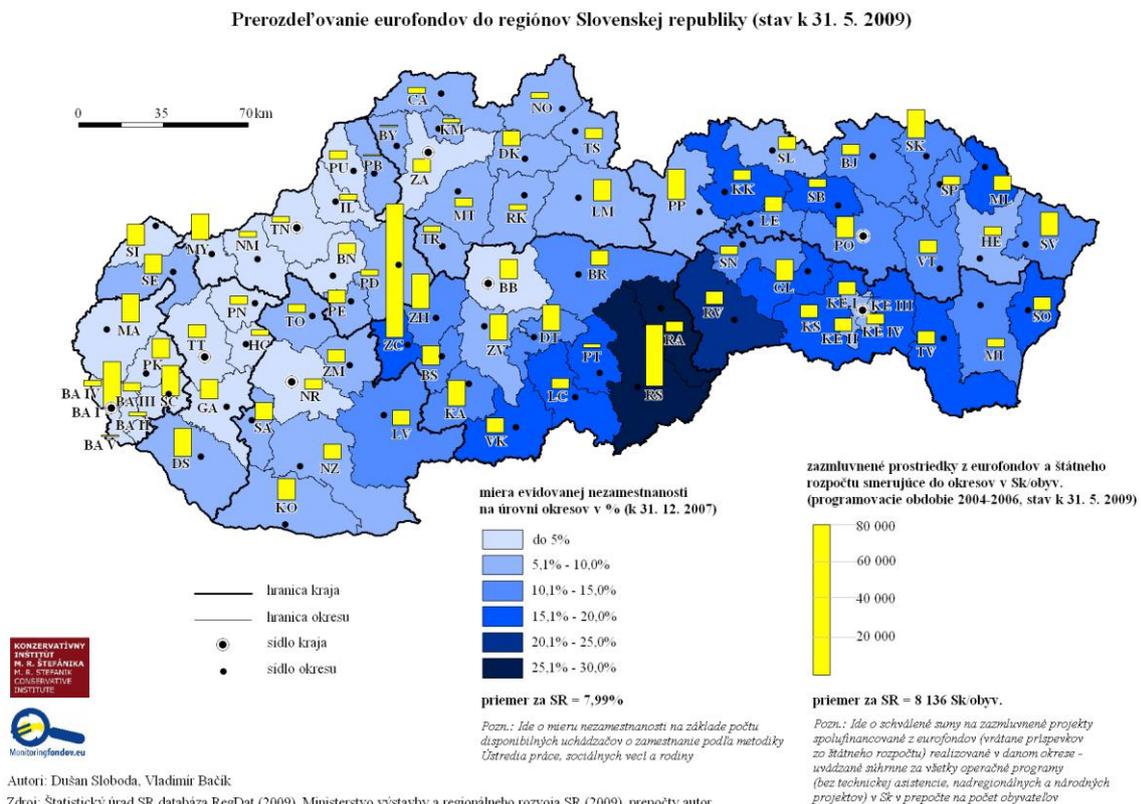
Source: Labor, Social Affairs and Family Center, www.upsvar.sk, conversions by the authors

Eurofunds Allocation by Regions During 2004-2006 Programming Period

For years, all the parliamentary parties are talking fairy tales about the eurofunds as a tool suitable for the regional disparities reduction. To reach this goal, the regions with worse statistical indexes (e.g. the official unemployment rate) should receive more support. However, this does not happen.

Despite of all speeches about regional disparities reduction by the mean of the eurofunds, despite all plans and operational programs, neither Mr. Dzurinda's nor even Mr. Fico's Government, the latter being borne by the bubble of the welfare state, did set the system of the eurofunds reallocation in a manner making these funds travel primarily to the regions with the highest unemployment. As shown in our calculations, from among the 20 districts exceeding the unemployment rate of 20% in May 2004, only 5 belonged among the twenty most supported per capita by the eurofunds during the first programming period. Thus the Government did not channel the eurofunds mainly to those regions whose support they were and are talking all the time.

Map No. 5.1: Eurofunds allocation by regions of Slovakia during 2004-2006 programming period²⁰²



Legend: The percentage shows the unemployment rate per districts based on the number of disponible job seekers according to the methodology of the Labor, Social Affairs and Family Center. The yellow columns show the contracted eurofunds per capita for 2004-2009 as of May 31st, 2009. These amounts include the co-funding by the national budget. All operational programs except Technical Assistance, Transport and the National projects are included.

Source: Konzervatívny inštitút M. R. Štefánka, www.monitoringfondov.eu

However, another of our calculations prove there is absolutely no relation between the per capita eurofunds allocated to the districts and the unemployment rate change in that district during the

²⁰² For map with higher resolution, see http://www.monitoringfondov.eu/upload/images/mapa_2009_05_31.jpg.

monitored period. Thus any better reallocation would be of no help, since the eurofunds constitute fundamental error. The nontransparent pouring of public funds into the regions cannot initiate the changes. Only the natural jobs generation „from the bottom“ in private sector may become the sound base to the sustainable employment in the regions. But this path requires all the contrary: less artificially channeled public funds and letting the people and the entrepreneurs to keep their sources collected throughout the increasing taxation and levy burdens.

Eurofunds Allocation by Regions During 2007-2013 Programming Period²⁰³

The same as in the 2004-2006 reduced programming period, when the eurofunds were not channeled primarily to the regions with higher unemployment, which are, at the same time, usually also the regions with the highest perceived deficit as far as the public funds invested by the government into the public infrastructure concerns, also in the current 2007-2013 programming period, the system setup did not change despite various statements.

The Governments channeled less than half from the whole amount of the fund subcontracted till then to the three regions with the long-term highest unemployment rates: Banská Bystrica, Košice and Prešov (first Mr. Fico's Government between 2006 and 2010 and Ms. Radičová's Government in 2010 and 2011: in total, between July 1st, 2007 and December 31st, 2011). These regions received as little as €1,322.71 per capita. This is just slightly higher than the national average of €1,279.37 per capita. Just for comparison, Trenčín Region, with long-term unemployment rates under the average, (see Table 5.1), as given by the Governments 18.31% from the whole eurofund amounts. This represents €2,126.50 per capita (Table 5.2).

Table No. 5.2: Subcontracting of eurofunds by regions during 2007-2013 programming period, total for the two Governments (Mr. Fico's between 2006 and 2010 and Ms. Radičová's between 2010 and 2011: total for the period between Jan 1st, 2007 and Dec 31st, 2011)

Region	number of signed contracts	subcontracted funds (eurofunds + national co-financing)					2007 unemployment ranking of regions	2011 unemployment ranking of regions
		(in €)	(in %)	ranking of regions	in € per capita	ranking of regions		
Banská Bystrica Region	834	873,615,578.60	12.56	4.	1,339.45	4.	1.	
Košice Region	802	738,870,127.87	10.63	5.	947.27	5.	2.	
Prešov Region	1220	1 352,590,055.03	19.45	1.	1,671.01	2.	3.	
Nitra Region	658	590,492,348.38	8.49	6.	837.87	7.	4.	
Žilina Region	745	1,098,231,185.01	15.79	3.	1,572.78	3.	5.	
Trenčín Region	495	1,273,387,564.53	18.31	2.	2,126.50	1.	6.	
Trnava Region	470	454,711,974.98	6.54	8.	807.54	8.	7.	
Bratislava Region	685	571,826,894.36	8.22	7.	909.56	6.	8.	
Slovakia	5909	6,953,725,728.76	100.00	-	1,279.37	-	-	

Source: ITMS (without projects of technical assistance and national and interregional projects), www.rokovania.sk, conversions by authors

²⁰³ Since the responsible Ministries in position of the central coordination authority do not publish currently the data at the district level, the channelling of the eurofunds can be compared on at regional level. The regular reports on the "Slovak NSFR implementariion" discussed by the Government monitor the utilization, observance of the section priorities and inform on discrepancies and inspections; however, they have no single mention on the evaluation of the observance or non-observance of the goal of the regional disparities reduction.

Since during the monitored period between 2007 and 2011, two Governments were deciding about the eurofunds subcontracting, we opted to evaluate the above data also from the point of view of the first Government of Mr. Fico (2006-2010) and of Ms. Radičová's Government (2010-2011). This comparison demonstrated that the first Government of Mr. Fico disregarded more the channeling of the eurofunds into the regions with the highest unemployment rates. Banská Bystrica, Košice and Prešov Regions were allocated approximately one third of the accessible funds. This meant an under-average €624.36 per capita (Table 5.3). However, the double was subcontracted in Trenčín and Žilina Regions, both with under-average unemployment in long term (Table 5.1).

Table No. 5.3: Subcontracting of eurofunds by regions during 2007-2013 programming period, during the first Government of Mr. Fico (between Jan 1st, 2007 and June 30th, 2010)

Region	number of signed contracts	subcontracted funds (eurofunds + national co-financing)					2007 unemployment ranking of regions
		(in €)	(in %)	ranking of regions	in € per capita	ranking of regions	
Banská Bystrica Region	562	606,703,798.0	15.29	3.	930.22	3.	1.
Košice Region	455	310,827,059.8	7.84	6.	398.50	8.	2.
Prešov Region	754	482,079,741.8	12.15	4.	595.57	5.	3.
Nitra Region	353	288,742,262.7	7.28	7.	409.71	7.	4.
Žilina Region	543	850,041,529.4	21.43	1.	1,217.35	2.	5.
Trenčín Region	338	744,055,548.4	18.76	2.	1,242.54	1.	6.
Trnava Region	328	272,988,901.8	6.88	8.	484.81	6.	7.
Bratislava Region	408	411,433,100.5	10.37	5.	654.43	4.	8.
Slovakia	3741	3,966,871,942	100.00	-	729.84	-	-

Source: ITMS (without projects of technical assistance and national and interregional projects), www.rokovania.sk, conversions by authors

In comparison with Mr. Fico's first Government, Ms. Radičová's Government regarded somehow better the eurofunds channeling to Banská Bystrica, Košice and Prešov Regions. More than half of the subcontracted funds were allocated to these three regions. In per capita terms, this represented €698.35. Although this exceeded the average, it did not the per capita value channeled into the long-term protégé, Trenčín Region.

Table No. 5.4: Subcontracting of eurofunds by regions during 2007-2013 programming period, during Ms. Radičová's Government (between Jul 1st, 2010 and Dec 31st, 2011)

Region	number of signed contracts	subcontracted funds (eurofunds + national co-financing)					2010 unemployment ranking of regions
		(in €)	(in %)	ranking of regions	in € per capita	ranking of regions	
Banská Bystrica Region	272	266911780,6	8,94	5.	409,24	5.	1.
Košice Region	347	428043068,1	14,33	3.	548,77	3.	3.
Prešov Region	466	870510313,3	29,14	1.	1075,44	1.	2.
Nitra Region	305	301750085,7	10,10	4.	428,16	4.	4.
Žilina Region	202	248189655,6	8,31	6.	355,43	6.	5.
Trenčín Region	157	529332016,1	17,72	2.	883,96	2.	6.
Trnava Region	142	181723073,2	6,08	7.	322,73	7.	7.
Bratislava Region	277	160393793,9	5,37	8.	255,13	8.	8.
Slovakia	2168	2986853786	100,00	-	549,53	-	-

Source: ITMS (without projects of technical assistance and national and interregional projects), www.rokovania.sk, conversions by authors

No notable influence of the eurofunds on either unemployment or regional disparities reduction has been proven in Slovakia. However, a lot of examples show that the eurofunds had and have positive influence on those who are politically liable for them; on those who reallocate them in Slovakia and on those who succeed in juggled “tenders” thereof. Fighting the regional disparities is not only silly and useless, but also too expensive – it tires out the society economically and devastates it from moral and ethic points of view too.

| 6 | Suggestions for Systematic Changes in Eurofunds Allocation

While in 1990s, during the Governments of Mr. Vladimír Mečiar, the asset stripping of enterprises privatized underhand was trendy, the stealing of public funds during Mr. Fico's Government was sophisticated and “pursuant” the law. Public procurement became the tool. Eurofunds are the right opportunity. Aside the ludicrously huge amount, which the corrupting and corrupted wanted to hanker for, the so-called wall-board tender is no exception. Thousands and thousands of smaller, but similar thefts are being “procured” by both government and local administrations from the eurofunds all the time.

Corruption and clientelism thrive also in eurofunds in Slovakia. The reason why is that neither ministries nor another public administration bodies participating in the eurofunds allocation are automatically obliged to publish all information on the decision-making procedure of the applications (projects) approval. Anything, what is not secret, is public. And in eurofunds, there is no reason to keep secrets.

For the eurofunds, complicated bureaucratic mechanisms on both sides (both donors and recipients) means unnecessary costs and time losses, and it generates the room for unequal, inequitable and nontransparent decision making. Moreover, the eurofunds in Slovakia do not come first of all to those regions where they should according to the political declarations.

Low degree of co-financing by the final recipients implies their insufficient incentivitation on efficient utilization of all sources. The main reason of the utilization becomes the utilization and the public funds are wasted in senseless projects.

The eurofunds are allocated in the EU for tens of years already. Their scope is continuously widening (new regions, new support targets) although they are unable to meet the defined goals efficiently. The growth of the public sector role in the society (since most of the eurofunds are allocated to support the projects executed by either central or local governments) and the increase of both corruption and clientelism are the negative aftermaths of this policy

Suggestions for Changes

In order to increase both transparency and efficiency of the eurofunds reallocation, the Government and the Parliament, each at it's respective level, should adopt measures in the following areas:

The eurofunds allocation process shall be open to public

- Most of the information on the eurofunds allocating process is included in the so-called ITMS portal (www.itms.sk)²⁰⁴; therefore, it is necessary to make accessible this portal to wide

²⁰⁴ *ITMS Core*: IT monitoring system for the structural funds and the Cohesion Fund (ITMS Core), which includes the processes of the utilization of these funds for 2004 – 2006 and for 2007-2013, is operated within the Datacenter Communication-Processing Infrastructure (KTI) together with the the Integrated System of the Funds Accounting (ISUF), Information System of State Treasury (IS ŠP), Budget Information System (RIS) and others. ITMS Core is connected with ISUF, RIS and Manex systems within KTI. The connections are ensured by the mean of the SAP XI processing platform. In case of ISUF, these are on-line synchronous connections. As of December 31st, 2010, ITMS Core system included 2096 active users (total for both 2004 – 2006 and 2007 – 2013 periods).

public and, also with the help of the data accessible in the ITMS system, publish automatically all the flows of the public funds between the public entities granting the unreturnable financial contributions from eurofunds and their end receivers (operation of transparent central e-register including all projects, the related contracts, procurements, invoices and payments).

- The act on aid and support granted by the eurofunds should be changed; it should not be just a mere copy of the European law applicable in Slovakia whatsoever. It should become a tool of transparency enforcement for the eurofunds.
- With no exception and limitation, the awarding method and decision making of both internal and external evaluators, members of tendering committees as well as the whole assessment and eurofunds allocation procedures shall become public and controllable for each project, regardless to whether it succeeded or not.

The eurofunds allocation process shall be more simple

- Speedier utilization of eurofunds, less red tape, clientelism and corruption as well as the real channeling thereof into the regions with higher unemployment can be achieved by the mean of changes in the allocation process implementing the rule of „claimability“ (at least for the calls addressed to the applicants from the public sector).
- Each participant (applicant) who meets the call basic conditions, should have a claim for assignation of the eurofunds after declaring his interest by the mean of presenting simple and short application (not tens of pages and tens of annexes as today), provided he demonstrated he is not owing to the government and he is able to manage and co-finance the project.
- According to the EU, the support of the so-called convergence regions should take place mainly via eurofunds.
- The applicants ranking should be based on the coefficient depending on the unemployment rate (of municipality, district or region, depending on the project nature). At the same time, the managing authorities should sign preferably contracts with the applicants from the regions with higher unemployment rate (another appropriate statistical index could be used depending on the call area). Contracts with applicants from regions with the lowest unemployment should be signed only provided the allocation was not already subcontracted by the applicants from the regions with higher unemployment rate.
- The attitude of the bureaucrats to the projects under progress shall change: instead of search for ex post mistakes of the end receivers, they should be of help while eliminating the problems and inefficient expenses during the project execution (this is a room open mainly to the intermediators at the regional level).
- The communication between the government entities as the subvention donors and the applicants or the subsequent end receivers should be fully digital even without the need for purchase of the digital signature.

The eurofunds utilization process should be more efficient

- An obligation should be implemented to use the digital auction for the procedure of the procurement of goods and services needed for the execution of projects by the mean of the eurofunds (when exceeding certain amount), including the need for information of the e-auctions under preparation in the central e-register, which shall be funded imperatively.
- The subsequent and continuous audit of the projects under progress made by the public agencies should aim mainly to the bigger expenses.
- The applicants for eurofunds should participate in the projects by higher degree of co-financing: more private sources mean higher incentive in more efficient utilization of the

overall sources. The eurofunds are not a “lunch for free”: they are the money of the EU member states taxpayers, including those from Slovakia – all of us pay the bill.

Traceable Liability and Sanctions

- Both penal and material (for damage causes by the public power acts) liabilities should be more stringent. They should include sanctions against the representatives of public authorities in case of damages caused deliberately or due to deliberate negligence. The sanctions and personal liability for the noncompliance with the tasks and legal deadlines should be defined. The citizens shall be enabled to require the fulfillment of the sanctions and to require the personal liability of the bureaucrats also via suits.
- A mandatory ethical code should be developed for the public administration servants as well as the qualification criteria and the conflict of interests.
- Public central e-register with list of persons in elected and managing positions of the public administration and mainly of the government employees working as bureaucrats liable for the eurofunds allocation procedure. An obligation of publishing the property declaration for these groups of persons in the e-register should be implemented.
- Sanctions for corruption and clientelism should be defined. The persons who evidently corrupted or were corrupted, may not occupy any position in the public administration for the lifetime and may not enter in contractual relations with public administration entities as well as they may not become the recipients of any subventions. This measure should apply also for the companies where such persons are executives, shareholders, statutory etc.
- For the local administration, the following rule shall apply: „law non observance = no subventions“: a local administration, which does not meet the legal obligations, should have no claim for any public subventions (funded by either national budget or eurofunds).

Chosen Measures Executed Between 2010 and 2012

Act on Aid and Support from EC Funds

Even hurried view to this Act indicates it is a transcription of the corresponding EC regulations. This is demonstrated also by tens of references to the European regulations paragraphs in the footnotes. Unlike the directives, these regulations are applicable directly, without need for national transposition norm. Said in other words: EU does not require Slovakia to adopt this Act; this is not included in our obligations. This is a text-book example on how tens of thousand pages of the European law induce thousands of pages of unnecessary acts at the national level.

The second Government of Mr. Mikuláš Dzurinda (2002-2006) wasted punishably the opportunity to avoid the marauding the public funds. The attempts of Ms. Lucia Žitňanská, trying to catch up the wasted were mostly unsuccessful in her position of an opposition Member of Parliament between 2006 and 2010. Her drafts about improving the eurofunds allocation procedures were thrown away also in the fall of 2008, when the Act on eurofunds passed. Although both Deputy Prime Minister Mr. Dušan Čaplovič and the Minister Mr. Marian Janušek were talking and talking again about the transparency, the Parliament refused the opposition drafts and adopted a toothless and redundant act.

The Members of Parliament from the ruling parties attempted to make the eurofunds more transparent by the mean of their amendment draft to the Act on aid and support from EC funds. This way, they continued in the attempts of Ms. Lucia Žitňanská, who in 2008, as opposition Member of Parliament, was not successful with the draft of the amendment of this – in other terms – useless act and somehow make it sensible at least. According to the reasoning report to this amendment, the

publication of the information should be extended by “*publishing on the web of the data on subjects, which were awarded with the grants, including the granted aid amount and the names of the members of the committee assessing the applications. The unsuccessful applicant will also learn either the reason of the refusal of their applications or the names of the members of the committee assessing their applications.*” Finally, the act has been amended as late as in February 2012, during the Government of Ms. Radičová (2010 – 2012), throughout the mentioned draft of group of Members of Parliament submitted in April 2011. However, we must say that even this draft was not sufficiently vigorous as far as the need for transparency of the eurofunds reallocation process concerns.

Up to now, the concerned Ministries have no automatic obligation of publishing all information on the eurofunds allocation process. Thus the need to request the information from the Ministries via Act on Free Access to Public Information remains unchanged. The experience with the handling of the request for identical information in two Ministries, when one reacts promptly and positively while the other is dissembling and lying, leads to the doubts about the real rule of law in Slovakia.

Projects Container

In April 2012, the institution of the so-called Projects Container will be established based on the amendment draft of the Act on Aid and Support from EU Funds. This tool should prevent the “risk” of non-utilization of the eurofunds within some operational programs.

Publishing of Purchase Orders, Invoices and Contracts

The public administration entities are obligated to publish the purchase orders, invoices and contracts from January 1st, 2011. This reduces the risk of signing of disadvantageous and hidden contracts similar to those of the “wall-board tender”, which were not accessible to both public and media for a long time. For active citizens, the process of obtaining information becomes more simple since they do not need to request the information pursuant the Act on Free Access to Public Information.²⁰⁵

Public Procurement and e-Auctions

The amendment of the Act on Public Procurement implemented the obligatory use of e-auctions for jobs exceeding the limit, and from January 1st, 2012, also for all the remaining jobs. Since according to TIS, “*the jobs exceeding the limit constitute more than 70% of the entire value of the public procurement contracted, the obligatory use of e-auctions in such jobs may bring higher savings and better transparency.*”²⁰⁶

Declarations of Honor

As mentioned on the website of the Managing Authority for the Regional Operational Programme²⁰⁷, “*during the public procurements audit, the potential existence of employment and similar links between the receivers and the applicants was found in the time of contracting of services, goods and building works related to the approved applications for unreturnable financial contributions. This might result in the infringement of the Act on Public Procurement,*” therefore, based upon the auditing entity findings, the Managing Authority will request from the receivers “*to include, in the bid*

²⁰⁵ The contracts are accessible in the Government Central Register of Contracts on <http://www.crz.gov.sk/> and summarized and analyzed by TIS on <http://www.otvorenezmluvy.sk/> (both in Slovak version).

²⁰⁶ See the TIS blog „Na detailoch záleží aj pri e-aukciách“ for more details on: <http://blog.etrend.sk/transparencymblog/2011/12/12/na-detailoch-zalezi-aj-pri-e-aukciach/> (in Slovak version).

²⁰⁷ See „Dôležitý oznam pre prijímateľov v súvislosti s predkladaním dokumentácie z procesu verejného obstarávania“ dated on December 14th, 2011 on: <http://www.ropka.sk/aktuality/&id=153> (in Slovak version).

documents submitted to either managing authority or intermediators reporting to this authority, the receiver's declaration of honor stating that there is neither employment between his staff and the applicants nor similar relationship which might result in breach of some of the public procurement rules."

The declaration of honor has the following wording: *"I, as the statutory of the receiver of unreturnable financial contribution, hereby declare there is no neither employment between the receiver's staff and the applicants nor similar relationship which might result in breach of some of the public procurement rules."*²⁰⁸ We do not find these declarations of honor as sufficiently binding from the legal point of view.

Public Draw of Evaluators

On February 18th, 2011, the Ministry of Economy made the draw of evaluators of the projects submitted within the Operational Programme Competitiveness and Economic Growth. The goal of the public draw supervised by a notary public was the transparency of the selection procedure and reduction of doubts on its possible juggling. According to the Ministry press release, *"the Committee Chairman drew 12 evaluators from among the 36 applicants; these were randomly assigned in couples for each of the 80 projects. The draw was anonymous – every evaluator had his own ID. Also the projects were assigned their unique codes."*²⁰⁹

The Ministry of Labor, Social Affairs and Family implemented the video recording of the projects evaluators draw. This record is accessible upon request. Both EC and NGOs representatives witness the draw.²¹⁰

Map of Projects

The Ministry of Labor, Social Affairs and Family opted for publication of information related to the projects supported by ESF also by the mean of a map of projects.²¹¹

Expense Limits

The Ministry of Labor, Social Affairs and Family issued an interpretation for the efficiency and economy of the personal expenses – so-called limits based on statistic data on the market prices in Slovakia.

Data.gov.sk In the Operative Planning

However, the Government approved the key measure that might bring more light into the corrupted reallocation of eurofunds as late as at the time of its untimely end. The task specified in the Resolution from the Ms. Radičová's Government session dated on February 22nd, 2012 is an absolute turning point. They decided *"to publish the data on the structural funds utilization within the extent of ITMS data on an open-data portal"* till November 30th, 2012. This should occur via open-data portal being created within the operative plan of the *Open Government Initiative*.²¹²

²⁰⁸ Declaration of honor of the statutory of the final receiver on http://www.ropka.sk/download.php?FNAME=1323877900.upl&ANAME=cestne_vyhlasenie_VO.doc (in Slovak version).

²⁰⁹ A press release accessible on <http://www.economy.gov.sk/aktuality-mh-sr-maximalizuje-transparentnost-vyberu-europrojektov/10s135942c> (in Slovak version).

²¹⁰ See <http://www.employment.gov.sk/upratanim-v-eurofondoch-ziskalo-slovensko-stratenu-doveru-europskej-komisie.html> for more details (in Slovak version).

²¹¹ The map can be found on <http://www.esf.gov.sk/new/index.php?SMC=1&id=2870>.

²¹² The Operative Plan of the Open Government Initiative is accessible on <http://www.rokovania.sk/Rokovanie.aspx/BodRokovaniaDetail?idMaterial=20747> (in Slovak version).

The open-data portal of the public administration deserves to go further than an initiative and to get more weight and stability, including the legal protection. This could be made either by the amendment of the Act on Free Access to Public Information or by the Act on Public Administration Information Systems.

Conclusions

The goal hereof is to prove the great risks of the misuse of public funds from Slovak and European taxpayers involved in the utilization the EU funds in Slovakia (and apparently not only in Slovakia). The greatest risk constitute the organized groups including not only the businesspeople, but also (and mainly) the politicians and bureaucrats from the Ministries liable for the eurofunds management. Thus, not only deceitful businesspeople (and eventually the public administration or certain NGOs) are liable for the eventual ineffective use or misuse of the eurofunds breaking the EU rules. This system is complicated. Mr. Miroslav Beblavý called it once the “integrated sucking system“. The eurofunds misuse is no exception. It is the rule. The cases without eurofunds misuse are the exception.

| 1 | From the point of view of the administered eurofunds coming from Brussels amounting €11,361,000,000.00 during the current 2007-2013 programming period, Mr. Fico's government contracted 40.78% and utilized 8.39% thereof during 30 months (from January 2008 till June 2010, since we lost the entire 2007 negotiating with the European Commission (EC) and further preps). During it's 18 months (from July 2010 till December 2011 included), Ms. Radičová's government contracted further 26.86% and utilized 16.63% from eurofunds.

The crucial trouble with the eurofunds allocation consists in high number of operational programs, priorities, measures and calls, as well as in clumsy and nontransparent project cycle. Not from a distance EU means bonuses or pluses only in form of the eurofunds influx. The INESS calculations show that *“between 2004 and 2010, it was necessary to spend 90 cents of euro from the national sources for the receiving of each €1.00 from the EU budget. Till 2009, these costs were even €1.00 exactly. It means that the EU entry just inflated the state budget, on both revenue and expense sides.”*

| 2 | Most of the cases of the eurofunds misuse included herein were not disclosed to the public via the inspection authorities, managing authorities, criminal investigators or prosecutor's office. Most of the cases became known throughout mass media, often based on the stimuli from the NGOs.

In cases related to the highest ranks of the Ministries, e.g. in the cases of “wall-board tender“ or “social enterprises“, we witnessed the obscuring, covering and refusal of determination and acceptance of political liability. There are no criminal-law consequences or sanctions applied; alternatively, the judicial procedure is unbelievably lengthy.

The action of the Slovak authorities, if any, is mostly concentrated narrow-mindedly on the procedural aspects of the public procurement. The ethical failures are not inspected and the open evaluation of the overpriced invoicing of goods and services takes place very rarely.

The interventions of the EC, which opted several times not to refund the invoiced goods and services since it identified the processes as nontransparent and dubious, are perceived as the most important sanctions and negative aftermaths of the “foot faults“ occurring at the eurofunds reallocation.

| 3 | The wall-board tender and the social enterprises are two extraordinarily visible cases discovered by the NGOs and mass media. These prevented the misuse of the European taxpayers' funds as the EC did not refund these expenses. However, the Slovak taxpayers' funds were misused since the Slovak authorities refunded these expenses and only afterwards, no conformity with the EU rules has

been found whereas the receivers were paid this money as to be co-financed by the eurofunds originally. However, there is no reason to hope these were and are the only cases of the eurofunds misuse in Slovakia. On the contrary, there are indications on the eurofunds misuse in various operational programs in different ways. Organized groups of receivers (private entrepreneurs, local administrations, NGOs) participate mostly in this misuse, together with the bureaucrats making decisions on the assignment of the unreturnable financial contributions and the politicians ruling at the moment.

| 4 | The goal of the case study related to the EU aid in the waste management area is to indicate various doubts on the sense of supporting both private and public companies operating on the waste market. The EU systematic aid results often in ineffective, unjustified and therefore unnecessary utilization of the eurofunds.

In the case of the public institutions, the most frequent process mistake is the inability to assign the funds proportionally to the needs of market, which the subsidized local-administration business will its services offer for. EU supports with high amounts also such private projects, which have very low likelihood to succeed on the market basis.

This part of the study was aimed also to prove the basic system error of the subventions. The EU support tools are based on wrong presumption that the private capital market will not be able to respond flexibly to the market demand generated by the Government's decision. Subsequently, this error generates series of errors, market distortions and contributions to the market monopolization.

| 5 | The same as in the 2004-2006 reduced programming period, when the eurofunds were not channeled primarily to the regions with higher unemployment, which are, at the same time, usually also the regions with the highest perceived deficit as far as the public funds invested by the government into the public infrastructure concerns, also in the current 2007-2013 programming period, the system setup did not change despite various statements.

The Governments channeled less than half from the whole amount of the fund subcontracted till then to the three regions with the long-term highest unemployment rates: Banská Bystrica, Košice and Prešov (first Mr. Fico's Government between 2006 and 2010 and Ms. Radičová's Government in 2010 and 2011: in total, between July 1st, 2007 and December 31st, 2011). These regions received as little as €1,322.71 per capita. This is just slightly higher than the national average of €1,279.37 per capita.

Despite of all speeches about regional disparities reduction by the mean of the eurofunds, despite all plans and operational programs, neither Mr. Dzurinda's (2002-2006) nor even Mr. Fico's Government (2006-2010), the latter being borne by the bubble of the welfare state, did set the system of the eurofunds reallocation in a manner making these public funds travel primarily to the regions with the highest unemployment. We cannot deny certain attempts of Ms. Radičová's Government (2010-2012) aimed to change this trend, but as her Government fell in October 2011 and thus has lost the possibility to confirm whether there was deliberate channeling of the regional reallocations process or not.

The difference between the districts with the highest rate (Rimavská Sobota) and the lowest rate (Bratislava I) was 31.06% at the end of 2011. While Rimavská Sobota exceeded the national average by 21.00%, Bratislava I was 10.06% under the average. When comparing with 2004 data, the following is apparent: although the average unemployment rate is slightly lower (by 0.88%), the

differences increased, mainly for the districts with the highest rates. The difference between the district with the lowest unemployment rate and the average decreased slightly; however, this indicates the current crisis affects also the situation in Bratislava districts. Apparently, both the unemployment issue and the regional disparities are being neither resolved nor reduced, despite the billionaire influx from the eurofunds.

However, there is absolutely no relation between the per capita eurofunds allocated to the districts and the unemployment rate change in that district during the monitored period. Thus any better reallocation would be of no help, since the eurofunds constitute fundamental error. The nontransparent pouring of public funds into the regions cannot initiate the changes. Only the natural jobs generation „from the bottom“ in private sector may become the sound base to the sustainable employment in the regions. But this path requires all the contrary: less artificially channeled public funds and letting the people and the entrepreneurs to keep their sources collected throughout the increasing taxation and levy burdens.

| 6 | Two basic levels where the “loot is divided“ can be identified within the eurofunds reallocation process. The first level is the selection procedure, when the Ministries make decisions on the awarded projects. Usually, the ordinary mortals cannot learn who is the evaluator, how and why he/she evaluates as he/she does, and why someone is successful and the other is not. Those who know more, who may arrange much things and handle this “tender“, are moving in the grey zone. And they make profit. However, the European regulations should formulate more strictly the obligations of the managing authorities in the member states related to the evaluators selection process and to the projects assignment to the evaluators as well as the sanctions resulting from their nonobservance.

The second level of the “loot“ dividing is the public procurement, i.e. the deliveries of goods and services specific for the individual projects funded from the eurofunds. No transparency and efficiency are required. Till 2011, almost no digital auction has been used although this allows the selection of the best supplier or price. Mostly, the submittal of three bids at least is sufficient. And sometimes, even a note in the cork wall board is enough. In this country, the public procurement is legalized theft. The European regulations should formulate more strictly the obligation to publish the information by the national managing bodies as well as the sanctions resulting from their nonobservance.

In order to increase the transparency and efficiency of the eurofunds reallocation, both Government and Parliament should adopt measures at their respective levels making the eurofunds reallocation process public, the eurofunds utilization more efficient and the liability and sanctions clear and specific.

However, the eurofund thefts will persist till we will pretend the eurofunds are basically good idea, except the bad thieves. In Slovakia, the eurofunds constitute mainly the opportunity for rampant corruption and clientelism. Thus the corruption, clientelism and EU funds misuse are the system mistake, which can be eliminated only by the cancellation of these funds, which reallocate the European taxpayers' money.

About Authors

Ivan Kuhn

Analyst of European Affairs and Eurofunds Utilization
M. R. Štefánik Conservative Institute

Graduated in Political Sciences in the Faculty of Philosophy of Comenius University in Bratislava and in International Relations in University of Kent in Canterbury, England.



Between 1995 and 1997 he worked as foreign affairs editor in SME daily. From 1998, he worked as the Project Manager and adviser for the area of projects funded by the EU funds. Between 1998 and 2000, he worked as the Project Manager for Phare projects aimed to the reform, decentralization and modernization of public administration. Between 2000 and 2002, he worked as Project Manager for the development of ISPA grants applications for reconstruction and building of the environmental infrastructure. Between 2002 and 2005, he collaborated with several foreign consultancy companies on the execution of the technical assistance projects funded by Phare program.

In M. R. Štefánik Conservative Institute, he managed the project for the monitoring of transparency and decision making related to the eurofunds allocation in Slovakia and the project focused on the value orientation of Slovak foreign policy. Besides this, he is devoted to the international relations and European integration issues.

He is the author of the National Report for Slovakia on Public Opinion in the European Union No. 62-76. Member of Slovak Association of Political Sciences (SZPV) and Slovak Foreign Policy Association (SFPA). In the past, he was a fellow worker also in Pontis Foundation, Transparency International Slovensko and AI Nova.

Dušan Sloboda

Analyst of Public Administration and Regional Policy Areas
M. R. Štefánik Conservative Institute

He graduated in Geography in Faculty of Natural Sciences of Comenius University in Bratislava. Between 2001 and 2004, he worked on the Section of European Integration in the MINISTRY OF CONSTRUCTION AND REGIONAL DEVELOPMENT OF THE SLOVAK REPUBLIC. In 2004, he was on internship at DG Regional Policy of the European Commission in Brussels.



In M. R. Štefánik Conservative Institute, (KI), he works from 2004 as the analyst. He is specialized to the regional development (regional policies of Slovakia and the EU), public administration (fiscal decentralization and local administration reform, regions of Slovakia) and some of the aspects of the relations between Slovakia and the EU. He is the co-author of Remarks on the European Constitution Draft (2003) and of the Chapter on the regional policy in Slovakia on the Road to the EU: Chapters and the Connections (2003). He is the co-author of the studies Fiscal Decentralization and Municipalities (2005) and 2005 Regional Alternative (2005). He is the author of the analysis Slovakia in the EU – Impact of Eurofunds and Environmental Regulations (2005) and the study Slovakia and Regional Disparities. Theories, Regions, Indicators and Methods (2006), study Slovakia – A Country of

Representatives (2006) and the analyses Channeling of the Investments Stimuli into the Regions of Slovakia (2007), Eurofunds and Regional Disparities in Slovakia. Priority Case of Local Infrastructure (2004-2006) (2007) and Where the Eurofunds Are Allocated in Slovakia? (2007). From September 2006, he is also one of the evaluators of the local governments measures within the INEKO projects: Evaluation of Economical and Social Measures in Regions and CPHR: Evaluation of Social Measures in Regions. He is the KI website editor and, from 2007, the editor of Konzervatívne listy (KI newsletter).

Radovan Kazda

**Environmental Policy Analyst and editor of Odpady-Portal.sk
Konzervatívny inštitút M. R. Štefánika**



He graduated in Slovak Agricultural University in Nitra. Between 1996 and 2004, he worked as scientific and expert in the Irrigation Management Research Institute and its successors, where he dedicated to the landscape engineering issues (irrigations, drainage etc.), hydrogeology and ecology. Between 1999 and 2004, he was the Head of the Union of Landscape Architects of Slovakia. From 2002, he collaborated externally with KI as co-coordinator and main author of the project Corruption Risk Reduction in Agriculture.

From September 2004, he works in KI as specialist for the areas of agricultural and environmental policies, mainly devoting to the following issues: waste management, climatic changes and emission policies, state-owned lands, nature conservation and water and forest management. He collaborated with the Institute for Public Affairs as the author of the chapter on agriculture in the Global Reports on the State of Society (2003, 2004, 2005 and 2006) and the chapters on the Environment in the publication Slovakia of Road to Unknown (2003). He was a fellow worker in Transparency International Slovensko (Corruption and Anti-Corruption Policy in Slovakia for 2003 and 2004). From 2000, he published on regular basis in various media on issues related to agricultural and environmental policy.

In 2004, he coordinated the project U.S.A., Europe and Japan. In 2005, he was the coordinator of the conference Environmental Policy in the Slovak Republic and in 2006, of the conference Development Alternatives for the Forest Management in the Slovak Republic. From 2007, he coordinates the conference Waste and Local Governments. Within his activities in KI, he participates on the organization of the economy-environment club events, a cycle of conferences aimed to the economic and environmental issues.

From 2009, he is the editor of Odpady-Portal.sk, a specialized webzine on waste management in Slovakia and from 2010 he edits also the Energie-Portal.sk webzine.

About M. R. Štefánik Conservative Institute

Konzervatívny inštitút M. R. Štefánika (KI)

www.konzervativizmus.sk

KI is a non-profit NGO, a conservative think-tank. Unlike some other think-tanks, KI activities are not aimed to one single specific area of public affairs and the life of the society. The common factor of KI activities is their basement in the conservative values and point of view related to the society and liberal attitude in the economics.

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CONSERVATIVE
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About AECR

Alliance of European Conservatives and Reformists (AECR)

www.aecr.eu

AECR campaigns for radical reform of the European Union and aims to spread conservative values. It works alongside the European Conservatives and Reformists Group in the European Parliament, its associated national parties and the New Direction think tank.



The AECR basic document is the Prague Declaration. In order to achieve the goals thereof, the member parties formulated the common strategies and laid down the fundamentals for new eurorealistic political group in the European Parliament. For the first time in its history, the European Parliament has its formal opposition: the group of European conservatives and reformists.

In January 2010, AECR was recognized by the European Parliament as a European-level political party pursuant §191 of the Treaty on European Union. It works as Paneuropean covering organization of this new opposition movement.

AECR is an association of eurorealistic parties joining the values and principles based on individual freedom, free market, subsidiarity, small government, parliamentary democracy and respect of sovereignty of the national states.

Annexes

Annex I: Data on Model Social Enterprises from the Non-Profit Organizations Register and from the Register of Civic Associations

Annex II: Publishing of Documents for Model Project Submittal

Annex III: Model Social Enterprises Projects

Annex IV: Definition of Social Enterprises

Annex V: Relevant Legal Documents