

Annual Report 2011

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).

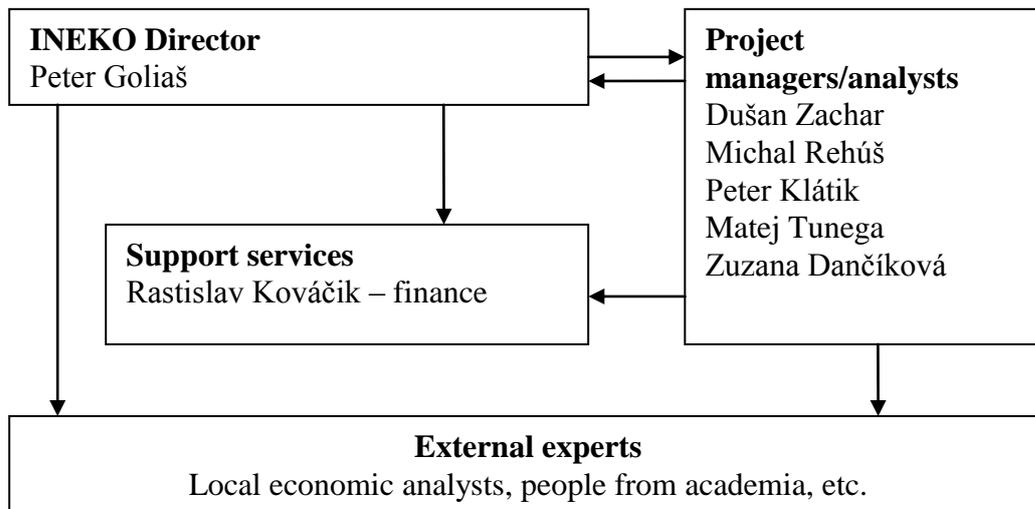
The Institute is governed by the Board and managed by a Director. The Board has a rotation membership lasting 5 years. Until May 2011, the Board had following members: Peter Goliaš, Ján Tóth, David Frankel. Since May 2011 the Board had following members: Peter Goliaš, Gabriel Šípoš, Róbert Kičina, Luboš 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 2011, 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 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: In 2011, the Institute focused on reflecting the reform measures introduced by a government of center-right parties. The Institute focused on monitoring changes in areas such as education, health care, social system, public finance stability, etc. Soon it became evident that the government plans to launch a reform process in order to stabilize the economy and improve conditions for sustainable growth. For the Institute, this brought opportunity to directly cooperate on the reform process, especially in education and social issues.

Staff

INEKO had 7 regular employees and fellow workers in 2011.

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.

Analysts: Dušan Zachar, Michal Rehúš, Peter Klátik, Matej Tunega, Zuzana Dančíková
Economic Department: Rastislav Kováčik

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 2011, issues at the center of Slovak government concern and relevant to the Institute's activities included:

- Public finance stabilization
- 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;
- 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

Supporting Sustainability of Public Finance in Slovakia

In December 2009 – January 2011 INEKO implemented a project aimed at supporting the sustainability of public finance in Slovakia. This project was a response to the rapid growth of public debt as a result of the world financial crises as well as irresponsible expenditure government policy. The project 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. The project was financially supported by the OPEN SOCIETY INSTITUTE. Here are its main results for 2011:

In January 2011 we published a calculator of long-term forecast for public debt and public deficits. The main result was that the government should decrease public deficit under 3% of GDP by 2013 and afterwards continue in its decreasing to a zero level. Together with reform of the pension system this would secure long-term stability of the Slovak public finances. Without immediate consolidation the public debt would run above sustainable level of 60% of GDP by 2013. The calculator and the forecasts are available here: <http://www.ineko.sk/clanky/kalkulacka-pre-vypocet-odhadov-vyvoja-verejnych-financii>

In January 2011 we published a policy study summarizing main results of our project. It includes chapters on problem definition, description of methodology used by the European Commission to monitor public finance sustainability in member states, as well as analyses and measures INEKO recommends to improve the situation in Slovakia. The study of 30 pages is available on internet: <http://www.ineko.sk/clanky/monitoring-dlhodobej-udrzatelnosti-verejnych-financii-v-sr>

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

Monitoring and Commenting on the Structural Reforms

In 2011, 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 2011, 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>. Here, INEKO collects main arguments for and against related measures taken from Slovak and foreign newspaper articles and studies. The project reflects that the current education system does not provide useful knowledge to young people – children do not learn to cooperate, communicate, solve problems effectively, work with information, think critically, etc. The university students are not properly prepared for their work-careers and especially foreign investors start to claim lack of qualified work-force. The reform seems to be crucial for future happiness of Slovak people. In 2011, the project included monitoring of main developments on local market, writing analysis and presenting key results in media.

In 2011, 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 2011, the project included monitoring of main developments on local market, writing analysis and presenting key results in media.

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>

Best Annual Report Award

Project of evaluating the annual reports of enterprises operating in Slovakia has continued – www.rocnasprava.sk. The project culminated in the fall 2011 by awarding winners. Throughout the year, the media presentation of the project and related activities (publishing articles, participation on TV and radio discussions) continued as usually.

Project background: The original objective of the project is to collect relevant and transparent information about entrepreneurs on their business activities in Slovakia and to inform stakeholders, citizens, municipalities and other interest groups. This is done through evaluating of firms' annual reports. The evaluation criteria include the information for shareholders, the financial transparency, and the comprehensibility of used language.

Social Dialog Studies

Since October 2010 Peter Goliaš and Dušan Zachar acted as members of a Committee of experts for the government in national project Center of the Social Dialog. In 2011 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 and will last until August 2012. Here are the specific objectives:

- Collecting and publishing data on financial health of all 2928 municipalities plus 8 “higher regional entities” (VÚC) in Slovakia for 2010 and 2011. We will publish both the data collected (but unpublished) by the Ministry of Finance (the Data Center) as well as additional data necessary for evaluating financial stability collected directly by an on-line survey from the municipalities and their final accounts.
- Creating a permanent platform for publishing these data in a user-friendly form (including ranking enabling to sort and filter) on a separate web page.
- Writing analyses of financial stability of 50 biggest Slovak towns and cities as well as 8 VÚC.
- Recommendations for changing the legislative limits and introducing sanctions to better cope with the standard requirements for the financial prudence.
- Communicating project results to both general public and public officials. The project results will be targeted at:
 - General public – citizens and media who will gain better knowledge about financial stability of particular municipality compared to others. Thus they will be better equipped to require prudent behavior from their mayors.
 - Municipalities – mayors and deputies who will get feedback on how they comply with given criteria as well as peer review.
 - Ministry of Finance – policy makers will get better information on which data they should collect and how to redefine criteria and introduce sanctions for their violation.

The results of the project are published on a special web page (launched in 2012): <http://www.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.

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 for the last three school years (2008/2009, 2009/2010, 2010/2011), which are registered at the central level, especially by the bodies of Civil Service and which can show the quality of the teaching process or about the lessons and about the results of pupils of the relevant school. As for primary art schools (ZUŠ) and conservatories it is much harder to gather and compare the results of pupils on the national level (that's why there is no proper methodology defined yet), we will focus only on indicators registered for other types of schools.

To evaluate schools, we tried to get as much indicators as possible, but they have to exist on national level, they must be registered or gathered by a renowned organization (public or private) and they have to be objective. That is why we decided not to realize the original idea to take into consideration also non-quantifiable indicators, (e.g. "the quality of technical equipment" or "contentment of pupils"), as the questions could be interpreted differently and so the results could be out of focus and incomparable. 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 (SŠ, 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

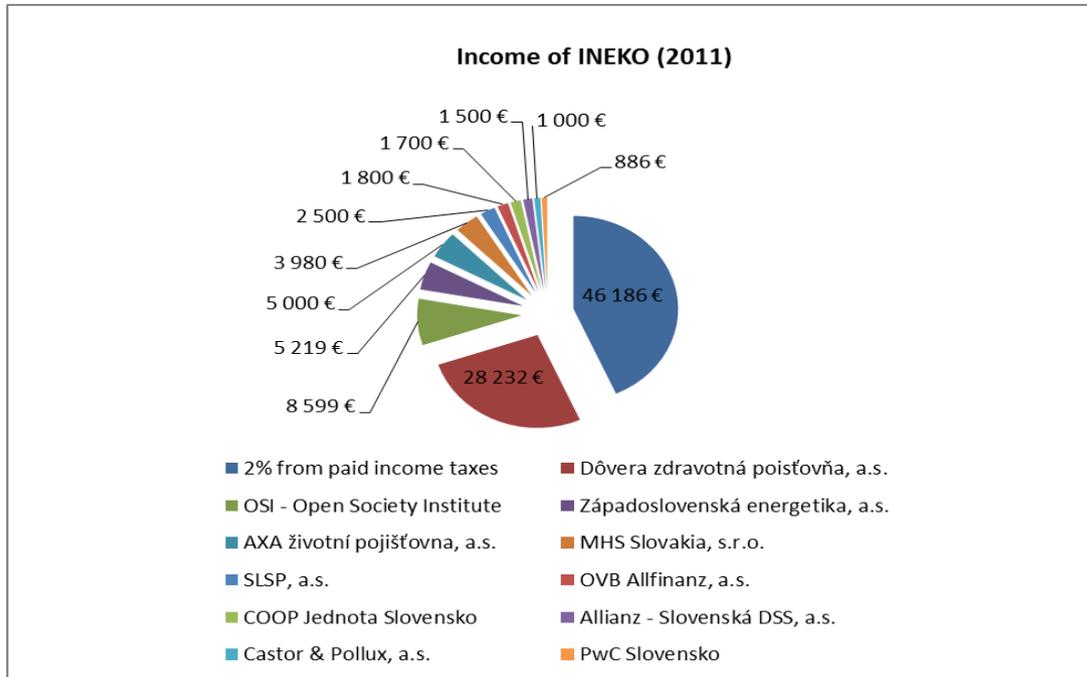
Memberships: Our people engaged in several advisory activities where they promoted the ideas of improving monitoring of the public finance sustainability, developing models for calculation of the long-term public debt, changes of the pension system aimed at improving its financial stability, etc.

- a. In July 2011, Peter Goliaš became advisor to the Minister of Education.
- b. Since November 2010 Peter Goliaš acted as a (non-paid) member of an advisory committee of the Minister of Finance.
- c. Since October 2010 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. Since 2008, Peter Goliaš is a member of the Slovak Association of Economic Analysts (KEA) – informal group of local economists.
- e. In August 2011, Peter Goliaš became member of the Board of the Student Loan Fund (later he was elected a Chief of the Board)

Fundraising campaign: In 2011, 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

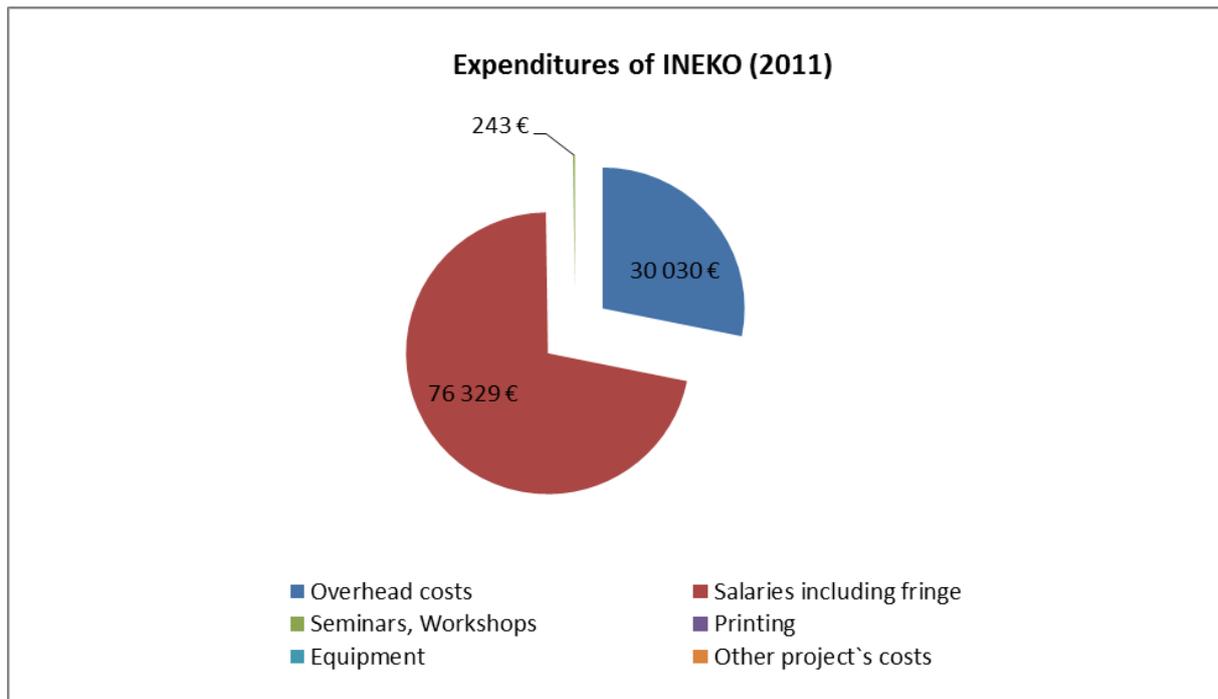
The following figures and tables include data only for INEKO, excluding other members of the INEKO Group:



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
2% from paid income tax	40 732	77 977	28 957	55 641	46 186
Dôvera Holding, a.s.	-	10 923	13 210	2 979	28 232
Open Society Institute	46 515	38 364	45 449	38 679	8 599
Západoslóvenská energetika, a.s.	-	-	23 819	8 069	5 219
CEE Trust	56 561	21 427	11 635	-	-
Other	73 828	58 540	72 832	46 211	18 366
Total	217 636	207 231	195 902	151 579	106 602



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
Salaries including fringe	138 572	141 711	134 119	110 567	76 329
Overhead costs	44 635	46 399	45 588	31 369	30 030
Seminars, Workshops	7 442	1 057	855	5 259	243
Printing	8 875	6 520	5 459	0	0
Equipment	2 272	605	1 106	0	0
Other project's costs	16 037	10 629	8 397	4 384	0
Total	217 833	206 922	195 523	151 579	106 602

Notes:

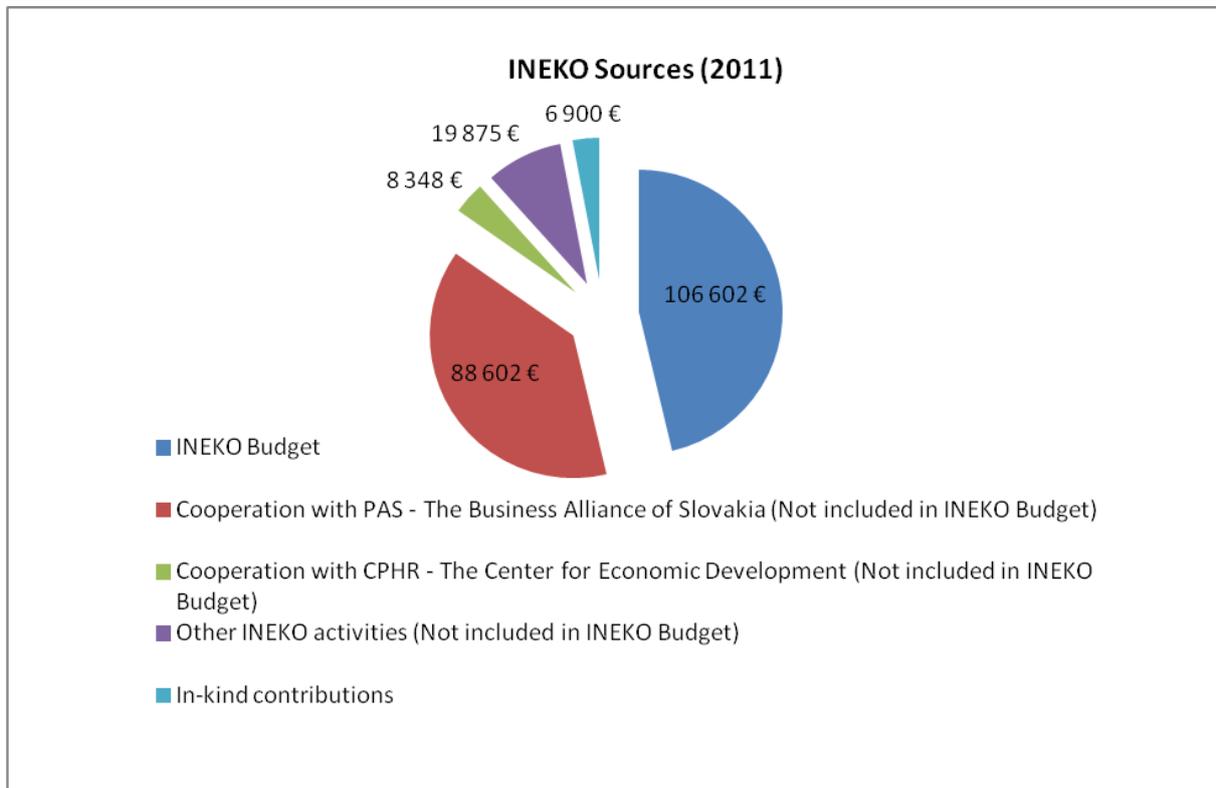
Salaries including fringe: managers – internal as well as external, accountants, lawyers, assistants, project administrators, researchers, intranet manager, librarian...

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 (2011)**

INEKO Budget	Suma
INEKO Budget	106 602 €
Cooperation with PAS - The Business Alliance of Slovakia	88 602 €
Cooperation with CPHR - The Center for Economic Development	8 348 €
Other INEKO activities	19 875 €
In-kind contributions	6 900 €
Total:	230 327 €

Web-Site Statistics

January 1st, 2011 – December 31st, 2011

<i>Domain "ineko.sk"</i>	<i>Visits</i>	<i>Daily average</i>
January	4557	147
February	3903	139
March	5084	164
April	4707	157
May	4549	147
June	3329	111
July	2435	79
August	2871	93
September	3210	107
October	4296	139
November	5407	180
December	3760	121
Total	48108	132

<i>Domain "blog.etrend.sk/inekomenty/"</i> (22 blogs published in 2011)	<i>Readership</i>
January	3121
February	2040
March	0
April	5352
May	5310
June	4677
July	2491
August	7132
September	2082
October	1438
November	939
December	8263
Total	42845

Media Coverage

January 1st, 2011 – December 31st, 2011

Total number of published articles and electronic media releases: around 1000

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, 2011 – December 31, 2011 **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, Best Annual Report Award 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. **In 2011 Peter Goliaš was the sixth most quoted economic analyst in Slovakia** (source: Mediawatch).

See also the list of media releases: <http://www.ineko.sk/media/medialne-vystupy-za-rok-2011>