

The Slovak national targets under Europe 2020 Strategy

Source: The Ministry of Finance of the Slovak Republic's Institut of Fiscal Policy

The Slovak national targets under EUROPA 2020 Strategy are materialized in the National Reform Programme of the Slovak Republic.

This programme contains measures which the Slovak Government intends to implement during its term in office until 2014 under the Europe 2020 strategy. It contains a set of measures necessary in order to enhance economic recovery from a short-term perspective and improvements in the quality of life in the medium-term. The measures cover the following two areas:

1. fiscal consolidation for improved macroeconomic stability;
2. structural reforms that enhance economic growth, employment and quality of life.

The objective of the Europe 2020 strategy is to ensure long-term sustainable economic growth and creation of new jobs, including overcoming the economic crisis. Even though structural policies are within the competence of individual Member States, a certain degree of their synchronisation brings benefits to individual Member States. The economies of EU Member States are currently extremely interconnected; this is particularly true of the Eurozone members.

The basic framework for the preparation of structural policies consists of integrated EU guidelines along with the five headline targets which the measures adopted by the Member States should follow.

EUROPA 2020 is a strategy for jobs and smart, sustainable and inclusive growth. It is based on five European Union headline targets which are currently measured by eight headline indicators.

- 1st headline target: „75 % of the population aged 20-64 should be employed“
Indicator: Employment rate by gender, age group 20-64
- 2nd headline target: „3 % of the European Union's gross domestic product should be invested in Research & Development.
Indicator: Gross domestic expenditure on R&D (Gerd)
- 3rd headline target: „The 20/20/20 climate/energy targets should be met (including an increase to 30 % of emissions reduction if the conditions are right)
Indicators: 1) Greenhouse gas emissions,
2) Share of renewables in gross final energy consumption
3) Energy intensity of the economy (proxy indicator for Energy savings, which is under development)

- 4th headline target: „ The share of early school leavers should be under 10 % and at least 40 % of 30-34 years old should have completed a tertiary of equivalent education.“
Indicators: 1) Early leavers from education and training by gender (school drop-out rate)
2) Tertiary educational attainment by gender, age group 30-34
- 5th headline target: „Reduction of poverty by aiming to lift at least 20 million people out of the risk of poverty or exclusion“.
Indicators: Population at risk of poverty or exclusion /union of the three subindicators below
a) Persons living in households with very low work intensity
b) Persons at risk of poverty after social transfers
c) Severely materially deprived persons

On the basis of the five European Union-wide targets set by the European Council, the Member States have defined their national targets that take into account their domestic situation. The Slovak Government considers quantifiable indicators an important instrument for policy preparation and assessment, and has also defined its own national targets beyond the European Union requirements with the focus on

1. covering all priorities relevant to enhancing the economic growth, employment and quality of life in Slovakia,
2. measuring the results - not inputs but outputs of public policies.

- Indicators: 1) Long-term sustainability indicator (GAP)
2) Value added tax collection effectiveness
3) Environmental Performance Index
3) PISA
4) Citations per researcher (100 % = European Union average)
5) High-tech export
6) Long-term unemployment rate
7) Doing Business (World Bank ranking)
8) Product market regulation index (score)
9) eGovernment Index
10) Corruption Index
11) Healthy life years (number of expected years at birth)

The list of indicators with the definitions and sources:

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	Long-term sustainability indicator (GAP)					9,5	9,2	7,4	0,0
<p>The long-term sustainability indicator represents the difference between the current value and the sustainable value of the structural primary balance. The sustainable value is determined using the current legislation and long-term demographic and economic forecasts that affect general government revenue and expenditure (implicit liabilities) while also taking account of contingent liabilities (e.g., PPP projects). Source: OECD / Eurostat, calculation: the Ministry of Finance of the Slovak Republic</p>									

* Slovak indicator

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	Value added tax collection effectiveness	74	69	65	65	58	57		74
<p>VAT collection effectiveness = VAT collected / [(final consumption of households + gross fixed capital formation of the general government + intermediate consumption of the general government – VAT collected) * (basic VAT rate / 100)]</p> <p>The index compares actual VAT collection to potential VAT collection. The larger the indicator value, the more efficient the VAT collection. Potential VAT collection indicates how much VAT can be collected on the macroeconomic base at the basic VAT rate.</p> <p>Source: OECD / Eurostat, calculation: the Ministry of Finance of the Slovak Republic</p>									

*Slovak indicator

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	Non ETS (the Emissions Trading System greenhouse gas emissions (Changes against 2005)		- 2,2	- 6,1	- 8,2	- 12,3			13,0
<p>Emissions of greenhouse gases outside the ETS in CO2-equivalent as a percentage change against 2005. The indicator expresses trends in aggregate anthropogenic emissions of O2, NO2, CH4, HFC, PFC and SF6, collectively called greenhouse gasses and expressed in CO2-equivalent. The total quantity does not include emissions from land use, land-use change and forestry (LULUCF).</p> <p>Source: Eurostat</p>									

* EUROPA 2020 Strategy indicator

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	Share of RES (renewable electricity) in gross final consumption		6,2	7,4	8,4	10,3			14,0
<p>The share of final consumption of energy from renewable sources and the gross final energy consumption. The final consumption of energy from renewable sources is calculated as the sum of gross final consumption of electricity from renewable energy sources, gross final consumption of energy from renewable sources for heating and cooling, and final consumption of energy from renewable sources in transport.</p> <p>Source: Eurostat</p>									

* EUROPA 2020 Strategy indicator

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	Final energy consumption (Changes against 2001-2005 average		- 4,7	- 4,0	- 1,7	- 9,5	- 1,6		- 11,0
<p>Final energy consumption represents the difference between final consumption and final non-energy consumption. Final non-energy consumption includes energy products used as feedstock in various industries, i.e. those that are neither consumed as fuel nor transformed to another fuel. Final consumption is calculated as gross inland consumption – transformation (input) + transformation (output) + exchanges and transfers, backflows – consumption of the energy sector – distribution losses.</p> <p>Source: Statistical Office of the Slovak Republic</p>									

* EUROPA 2020 Strategy indicator

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	Environmental Performance Index (EPI)	64,0	64,8	66,1	66,3	66,6	66,6		68,3
<p>The Environmental Performance Index is published by the Yale University and Columbia University in cooperation with the World Economic Forum and the European Commission. As a composite indicator consisting of 22 output sub-indicators, it compares 132 countries in ten basic categories of environmental performance.</p> <p><i>Source: http://epi.yale.edu/</i></p>									

**Slovak indicator*

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	School drop-out rate (population aged 18-24)	6,3	6,6	6,5	6,0	4,9	4,7	5,0	6,0
<p>The share of population aged 18-24 with the lowest education (ISCED 0, 1, 2, 3C), who do not continue further studies. A pupil is considered not to continue further studies if in the four weeks preceding the survey he/she did not receive any type of education or training; the relevance of education to the respondent's current or future work is not taken into account.</p> <p><i>Source: Eurostat</i></p>									

** EUROPA 2020 Strategy indicator*

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	PISA		482			488			505
<p>Internationally standardised assessment of the knowledge and skills of 15-year-old students. It assesses students in three areas: mathematics, reading and natural sciences. The index is an arithmetic average of the scores obtained in the individual areas.</p> <p><i>Source: OECD</i></p>									

** Slovak indicator*

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	Tertiary educational attainment (population aged 30-34)	14,3	14,4	14,8	15,8	17,6	22,1	23,4	40,0
<p>The share of tertiary graduates aged 30-34 in the total population in the same age group. University or PhD studies correspond to ISCED 5-6.</p> <p><i>Source: Eurostat</i></p>									

** EUROPA 2020 Strategy indicator*

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	Citations per researcher 100 % = EU average	39	44	41	44				70
<p>The proportion of the number of citations in renowned international magazines (Web of Science database) per number of researchers in the country (Eurostat). The indicator is expressed relative to the average of European Union countries.</p> <p><i>Source: Web of Knowledge (requires access), Eurostat, Ministry of Finance of Slovak Republic calculations</i></p>									

** Slovak indicator*

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	Gross domestic expenditure on R&D (GERD)	0,51	0,49	0,46	0,47	0,48	0,63		1,0

The percentage share of total Research & Development expenditure in gross domestic product

Source: Eurostat

* EUROPA 2020 Strategy indicator

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	High-tech export	6,4	5,8	5,0	5,2	5,9			14,0

The share of high-tech export in the country's total export. High-tech products include selected products from the following industries: aerospace, computers and office machinery, electronics-telecommunications, pharmaceuticals, scientific instruments, electrical machinery, chemistry, non-electric machinery and armament.

Source: Eurostat

* Slovak indicator

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	Employment rate (population aged 20-64)	64,5	66,0	67,2	68,8	66,4	64,6	65,1	72,0

Share of the employed aged 20-64 in the total population in the same age group. The indicator covers the total population living in independent households; it excludes collective households, people living in boarding and lodging houses, dormitories, and those hospitalised in healthcare facilities. The employed population is made up of those people who, during the reference week, carried out some type of remunerated work (either salary or benefit) for at least one hour, or who did not work but had a job from which they were temporarily absent.

Source: Eurostat

* EUROPA 2020 Strategy indicator

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	Long term unemployment rate (active population aged at least 15)	11,7	10,2	8,3	6,6	6,5	9,2		3,0

The share of persons aged at least 15, who have been unemployed for 12 months and more, not living in collective households who are without work despite actively seeking work.

Source: Eurostat

* Slovak indicator

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	Population at risk of poverty or exclusion	37,0	26,7	21,4	20,6	19,6	20,6		17,2

The indicator represents the sum of people at risk of poverty (after social transfers) and/or those materially deprived and/or living in households with low work intensity, expressed as a percentage of the total population. The risk of poverty represents the number of persons with equivalised disposable income below 60% of the national median equivalised disposable income (after social transfers). The materially deprived are those who cannot afford at least four of the following nine items: i) pay the rent/mortgage or utility bills, ii) keep their home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or protein equivalent energy every second day, v) one week of vacation away from home, vi) car, vii) washing machine, viii) colour TV or ix) telephone. Population in households without work includes persons aged 0 – 59 living in a household where the adults worked less than 20% of their total work potential during the past year.

Source: Eurostat/EU-SILC

* EUROPA 2020 Strategy indicator

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	Doing Business (World Bank) (ranking)					40	43	48	15

A country's position in the Doing Business ranking, which measures regulation of small and medium-sized enterprises throughout the nine stages of their lifecycle: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. The data is based primarily on national laws, various other forms of regulation and administrative requirements.

Source: the World Bank

* Slovak indicator

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	Product market regulation index (score)				1,63				1,20

The assessment of a country using the product market regulation index. It measures regulation and barriers in three areas: state control, barriers to entrepreneurship and barriers to trade and investment (each with a weight of one third). The product market regulation index targets not only the business activities of regular enterprises, but also measures broader regulation (for example regulation in network industries).

Source: OECD

* Slovak indicator

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	eGovernment Index		37,3	44,8		58,3	62,0		90,0

For any given country, the index is calculated as a weighted average of the following three indicators: eGovernment availability (50% weight), individual eGovernment usage (25% weight) and business eGovernment usage (25% weight). The eGovernment availability measures the offer of 20 basic eGovernment services. Of the 20 defined public services, the indicator specifies the share of services available via the Internet. For a service to be deemed available, it must achieve a certain degree of sophistication. The use of eGovernment by individuals/businesses measures the percentage of people/businesses who have, in the last three months, used the Internet in communication with public institutions (obtaining information from a website, downloading an official form or sending a filled-in form).

Source: Eurostat, Ministry of Finance of the Slovak Republic calculations

* Slovak indicator

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	Corruption Index	59		59		61		56	80

The corruption indicator represents an average of two indices focusing on different types of corruption: Corruption experience among the general population – a Eurobarometer survey targeting individual sectors, such as the police, customs administration, courts, national politicians, regional politicians, local politicians, tenders, building permits, business permits, healthcare system, school system, inspection. The Corruption Perception Index (CPI) – Transparency International – measures the perception of corruption based on 5-10 source surveys of entrepreneurs and experts in each country. In Slovakia, eight corruption perception surveys are included, with 50% weight assigned to the views of entrepreneurs and 50% to the views of experts.

Source: Transparency International, Eurobarometer, Ministry of Finance of the Slovak Republic calculations

* Slovak indicator

	Indicator	2005	2006	2007	2008	2009	2010	2011	Target 2020
SK	Healthy life years (number of expected years at birth)	56,4	54,4	55,9	52,3				60,0
<p>The number of years lived in a healthy condition that can be expected at birth. This indicator combines information on mortality and morbidity in the given country. Good health is defined by the absence of disabilities or restrictions on everyday activity. It is also called disability-free life years (DFLY).</p> <p><i>Source: Eurostat</i></p>									

* Slovak indicator

Brief commentary on the basic methodology of long-term sustainability indicator:

This indicator is determined as the difference between the current and the long-term required value of the structural primary general government balance.

In other words, this indicator is substantiating how far is the country from achieving long term sustainability of its economy.

The starting point is „S2“ European Commission’s indicator. In determining the current value are taking into account also the economic cycle, one-off effects, asset sale and economic results of state-owned enterprises.

Under the new constitutional Fiscal Responsibility Act in Slovakia which entered into force on March 1st 2012, detailed methodology is annually published by the Fiscal Responsibility Council before issuing a report on the long-term sustainability each year before April 30th.

Presently the exact methodology for long-term sustainability indicator is unknown. This is because the anticipated elections to Slovak’s Parliament took place in March and therefore the Fiscal Council will be established in June 2012.

Juraj Kolarovic

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