

Annual Report 2012

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

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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).

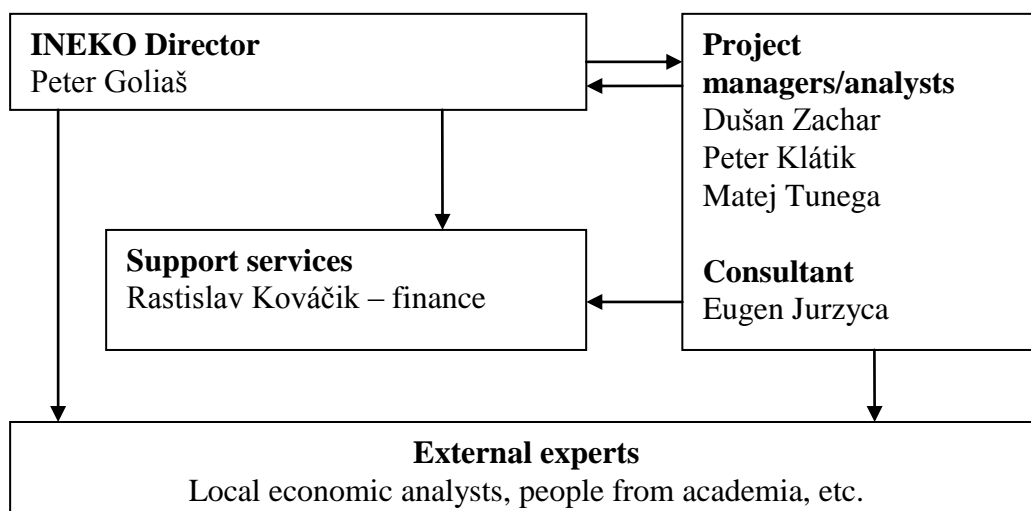
The Institute is governed by the Board and managed by a Director. The Board has a rotation membership lasting 5 years. In 2012, the Board had following members: Gabriel Šípoš, Róbert Kičina, Luboš Vagač. The Director has been appointed by the Board and the Board members have been appointed by the founders¹. 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.

¹ 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 2012, 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 citizens².

² 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 2012, two main events influenced the work of INEKO. The first one was a continuing public debt crisis in the EU and participation of Slovakia in the financial aid to indebted countries. The dispute about whether to participate had profound impact on Slovak politics and resulted in fall of the government and preliminary parliamentary elections. The March elections led to a change of the government – the second important event happening in 2012. Instead of a pro-reform coalition of four center-right parties a one-party government of leftist SMER came to the power. The new government continued in some of the reforms prepared by the previous one, such as the reform of the first pension pillar and the strengthening of the payroll-tax neutrality. It also kept to the goal of decreasing the public finance deficit below 3% of GDP in 2013. In other areas it took opposite direction when it returned to a more rigid labor code and reduced contributions to the second pension pillar. In 2012, the Institute focused on monitoring of the public debt crisis in the EU and structural reforms adopted by indebted countries as well as on monitoring of changes and decreasing information asymmetry in education, health care, social system, and public finance.

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 included monitoring and commenting the reforms of pensions, health care, education 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 2012, 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
- Social security reform (including pensions);
- Health care reform;
- Reform of education;
- Social dialog support.

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;
- Information asymmetry in education and healthcare;
- Populism among politicians;
- Lack of the high-quality reform-related information;
- Difficult orientation in the complicated legislative process;

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.

They contain an overview of relevant indicators of economic development in these countries, as well as reform measures, which have been implemented as a solution to the crisis with financial assistance from other euro area member states. The studies aim to provide the public with information about what changes are happening in indebted economies and indicate what further changes are necessary for the sustainability of public finances and for strengthening the competitiveness of these countries.

We believe that it is crucial for the public, which ultimately gives money to rescue indebted countries, to have an overview of the ongoing changes and to be able to form an opinion about the effectiveness of the use of rescue resources. Otherwise, there is an increased risk in the possibility that the uninformed public will reject a proposal of providing help in the future even if the aid would be effective for Slovakia or other Eurozone countries.

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](#).

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 2012, 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 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 2012, we focused particularly on the government measures aimed at modifications of the pension reform, the health care reform, the tax reform, and the reform of education.

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 2012, the project included monitoring of main developments on local market, writing analysis and presenting key results in media.

In 2012, 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 and published in the local media. In 2012, the project included monitoring of main developments on local market, writing analysis and presenting key results in media.

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 2012 INEKO continued in monitoring public finance development with focus on public debt and deficit. This was a follow-up to the project aimed at supporting the sustainability of public finance in Slovakia implemented by January 2011. 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.

For the project results, please, visit this page: <http://www.ineko.sk/projekty/podpora-udrzatelnosti-verejnych-financi>

Social Dialog Studies

Since October 2010 Peter Golias and Dušan Zachar acted as members of a Committee of experts for the government in national project Center of the Social Dialog. In 2012 they published several analyses focused on labor market and other social issues. All the analyses are published on internet: <http://www.ineko.sk/projekty/centrum-socialneho-dialogu>

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 the project beginning we defined 5 headline and 10 additional indicators of financial stability of municipalities as well as data required for computing the indicators. After some bureaucratic problems we collected all the data for 2006-2011 based on the Freedom of Information Act and thanks to the direct intervention from the Deputy Secretary at the Ministry of Finance and its Data Centre. We designed and created a web page that enables ranking and sorting all 2928 Slovak municipalities and 8 regional units (VÚC) by chosen criteria as well as filtering selected data. In May 2012 we launched the website at <http://obce.ineko.sk/>. In May we also published analysis of financial stability of 50 biggest Slovak towns and cities and in August for 8 “higher regional entities” (VÚC). In August we published our 10 recommendations for legislative changes aimed at improvement in monitoring and guarding municipal finances. We also launched the site at the portal of the biggest local daily SME (<http://obce.sme.sk/>). All project outputs have been frequently quoted by municipalities and local media. Please, check Google search [results for “INEKO obce hospodárenie”](#) as well as media coverage and web site statistics attached to this report.

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/>).

On the website we gathered all the accessible information about primary and secondary schools that exist on the national level and that show the results of pupils or conditions of lessons. The project concerns all Slovak primary and secondary schools (more exactly primary schools - ZŠ, special primary schools - ŠZŠ, primary art schools - ZUŠ, secondary vocational schools - SOŠ, special vocational schools - ŠSOŠ, gymnasiums and conservatories), registered at the institute of education information and prognosis (ÚIPŠ) from 15th September 2010. For the mentioned schools, we tried to get information which can show the quality of the teaching process or about the lessons and about the results of pupils of the relevant school.

To evaluate schools, we collected objective indicators existing on national level, registered or gathered by a renowned organization (public or private). After a thorough selection, we got 27 indicators that describe the conditions at schools. Some of them apply only to primary schools (ZŠ, ŠZŠ), some only to secondary schools (SOŠ, ŠSOŠ, gymnasiums and partly to conservatories) and some to all schools, some data are accessible for all the monitored years, some are not. The exact list of indicators, their descriptions and information about what type of school they apply to can be found in the section "Guide/ Help". The data are being updated – if a certain data is not accessible for the year, it is possible that the relevant institute will publish it in the future. The data are from national institutes: National institute for Certified Educational Measurements (NÚCEM), Ministry of education, science, research and sport of SR (MŠVVaŠ SR), Institute of Information and Prognoses of Education (ÚIPŠ) and the State School Inspection (ŠSI). The only group of data that comes from a private subject is information about competitions and tests carried out by the EXAM company, in which the relevant schools participated.

Getting relevant data about schools is important, but they also have to be clearly presented. That's why the portal offers wide possibilities of filtering the required results. The user can define indicators and period for which they should be represented, create a chart of schools according to their own criteria. For example if he or she insists more on mathematics or on working graduates after finishing the school. After defining important criteria, one can choose schools that should be compared according to the type of school, region where it is or the maximum distance from your residence/ your school. These settings enable the complex comparison of schools that helps the user choose the school that meets his or her criteria.

Other Activities

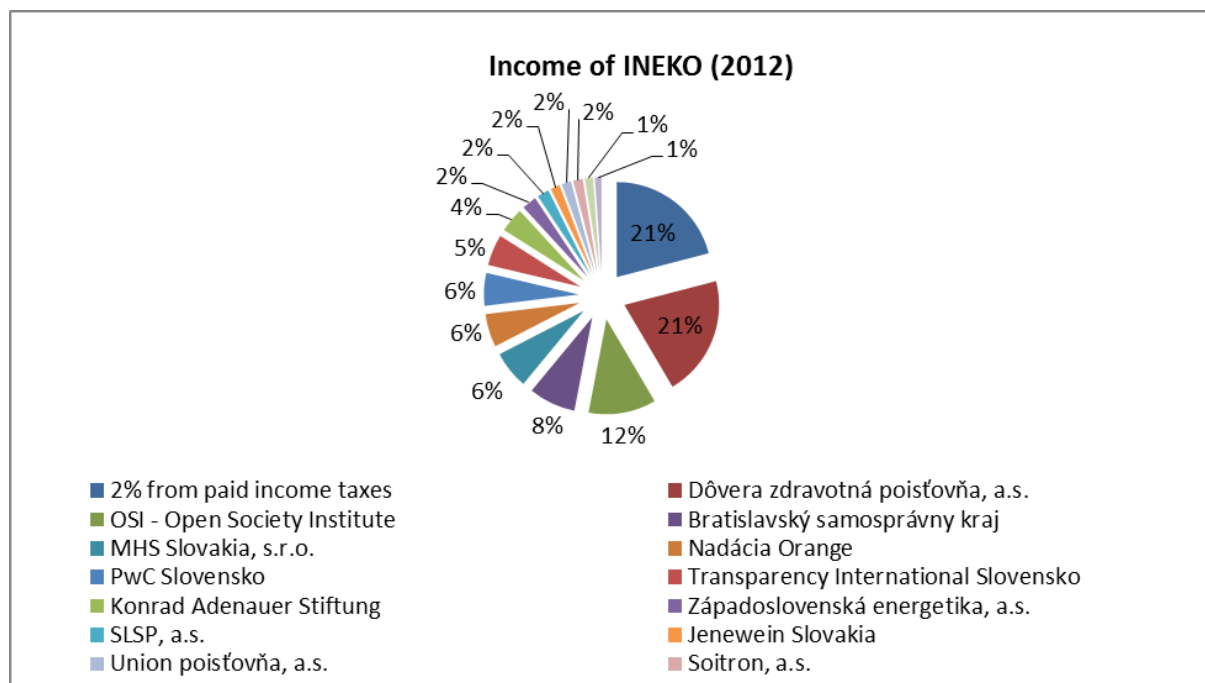
Memberships: Our people engaged in several advisory activities where they promoted the ideas of improving monitoring of the public finance sustainability, developing models for calculation of the long-term public debt, changes of the pension system aimed at improving its financial stability, etc.

- a. Peter Goliaš acted as an external (non-paid) advisor to the Minister of Education.
- b. Until March 2012 Peter Goliaš acted as a (non-paid) member of an advisory committee of the Minister of Finance.
- c. Until March 2012 Peter Goliaš and Dušan Zachar acted as members of a Committee of experts for the government in national project Center of the Social Dialog.
- d. Peter Goliaš and Eugen Jurzyca acted as members of the Slovak Association of Economic Analysts (KEA) – informal group of local economists.
- e. Peter Goliaš acted as a Chief of the Board of the Student Loan Fund and member of the Board of the Loan Fund for Teacher-Beginners

Fundraising campaign: In 2012, INEKO repeated the 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

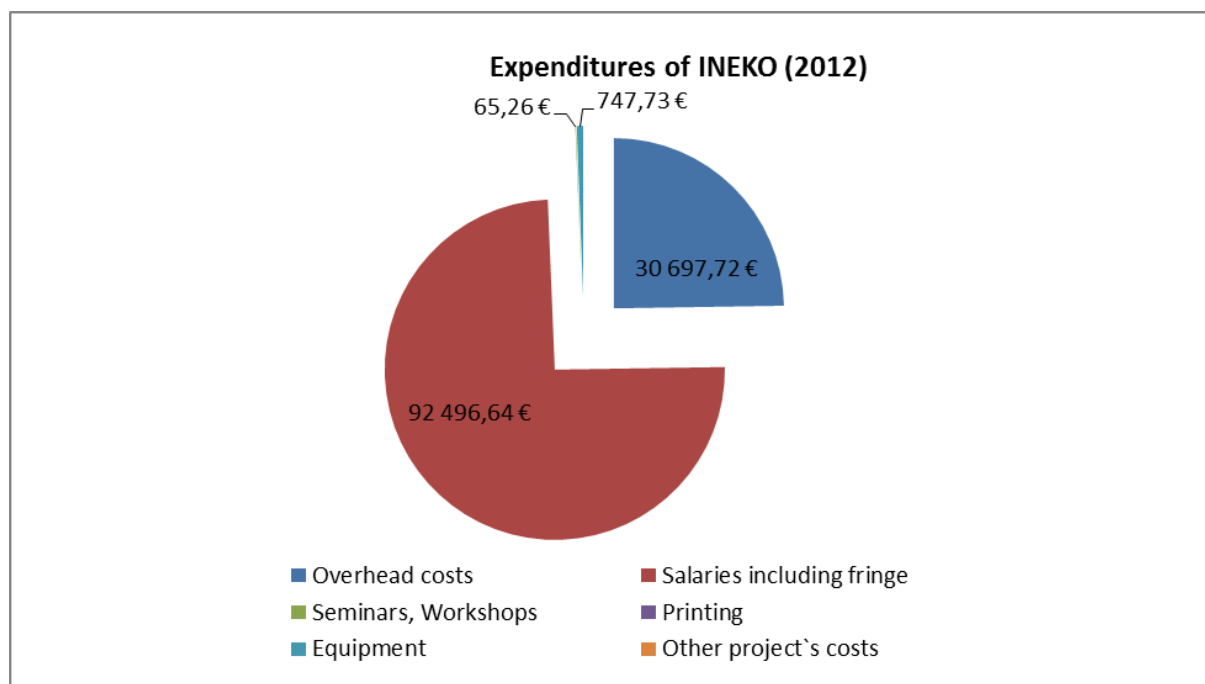
The following figures and tables include data only for INEKO, excluding other members of the INEKO Group:



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
Total	265 081	286 170	259 284	221 589

ns ... not significant

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



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	-	-	-	-
Total	265 081	279 325	256 887	216 774

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

Notes:

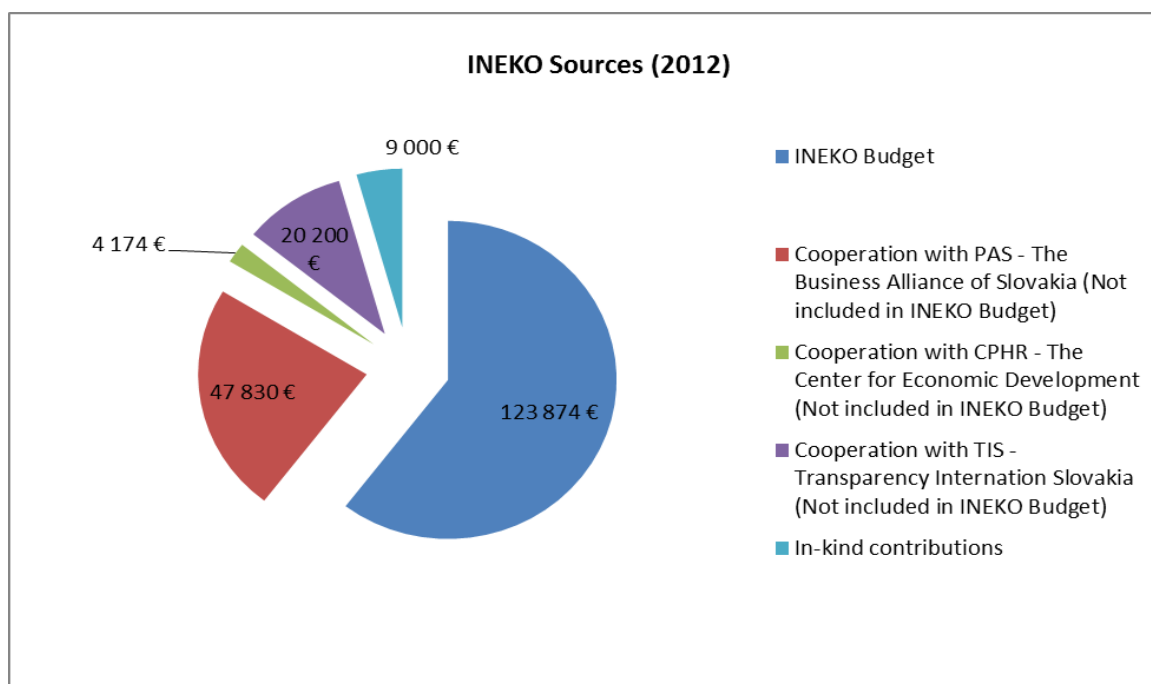
Salaries including fringe: managers – internal as well as external, accountants, lawyers, assistants, project administrators, researchers, intranet manager, librarian...

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
INEKO Budget	106 602	123 874
Cooperation with PAS - The Business Alliance of Slovakia	88 602	47 830
Cooperation with CPHR - The Center for Economic Development	8 348	4 174
Cooperation with TIS – Transparency International Slovakia	-	20 200
Other INEKO activities	19 875	-
In-kind contributions	6 900	9 000
Total:	230 327	205 078

Web-Site Statistics

January 1st, 2012 – December 31st, 2012

<i>Domain "ineko.sk"</i>	<i>Visits</i>	<i>Daily average</i>
January	4156	134
February	4646	160
March	4567	147
April	3751	125
May	4289	138
June	3253	108
July	2534	82
August	3251	102
September	3159	105
October	4360	141
November	4376	146
December	3121	101
Total	45463	125

<i>Domain "skoly.ineko.sk"</i> (launched on 30 January 2012)	<i>Visits</i>	<i>Daily average</i>
Total	37252	111

<i>Domain "obce.ineko.sk"</i> (launched on 15 May 2012)	<i>Visits</i>	<i>Daily average</i>
Total	15130	66

<i>Domain "obce.sme.sk"</i> (launched on 23 August 2012)	<i>Visits</i>	<i>Daily average</i>
Total	9140	75

<i>Domain "skoly.sme.sk"</i> (launched on 23 August 2012)	<i>Visits</i>	<i>Daily average</i>
Total	3540	29

<i>Domain "blog.etrend.sk/inekomenty/"</i> (17 blogs published in 2012)	<i>Readership</i>
Total	25337

Media Coverage

January 1st, 2012 – December 31st, 2012

Total number of published articles and electronic media releases: around 700

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, 2012 – December 31, 2012 **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 web site: <http://blog.etrend.sk/inekomenty/>), 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-2012>