

Annual Report 2004

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

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Sponsors

In 2004, INEKO Group could realize its activities thanks to the following major partners:

Business Alliance of Slovakia

European Commission

Ford Foundation

HESO (HESO Regions) Correspondents

National Endowment for Democracy

Open Society Institute

Slovenska sporitelna, a.s., Bratislava

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.

Structure of the Institute

INEKO was 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 was gradually declining and ceased by the end of 2004.

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 the infrastructure from their own resources.

The present Director Eugen Jurzyca is one of the INEKO founders¹.

The Institute has also established an international Advisory Committee and a Board. Members of the Committee are coming 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 Institute². The Board includes mostly the heads of the separate organizations that have established the Institute and a small number of additional individuals who rotate after specified period of time.³

Legal statute: The Institute is incorporated as an association of citizens⁴.

¹ Katarina Vajdova, Daniela Zemanovicova, Eugen Jurzyca.

² Lajos Bokros, Brigita Smognerova, Michal Mejstrik, Peter Weitz in memoriam

³ Lubos Vagac, Emilia Sicakova, Grigorij Meseznikov, Jan Figel, Ivan Miklos, Rastislav Kovacik, Eugen Jurzyca

⁴ Act No.: 83/1990 Coll. of Laws on Association of Citizens

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 2004, issues at the center of Slovak government concern and relevant to the Institute's activities included:

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

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

International Conference: Economic Reforms for Europe

The international conference "**Economic reforms for Europe: Growth opportunities in an enlarged EU**" took place on 18 March 2004 in Bratislava. The conference was organized by INEKO and the Ministry of Finance of the Slovak Republic. The main goal of the event was to exchange the information on economic and social reforms in Slovakia, transition economies and the EU. More specifically the conference focused on the application of the knowledge acquired from the existing reform process in Europe and on the discussion about the future of economic and social reforms in the EU. It paid particular attention to the clash of ideas and interests of the old and new EU member countries. Moreover, the conference presented the advantages and challenges that the accession countries offer to potential foreign investors. After the opening plenary meeting six parallel panels each focusing on a particular social or economic reform followed. Among others, the social system reform, the tax reform, the quality of business environment and the investment opportunities in new EU member countries were discussed. The conference hosted **several high-ranking speakers from the OECD, the World Bank, UNDP, EIB** as well as some academics and NGOs' representatives from USA, EU and accession countries. Together 30 speakers took part on the event. In the afternoon the conference hosted a **meeting of the finance ministers of Austria, the Czech Republic, Malta, Poland, Slovakia and Slovenia** who met with panels' speakers and other participants. The meeting summarized the panel discussions and presented the finance ministers' views of the reform process in Europe. To quote just one of ministers - Karl-Heinz Grasser, Federal Minister of Austria, who expressed his hope talking from the perspective of one of the member countries of the EU15: "...the enlargement really should bring the opportunity of speeding up the Lisbon process as a whole... With that opportunity we must also try to reform the existing European Union. I think there is a lot of potential of reforming its bureaucracy and regulations and that ten accession countries can really make a difference." Together around 150 participants took part on the event. Each of them received a "**Declaration on the future of economic reforms in Europe**", signed by more than 40 NGOs and individuals from the EU candidate countries. The document challenging the reforms on an old continent has been initiated by INEKO on the occasion of the EU enlargement on 1 May 2004 and has been sent to several top representatives of the EU. Please, visit also our special website: <http://www.ineko.sk/euroreform/> where you can find all the information about the conference, speakers, their presentations, published articles and full text of the declaration with the list of signatories.



The conference started with some short presentations during the plenary meeting – from left: Mr. Jurzyca (INEKO Director), Mr. Miklos (Slovak Finance Minister), Ms. Ovesny-Straka (CEO of Slovenska sporitelna), Mr. Linden (Head of EC Delegation in Slovakia).



In the afternoon Mr. Bokros from the World Bank (second from the right) chaired the panel where the Finance Ministers (Mr. Mramor from Slovenia – first from the right, and Mr. Miklos from Slovakia – third from the right) presented their views of the reform process in Europe.



Finally, the Finance Ministers from 9 acceding countries gave a press conference on Friday (19 March).

HESO-Slovakia

The project *“Evaluation of Economic and Social Measures in the SR”* results for **all four quarters of 2004** came out during the year. They are publicly available on the project web-site http://www.ineko.sk/projekt_heso_III_2004.htm (full version - in Slovak) and http://www.ineko.sk/english/project_heso_III_2004.htm (short version - in English). The Expert Committee consisting of more than 40 experts evaluated the most important economic and social measures proposed or adopted in the country. The evaluation of measures of the EU-bodies continued respectively. In **all quarters of 2004** the Institute performed continuous activities on the monitoring of proposed and passed measures; selecting measures to evaluate; preparing their characteristics; sending questionnaires to experts and analyzing their evaluations. The committee evaluating Slovak and EU-measures consists of experts from Slovakia, the Czech Republic, Austria, and Canada. Their opinion should help public to identify which measures have contributed to the economic and social development in Slovakia and which have slowed down the economic and social progress; i.e. which measures they should support and which not. The Institute disseminates project results as a press report. Overwhelming majority of the Slovak dailies, political/economic magazines and internet portals regularly publish quarterly results. They appear repeatedly also in public and private TV and radio stations.

In July 2004 INEKO issued a publication *“Reforms in Slovakia 2003 – 2004”* covering the project results and containing description and evaluation of selected important and/or interesting economic and social measures/reforms of the period January 2003 – March 2004 in the Slovak Republic. The publication was supported by the Open Society Institute, Slovenská sporiteľňa, a.s. (Slovak Savings Bank), and Slovak Telecom (Slovak edition only). Slovak edition – 450 Pcs., 152 pages; English edition – 400 Pcs., 95 pages. See also the web site: http://www.ineko.sk/english/publications_heso_2003_2004.pdf.

The Institute has continued also the 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. More information and results of the project as of December, 2004 are on INEKO web site (in Slovak).

Survey on Causes of Reforms in Slovakia: In November 2004, INEKO carried out a survey searching for the main reasons for the radical reform process in Slovakia. Together 45 HESO-experts participated in the survey. Among the results, parliamentary elections in 2002 and pro-reform orientation of the small but influential group of people played the key role in imposing the fundamental reforms. See the complete results on http://www.ineko.sk/english/survey_on_reforms.pdf.

HESO-Regions

The results of the best and worst regional self-government policies for all quarters 2004 were released during the year, and subsequently published by Obecne noviny - publication for municipalities, as well as nationwide media such as TV Joj and weekly Domino forum. The results were also published by Obec & Finance, Czech bi-monthly dedicated to economics of municipalities. The main goal of this project is to monitor and evaluate the measures taken by municipalities and regional elected bodies. It serves as a source of the information and expert advice for municipalities and citizens. It should support the implementation of the most successful proposals and discourage the implementation of the least successful ones. In the respective time period, the committee of experts which grades and analyzes the policies was expanded by two local economists, reaching the number of more than 30 experts overall.

Transfer of Economic Reform Know-How to Ukraine

In September 2004, INEKO launched a 9-month project of transfer of economic reform know-how to Ukraine. It focuses on bringing the experience of Slovakia and other Visegrad 4 countries' transition to Ukraine. The goal is to influence the Ukrainian policymakers in choosing the most successful features of economic reforms that the new EU member countries have implemented. In September INEKO representatives visited Kyiv and its project partner, the International Center for Policy Studies, to discuss the reform needs of Ukraine and to monitor the pre-presidential debate atmosphere. Five senior policymakers/experts summarized V4's reform lessons in five specific areas, with the "lessons learned" being distributed to Ukrainian media, experts and political groups before the elections. In the after-election part of the project, two detailed studies will be written and a seminar will be held in Kyiv, all on topics most demanded in Ukraine depending on the new administration's program. The project is financed by the official development aid of the Slovak government together with INEKO's own cost-sharing. See also the project web site: http://www.ineko.sk/english/project_ukraine.htm.

Monitoring and Commenting on the Structural Reforms

The Institute continued its project of monitoring and commenting on pension, and health care reforms. Some new data, newspaper articles and links to the proposed and adopted legislative measures enriched the related web page: <http://www.ineko.sk/reformy2003/dochodky.htm>. In the respective time period, the Institute has presented the *“Analysis of Advantages and Disadvantages of Entering the 2nd Pillar of a New Pension System”* supported by the *pension calculation* presented on the INEKO web page. The goal was to inform general public about the advantages and disadvantages of staying in the reformed mono-pillar system or switching to the new 2-pillar system so that all citizens could make responsible and informed decision. The analysis and the pension calculations have been frequently published in the Slovak media.

In autumn 2004, the Institute launched a series of **presentations** aimed at supporting the decision whether to stay in the mono-pillar system or to switch to the 2-pillar system. Together almost 20 presentations has taken place mostly in several largest Slovak companies (e.g. Slovak Gas Industry, Slovnaft, Central-Slovak Energy Company, SES Tlmace, and others).

Background: Almost each individual will have to decide from the 1st January 2005 – 30th June 2006 whether to switch for the 2nd pillar. Any citizen who decides to switch will have an option to choose one of several pension administration companies that will invest his/her money on the capital markets. Everybody will have to stay in chosen system for the rest of his/her work life. This decision is of big importance as it conditions to the high degree the old-age living standard of every individual. With its expert knowledge and model calculations, INEKO provides advisory services and supports the informed decision making process through media as well as series of presentations at schools, enterprises, and municipalities.

Best Annual Report Award

The Institute has continued the project *“The Best Annual Report Award”* (www.rocnasprava.sk). This project evaluates the annual reports of enterprises operating in the Slovak Republic. The evaluation criteria are (1) the information for shareholders, (2) the financial transparency, and (3) the comprehensibility of used language. The aim of the project is to collect relevant and transparent information about entrepreneurs on their business activities in Slovakia and inform all stakeholders – citizens, municipalities and other interest groups. Two other partners – Trend (the most popular Slovak economic weekly) and Sk-Media (PR agency) help the Institute to realize this activity. On November 10, 2004 there have been firms awarded for their annual reports 2003. In the same time, INEKO has prepared common publication with KPMG Slovakia called *„Financial and non-financial communication strategy of companies – Slovakia 2002-2003“* focused on quality of annual reports of firms operating in Slovakia in its comparison with reports of firms from abroad. The media presentation of the project and related activities (publishing articles, participation on TV and radio discussions) continued respectively.

Financing Sport in Slovakia

In November 2004, the institute has distributed the survey among majority of Slovak football clubs. The *comprehensive survey* with 65 questions should help to identify the key problems of Slovak football and help it out of the crisis. Until the end of December together 228 football clubs filled in and returned the survey. The results have been published in February 2005. This project is organized by INEKO together with Šport Progress, s.r.o., Bratislava, which is an exclusive marketing and advertising partner to the Slovak Football Federation. Background: The football is a strong social phenomenon in Slovakia, mainly thanks to its famous history and popularity. It influences the culture and the way of thinking of people not only in the big cities, but also in the regions - even small villages have a football club. The reform of football seems to be an efficient tool for improving and building the social capital in Slovakia. Together with its increasing economic importance as a growing industry, this should contribute to the overall economic development of Slovakia.

Slovak Press Watch Blog

The blog dedicated to monitoring ethics and professionalism of journalists has been discontinued at the end of 2004. It was named one of the most influential Slovak blogs by the daily SME. Over the course of two years and four months, it helped guide journalists towards more ethical responsibility as well as higher standards in producing their stories, in particular in economics and business sections. The blog's findings led, among others, to dismissals of three journalists due to plagiarism charges. We plan to use the know-how from the project in educating journalists in Eastern and South-Eastern Europe. Nevertheless, the project itself will likely need additional sponsor to continue.

Public Opinion Research

In February 2004, INEKO carried out an update opinion poll to measure the public's perception of main macroeconomic figures such as inflation or real wages development. Once again, INEKO highlighted a striking difference between statistics and public's perception of them. Potential risks of such a divide were highlighted in interviews and articles in local media. Project 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 is to inform people about that pessimism. Project relies on regular polls on public opinion that test the perception of the macroeconomic indicators among the people.

Other Activities

Memberships of the present Director of the Institute Eugen Jurzyca:

1. Member of the Advisory Committee of the Minister of Finance Ivan Miklos
2. Member of the Antimonopoly Office of the SR Board
3. Member of the Slovenská konsolidačná Board (agency consolidating and exacting the “bad” state claims)
4. Member of the OSF Board.

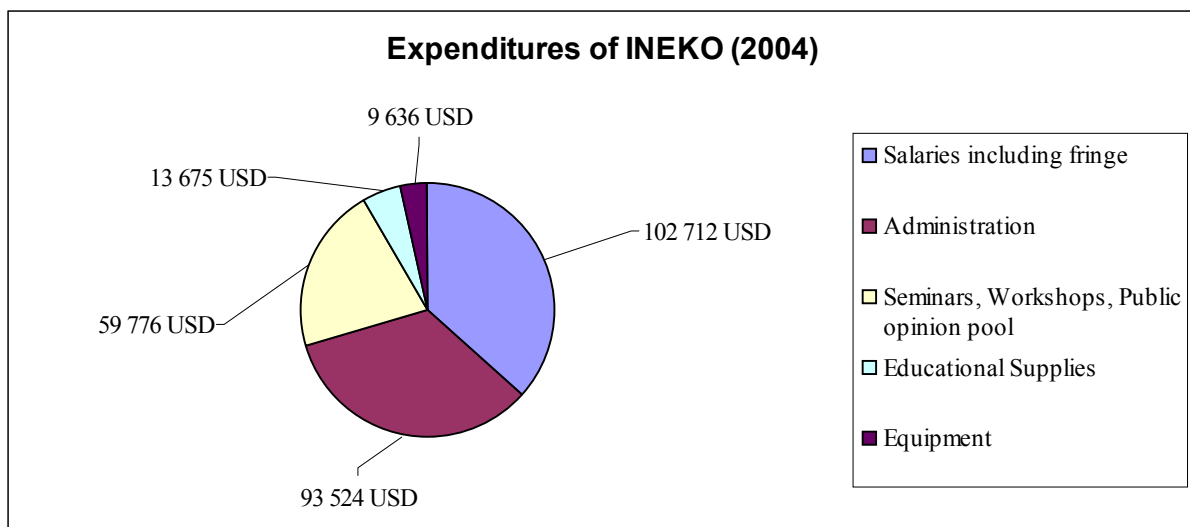
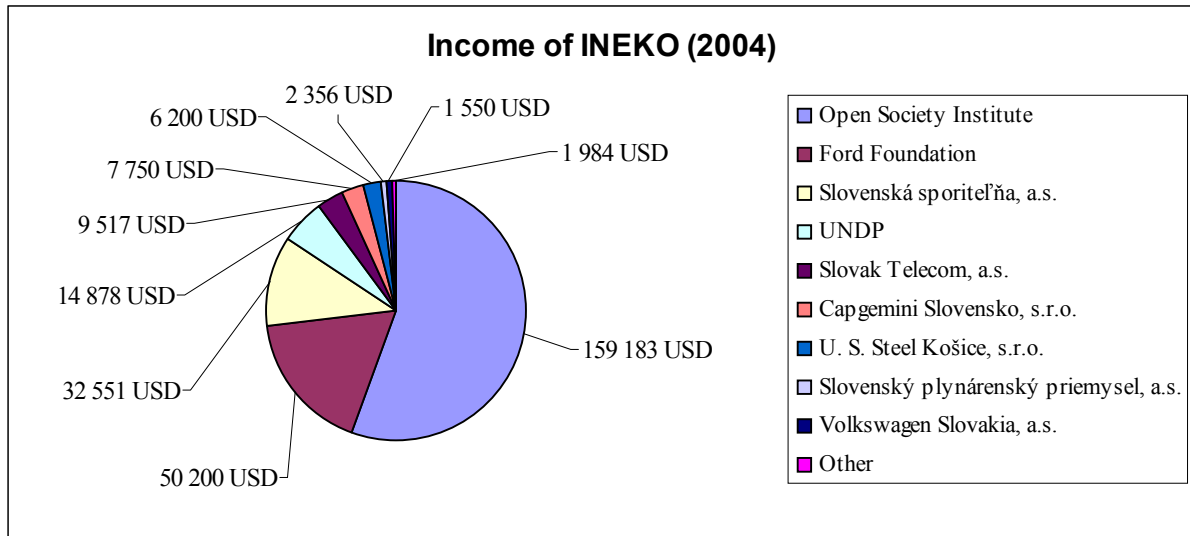
Lectures and presentations: Supporting the economic thinking and education, as well as the transfer of economic reform knowledge, INEKO experts gave several lectures and presentations at the schools and universities, as well as the seminars and conferences, such as:

Gabriel Sipos: lectures at 5 schools in Slovakia and the Czech Republic

Eugen Jurzyca, Peter Golias: lectures at the Presov University, Presov Evangelic Grammar School, and Giraltovce High School in April 2004

Eugen Jurzyca: lectures at the Faculty of Management, Comenius University, Bratislava, lecture on the Slovak economic reform process in Iraq, etc.

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



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 Institute marked the record in the number of hits and visits on its web page in 2004. This was mainly due to the increased interest of public to get the information about the new pension system and to calculate the future pensions.

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

<i>Domain "ineko.sk"</i>	<i>Hits total</i>	<i>Daily average</i>
January 2004	86373	2786
February 2004	102665	3540
March 2004	170111	5487
April 2004	110000	3667
May 2004	83510	2694
June 2004	87707	2923
July 2004	76906	2480
August 2004	87569	2825
September 2004	120699	4023
October 2004	252822	8156
November 2004	224247	7475
December 2004	146756	4605
Total	1549365	4534

Media Coverage

Total number of electronic media appearance: 28

Total number of journal articles: 232

INEKO continued in strong media relations policy in order to support positive perception of both economic and social reforms in Slovakia. It presented in media mostly those projects focused on reforms or independent evaluation of reform steps. In 2004, there had been 232 published articles mostly focused on informing about INEKO Group projects and activities (of which 178 related solely to INEKO projects) – Evaluation of Economic and Social Reforms (both regional and global), Index of Business Environment, Pension Reform, and other activities in business sector and Slovak Press Watch. At the same time INEKO representatives continued in electronic media presentation of their projects and activities and participated totally in 28 electronic media discussions and programs.