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Slovakia: A Unique Case?

Slovakia is a special case among the Central and Eastern European countries discussed in this study. The Slovak state formally exists only since 1 January 1993. Even though Czechoslovakia had become a federal state with the change of the constitution in 1968, in reality the Slovak administration was little more than an implementing agency for the Prague government. Slovakia was granted an increased level of autonomy after 1989. However, a number of ministries continued to be subordinated to federal government control and in some policy areas the Slovak republic had no independent ministries. A complete state administration was only developed when the separation of the Czech and Slovak republics had become inevitable.

The relative lack of constraints imposed by existing structures gave Slovak politicians the unique opportunity to develop an administration for the 21st century and, to speak in the words of Prof. Yehezkel Dror, to 'leap ahead' of most OECD countries, which have found it difficult to change their often outdated administrative structures, because of the strength of vested interests.

The main question underlying the study of the Slovak case is whether the Slovak administration shows any signs of being an innovative administration, or whether classical patterns of administrative development can be observed.

In this chapter the above question will be discussed in relation to four areas; the development of central government, local-central government relations
and the development and implementation of policies in the fields of education and health.

**Central Government Structures: A System in Flux**

The central administration of the Slovak Republic has a classical pyramid structure. It consists of a central Government Office and fourteen ministries. The Government Office acts as a secretariat to the prime minister, as a body of policy co-ordination and as a strategic planning unit (to the government as a whole). The area-oriented ministries deal with policy-making and implementation in their policy area. Policy implementation is either carried out directly by the ministry or by general and specialised field offices. The section on government policy-making and implementation structures will be broken down in three parts: policy-making and co-ordination, policy-implementation structures and the role of parliament in ensuring accountability.

**Policy making: the central role of the government office**

The central policy-making body in the Slovak administration is the Government Office, which has a staff of about 200. Until April 1995 the Government Office was not officially part of the state administration, but it became part of the state administration following the passage of the amendment to the law on the organisation of ministries and other central administrative institutions (law 347/1990).

All major policy initiatives have to be screened by the government office before they can be put on the government’s agenda. If a section of the government office feels that an issue should be placed on the government’s agenda, the department concerned can take the initiative. However, as a rule the ministries take the initiative. All proposals with budgetary implications have also to be passed through the government office.

The government office is divided into a department of the government agenda, a department of economic policy, a department of spiritual development and nationality questions, a personnel department, a department of informatics and rationalisation of the state administration and self-government and a new department of European Integration. As a rule departments are controlled by one of the deputy prime ministers.

The department of economic policy plays a central role in the policy process. Proposals from the ministries are passed on to the economic department of the government office, which returns them with comments.
Ministries can then submit revised versions of their earlier proposals before they are put on the government's agenda. The department of economic policy subsequently advises the prime minister on the position to be adopted.

A new Institute for the Strategic Development of Society has been created in Autumn 1995 to improve the capabilities of the economic department to analyse ministerial proposals. The institute is an agency under the Government Office and has a staff of just over 100. The institute is expected to be able to use the resources of higher education research and training institutes. The institute is divided into nine departments, including a department of public administration and public sector economics. In the initial phase of its development the institute has mainly been working on new policies regarding local-central government relations. Little attention has been devoted to the rationalisation of the organisation of central government. The new institute will certainly improve the ability of the Government Office to judge the economic impact of ministerial proposals. This will enhance the Prime Minister's capacities to ensure the coherence of government policy. The Institute for Strategic Development of Society is one of the first such institutes to be established in Slovakia. Since the Slovak administration is a relatively young institution, it is expected that additional agencies will be set up in the future to support the work of the government office.

The Department of Personnel is responsible for personnel management in the Government Office. The department manages a central database of all the personnel in the central administration and has the task of co-ordinating personnel management in all individual ministries. The department is also in charge of the development of the ideas for a new training system for the top management in the Slovak central administration. The role of this department will be discussed in more detail in the section on human resource management.

The Department for Information Technology (IT) and rationalisation of the public administration is expected to occupy itself mostly with introducing IT in the central and de-concentrated state administration. The government's advisory council on public administration, which is chaired by the Minister of the Interior, acts as a think-tank on administrative reform policies.

The Department of European Integration is a relatively new department. Its main responsibility is to ensure that Slovakia's obligations under its Association agreement with the EU are fulfilled. In particular, the department's task is to ensure that no legislation is adopted which contradicts EU law in areas in which Slovakia is obliged to harmonise its legislation with EU standards, and that existing legislation is brought in line with EU requirements. Conflicts between ministries or between the European Integration Department and ministries are discussed in the Government
Council for European Integration, which consists of the relevant state secretaries. The department is too new to be able to command the respect of the line ministries and has therefore not been able to develop its function as an arbiter of inter-ministerial conflicts. The fact that two deputy prime ministers are dealing with this process (one with conflict resolution between ministries and one with compatibility of legislation with European standards) does not improve the co-ordination capacities of the department. A rationalisation of the division of labour regarding the management of European Integration policy is an issue to be considered in the future.

It should be noted that regardless of the relatively high profile of working at the government office, several departments face difficulties filling vacancies, due to the low salaries and the high requirements of the government office.

The policy making process in Slovakia thus follows the classical patterns of ministerial initiative and co-ordination by the government office. It is interesting to note that the formal position of the government office is relatively strong, which is similar to the situation in most other Central and East European countries.

Policy implementation: the changing organisation of local state administration

The most interesting aspect of a study of policy implementation in Slovakia is the development of the system of service delivery through local offices of the state administration. The system of policy implementation at local level in Slovakia has undergone substantial changes in 1996. The debate on the system of policy implementation was in fact a text-book example of a debate on the merits of the two predominant forms of organisation of local state administration: general organisation or specialised organisation.

Until Spring 1996 policy implementation was to a large extent carried out through the offices of the Ministry of the Interior (MOI) at district (31) and sub-district (121) level. Local self-governing authorities played a limited role for reasons set out in the previous chapter. The Ministry of the Interior played a central role as a facilitator in policy implementation. The Ministries of Health and Education were among the few ministries which relied predominantly on their own agencies to ensure policy implementation, even though some tasks related to preventive health care had been transferred to the sub-district offices in 1995. However, social policy, for instance, was to a large extent carried out through the offices of the MOI, while in the areas of environment and public transport implementation tasks were divided. The general public was not at all satisfied with the increasing fragmentation of local state administration. References to the relative efficiency of the
former system of national committees, which provided most local services through a one-office service, were frequently made.

The combination of fragmentation on the one hand and concentration on the other led to the development of highly complex systems of inter ministerial arrangements. For example, social policy was largely carried out through district and sub-district offices. However, the field offices of the MOI did not have co-ordination powers over the field offices of other ministries.

Until Spring 1996 there was an intensive debate on whether policy implementation should be concentrated in relatively independent local offices of state administration, or whether all ministries should be allowed to have their own field offices. However, it was clear from the start that the government was bent on re-integrating implementation functions. The debate was complicated further because it was intermingled with the debate on how tasks should be divided between self-government bodies and local offices of the central administration. The de-concentrated offices of state administration are quite distinct from the self-government institutions, which will be discussed in the next section. Local offices of state government are expected to render methodological assistance to local self-governments but they do not have direct control or auditing powers.

The sub-district offices were the more important of the two levels of state administration. The variety of tasks the sub-district offices performed included social affairs, regional development, licensing and control of entrepreneurial activity, citizens' registration, civil protection and safety and the protection of the health of the inhabitants and management of local elections and referenda. The sub-district offices were audited by the district offices. The head of a sub-district office was appointed by the head of the district office and was responsible for the recruitment of the office staff. The Ministry of the Interior organised the recruitment procedure and the government made the final decision. Decisions about the appointment of heads of office were prepared by a special commission, headed by the MOI, with the participation of members of the parliamentary committee for Public Administration, the Ministry of Labour and Social Affairs and other ministries directly concerned.

Several structural problems of the former system can be identified. The first is the high level of political dependence of the de-concentrated offices of state administration. Under the old system the Ministry of the Interior played a key role in the preparation of the budgets of the district and sub-district offices. These budgets were prepared by the MOI on the basis of requests by the offices concerned and submitted by the MOI to the Ministry of Finance. The personnel budget was largely determined by the budget of the previous year and a mandatory average salary was set. Within these
limits the offices could make decisions about recruitment and allocation of staff themselves, but obviously their decision-making powers were limited. The work of the heads of district and sub-district offices was not evaluated through an institutionalised evaluation system, even though the MOI monitored the comparative performance of the different offices. The politicised character of the budgetary procedure, the appointment procedure and performance evaluation led to a high level of turnover among heads of district and sub-district offices.

An additional problem related to the definition of the budgets of district and sub-district offices was created by the variety of tasks they performed for different ministries. If personnel increases were required because of the creation of new tasks by ministries other than the MOI, but to be carried out by the general offices of local state administration, the ministry concerned first had to ask the approval of the MOI. Only if agreement was reached between the spending ministry and the MOI would the proposal be discussed at the level of the Council of Ministers. Another problem which arose was the lack of specialisation of local office staff in the area for which they are responsible. Since local office staff were managed by the district/sub-district officer, it was this officer who set priorities and allocated personnel to policy areas. This led to discrepancies between the level of service envisaged by a specialised ministry and the real level of services provided by the offices of the MOI.

The law on the organisation of local state administration, adopted in Spring 1996, has led to fundamental changes in the structure and organisation of the de-concentrated offices of state administration. A system of 8 regions and 79 districts has been created. The regions and districts will have a certain level of budgetary independence; they will become separate budgetary organisations from 1997 onwards. However, there will be relatively little change in personnel management in the local state administration. The Ministry of the Interior will continue to be responsible for the recruitment of the heads of the regional and district offices, while the heads of these offices will retain responsibility for the recruitment of other staff. There will be a fundamental re-integration of functions in the local state administration; the new offices will deal with policy implementation in some 20 policy areas, pending a decision on what policy areas might be decentralised to municipalities or the self-governing regions, the higher tier of local self-government which is yet to be created. Only a very limited number of policies will be implemented through independent offices of local state administration.

The complete revision of the structure of local state administration in Slovakia appears justified if one takes into account the problems of the previous structure, as outlined above. However, it is difficult to make a
balanced assessment of the new structure until self-government structures at regional level are created and a decision on the division of tasks between central government and self-government is decided upon. It is also questionable whether the substantial investment which will be required to restructure the system of local state administration is a reasonable expenditure, especially considering the fundamental changes to be introduced in the near future. As a last point the system of appointment of heads of regional and district offices remains open to patronage and politicisation as long as recruitment and selection procedures are not made more transparent.

Parliamentary control of policy implementation: in an early stage of development

The system of parliamentary control of policy implementation still leaves much to be desired. The relative lack of activity of the Slovak National Council in the area of control of policy implementation is largely due to the heavy legislative burden of the parliament, a trend which can be observed in most CEECs. In Slovakia the situation is complicated further by the fact that the parliament is a relatively new institution and has only functioned as a fully fledged state parliament since 1993. As a consequence the system of expert assistance to parliamentary committees has still not been fully developed. In 1995 experts were not yet allocated to parliamentary committees but were still part of a general pool of parliamentary staff. The number of experts available was and is limited. The creation of the Parliamentary Institute was expected to remedy this situation. Furthermore the new rules and procedures for the parliament give committees the right to obtain budgets to commission studies and to hire expertise.

Apart from the general lack of time and resources available to parliamentary committees to carry out inquiries, reporting by individual ministries also leaves much to be desired. The reports submitted to parliamentary committees are general and give little scope for financial control by parliamentary committees. Parliamentary committees have the right to ask regional authorities for information and committees can also question civil servants. The information received is often not of good quality and due to time constraints parliamentary committees can do little to follow up on questions posed. However, the situation differs from committee to committee. Whereas the committee on education claimed to have problems in carrying out its control function, the committee on health care has better opportunities to control government policy implementation, mostly because the parliamentary committee is represented on the board of the national health insurance company. This makes it easier for the Committee to monitor government expenditure and financial management.
In general the Slovak National Council does not have the capacity to perform an enhanced control function. The implementation of managerialist reforms, for instance a transfer of competencies to executive agencies, would carry a great risk of decreasing democratic accountability. As long as the Slovak National Council remains overburdened with legislative work and as long as the parliamentary capacities to carry out its supervisory function are not strengthened, the implementation of radical public management reforms would certainly have counterproductive effects.

**Human resource management**

At present civil service employment conditions in Slovakia are regulated under the general labour code, even though some exceptional provisions apply to civil servants. This means that civil servants can be dismissed relatively easily. However, the turnover in personnel at government offices is lower than one would expect. The general rule is that the top managers come and go with each minister but that the heads of department and those under them usually stay in office, even though in exceptional cases civil servants of the higher middle ranks can also be dismissed. The high turnover among ministers leads to frequent changes in the top management of the administration which causes a general lack of stability affecting the performance of the administration. The lack of stability is even more pronounced at the level of local state administration. The heads of regional and district offices are considered to be political appointees and can be replaced with each change of government. Since the heads of district offices are appointed by the heads of regional offices, this type of politicisation can easily have a domino effect, de-stabilising de-concentrated state government down the line. No provisions have been made in the new system of regional and district offices to stabilise personnel in field offices of the state administration. Only the adoption of the civil service law or at least a lengthy period of stable government is likely to stabilise the top level personnel in the central and de-concentrated administration. The performance of the administration is unlikely to improve significantly unless some stability in personnel policy can be achieved.

Personnel management in the central administration is still predominantly decentralised. Ministries recruit their own personnel. They are also responsible for the training of their personnel. Several ministries have their own training institutions. The Ministry of the Interior has a training institute (the Institute of Public Administration) which trains civil servants working in the field offices of the state administration. This institute also carries out some training activities for officials of the local self-governments.
The personnel department of the Government Office is developing a more integrated approach to training. The department has produced a training plan for the top management in the Slovak administration, which has been accepted by the government. According to this plan, all top managers in the administration should take part in a common training programme, which should be put in place by a new training institute to be established under the government office. The content of the training programme should be based on a thorough training needs analysis in the Slovak administration. The first step in this training needs analysis is the creation of a database on all officials working in the central government administration. If the Government Office succeeds in implementing its plans for the development of a structural approach towards training for top managers in the public administration, this could make holding public office more attractive for highly qualified candidates. It might make politicians less inclined to dismiss top officials almost automatically; it would certainly not be regarded well by the public if politicians were to continue to dismiss top officials with each change of government when the state has invested substantial resources in their training.

The classification of personnel and the determination of payment scales is done according to a central classification system. The classification system was created by the act on wages (Act 143/1992), which was passed in 1992. This law applies to civil servants as well as to government ministers and deputies. Currently salaries of politicians and civil servants are part of a linkage system. The salary system is based on educational qualifications and on seniority. There are 12 grades based on academic qualification and other educational achievements and 10 classes based on experience. Civil servants have a guaranteed increment every three years. In addition to this there is a bonus system, which could in principle be used to reward performance but which, if available, is used in general to reward those taking on additional responsibility, rather than for rewarding outstanding performance. Bonuses can be given up to a maximum of 40% (grades 1-9) or 100% (grades 10-12) of a monthly salary. Ministries are free to decide what to do with the additional budget they could get for non-entitlement payments. However, in the current economic situation in Slovakia there is little scope for paying bonuses; currently not even overtime is being paid.

The situation described above gives few incentives to qualified young people to join the public administration. Training opportunities, which could be regarded as an incentive, are still limited and dispersed, job security will not be guaranteed until the adoption of the civil service law and wages are not comparable with those in the private sector. Between 1989 and 1994 these disadvantages of working in the public administration were to some extent balanced by the positive attitude young graduates had towards holding
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public office, which was considered to be a kind of vocation. Three years after independence there is a general disillusionment with politics, one of the effects of which is that young people are no longer as ready to work for the state as some years ago. In 1995 Prime Minister Meciar took a new initiative to make public office attractive for young graduates. Young graduates were invited to take up a one year practical placement in the state administration. The best stagiaires would be chosen to get a job in the higher echelons of the administration. This short cut to a top position was expected to make working for the government more attractive for qualified young candidates. Ministries also had the opportunity to offer stagiaires a labour contract. Interestingly, the response to this initiative was quite good, regardless of the fact that there are other, more lucrative opportunities for those graduates who meet the qualifications required for holding high public office. It appears that a call to serve the country can still have the desired effect in Slovakia.

Regardless of the relative success of the government's campaign to attract young qualified graduates it is questionable whether such strategies will be effective in the long run. More permanent measures must be taken to achieve stability in the public administration and to improve its performance. Civil service legislation can be one of the main stabilising factors in public administration. The next section will therefore deal with the current state of affairs in the development of civil service legislation.

The absence of civil service legislation

Slovakia does not have a clear set of employment conditions for civil servants. Civil service employment conditions are similar to those of other workers and defined by the general Labour Code. The Ministry of Labour and Social Affairs is responsible for drafting a civil service law, but the work on this law is still in its early stages. The draft law will not be on the parliamentary agenda until Spring 1997 at the earliest and should be adopted by 1 January 1998, according to the government programme. The lack of priority given to the civil service law is a conscious decision on the part of the government; Government policy is that first the questions related to the administrative structure of the country should be resolved and that only afterwards will priority be given to reform at central government level.

The Ministry of Labour and Social Affairs has defined the main principles on which the civil service law should be based. The work of the Ministry of Labour and Social Affairs covers only central government civil servants; the Ministry of the Interior deals with all aspects related to civil servants in the local state administration and in local self-government. The provisions of the act related to these three groups of civil servants will most likely be put
down in separate chapters. It has not been decided yet whether the Ministry of Labour and Social Affairs will work out the draft law on central government civil servants on its own and then circulate it to other ministries for comments, or whether a working group will be formed under the chairmanship of the Ministry of Labour and Social Affairs. Another issue which remains undecided is the scope of the civil service law; there are two different versions of the list of personnel excluded from the law. 6 However, MPs, the president and members of the government are excluded in both cases.

The law will be divided into separate sections on permanent (career) civil servants and state employees on contract. The employment conditions of the latter group will be close to those in the general labour code. The principles related to the employment conditions of career civil servants pay a lot of attention to recruitment, conditions of service and others. Recruitment is to be carried out in a two stage process with an examination being the dividing line between those in 'preparatory service' and those in permanent service. Preparatory service is expected to last for three to five years. In view of the fact that permanent civil servants will be well protected against dismissal, the inclusion of provisions on preparatory service is a sensible decision.

Special provisions are planned for the position of political appointees, even though it is not fully clear what positions will be defined as political. In general the provisions regarding political appointments are close to those in the German system; political appointees will be deemed to be in preparatory service, in which they can remain for five years. An exception is made for those who are already permanent civil servants, who can return to their old positions if dismissed from a political post. Political appointees in preparatory service can be dismissed for political reasons.

On the whole the draft principles are rather traditional, with little attention being devoted to performance-related pay and fast-track promotion on the basis of performance. The development of a traditional career system might not be inappropriate for Slovakia at the current time, taking into account the high level of turnover in the top civil service. However, one would have expected a more extensive incentive structure and more emphasis on performance related pay. The section on training has not been fully developed yet, and it could be expected that some provisions for promotion based on improved qualification will be introduced in this section. On the positive side, the non-material benefits for civil servants are relatively extensive, a well balanced disciplinary system is provided and special provisions have been made to enable women with children to continue their jobs after childbirth. In general, however, it is difficult to see how the civil service draft as it is defined at the moment could stimulate qualified young people to opt for a civil service career.
Local Self-government: An Unfinished Building

Introduction

Local self-government in Slovakia is still at an early stage of development. So far only one tier of self-government is in place, at the level of municipalities. A higher level of self-government will be created in the near future, but it is as yet not clear what the character of this higher level will be. There are 2865 municipalities, 136 of which are cities. Obviously the number of municipalities is very large for a country of the size of Slovakia. The functions of local self-government are limited, as are their budgetary means. They have the right to raise taxes on domestic and commercial property, but the small municipalities in particular depend on the central government for much of their income. The main issues in the debate on public management in Slovakia are the division of tasks between the state and self-government and how local self-governments are to obtain the financial means to carry out the new tasks which they are likely to be given in the reform process. Another important issue is the creation of the second tier of self-government.

The high degree of fragmentation of self-government bodies is largely a reaction to the past. After 1989 the prevailing opinion among politicians and citizens was that each community should be allowed to have its own self-government. However, the fragmentation of local government units which resulted from the strict application of this doctrine, combined with the economic effects of the transition to a market economy (see previous chapter), led to the government granting only limited powers to self-governing authorities. Many of the tasks which are traditionally carried out by local self-government structures were given to the sub-district offices of local state administration. The Meciar government has been working on the development of a new blueprint for the administrative structure for Slovakia since taking office in early 1995. The debate on this new administrative structure is now in its final phase.

Administrative structure; current state of affairs and prospects for development

As has been mentioned above there is only one tier of local self-government in Slovakia; the municipalities. Many of the municipalities are weak and unable to provide services to their citizens. The income they raise out of
fees, charges and property rates is too small to develop an acceptable range of municipal services and to employ qualified staff, in particular for the smaller municipalities. Municipalities are allowed to organise joint service delivery, but so far the number of joint council initiatives is small. Municipalities hardly have any involvement in key policy areas such as health and education. Staff employed by municipalities are not under the same system of wages as central government officials. Local governments can define salary tables for their own officials, even though they are subject to approval by the relevant de-concentrated office of central government.

There is quite a strict separation between local self-government and local state-government. Apart from the approval of the salary tables for local government officials, the main source of interaction between local state-government offices and local self-governments is the provision of methodological assistance by local state government to the local self-government. However, in view of the organisational problems the offices of local state government have themselves, due to the high rate of turnover in staff, the assistance given by the local state government offices is relatively limited. A different form of methodological assistance is given by the Ministry of Finance. The Ministry of Finance gives methodological assistance to local self-governments in the preparation of their budgets.

The state administration has limited control over the activities of self-governing authorities. The field offices of the state administration do not have the right to interfere with local self-government. They can only warn local self-governments if they have taken an allegedly illegal decision. It is up to the state prosecutor to start proceedings against a local self-governing authority. The situation is different when local self-governments carry out tasks on behalf of the central government. In this case the state has the right to control the expenditures of the self-governing authority.

The structure of local self-government is likely to change significantly. The following are the main changes likely to be proposed by the government; the amalgamation of municipalities into sustainable units of a minimum of about 5000 inhabitants, the creation of a second tier of self government and the re-definition of the division of labour between the local offices of the state administration and local self-governments.

The first issue is controversial because many of the small municipalities would not want to give up their recently regained independence. One alternative to amalgamation is allowing municipalities to continue to have their own political representation (council), while sharing a joint administration with other councils for most of their tasks. The joint administration would cover an area with at least 5000 inhabitants. This administration would be responsible for raising the revenue and
implementing the policies decided upon by the different councils. If this does not work amalgamation could be the only remaining alternative.

The creation of the second level of self government and its function is another issue which has not yet been decided upon. The number of regions considered varies from 3-16. However, a consensus is emerging that the minimum number of inhabitants should be 500,000. The tasks of regional self-governing authorities are another issue for debate. The discussion on this issue focuses mostly on whether there should be a functional differentiation between higher and lower tier units of self-government or whether the regional self-governing authorities should be given powers to co-ordinate the activities of municipalities. The new regional authorities are likely to be elected by the municipalities in the area.

The allocation of new tasks to local self-government units is another main point of discussion. The debate on this issue focuses mostly on whether the government will guarantee the transfer of sufficient budgetary means to finance the new tasks to be taken on by self-governing authorities. The representative body of local self-governments, ZMOS, has made a 'wish list' on behalf of its members as to what competencies should be transferred to self-government authorities, under condition of the transfer of sufficient budgetary means. The wish list includes primary education and kindergartens (including the right to appoint the directors of schools), building and civil engineering, water pipelines and sewage systems, citizens' registration and civil protection. In interviews with local self-government officials primary health care and some elements of social care were also mentioned.

The interest representation of municipalities is rather well organised. The Association of Towns and Communities of Slovakia (ZMOS) is in a strong representative position due to its almost universal membership. Regardless of the relative strength of ZMOS, contacts between the government and ZMOS are still infrequent and the organisation finds it difficult to influence government policies. ZMOS has 50 regional offices and is strongly involved in the training of self government officials.

**Financing local self-governments now and in the future: the key issue for the development of sustainable local self-government structures**

The financial aspects of the redefinition of structures and functions of self-government in Slovakia are a key issue in the ongoing political and academic debate. There is a general agreement that structures should be changed, that regional self-governing authorities should be established and that functions should be re-distributed. However, on no issue are opinions as divergent as on the issue of local finance.
The current situation regarding the financing of local self-government is as follows. Local self-governments have a relatively high degree of freedom to determine their own budgets, as long as they remain within the general parameters set out by law. The state can control local self-government expenditure only where state transfers are concerned. A different level of control applies to general and earmarked transfers respectively. Generally some 25% of local government income consists of general transfers, even though this percentage can be much larger in very small municipalities. Transfers consist of two main elements. Local self-governments receive a defined percentage of the so-called shared taxes. Shared taxes are levied by local state-government offices and re-distributed by central government. The percentage local self-governments receive varies from year to year. The variation is large and this poses serious problems for local self-governments.

Until 1996 general transfer payments were fully determined by the number of inhabitants, but from 1996 onwards the re-distribution formula will take into consideration where the income originates as far as road tax and taxes on legal persons are concerned. This will have a negative impact on economically weak regions. However, the government will continue to operate a special fund to support economic development in these regions.

Local self-governments are relatively free to spend the income received out of general transfers, with the exception of the percentage of road tax they receive, which has to be spent on the road system.

In addition to the general transfers the government also gives direct subsidies to local self-governments. This consists of two main elements: subsidies for local transport in Bratislava, Presov, Zilina and Kosice and non-earmarked subsidies for the operational cost of local administrations in very small settlements. In addition, there are several 'funds' which are operated by different ministries, over which the Ministry of Finance does not have direct control. Examples of such funds are the state environmental fund, the road and construction fund and the cultural fund (Pro-Slovakia).

The Ministry of Finance controls the legality of grant expenditure by local self-government, but the ministry does not control 'value for money' aspects of grant expenditure.

The predominant part of local self-government budgets is made up of (commercial and domestic) property taxes and charges for services. The state defines the categories of services for which fees can be levied and also sets the maximum level of property tax. Obviously small municipalities get little income out of taxation, especially if there is little activity in industry or services. These small municipalities are heavily dependent on central government grants.

As a last point local self-governments can get income out of the management of property. There is a clear separation between state and
municipal property. Municipalities can also issue obligations and take out loans, even though this is limited to short term loans. However, municipalities cannot be active on the stock market.

In the current situation the dependence of local self-government on state grants varies with the size of the municipality. The planned increase in the size of lower tier self governments and the planned re-distribution of functions will allow municipalities to play a more significant role in service delivery. However, questions have been raised about the real intentions of the government. As the later section on health care policy will show, central government has tended to transfer functions and responsibilities, but not to transfer sufficient budgetary means. Furthermore it is unlikely that self-governments will be given the right to raise additional taxes. If self-governing authorities cannot secure the means to provide the services concerned, there is a serious risk that self-governments will either become even more dependent on central government than they already are, or that they will lose part of their already limited freedom to define policy at local level. If the budgetary means transferred to carry out functions will not be adequate, municipalities will have to use part of their own resources to complement state grants. Local officials are concerned about the risks attached to the process of re-distribution of functions. However, in view of the fact that they have lobbied for a long time for an increase in functions, and fought elections on this issue, they are now really in a no-win situation: if they are granted new functions they will have to accept them, whatever the conditions. This has made local self-governments dependent on the good will of central government.

The future of local self-government in Slovakia is still precarious. The amalgamation of local government structures, whatever form it will take, will lead to an extended period of adaptation. The same is valid for the creation of a second tier of local self-government. However, this last development could also strengthen the position of municipalities. It is clear that the tasks of local government will increase, but there is a great lack of clarity about the financing of the functions to be transferred. The relatively weak local government structures in Slovakia will come under a lot of pressure in the years to come.

Health and Education Policies

The transition from a planned economy to a market economy implies fundamental changes in the delivery system of public services. The Slovak system of public service delivery is in a process of transformation. In the
past, the responsibility for the delivery of public services was in the hands of the central government. Under the emerging system of governance, public services will be mainly provided by independent institutions. The process of the decentralisation of some public services to self-governing authorities has started, as has the privatisation of the provision of some public services. Two policy areas which are affected in particular by these processes are health policy and education policy. Public management reform in Central and Eastern Europe has led to a reduction in central government financing for health care and education. At the same time, however, the level of services to be provided has not been reduced: the access of citizens to services in these policy areas is determined by constitutional provisions ("all citizens are entitled to..."). Moreover, these public institutions are often not allowed to earn other income from providing private services through exchange relations on (quasi-) markets. As a consequence, they cannot compensate for the reduction in central government subsidisation by selling services to private consumers. Unless the internal efficiency of these public services is improved, the unavoidable outcome of this process will be that in the long term the level or the quality of the public services will diminish.

Health policy

The SIGMA 1995 report 'Public Management Profiles' (pp. 226-227) includes the following description of the Slovak health care system:

A state-funded health care system of general and specialised health services is provided for by current legislation. Citizens have the right to health care on the basis of health insurance. The health insurance system applies to all employed persons and self-employed persons. The Constitution has opened new avenues by providing for medical insurance that will cover expenses related to health services. The basis structure comprises health care centres assigned by residency or employment accessibility. The citizen has the right to choose his doctor. The future organisation of health care will rely mostly on family doctors. Privatisation of pharmacies has begun. Specialised treatment is provided by specialists in polyclinics, clinics and hospitals. These institutions are run by health care authorities. State administration of health care is the responsibility of the Ministry of Health and its field offices. Treatment of alcoholism and drug addiction is also included in the system of state health care.
The Slovak health care system is facing serious difficulties due to the need to make the change from a classical bureaucratic system to a (quasi-)market system of service delivery. This change is forced by many problems: budget and financial problems, organisation and management problems and quality problems. The 1994 Slovak Budget shows, that the expenditure of the Ministry of Health amounts to 2,825,655,000 Crowns (1 ECU = 35.427 Crowns, on January 1, 1995). This is about 1.9% of total public expenditure of 149,330 million Crowns (based on OECD, 1995).

Attempts to reform the Slovak health care system started in 1991. However, fundamental changes did not occur until 1994, since many of the reforms started in 1991 were reversed later. In August 1994 forty territorial units and three second level bodies were created by the Ministry of Health. In various health policy areas, executive regulations were completed and harmonisation with the health care regulations of the EU started. The changes in the structure of de-concentrated offices of state government and the creation of new self-governing regional authorities will also affect the provision of services in health care.

Until 1994, Act 20 (dating from 1966) regulated the provision of services in health care. Under this act, specialised administrative health care bodies existed. These bodies were abolished in the reform of 1994. Various tasks and activities of the ministry were de-concentrated to regional and district administrations and offices, which are part of the Ministry of the Interior. The Ministry of Health delegated health care administration to these local state offices. The Ministry communicates directly with these local offices. On methodological issues and on issues of control, there are direct co-operative contacts on the level of both ministries. In January 1995, Act 20 was separated into two acts, Act 272 on health protection and Act 277 on health care. State regional and state district practitioners, physicians and hygienists were introduced. The separation of health protection and health care was reflected in an internal reorganisation of the Ministry of Health, resulting in the creation of new departments, such as the privatisation section, the health insurance section and the European integration section. In principle, the Ministry allocates the health care budget to hospitals and other health care facilities. This implies a central government funding of health care.

January 1993 marked the introduction of the health insurance system in Slovakia. A full year was used for experimenting with an insurance system, which was still financed out of the state budget. In January 1994, the insurance element of the system was emphasised by the introduction of premiums to be paid by insured citizens. Immediately, new problems arose, such as the determination of health care needs and health care rights (the insured package of medical goods and services), the determination of risks
and of premium levels and most of all the financial problems arising from the guaranteed free and equal access to health services. Insurance premiums are paid by employers (for private sector employees), by the state (for public sector employees) and by the self-employed (entrepreneurs).

In January 1995, Act 273 was amended. This amendment enabled the official and full introduction of a system of health care insurance in Slovakia. Twelve health insurance institutions were founded: one general health insurance company which is a public body, three specialised branch-oriented companies and eight (semi-) private companies. These health insurance companies operate under financial supervision by central government. The public health insurance company is the largest (about 1.5 million insured citizens). The conditions for establishing new health insurance companies are regulated by law (e.g., conditions of size, financial resources).

The health care system suffers from serious budgetary problems. In 1994, the total deficit in the health care system was about 2.5 billion SK. The government had to provide supplementary budgets to cover (part of) the deficits and stabilise total debt in the health care sector, but this was only an incidental policy measure and provided no real solution. In 1995, the budget deficit on health care amounted to 1.5 billion SK and the central government provided additional budgets on an incidental basis. There is a strong relation with the financial benefits of privatisation. In 1995, privatisation generated 40-45 billion SK. In 1996, about 350-400 million SK will be transferred to the state health care fund, out of which investments in technologically advanced facilities and specialised care programmes are financed. The Ministry denied that the increasing problem of budget deficits for hospitals had any relation with the privatisation problem. New legislative measures are under preparation to provide a structural solution for this problem. The financial-economic situation of Slovakia limits the options available to government to find a structural solution to these problems. More than 50% of the Slovak population depends on state aid to health insurance companies. The constitutional guarantee of free access to health care have a limited effect due to financial and budgetary problems.

In a workshop with local office directors of the National Health Insurance Body (Banska Bystrica, 4 November 1995), specific transition problems in the Slovak health care system were discussed. The financial-economic position of central government and of the Ministry of Health in particular prevented full payment by the state of all health care expenditure. The insurance premium level for civil servants had still not been determined. Health insurance funds show increasing deficits. Health care service providers were not paid sufficiently to cover their cost and there were long delays in payments, resulting in financial problems for their suppliers.
(burden shifting). Finally, there were strong financial and managerial connections between government and (public) health insurance companies.

Originally, all citizens were insured by a general insurance company. From 1 February 1995, private companies were allowed to enter the health insurance market. These new companies applied aggressive market strategies in order to win large market shares in the short term. Strong competition for good risks and bad risks resulted from this strategy. The state supervisory board for health insurance companies has some regulatory powers, but is as yet not functioning adequately. The health insurers claimed that medical specialists, technological developments and pharmacology are service-expanding and hence cost-expanding factors at the supply side of health care. An 'equalisation' fund had been established but was not yet fully operational.

The experiences of the 'F.D. Roosevelt' Hospital in Banská Bystrica illustrate the transition problems of the Slovak health care system. The F.D. Roosevelt hospital is a general hospital with 1319 beds, 24 departments (with appropriate medical functions), second-line clinical health care responsibilities and 3082 personnel and employees. The transition process involves financial changes as well as personnel and management changes. The hospital is financed by the insurance offices, depending on the type of services provided and on government regulations.

There are different categories of hospitals in Slovakia, which provide different packages of medical functions. The F.D. Roosevelt hospital is confronted with various problems. The hospital is placed in the fourth function group, but provides services at the higher fifth function group. The costs of the higher level services are fully covered. As a consequence, financial problems and budget deficits have arisen. The insurance companies pay a set price per bed which is far below the hospital's cost prices. Medical services are labelled with codes, every code has a specific price-label, total reimbursed cost is prices multiplied by volumes. The hospital receives revenues from four sources: insurance payments for public medical services; user charges for additional private medical services to be paid by the clients themselves; additional funds from the Ministry of Health as well as private sponsorships and donations; payments by the Ministry of health for buildings (but not for medical equipment).

The most important problem the hospital faces is that the payments of the health insurance companies do not cover the full operational costs of the hospital. The hospital's budget shows increasing deficits and the hospital's debts to central government and to private suppliers are growing accordingly. How does the hospital deal with this problem? Extra revenues are raised from the provision of private medical services. This extra income source is limited by capacity problems, not by legal regulations. At the
expenditure side of the hospital's budget, cost reduction measures and efficiency improvement are undertaken, e.g. energy saving measures, personnel cuts, reduction of staff and overhead costs.

In general, individual hospitals negotiate with insurance companies on prices and tariffs per activity and on the volume of the activities, resulting in a total budget for the hospital. In case of budget exhaustion during the budget year, a new round of negotiations with the insurers has to be opened. The hospital board is responsible for the management of the hospital, the medical specialists are responsible for the medical services. Between the two, regular consultations take place. When problems arise with the internal budget allocation, new negotiations with the insurance companies are necessary. If these negotiations do not result in a budget increase, budget deficits will expand, because patients have a constitutional right to receive the medical treatment they need, to be decided upon by the medical specialists. The responsibilities of the economic management and of the medical profession are conflicting. If the average cost-coverage of about fifty per cent of total cost, paid by the health insurance companies, is not increased in the near future, the F.D. Roosevelt Hospital will have to face the decision to stop delivering specific high-cost medical services.

A private medical clinic for diagnosis and analysis, prevention and care was opened in Banska Bystrica in November 1994. The clinic was founded by a former medical specialist, former director of the Roosevelt Hospital and former civil servant of the Ministry of Health. The director states that he had left the Roosevelt Hospital because his proposals for entrepreneurial innovation in health care met growing resistance. The private clinic was founded after contacts with a director of a large insurance company who assisted in developing a business plan based on an overview of expected development of the need for medical treatment. The plan for establishing such a clinic originated within the traditional Roosevelt Hospital, but met with the strong opposition of colleagues from rival medical institutions. Therefore, the decision was made to start this medical clinic in the form of a private enterprise outside the hospital. The director owns sixty per cent of the shares, a private firm the other forty per cent.

The clinic has signed contracts with all insurance companies. Total investment costs mounted up to 40 million SK (21 million SK provided by a commercial bank, 19 million SK by an insurance company). The director claimed that the existence of his private clinic would bring the following advantages. First, it would reduce the number of patient days in hospital. Second, the hotel function would be separated from the medical function of the hospital. Third, the clinic would concentrate on ambulatory services. Fourth, the clinic had much lower overhead costs and much lower operating costs.
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number of teaching hours given in a school (volume), multiplied by an average cost price per hour (depending mainly on salary costs). Investment decisions are made by the regional school authorities. Because of insufficient budgets for investment, many school buildings suffer from bad maintenance. Some schools have applied for an experimental status, allowing maximum freedom in using the consumptive budget (excluding salaries). Expenditure decisions of such schools are made by the director. The experimental status implies that such a school becomes an independent legal person. The school budget is separated from the central government budget. Additional revenues as well as budget surpluses may be kept by the school and do not have to be transferred back to the Ministry. This enables cross subsidisation between different activities within the school. Budget surpluses may also be shifted to future budget years.

Serious internal management problems of primary and secondary schools have to be addressed in the near future. The main question to be resolved is how responsibilities for the management of education policy should be divided between the different actors in the educational system. At the moment the Ministry is responsible for the quality of education, the development of the national curriculum and examination standards and the quality control carried out by the inspectorates. The Ministry is also responsible for the allocation of budgets to schools, but proposals for new objective allocation standards instead of old negotiation practices are being developed. A shift in decision-making power regarding school locations (opening, closing down, various forms of co-operation) to the level of new regional self-government (or old regional school authorities) is under consideration. Another possibility is to transfer these powers to local self-government. The experience in Western Europe shows, that the optimal scale of decision-making on providing education services may be on a lower level of government than the one for health care. Arguments of both scale economies and externalities point in the same direction: health care may be organised best on the regional level, education on the local level.

The development and introduction of systems of performance measurement of schools and of teachers has just started. Developing systems of performance management will affect the external (from Ministry to schools) and internal (within schools) budget allocation system as well as remuneration systems for teachers. Improving the management qualities of school directors as well as forming school management teams will be another issue. Finally, parents’ participation in school activities and school boards will have to be organised. All these organisational problems are yet to be addressed.
Comparative conclusions on health care and education

The following comparative conclusions about public management reform of health care and of education may be formulated. Public management reform at central and local government levels (and of the administrative relations between these levels of government) has serious implications for the health care and education system in Slovakia. Both policy fields are affected by public management reform in government, and there is also an endogenous need for public management reform in these systems. Public management reform of health care and education concerns financial and budgetary problems, problems of external management (the relations between governments and public service institutions) and problems of internal management (the relations between various actors within these public service institutions).

In the health care sector priority should be given to the improvement of the recently introduced health insurance system, whereas in education external and internal management problems are most urgent.

Conclusions

The development of a new system of public administration in Slovakia is in a decisive phase. The emerging structure of central government shows few signs of being fundamentally different from systems in place in the more conservative OECD countries, and even to some extent bears resemblance to the traditional hierarchical structures in place under the pre-1989 system. The Government Office plays a dominant role in policy-making, in particular policy preparation, much like the traditional Council of Ministers institution in the old system. The danger inherent in such centrally controlled systems is that even though centralisation is one way to solve the co-ordination problem between ministries, top down imposed co-ordination systems are unlikely to be effective in the long term unless a co-ordination culture is developed at lower levels. However, there appears to be little awareness of this potential problem. The system of accountability relies heavily on traditional mechanisms, in particular parliamentary control of policy implementation; other mechanisms are either not provided for or at an early stage of development. Parliamentarians are often overloaded with legislative work and have little access to expert support.

The system of local-self government is still an unfinished building. Only lower-tier authorities exist as yet. Due to the small size of these lower tier authorities efficiency problems have arisen. The establishment of a higher
tier of self-government which could take over some of the functions of the smallest municipalities, or alternatively the development of legislation allowing for single purpose or multi-purpose joint councils in some areas of service delivery should be considered. However, so far more attention has been devoted to the rationalisation of the system of local state government than to the further development and improvement of the system of local self-government.

The system of service delivery in the two policy areas discussed in this chapter is in a state of flux. The merger of the offices of local state administration in general de-concentrated offices of state administration at regional and district level has brought about great changes, in particular in the area of education policy. However, this is certainly not the last step in the reform process of the delivery system. There is an ongoing debate on what areas of health and education policy could be transferred to local self-government and under what (financial) conditions. The debate on the organisation of policy implementation in these two areas is therefore likely to continue at least until decisions have been taken on the shape and functions of the higher tier of self-government. One of the main questions to be posed in this respect is whether and to what extent the government will transfer powers to self-government level and whether adequate financial means will be provided to the self-government level to which functions will be transferred. The organisation representing local self-governments, ZMOS, has reason to be sceptical about the plans of the government, as experience with the development of the health insurance system has shown. However, it remains to be seen whether this NGO will be able to convince the central government that a strong system of local self-government provides the best basis for the development of a genuine democratic political system.

Finally the answer to the question posed in the introduction must be that the Slovak strategy for the development of a new administrative system is basically a missed opportunity. Rather than developing an innovative system of government at local and central government level, politicians have chosen the 'safe' way of incremental reform. Already a number of the problems which OECD countries have struggled with during the last decades can be observed in Slovakia, in particular in areas such as health and education policy. To what extent Slovak politicians will be able to find new solutions for 'old' problems is not clear. The administrative reform course chosen by Slovak politicians might have been the easier and the 'cheaper' option in the short term. However, at the same time the tactics of postponing decisions and transferring problems, which have been widely applied in recent years, are certain to generate more complex problems in years to come.
Bibliography


Notes

1. Scheduling is a matter for the sub-district office while the ministry deals with all other tasks. However, in the big cities public intra-city transport is dealt with by the district offices (greater city councils).

2. For example, social care for the elderly and the socially excluded, welfare payments, and children and family allowances are managed by the sub-district offices.

3. This leaves heads of office the freedom to for instance hire more highly qualified members of staff at the expense of secretarial staff or manual workers, but this is basically all the discretion they have. In interviews at sub-district offices the fundamental lack of personnel was repeatedly pointed out. Some additional freedom is provided for heads of district and sub-district offices: if the number of personnel is decreased this does not automatically mean that the budget has to be returned. It can be put in a reserve fund which can be used for salary increases for other civil servants.

4. In particular the provisions of the act on conflicts of interest.


6. One version excludes only deputies, the president, members of the government, the top management of the national audit office, the director of the Slovak Information Agency (SIA), judges of the constitutional court and judges/candidate judges in general. The other version is much more extensive, covering also the railway police, prosecutors/candidate prosecutors, personnel of the SIA, soldiers, members of the Association of Prisons and Court Offices and manual workers.

7. The main cities such as Bratislava and Kosice have a two-tiered structure of self-government. A central council is responsible for city-wide services, such as public transport, while the municipalities proper are responsible for most of the services normally provided by municipalities. The city administration also redistributes state transfers to the municipalities in the greater Bratislava area.

8. ZMOS represents about 2700 out of the total number of 2858 municipalities. Interestingly Bratislava and Kosice are not members of ZMOS, even though many of their sub-municipalities are members.

9. Currently self-governments have responsibilities in this area but they do not control the water supply.

10. As an indication, ZMOS tried to persuade the government to first define the new functions of self government and afterwards to define the administrative structure. Regardless of this the government decide to proceed in the opposite way.

11. For instance, there are maximum levels of property tax set by the government.

12. Defined by the number of inhabitants.

13. Such as income tax, road tax and taxes on income of legal persons.

14. Subsidies cannot be used for capital investment.

15. The creation of 'funds' has to be approved by parliament. The employees of these funds (which are de facto separate organisations) are civil servants of the ministry concerned. The director of the fund is appointed by the minister, and they are accountable to the minister.