

Annual Report 2003

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

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Structure of the Institute

INEKO is a member of INEKO Group based in Slovakia which is being 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).

INEKO support for INEKO Group is gradually declining.

The Institute is governed by the Board of Directors and managed by the Director. The Board includes mostly the heads of the separate organizations that have established the Institute and a small number of additional individuals (Ivan Miklos, Jan Figel, Grigorij Meseznikov, Emilia Sicakova, Lubos Vagac, Rastislav Kovacik, Eugen Jurzyca). The present Director Eugen Jurzyca has been appointed by the Board and the Board members have been appointed by the founders¹.

The Institute budget supports two broad functions: the management, infrastructure and service staff to coordinate effective policy research, and selected projects. However, majority of the work of the founding institutions will continue to be covered by their individual budgets. The tendency should be towards policy research, thus individual institutes should ultimately cover all of their infrastructure from their own resources in the future.

The Institute has also established a Project Managers Committee, which includes Emilia Sicakova (head of Transparency International Slovakia), Miroslav Beblavy, Lubos Vagac (head of CED), Daniela Zemanovicova, Sona Szomolanyi, Grigorij Meseznikov (head of IVO), Eugen Jurzyca and Katarina Mathernova. This body is helping the Institute in creation of its strategy, but also in other medium and long run processes.

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 (Lajos Bokros, Brigita Smognerova, Michal Mejstrik, Peter Weitz in memoriam).

Legal statute: The Institute is incorporated as an association of citizens².

¹ Katarina Vajdova, Daniela Zemanovicova, Eugen Jurzyca.

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

Sponsors

In 2003, INEKO Group could realize its activities thanks to the following major partners:

Business Alliance of Slovakia

European Commission

Ford Foundation

Freedom House

ICEG

National Endowment for Democracy

Open Society Institute

United Nations Development Program (UNDP)

United States Embassy in the SR

US AID

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 discussion. 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: The economic reform process in the SR has entered into a new phase after parliamentary elections in 2002. While the election period 1998 – 2002 may be characterized by privatization in the sector of financial services and network industries, the new government concentrated on reforms of social security, labor market, public finance (tax system) and health care. At the same time, membership in the EU has substantial and long lasting impact on economic environment and decision making process. Generally, decrease in the decision making power of local government and shift towards the central European entities as well as regional entities such as self-governing bodies and municipalities may be expected.

INEKO and the EU: 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 during the time period around the entrance into the EU. This support is still not available from understaffed public bureaucracies or the existing private Slovak organizations. Institute leadership has, in close consultation with public leaders and international experts, identified key areas in which analysis and information is needed to support the reform process. Traditionally substantial support is aimed at the ongoing structural reforms guided by local government such as pension system, health care and public finance reform. There is an urgent need to implement those reforms also within the EU, and to unify different national standards and reform policies across the EU. Therefore, the Institute plans to pay close attention to the decisions regarding these issues in Slovakia, other member states and the EU institutions. Since the Brussels policy has still bigger impact on the Slovak economy the Institute starts to monitor and evaluate policy issues decided on the European level in several of its projects.

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. Issues currently at the center of Slovak government concern include:

- EU accession;
- social security reform;
- health care reform;
- public finance (tax) reform;
- administrative and fiscal decentralization;
- Roma problem resolution.

The Institute has developed a small-specialized staff, which also draws on existing capacity in cooperating organizations. The founders and other Board members, Advisors, and government colleagues have regularly met to develop 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:

- difficult orientation in the complicated legislative process;
- lack of the high-quality reform-related information;
- little social capital (low levels of trust, cooperation or altruism in the population);
- pessimistic view of Slovak people on the perception of their living standard and the economic reforms;
- still insufficient quality, ethics and economic literacy of media.

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 badly needed 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

Monitoring and Commenting the Slovak Structural Reforms

Project is administrated by INEKO. The part concerning tax system reform is administrated in cooperation with the Business Alliance of Slovakia (PAS). It has been established in December 2002 and its expected duration depends on the time schedule of the reforms. Project is a response to the intensified reform process launched by the government after parliamentary elections in 2002. Its main goal is to help the broad public as well as the experts to get a quick and clear overview of the reforms of **pension, health care and tax systems** in Slovakia. It contributes to the discussion about the outcomes of these reforms so that possible mistakes or pitfalls are avoided. In 2003, the project has shown an immense need of public to be informed about the ongoing reforms. This may be seen in the number of hits on INEKO web-site since the project has been launched. Project achievements and information about related reforms are available on the web-site <http://www.ineko.sk/reformy2003/>. Key **pro and con arguments** on particular reform issues are placed on the web, which allows the experts and general public to follow the reform process and thus, to make an informed decision, when actual political decision is taken. Everyday, the **Slovak press is monitored** and interesting articles about the reforms are put on the web, where they can be easily chosen and reviewed. The articles are sorted according to their topic and date of publishing. The web page gives also a **list of basic legislative measures** taken in the course of reforms and provides access to the full text of those measures. **List of important data** helps the visitor to find his/her way in the area which, perhaps, has not been of his/her particular interest. It collects some important comparisons of pension, health care and tax systems in different countries across the world, particularly in the Central and Eastern Europe. The web page related to pension reform contains **calculations** that enable to compare the amount of pension under 1st and 2nd pillar of a new pension system and show the sensibility of these pillars on different economic and social parameters. These include the real wage growth, rate of unemployment, demography changes, and rate of return on investment, administrative costs and retirement age. The **“Electronic library”** is also an important contribution to the pension reform part of the project. It contains links to fundamental papers written by the OECD, The World Bank, the IMF and several foreign as well as domestic experts. It is designed mainly for the experts who wish to study pension reforms in different parts of the world. Anyone who enters the web-site has also opportunity to join the **discussion forum** on particular issues and to express his/her opinion on reforms. Thus the site contributes to the discussion in the society about the intended or taken steps in the reform. On May 5, INEKO organized a **press conference**, where it presented achievements of the pension reform part of the project as well as the attitude towards proposed changes. On the project web-site, it launched a **survey** exploring the willingness of people to transfer their contributions from the pay-as-you-go pension pillar to the new fully funded pillar. In the tax reform part, the **calculation of the reform impact** on individual and family with different income was placed on the web. Together with pension calculations, it has been widely used by general public, journalists and experts in evaluating the outcomes of the reform and have been several times published in the media.

HESO-Slovakia

Project **Evaluation of Economic and Social Measures in the SR (HESO-Slovakia)** is administrated by INEKO. It has been established in March 2000 and it has no time limitation. Project brings quarterly results. The main goal is to monitor and to evaluate the important economic and social measures proposed or adopted in the SR and to make the public familiar with the nature of those measures. Knowing what impact specific policies might have on the economy and the society is a crucial precondition for their efficient selection and implementation. The idea of the project is therefore to create better conditions for a political acceptance of the structural reforms and for a long-term economic growth in the SR. These objectives are achieved through the collection of the opinion of numerous experts (journalists, analysts, economists, business or academic people) on different measures and through the distribution of that opinion among the public. Thus the project attracts public awareness toward measures and policies that speed up transformation toward a democratic, transparent political system buttressed by civil society and competitive market economy and lead to life quality improvements from a long-term perspective. Since the beginning of the evaluation in April 2000 till the June 2003 together 94 experts have expressed their opinion on 315 measures. Based on their opinion the public may identify which measures have contributed to the economic and social development in Slovakia and on contrary which measures have slowed down the economic and social progress. People thus may better identify which measures they will support and which not. The achievement of the project is available on the web-site http://www.ineko.sk/projekt_heso.htm. On a quarterly basis the Institute elaborates a press release where it informs about the measures and their ratings. On a yearly basis the Institute issues a publication in Slovak and English language with brief characteristics of proposed and adopted measures as well as the evaluation of measures ranked by the respected rating. In May INEKO issued a new **publication – HESO 2002** covering the HESO results in 2002 (Slovak edition – 500 Pcs., 160 pages, English edition – 200 Pcs., 100 pages, see http://www.ineko.sk/english/publications_heso_2002.pdf). Besides, it launched a new subproject: **HESO – MPs' Voting Record**. The main goal is to monitor how the Members of the Parliament voted on different measures evaluated in the HESO-Slovakia project. The MPs are ranked by their personal rating values, which depend on their voting records. In the third quarter, the Expert Committee consisting of 46 experts evaluated for the first time measures of the EU-bodies, some experts from the Czech Republic evaluated the Slovak measures.

HESO-Regions

Project is administrated by INEKO in cooperation with Junior Achievement Slovakia. It has been established in the second half of 2002. The project brings quarterly results. The main goal is to monitor and evaluate the measures taken by municipalities. The expert committee evaluates those measures. Project serves as a source of the information and expert advice for municipalities but also for citizens. It should support the implementation of the most successful proposals and on the other hand to discourage the implementation of the least successful proposals according to the view of committee members. The expected project duration of 4-5 years corresponds to the period of administrative and fiscal decentralization when the municipalities will take the competence together with the financial resources from the central government. Therefore the discussion about the implementation of this competence will be the most interesting during this period. Regarding the methodology, the local partners from Slovak regions nominate the economic and social measures to be evaluated by an independent committee. This committee is made up of local government officials, NGO experts, academics and entrepreneurs, Czech experts. The project results have been published in local dailies and weeklies, including the weekly specialized on local government affairs.

Best Annual Report

Project (www.rocnasprava.sk) is administrated by INEKO, Trend (economic journal weekly) and SK Media (PR & Consulting). Project has been established in 1999 and it has no time limitation. Its main goal is to encourage commercial firms operating in Slovakia in transparent informing on their activities. The award has two main categories, namely “The best electronic annual report” (internet versions) and “The best print annual report”. Both categories have three criteria of evaluation, namely the informing of stakeholders, financial part and communication level (electronic annual reports are additionally evaluated through the coefficient of accessibility). In 2003, INEKO organized the **fourth year of the competition**. The evaluation subjects were KMPMG, Cap Gemini Ernst and Young, Trend, SK Media, and INEKO. On November 12, the organizers awarded the enterprises for their annual reports 2002. The media presentation of the project and related activities (publishing articles, participation on TV and radio discussions) continued further.

Building Social Capital

Project is administrated by INEKO. It has been established in the end of 2002 and it has no time limitation. From the mid-term perspective INEKO considers the social capital to be an important value for firms as well as for national economy. It is rather problematic to test and to measure social capital therefore it demands experiments with rather unclear results. The tests of regional differences in social capital prove this statement because they have not brought the expected results. In January, INEKO carried out a **preliminary public opinion poll** which confirmed relatively low levels of social capital in Slovakia in comparison with the most developed countries. The survey results and their implications for economic growth were published and discussed in the top Slovak daily. In February, INEKO organized a **workshop** on methodological questions of social capital measurement attended by academics, sociologists and non-profit sector activists. Building up on the previous research as well as the results of the workshop, the Institute undertook a questionnaire survey of mayors in selected Slovak regions in October. The complete results have been released in January 2004.

Public Opinion Research

Project is administrated by INEKO. It has been established in March 2002 resulting from the **“Public Opinion and Economic Reforms”** project followed by the conference that documented the pessimistic view of Slovak people on the perception of their living standard and the economic reforms. The main goal of the project - to inform people about that pessimism – has been accomplished. Project relies on regular polls on public opinion that test the perception of the macroeconomic indicators among the people. The research has affirmed the phenomena of pessimism in Slovakia but the sources of this pessimism remain unclear. It appears to be useful to continue in the regular research during next 2-3 years and to ask different questions in order to find out the sources of pessimism and to minimize its negative consequences. The other but more expensive possibility would be to change the form of the research. The “focus group” research that would enable to communicate and to react on behavior of respondents is of such a kind. In January 2004 the Institute will conduct more complex public opinion research which will include “focus groups” type of research.

Slovak Press Watch

Project is administrated by INEKO. It has been established in August 2002 and it has no time limitation. The main goal of the project is to improve the quality and the ethics of media and to improve their economic literacy. It shows the public the necessity to have some critical distance from the media. Slovak Press Watch serves also as a filter of the doubtful or mistaken news so that they did not appear and repeat in the other media. The achievement of the project is available on the web-site <http://www.slovakpresswatch.blogspot.com/>. An average monthly number of unique visitors to the website increased from 1160 over May-August period to 1530 visitors over the September-December period. The blog has registered a record audience of over 2000 unique visitor in November 2003. In July, INEKO published an **opinion piece** in the main Slovak daily SME on conflicts of interests hampering the work of Slovak journalists. In December, INEKO organized a **workshop** with journalists and media analysts about conflicts of interests and corrections policies in the media. Tatiana Repkova, a former journalist and manager with several Slovak media, and currently a researcher with the World Association of Newspapers, Paris, France, joined the meeting at the invitation of INEKO. Also, selected Slovak Press Watch entries were published in a **booklet** in both Slovak and English and sent to all major (nationwide and regional) newspapers in Slovakia as well as to major print outlets in the Czech Republic, Poland and Hungary. They have also been distributed to local journalism schools.

Competition in Essay-Writing

Supported by the deputy prime-minister Ivan Mikloš, INEKO has organized competition for the best essay written on the topic: “**Taxes, how with them, what for them**”. The competition took place in two categories: (1) University students and (2) High school students. A jury of well known Slovak economists and journalists led by Ivan Mikloš evaluated the essays and their compliance with given criteria. The main goal of competition is to involve a young generation in the successful implementation of key economic and social reforms in the country. The enforcement of reforms depends on the number of experts who support them. Therefore, a small country like Slovakia needs to be active in the selection process of perspective experts and their introduction to the public policy issues. The results of competition were announced on June 16 in Bratislava. The best essays were published on the web-site www.etrend.sk.

Railroad Restructuring in Transition Economies

The project is a partnership activity of the Center for Economic and Financial Research (CEFIR), INEKO and Stockholm Institute of Transition Economics (SITE). The main goal of the project was to accumulate information, knowledge and experience about railroad restructuring around the world and to give policy recommendations on the process of restructuring of Russian railroads and Slovak railroads. During the course of the project four workshops in Moscow and one in Bratislava) of project participants were held to coordinate activity of the partnership, share the findings and work out plans of further investigation. The activities in the respective period included organization of **workshop in Bratislava** (May 2003), preparation of advanced **study on railroad restructuring and transformation in Slovakia**, and presentation of study in **Policy Roundtable in Moscow** (June 2003).

Sport Games for the Third Sector –Tax Freedom Day

Project is administrated by INEKO. It has been established in 1998 and it has no time limitation. The main objective is to maintain tradition of the annual organization of the Sport Games for the third sector where representatives and employees of non-governmental organizations can meet. Besides sport games the project helps to introduce the tradition of **Tax Freedom Day celebration** - simply said, the day when taxpayers „stop working for the state and start working for themselves“. By reminding this day the Institute tries to influence the awareness of taxpayers about the tax system, tax burden and the way of public administration functioning. Other objectives are to intensify the cooperation among NGOs, to get informal contact with NGO employees and to stimulate the awareness of the public (taxpayers) in the area of tax system, tax burden and the way of public administration functioning. Target groups are the media and the public, the broadest spectrum of NGOs in the SR, their employees, cooperating volunteers and taxpayers. The competition includes following disciplines: mini-football, volleyball, tennis and street-ball. The games gained a good reputation among the third sector employees in spite of relatively short tradition. Approximately 70 sportsmen from 10 NGOs took part in the competition in 1998, when the first year of the competition took place. In 2003 it was 200 competitors from 20 NGOs. The competition was organized in cooperation with the Slovak Governance Institute and the F. A. Hayek Foundation.

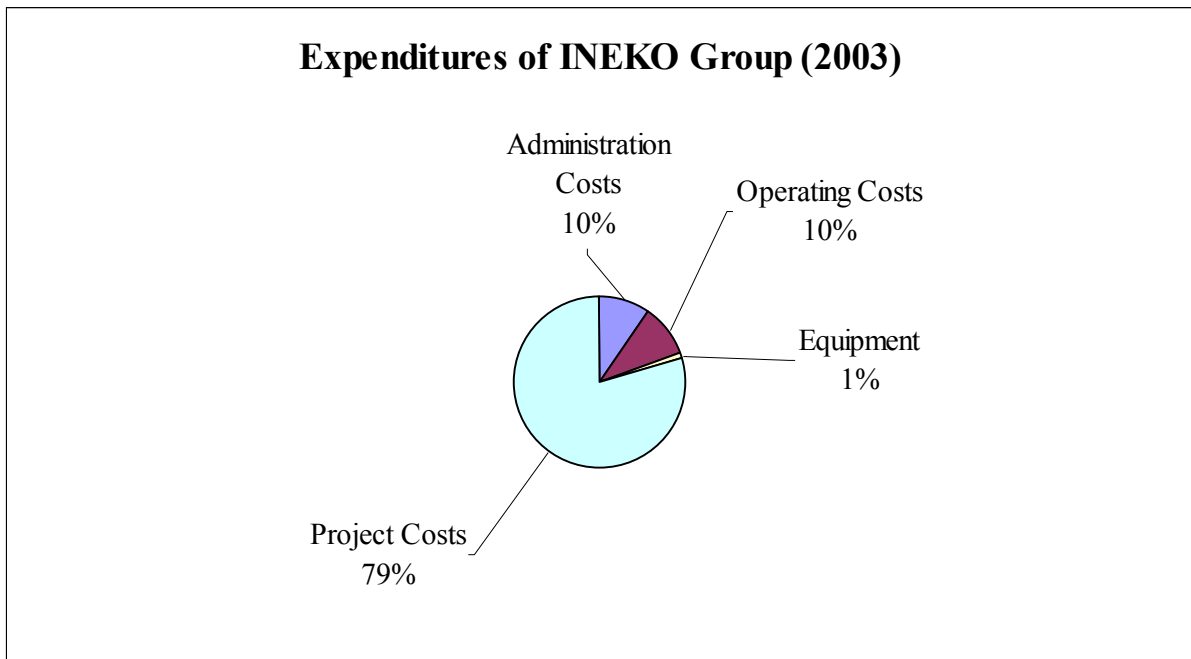
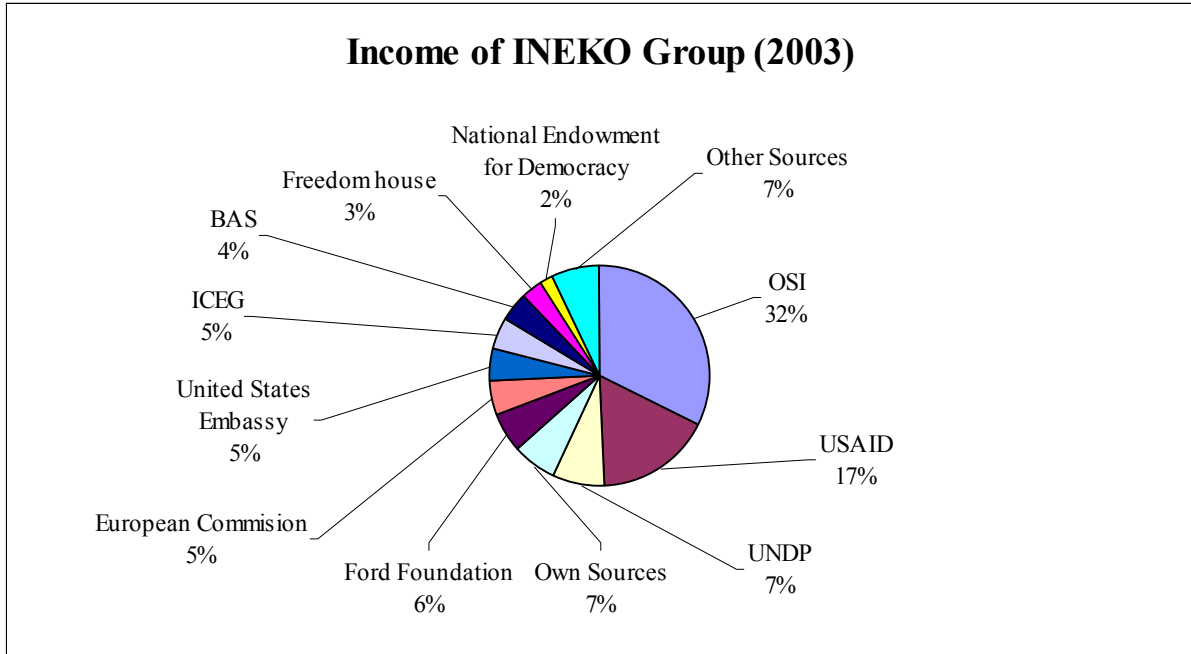
Other Activities

The present Director of the Institute Eugen Jurzyca acted as an economic advisor to the President of the SR Rudolf Schuster. He is a member of the Advisory Committee of the Minister of Finance of the SR Ivan Miklos where the closest colleagues of the minister regularly discuss the ongoing issues in the field of economic development and public finance. He is also a member of the Advisory Committee of the Minister of Culture of the SR Rudolf Chmel. Mr. Jurzyca was a member of the expert team at the Ministry of Labor, Social Affairs and Family of the SR where he provided consulting services in the design of the pension reform. The expert team has finished its mission in the first half of 2003. In June 2003 Mr. Jurzyca has been accredited an agent in the negotiating process between the employers and the labor union in public administration after the negotiation had frozen because of the inability of counterparts to identify their common interest. Mr. Jurzyca has organized several meetings where substantial progress in negotiation process has been achieved.

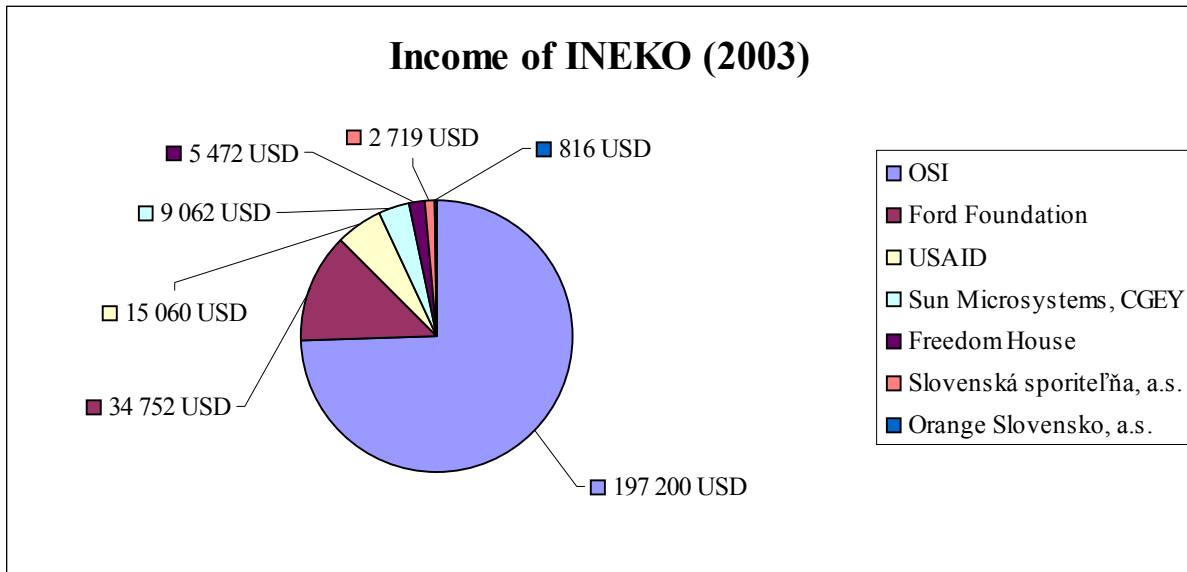
Peter Goliaš, who coordinates the project “Monitoring and Commenting the Slovak Structural Reforms“, was a member of the external consultant team at the Ministry of Labor, Social Affairs and Family of the SR, where he provided consulting services related to the Pension Reform Design – Supervision and Regulatory. For the Royal Netherlands Embassy in Bratislava he elaborated a summary report about the pension reform in the SR.

Financial Report

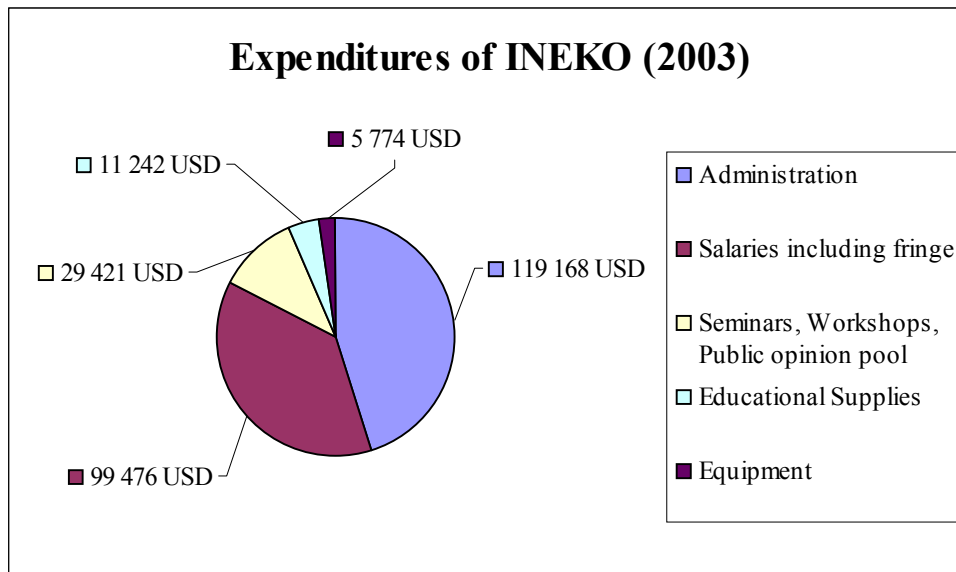
The following figures include data for the whole INEKO Group:



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



Income of INEKO (2003)	USD
OSI	197,200
Ford Foundation	34,752
USAID	15,060
Sun Microsystems, CGEY	9,062
Freedom House	5,472
Slovenská sporiteľňa, a.s.	2,719
Orange Slovensko, a.s.	816
Total	265,081



Expenditures of INEKO (2003)	USD
Administration	119,168
Salaries including fringe	99,476
Seminars, Workshops, Public opinion pool	29,421
Educational Supplies	11,242
Equipment	5,774
Total	265,081

Notes:

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

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

Seminars, Workshops, Public opinion pool

Educational Supplies: books, papers, studies, software...

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

Mentioned expenditures of INEKO include some of the expenditures of INEKO Group (common projects of members of INEKO Group, administration of INEKO Group...)

Web-Site Statistics (www.ineko.sk)

The following table includes data only for INEKO, excluding other members of the INEKO Group:

<i>Domain "ineko.sk", 2003</i>	<i>Hits total</i>	<i>Daily average</i>
January	57482	1854
February	86450	3087
March	69705	2248
April	104940	3498
Total	318577	2672
May	153646	4956
June	90882	3029
July	130117	4197
August	76170	2720
Total	450815	3726
September	75124	2504
October	134734	4346
November	117833	3928
December	76425	2465
Total	404116	3311

Media Coverage

The following table includes data only for INEKO, excluding other members of the INEKO Group:

Total number of electronic media appearance: 37

Total number of journal articles: 258

	Electronic Media	Print Media
1.Q. 2003	8	82
2.Q. 2003	16	61
3.Q. 2003	6	38
4.Q. 2003	7	77
Total	37	258