

Annual Report 2014

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).

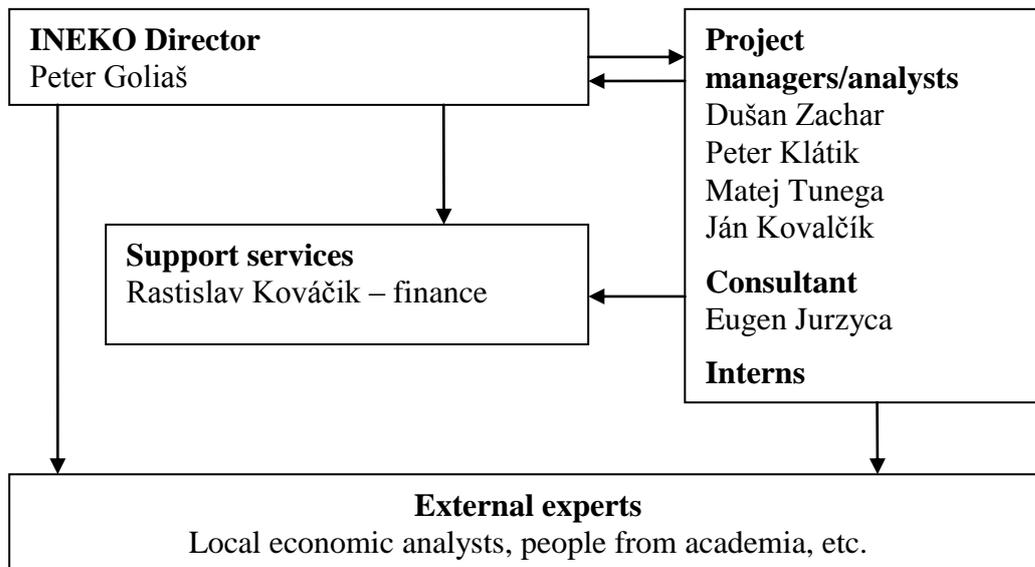
The Institute is governed by the Board and managed by a Director. The Board has a rotation membership lasting 5 years. In 2014, the Board had following members: Gabriel Šípoš, Róbert Kičina, Luboš Vagač. The Director has been appointed by the Board and the Board members have been appointed by the founders¹. The Board members meet irregularly to discuss the results of INEKO projects and plans for the future.

The Institute budget supports these 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 2014, 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 2014, the work of INEKO was influenced mainly by two factors: (1) Continuing public debt crisis in the EU and participation of Slovakia in the financial aid to indebted countries; (2) Continuing effort of a single-party government of leftist SMER to gradually achieve structurally balanced public budget. Thus, the Institute focused on monitoring of the public debt crisis in the EU and structural reforms adopted by indebted countries as well as on supporting the process of public finance consolidation. At the same time, the institute continued in its effort to decrease information asymmetry in education, health care, and municipal finance. Continuously, we were monitoring and analyzing proposed changes in other areas such as health care, labor market, pension system, social benefits system, etc. We have also been involved in exporting the Slovak reform know-how abroad.

Staff

INEKO had 6 regular staff and fellow workers in 2014.

Director: Peter Goliaš



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

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

Consultant: Eugen Jurzyca

Economic Department: Rastislav Kováčik

Intern: Dominika Galmišová

Mr. Jurzyca left INEKO in July 2014 as he began a Member of the National Council of the Slovak Republic.

Mr. Kovalčík joined INEKO in September 2014.

Ms. Dominika Galmišová joined INEKO in November 2014.

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 2014, issues at the center of Slovak government concern and relevant to the Institute's activities included:

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

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

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

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

PROJECTS

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

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

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

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

In 2014 we analyzed the causes of the public debt crisis in the EU and identified possible solutions. In February 2014 we published an [article](#) “Solutions to Public Debt Crises in the EU”. Among others we received positive feedback from Mr. Verheugen: *“I have read it with a lot of interest and generally I consider it an excellent piece of work as it deals with major strategic questions.”* In March 2014 we gave a [presentation](#) in the Czech Republic on barriers to using full potential of the banking union in the EU.

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 2014, INEKO continued in **monitoring and commenting on the structural reforms in Slovakia**. The main goal of the project is to help the broad public as well as the experts and the journalists to get a quick and clear overview of the structural reforms. It contributes to the discussion about the outcomes of these reforms so that possible mistakes or pitfalls are avoided. In 2014, we focused particularly on the government measures aimed at modifications of the pension, health care, tax, labor market, and education systems.

In 2014, we 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 2014, the project included monitoring of main developments on local market, writing analysis and presenting key results in media.

In 2014 we analyzed in depth following three topics:

1. Possibilities for reducing high unemployment in Slovakia – see the [workshop](#) organized in cooperation with the European Commission representation in Slovakia and the [analysis](#).
2. Possibilities for improving the efficiency of the Slovak education system – see the [workshop](#) organized in cooperation with the European Commission representation in Slovakia and the [analysis](#).
3. Possibilities for introducing regular informing of citizens about the estimated amount of their pension from the first and the second pension pillar – see the [petition](#) signed by 925 people in two months and the [proposal](#) developed together with the INESS institute and analysts from the Institute for Financial Policy and from local private banks.

Supporting Sustainability of Public Finance in Slovakia

In 2014 INEKO continued in monitoring and analyzing public finance development with focus on public debt and deficit. This activity is a response to the rapid growth of public debt as a result of the world financial crises as well as irresponsible expenditure government policy. It included activities aimed at informing public about long-term outlook for the public finance stability, about structure and amount of so called hidden debts and about measures necessary to secure sustainability of the public finance in Slovakia. This project was supported by a grant from the Foundation Open Society Institute in cooperation with the [Think Tank Fund of the Open Society Foundations](#).

Based on the public budget analysis, monitoring of consolidation effort abroad and survey of relevant literature as well as on discussions with selected experts INEKO created a [set of 150 measures \(later expanded to 215\)](#) which should lead to sustainable public finances at both, central and local levels. The list of measures includes their description as well as pro and con arguments. The set of measures should serve decision makers, media, government experts, NGOs and general public as a reservoir of possible consolidating steps and the descriptions of their impacts on public finances.

By December 2014 we expanded the database to 215 measures and specified them. We also published a [calculator](#) allowing any visitor to choose his/her package of measures and to compute its impact on public finances. The impact of 50 measures (later expanded to 59) was calculated by the Institute for Financial Policy (analytical unit at the Ministry of Finance), National Bank of Slovakia and the Council for Budget Responsibility (official institution guarding public debt). We are continuously monitoring which measures the visitors choose for their package. In February 2014 we published a [list](#) of 30 most popular measures. In May 2014 we published a [road map](#) to sustainable public finances proposing a plan for implementing 90 consolidation measures by 2020.

In April 2014 we launched a testing version of a [computer game “Reformer”](#) that aims to educate public about alternatives to consolidate public finances in the long-term. By June 2014 we collected feedback from players and published an updated pilot version that was later distributed to secondary schools. The game uses our database of consolidation measures and their impact on public finances as well as on political preferences. The idea is to spread the information about current situation and long-term projections of the public debt as well as about possible ways to achieve sustainability to the young generation with focus on students from secondary schools. To guarantee the expertise, we have discussed the game framework with the representatives of the National Bank of Slovakia and the Council for Budget Responsibility. The [workshop](#) took place in December 2012 with following participants: Peter Goliaš, Eugen Jurzyca – INEKO; Ján Tóth, Martin Šuster – National Bank of Slovakia; Ľudovít Ódor, Michal Horváth - Council for Budget Responsibility). We received [positive references](#) about the game from Peter Kažimír (Minister of Finance), Ľudovít Ódor (Board Member at the Council for Budget Responsibility) and Ján Tóth (Vicegovernor of the National Bank of Slovakia). We also received a [positive reference](#) – two out of three stars – from the Czech portal specializing on evaluating computer games.

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

Monitoring Financial Health of Slovak Municipalities

In December 2011, INEKO launched a project aimed at increasing pressure to improve financial health of Slovak municipalities. The project was supported by the OPEN SOCIETY INSTITUTE. Here is a short summary of its results in 2014:

In summer 2014 we updated our portal obce.ineko.sk presenting the data about financial health of all municipalities and higher regional units in Slovakia. We added data for 2012 and 2013 and created widgets to allow other portals to select and publish some of data they choose. In late summer 2014 we published [analyses](#) of financial stability of 50 biggest Slovak municipalities and 8 higher regional units (VÚC). In the beginning of 2014 we developed and published a [calculator](#) for counting and projecting individual municipality deficit and debt. In December 2014 we published the [case studies](#) of 5 municipal fiscal failures (towns and villages in stabilizing regime or under forced administration).

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

Internet Portal on Primary and Secondary Schools

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

In 2014 we updated and upgraded the portal and published fresh school rankings.

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

Monitoring Quality and Efficiency of Hospitals

In November 2014 we launched an internet portal assessing quality and efficiency of the Slovak hospitals - <http://nemocnice.ineko.sk/>. The project offers relevant information about all hospitals in Slovakia. It includes information about quality and efficiency indicators including transparency and competitiveness in public procurement, waiting periods for operations, satisfaction of patients, death rates for various diagnoses, financial health indicators, etc. According to this information the public can create effective pressure on this status improvement.

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

Hidden Triggers of Economic Growth in V4 Plus Ukraine

In September 2014 we launched a project “Hidden Triggers of Economic Growth in V4 Plus Ukraine” funded by the [International Visegrad Fund](#). The project is led by INEKO with partners from the Czech Republic, Hungary, Poland and Ukraine.

The triggers of growth of the transition period are close to exhausting their potential. No clear alternative sets of policies leading to higher sustainable economic and social progress have been prepared. This project will formulate such policies in four areas: consolidation of public finances; education, measurement quality and (labor market) results; high unemployment; and enhancing integration chances of Ukraine. Workshops; best practices analyses and policy papers are to reach these goals.

The project was kicked-off in October workshop in Kyiv on the topic “Enhancing Ukraine’s integration chances”.

For the project results, please, visit this page: <http://www.ineko.sk/projekty/visegrad-fund>

Other Activities

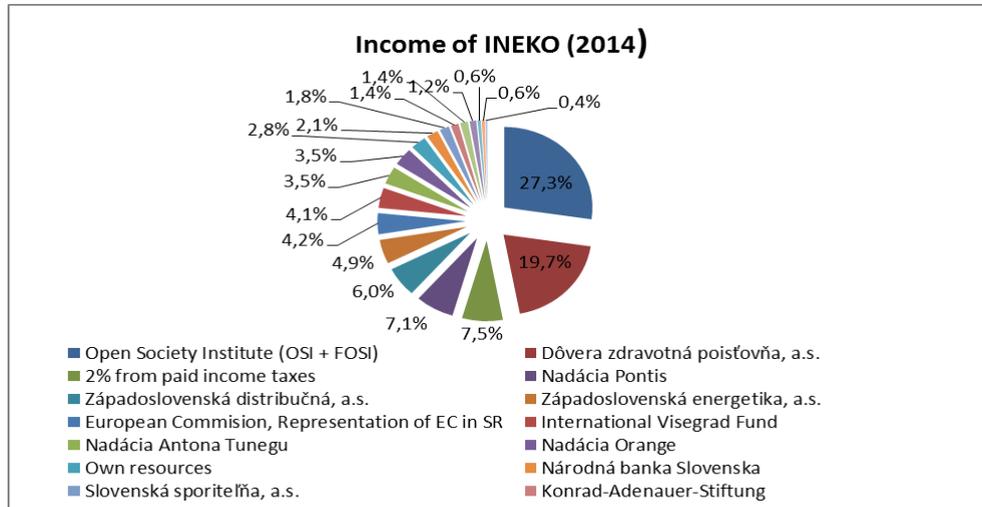
Memberships: Our people engaged in several advisory activities where they promoted the ideas of improving monitoring of the public finance sustainability, improving the education system, fostering business environment, etc. In 2014 they held following positions:

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

Fundraising campaign: In 2014, INEKO ran its regular fundraising campaign aimed at attracting the citizens' and firms' donations transferred directly from taxes (Slovak law allows to donate 2% of paid taxes to subjects supporting non-profit activities). This was done by means of letters sent directly to the top representatives of selected private companies.

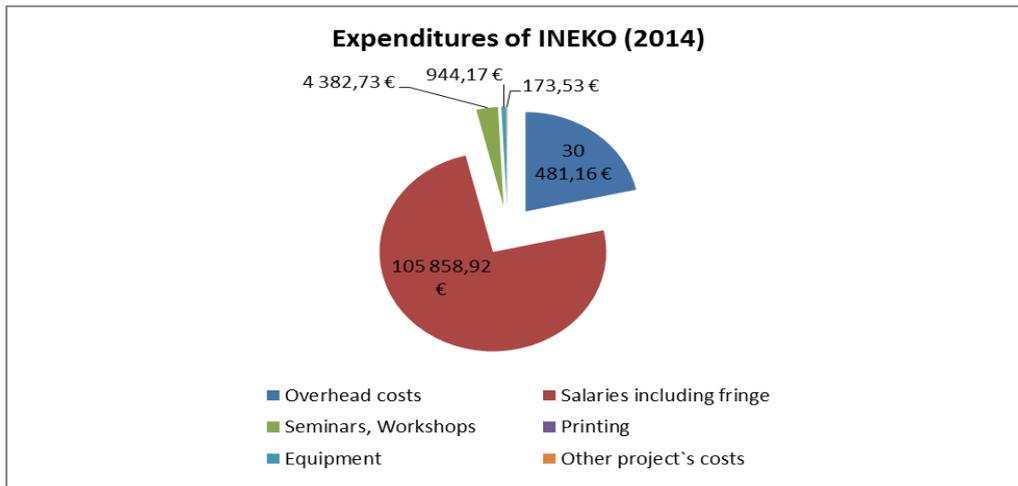
Financial Report

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



Income of INEKO (EUR)	2007	2008	2009	2010	2011	2012	2013	2014
Open Society Institute	46 515	38 364	45 449	38 679	8 599	14 272	36 943	38 790
Dôvera Holding, a.s.	-	10 923	13 210	2 979	28 232	25 444	40 578	27 907
2% from paid income tax	40 732	77 977	28 957	55 641	46 186	25 973	25 650	10 605
Pontis Foundation	-	-	-	-	-	-	-	10 000
Západoslóvenská distribučná, a.s.	-	-	-	-	-	-	-	8 500
Západoslóvenská energetika, a.s.	-	-	23 819	8 069	5 219	3 092	10 347	6 883
European Commission	-	-	-	-	-	-	-	6 000
Other	130 389	79 967	84 467	46 211	18 366	55 093	34 963	33 156
Total	217 636	207 231	195 902	151 579	106 602	123 874	148 481	141 841

Income of INEKO (2014)	EUR
Open Society Institute (OSI + FOSI)	38789,63
Dôvera zdravotná poisťovňa, a.s.	27906,70
2% from paid income taxes	10604,62
Nadácia Pontis	10000,00
Západoslóvenská distribučná, a.s.	8500,00
Západoslóvenská energetika, a.s.	6882,69
European Commission, Representation of EC in SR	6000,00
International Visegrad Fund	5753,21
Nadácia Antona Tunegu	5000,00
Nadácia Orange	5000,00
Own resources	4011,66
Národná banka Slovenska	3000,00
Slovenská sporiteľňa, a.s.	2500,00
Konrad-Adenauer-Stiftung	2000,00
Nadácia ESET	2000,00
COOP Jednota Slovensko, spotrebné družstvo	1700,00
International cooperation (PISM + ICDT)	872,00
Jadrová a vyráďovacia spoločnosť, a.s.	800,00
Darujme.sk (crowdfunding)	520,00
Total:	141840,51



Expenditures of INEKO (EUR)	2007	2008	2009	2010	2011	2012	2013	2014
Salaries including fringe	138 572	141 711	134 119	110 567	76 329	92 497	115 325	105 859
Overhead costs	44 635	46 399	45 588	31 369	30 030	30 698	31 041	30 481
Seminars, Workshops	7 442	1 057	855	5 259	243	65	577	4 383
Printing	8 875	6 520	5 459	0	0	0	0	0
Equipment	2 272	605	1 106	0	0	748	0	944
Other project's costs	16 037	10 629	8 397	4 384	0	0	1 500	174
Total	217 833	206 922	195 523	151 579	106 602	124 007	148 444	141 841

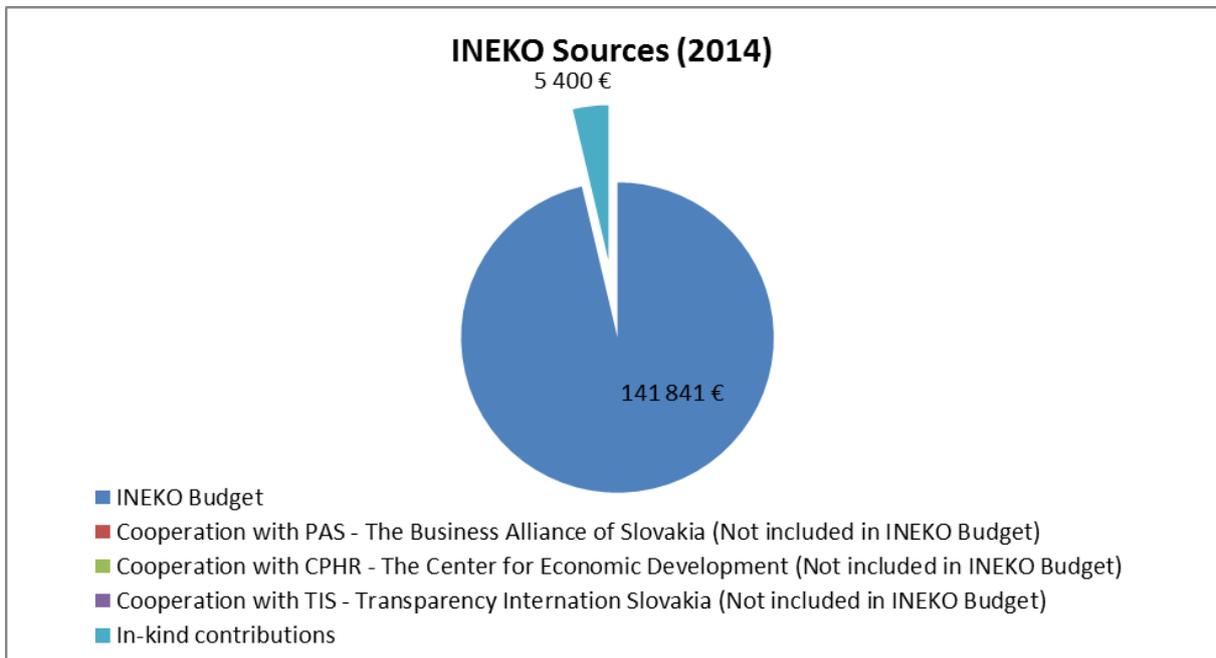
Notes:

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...

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



INEKO Sources (EUR)	2011	2012	2013	2014
INEKO Budget	106 602	123 874	148 481	141 841
Cooperation with PAS - The Business Alliance of Slovakia	88 602	47 830	16 408	-
Cooperation with CPHR - The Center for Economic Development	8 348	4 174	8 000	-
Cooperation with TIS – Transparency International Slovakia	-	20 200	10 100	-
Other INEKO activities	19 875	-	-	-
In-kind contributions	6 900	9 000	9 960	5 400
Total:	230 327	205 078	192 950	147 241

Web-Site Statistics

January 1st, 2014 – December 31st, 2014

Domains	Users	Page views
ineko.sk	38,456	95,238
skoly.ineko.sk	78,842	1,067,629
obce.ineko.sk	48,569	552,688
nemocnice.ineko.sk	26,278	103,567
hra.ineko.sk	15,761	41,874
i-health.sk	10,609	27,969
konsolidacia.ineko.sk	6,013	54,062
cenazamonopol.sk	1,012	2,890
Total	225,540	1,945,917

Media Coverage

January 1st, 2014 – December 31st, 2014

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, 2014 – December 31, 2014 **there had been several hundreds of published articles and electronic media releases** reflecting INEKO comments on proposed or adopted government measures and informing about results of INEKO projects – Supporting sustainability of public finance in Slovakia, Monitoring and Commenting the Structural Reforms, Monitoring Financial Health of Slovak Municipalities, Internet Portal on Primary and Secondary Schools and other activities. Among them, there are series of blogs (please, check INEKO blog on business weekly Trend website: <http://blog.etrend.sk/inekomenty/> and daily SME website: <http://ineko.blog.sme.sk/>), newspaper articles, TV discussions and interviews. For many years, INEKO analysts belong among the most quoted economic analysts in Slovakia.

See also the list of media releases: <http://www.ineko.sk/media/medialne-vystupy-za-rok-2014>