

# **Annual Report 2013**

**Institute for Economic and Social Reforms – INEKO**  
**www.ineko.sk**

## **Content**

Structure of the Institute.....	2
Mission & Environment.....	4
Staff.....	5
Program.....	6
Projects.....	7
Financial Report.....	13
Web-Site Statistics.....	16
Media Coverage.....	17

## Structure of the Institute

INEKO was established as a member of INEKO Group which was created by several existing research institutes: The Center for Economic Development (CPHR, or CED), Transparency International Slovakia (TIS), Business Alliance of Slovakia (PAS), Junior Achievement Slovakia (JAS) and Slovak Governance Institute (SGI).

The intensity of cooperation within INEKO Group reached its peak between 2000 and 2003, when INEKO largely financed the infrastructure of INEKO Group members (rent, energy, office equipment, phone, internet, etc.). In 2004 this support was gradually declining and ceased completely since 2005. Nowadays, all members cover their entire infrastructure individually. However, all institutes cooperate further on an informal (discussions, consultations) as well as formal basis (common projects, personal links).

The Institute is governed by the Board and managed by a Director. The Board has a rotation membership lasting 5 years. In 2013, the Board had following members: Gabriel Šípoš, Róbert Kičina, Luboš Vagač. The Director has been appointed by the Board and the Board members have been appointed by the founders<sup>1</sup>. The Board members meet irregularly to discuss the results of INEKO projects and plans for the future.

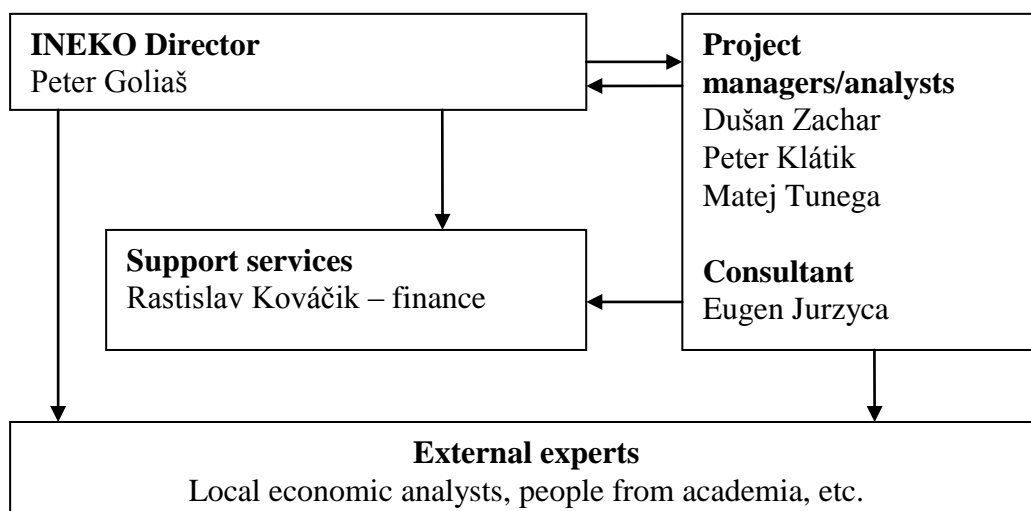
The Institute budget supports two broad functions: the management, infrastructure and service staff to coordinate effective policy research, and selected projects.

The Institute's initiative responds to the serious need for independent Slovak support for the economic reform challenges facing the government and the regional entities in the time of implementing the crucial structural reforms. This support is many times not available from understaffed public bureaucracies or existing private organizations. In this environment, the Institute leadership identifies 4-5 key areas in which analysis and information is needed to support the reform process. Firstly, the Institute monitors and comments developments in all selected areas. This is less difficult and costly. As soon as it becomes evident, which area becomes subject to a major reform, the Institute narrows its focus and starts in depth analyses of 1-2 selected reforms.

The Institute has developed a small-specialized staff, which also draws on existing capacity in cooperating organizations. Its work involves identifying barriers to economic efficiency and developing policies designed to remove these barriers. The staff development aims at deepening the know-how in the process of preparation and implementation of reforms. INEKO does not plan to hire experts on selected sectors of the economy. These experts will be contracted externally if needed in a particular project. INEKO people should understand reforms and be capable to propose and realize useful changes across all sectors in the economy. INEKO staff knowledge develops mainly through on-the-job-learning while working on particular reform projects, studying relevant literature and, though financially limited, attending international conferences.

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<sup>1</sup> Katarina Vajdova, Daniela Zemanovicova, Eugen Jurzyca.

Organization Chart:

The Institute has also established an international Advisory Committee. Members come from policy research institutes, some outside of Slovakia, business and finance, the media, and other sectors with relevant expertise and commitment to the goals of the Institute. In 2013, the Advisory Committee had following members: Ivan Mikloš, Lajos Bokros, Brigita Šmögnerová, Michal Mejstřík, Peter Weitz in memoriam.

**Legal statute:** The Institute is incorporated as an association of citizens<sup>2</sup>.

<sup>2</sup> Act No.: 83/1990 Coll. of Laws on Association of Citizens

## Mission & Environment

**Mission:** The Institute's mission is to support a rational and efficient economic and social reform process in the Slovak Republic (SR), through research, information development and dissemination, advice to senior government, political and self-governing officials, and promotion of the public discourse. It also focuses on those areas of social policy on the regional as well as the European level critical to the economic transformation of the SR. It draws on the best experience available from other transition countries and members of the European Union (EU) and the OECD.

**Environment:** In 2013, the work of INEKO was influenced mainly by two factors: (1) Continuing public debt crisis in the EU and participation of Slovakia in the financial aid to indebted countries; (2) Continuing effort of a single-party government of leftist SMER to decrease public finance deficit below 3% of GDP. Thus, the Institute focused on monitoring of the public debt crisis in the EU and structural reforms adopted by indebted countries as well as on supporting the process of public finance consolidation. At the same time, the institute continued in its effort to decrease information asymmetry in education, health care, and municipal finance. Continuously, we were monitoring and analyzing proposed changes in other areas such as labor market (introduction of more rigid labor arrangements), pension system (changes in the second pension pillar), social benefits system, etc.

## Staff

INEKO had 6 regular staff and fellow workers in 2012.

Director: Peter Goliaš



Peter Goliaš was born in Liptovský Hrádok, Slovakia in 1977. Before 2010 he worked at INEKO as an economic analyst. His areas of interest include monitoring and analyzing the reforms of pensions, health care, education, labor market, and public finance as well as the project on fight against populism among politicians. Before 2002 he worked as an economic journalist at the local daily Pravda and the private press agency SITA. He graduated from the Faculty of Management, Comenius University in Bratislava and holds Magister (MA) degree.

Project managers/analysts: Dušan Zachar, Peter Klátik, Matej Tunega

Consultant: Eugen Jurzyca

Economic Department: Rastislav Kováčik

Mr. Jurzyca returned to INEKO in May 2012 after the change of the government ruling from July 2010 until April 2012 where he acted as a Minister of Education of the Slovak Republic.

## Program

The focus of work supported by the Institute is being determined by a careful analysis of public opinion, government priorities and options as well as by the analysis of the Brussels policy. It has already changed and will be a continually changing agenda. In 2013, issues at the center of Slovak government concern and relevant to the Institute's activities included:

- Public finance stabilization
- Public debt crisis in the EU
- Health care reform;
- Reform of education;
- Labor market reform;
- Social security reform (including pensions).

The Institute has developed a small-specialized staff, which together with the founders and other Board members developed the agenda of Institute activities. Its work involves identifying barriers to economic efficiency and developing policies designed to remove these barriers. The identified barriers include:

- Growing public debt threatening public finance stability;
- Lack of information about solving public debt crisis in the EU;
- Information asymmetry in education and healthcare;
- Lack of the high-quality reform-related information;
- Populism among politicians.

Through research, analysis, expert forums and working groups, public discussion and other means, the Institute develops policy options and strategies for presenting these effectively to the relevant audiences. It should be able to provide some of the policy development services that the public administration cannot. By providing feedback on government economic and social measures, organizational support, additional financial resources for research and project development, and coordination of presentations to public officials the Institute has a significant influence on the private, non-commercial contribution to policy.

## **PROJECTS**

### **Debt Crisis in the EU – Solutions and Position of the Slovak Republic**

Slovakia participates in the financial aid program to several indebted EU states. The public should therefore have information about what changes are occurring in these economies. Slovakia should also actively join the discussion on what further changes are necessary for the sustainability of public finances and for strengthening their competitiveness. Transforming the overly indebted countries into competitive and prosperous economies with sustainable public finances is in fact crucial for the effective use of investment, which is in the form of financial assistance to failed states from involved members of the euro area, including Slovakia.

As part of the INEKO project titled “The debt crisis in the EU – possible solutions and position of the Slovak Republic”, studies are continuously being created with respect to reform process in indebted economies.

The project aims to strengthen the expertise in a discourse about possible solutions to the debt crisis in the EU and thereby help to optimize SR decisions in this area. The project is conducted with the financial support of [Konrad Adenauer Stiftung foundation](#) and the [Open Society Foundations](#).

In 2013 we analyzed the causes of the public debt crisis in the EU as well as the economic development in countries taking financial support from the European Financial Stability Facility and the European Stability Mechanism. In particular we monitored and analyzed reform measures implemented in Greece, Portugal and Ireland. These analyses serve as a source for proposing and justifying the position of the Slovak Republic towards the EU financial crisis mechanisms. In September 2013 we published an [article](#) “Solutions to the debt crisis in the EU from the Slovak perspective”. In November we organized an international [workshop](#) about public debt crisis in the Eurozone.

The results of the project have been published on INEKO web page: <http://www.ineko.sk/projekty/dlhova-kriza-v-eu-moznosti-riesenia-a-pozicia-sr>.

## Monitoring and Commenting on the Structural Reforms

In 2013, INEKO continued in **monitoring and commenting on the structural reforms in Slovakia**. The main goal of the project is to help the broad public as well as the experts and the journalists to get a quick and clear overview of the structural reforms. It contributes to the discussion about the outcomes of these reforms so that possible mistakes or pitfalls are avoided. In 2013, we focused particularly on the government measures aimed at modifications of the pension, health care, tax, labor market, and education systems.

For the monitoring of the education reform, we established a special webpage - <http://www.ineko.sk/ostatne/monitoring-reformy-skolstva>. The goal of the project is to analyze main barriers to improving the education system and propose systemic changes. In 2013, the project included monitoring of main developments on local market, writing analysis and presenting key results in media.

In 2013, we also continued in our project **“Discussing the problems of health care and potential solutions (i-health.sk webpage)”** with our local partner – private health insurance company Dôvera. The goal of the project is to identify key problems of the Slovak health care system, to research best foreign practices and to propose solutions to the problems. Thus it should improve the quality of the public as well as expert discussion of the Slovak health care system. The results of the project are displayed on a web page [www.i-health.sk](http://www.i-health.sk) and published in the local media. In 2013, the project included monitoring of main developments on local market, writing analysis and presenting key results in media.

With the support from the Union insurance company we created an internet portal <http://www.cenazamonopol.sk/> informing about government effort to introduce unitary health insurer and about alternatives of how the government might use the money needed for the introduction of unitary system.

Together with the Transparency International Slovakia we launched a project of monitoring the transparency in Slovak healthcare. The results are published on this webpage: <http://www.ineko.sk/projekty/monitoring-transparentnosti-v-sektore-zdravotnictva>

We have also published summaries of our monitoring of reforms in pensions and health care in separate studies: <http://www.ineko.sk/projekty/monitoring-a-komentovanie-strukturalnych-reformiem>



## Supporting Sustainability of Public Finance in Slovakia

In 2013 INEKO continued in monitoring and analyzing public finance development with focus on public debt and deficit. This activity is a response to the rapid growth of public debt as a result of the world financial crises as well as irresponsible expenditure government policy. It included activities aimed at informing public about long-term outlook for the public finance stability, about structure and amount of so called hidden debts and about measures necessary to secure sustainability of the public finance in Slovakia.

In June 2013 we launched a web portal [konsolidacia.ineko.sk](http://konsolidacia.ineko.sk) presenting 150 measures aimed at consolidation of public finances. By October we expanded the database to 196 measures. We also published a [calculator](#) allowing any visitor to choose his/her package of measures and to compute its impact on public finances. The impact of 50 measures was calculated by official institutions, e.g. analytical unit at the Ministry of Finance. The portal readership surpassed 8 thousands in 2013.

For the project results, please, visit this page: <http://konsolidacia.ineko.sk/opatrenia/>

## **Monitoring Financial Health of Slovak Municipalities**

In December 2011, INEKO launched a project aimed at increasing pressure to improve financial health of Slovak municipalities. The project was supported by the OPEN SOCIETY INSTITUTE. Here is a short summary of its results:

In June 2013 we updated portal [obce.ineko.sk](http://obce.ineko.sk) presenting data about financial health of municipalities. In August we launched a new version of portal with completely new design and some new functions. In August and September we published [analyses](#) of financial stability of 50 biggest Slovak municipalities and 8 higher regional units (VÚC). The portal readership surpassed 23 thousands in 2013.

For the project results, please, visit this page: <http://obce.ineko.sk/>.

## **Internet Portal on Primary and Secondary Schools**

The project offers relevant information about all primary and secondary schools in Slovakia. This is done via special internet portal (launched in 2012): <http://skoly.ineko.sk/>. We believe, that when people have more relevant information, they can make better decisions. It is our opinion that the project helps not only parents and future pupils, but also the schools, because they will be able to compare themselves and get motivated to improve their results. We also launched the site at the portal of the biggest local daily SME (<http://skoly.sme.sk/>).

In 2013 we updated and upgraded the portal and published fresh school rankings. The portal readership surpassed 230 thousand in 2013.

For the project results, please, visit this page: <http://skoly.ineko.sk/>

## Other Activities

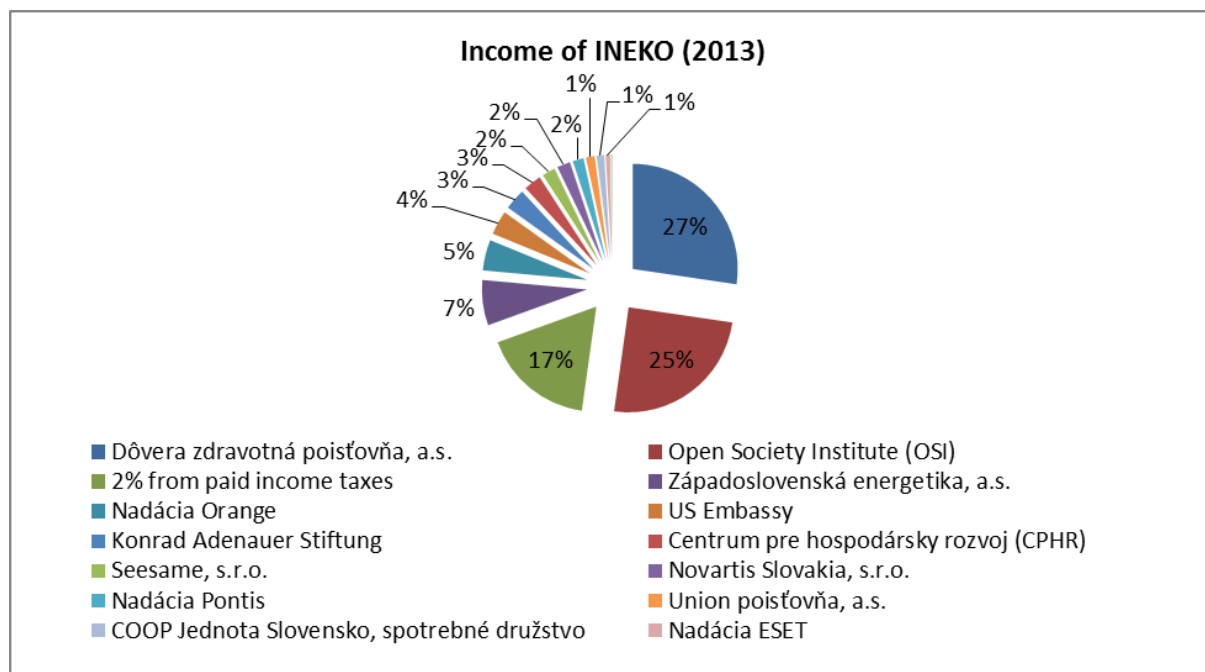
**Memberships:** Our people engaged in several advisory activities where they promoted the ideas of improving monitoring of the public finance sustainability, improving the education system, fostering business environment, etc. In 2013 they held following positions:

- a. Peter Goliaš was an external (non-paid) advisor to the Minister of Education.
- b. Peter Goliaš and Eugen Jurzyca were members of the Slovak Association of Economic Analysts (KEA) – informal group of local economists. In 2013 Peter Goliaš was elected as an Executive Board member.
- c. Peter Goliaš was a Member of the Strategic Committee at the Business Alliance of Slovakia (PAS).

**Fundraising campaign:** In 2013, INEKO ran its regular fundraising campaign aimed at attracting the citizens' and firms' donations transferred directly from taxes (Slovak law allows to donate 2% of paid taxes to subjects supporting non-profit activities). This was done by means of letters sent directly to the top representatives of selected private companies.

## Financial Report

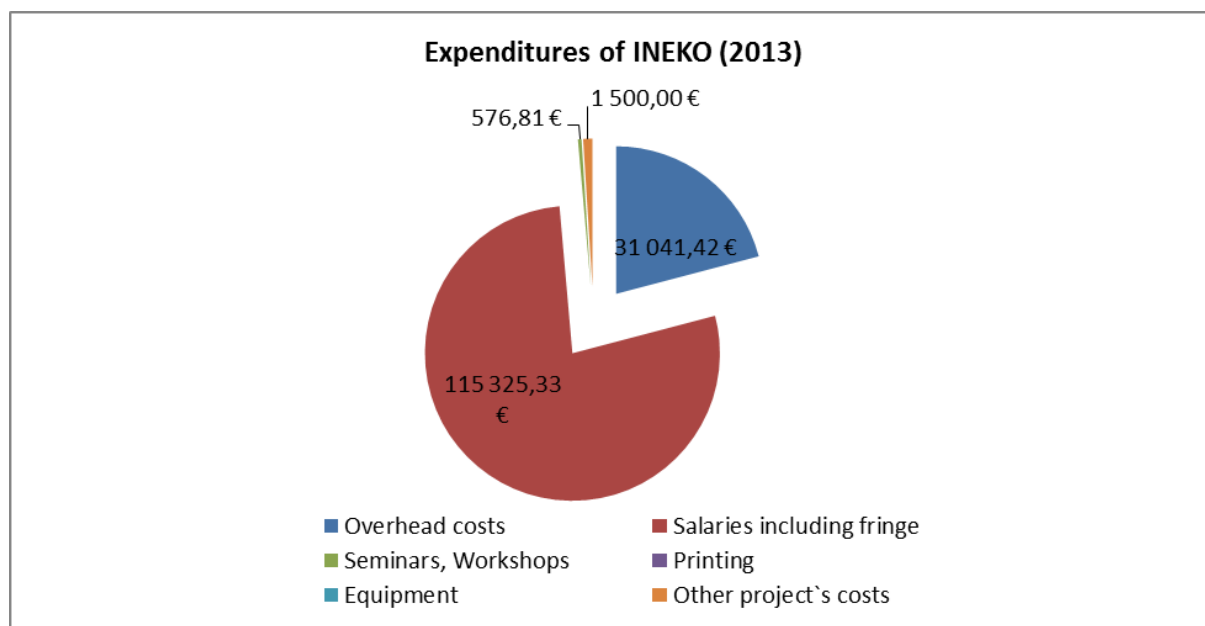
The following figures and tables include data only for INEKO, excluding other members of the INEKO Group:



Income of INEKO (USD)	2003	2004	2005	2006
2% from paid income tax	-	ns	ns	17 250
Open Society Institute	197 200	159 183	133 737	100 000
Other	67 881	126 987	125 547	104 339
<b>Total</b>	<b>265 081</b>	<b>286 170</b>	<b>259 284</b>	<b>221 589</b>

ns ... not significant

Income of INEKO (EUR)	2007	2008	2009	2010	2011	2012	2013
2% from paid income tax	40 732	77 977	28 957	55 641	46 186	25 973	25 650
Dôvera Holding, a.s.	-	10 923	13 210	2 979	28 232	25 444	40 578
Open Society Institute	46 515	38 364	45 449	38 679	8 599	14 272	36 943
Západoslóvenská energetika, a.s.	-	-	23 819	8 069	5 219	3 092	10 347
CEE Trust	56 561	21 427	11 635	-	-	-	-
Other	73 828	58 540	72 832	46 211	18 366	55 093	34 963
<b>Total</b>	<b>217 636</b>	<b>207 231</b>	<b>195 902</b>	<b>151 579</b>	<b>106 602</b>	<b>123 874</b>	<b>148 481</b>



Expenditures of INEKO (USD)	2003	2004	2005	2006
Salaries including fringe	99 476	102 712	124 766	105 984
Administration	119 168	93 524	78 120	67 211
Seminars, Workshops, Public opinion polls	29 421	59 776	30 007	28 587
Educational Supplies	11 242	13 675	23 994	11 777
Equipment	5 774	9 636	0	3 215
Other project's costs	-	-	-	-
<b>Total</b>	<b>265 081</b>	<b>279 325</b>	<b>256 887</b>	<b>216 774</b>

Expenditures of INEKO (EUR)	2007	2008	2009	2010	2011	2012	2013
Salaries including fringe	138 572	141 711	134 119	110 567	76 329	92 497	115 325
Overhead costs	44 635	46 399	45 588	31 369	30 030	30 698	31 041
Seminars, Workshops	7 442	1 057	855	5 259	243	65	577
Printing	8 875	6 520	5 459	0	0	0	0
Equipment	2 272	605	1 106	0	0	748	0
Other project's costs	16 037	10 629	8 397	4 384	0	0	1 500
<b>Total</b>	<b>217 833</b>	<b>206 922</b>	<b>195 523</b>	<b>151 579</b>	<b>106 602</b>	<b>124 007</b>	<b>148 444</b>

Notes:

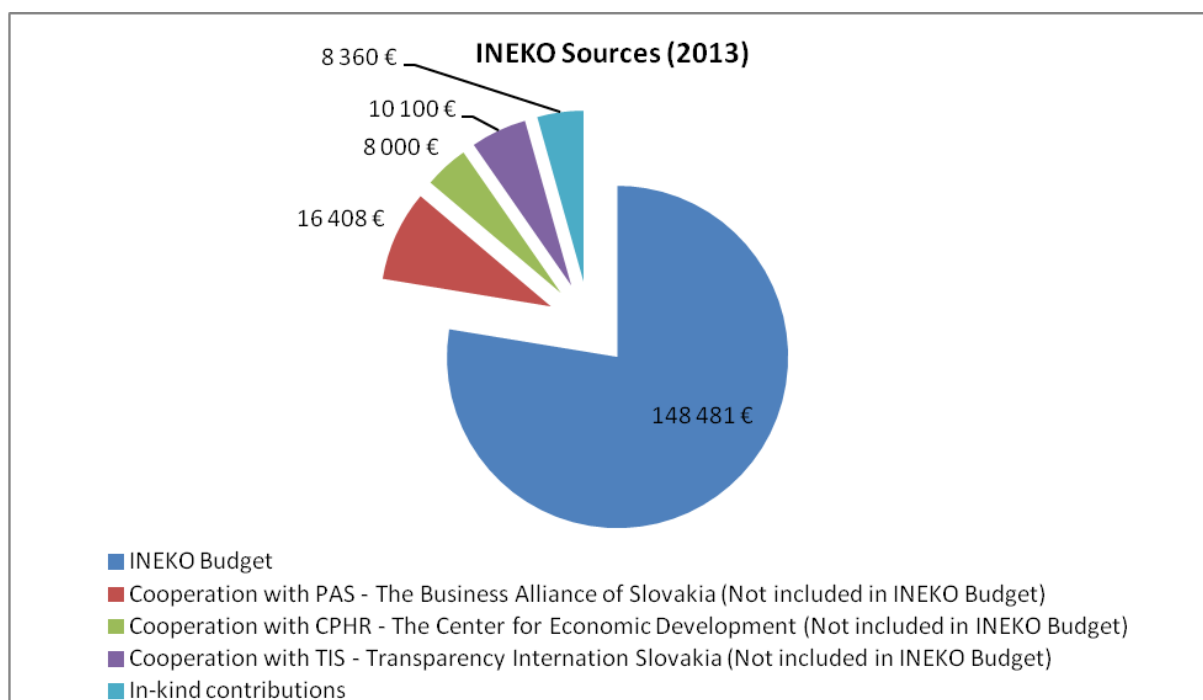
**Salaries including fringe:** managers – internal as well as external, accountants, lawyers, assistants, project administrators, researchers, intranet manager, librarian...

**Overhead costs:** rent and utilities, telephone, postage, office supplies, maintenance, subscription and membership, insurance, local travel...

**Equipment:** PC, book cases, chairs, tables...

Expenditures of INEKO until 2007 include some of the expenditures of INEKO Group (common projects of members of INEKO Group, administration of INEKO Group...)

The following figures and tables include data for broad portfolio of INEKO projects (including joint projects with partners from INEKO Group, other INEKO activities and In-kind contributions):



#### INEKO Sources (EUR)

	2011	2012	2013
INEKO Budget	106 602	123 874	148 481
Cooperation with PAS - The Business Alliance of Slovakia	88 602	47 830	16 408
Cooperation with CPHR - The Center for Economic Development	8 348	4 174	8 000
Cooperation with TIS – Transparency International Slovakia	-	20 200	10 100
Other INEKO activities	19 875	-	-
In-kind contributions	6 900	9 000	8 360
<b>Total:</b>	<b>230 327</b>	<b>205 078</b>	<b>191 350</b>

## Web-Site Statistics

January 1<sup>st</sup>, 2013 – December 31<sup>st</sup>, 2013

Domains	Users	Page views
ineko.sk	31,086	88,368
skoly.ineko.sk	144,189	1,390,856
skoly.sme.sk	87,222	125,834
obce.ineko.sk	15,064	184,836
obce.sme.sk	13,129	63,504
i-health.sk	10,355	29,712
konsolidacia.ineko.sk	7,302	24,432
cenazamonopol.sk	2,481	8,871
<b>Total</b>	<b>310,828</b>	<b>1,916,413</b>



## Media Coverage

January 1<sup>st</sup>, 2013 – December 31<sup>st</sup>, 2013

*Total number of published articles and electronic media releases: around 900*

INEKO continued in strong media relations policy in order to support right perception and impact of the results of its projects. During the period of January 1, 2013 – December 31, 2013 **there had been several hundreds of published articles and electronic media releases** reflecting INEKO comments on proposed or adopted government measures and informing about results of INEKO projects – Supporting sustainability of public finance in Slovakia, Monitoring and Commenting the Structural Reforms, Monitoring Financial Health of Slovak Municipalities, Internet Portal on Primary and Secondary Schools and other activities. Among them, there are series of blogs (please, check INEKO blog on business weekly Trend website: <http://blog.etrend.sk/inekomenty/> and daily SME website: <http://ineko.blog.sme.sk/>), newspaper articles, TV discussions and interviews. For many years, INEKO analysts belong among the most quoted economic analysts in Slovakia.

See also the list of media releases: <http://www.ineko.sk/media/medialne-vystupy-za-rok-2013>