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REFLECTION ON THE LISBON STRATEGY FOR GROWTH AND JOBS BEYOND 2010 IN THE
FRAMEWORK OF THE IMPLEMENTATION OF THE EUROPEAN ECONOMIC RECOVERY PLAN

*ISSUES PAPER ON WAYS TO ACCELERATE REFORMS
FOR EUROPE TO EMERGE STRONGER AFTER THE CRISIS*

MEETING OF NATIONAL LISBON COORDINATORS' MEETING IN PRAGUE ON 22ND APRIL 2009

1. Introduction:

Recognising the progress made since its renewal in 2005, the 2008 Spring European Council invited the Commission, the Council and the National Lisbon Co-ordinators (NLCs) to start reflecting on the future of the Lisbon Strategy for growth and jobs after 2010. The aim of this paper is briefly to summarise the main orientations emerging and to provide some pointers on the questions still to be tackled such as on improving ownership/adherence, communication and monitoring. A brief summary of Member States' contributions on challenges to be addressed which the Commission has received so far is attached.

2. Addressing the challenges ahead as part of the economic recovery:

Discussions in the **National Lisbon Co-ordinators (NLC) network** have so far focused on whether the direction and policy emphasis of the Strategy after 2010 require adaptation in light of lessons learned, evolving challenges, and last but not least, of the impact of the economic crisis.

A broad consensus has emerged that the focus needs to remain on **sustainable growth and jobs**, which has become even more important in the current economic crisis. There is also a convergence of views on the need to continue to respond to the following **key challenges** after 2010, namely:

- Shaping up for (and shaping) globalisation;
- Addressing demographic change;
- Accelerating the transition towards a low carbon economy;
- Seizing the benefits of the ICT revolution.

Furthermore, many have called for the Strategy to be given a much stronger **external dimension** (with a strong focus on strengthening regulatory cooperation with some key partners).

The **four priority areas** (i.e. investing in people; unlocking the business potential, especially of SMEs; **R&D & innovation** and ICTs; energy/climate change) are the pillars of the Strategy.

While there appears to be broad agreement that these priority areas remain highly relevant in light of the overall challenges, some have suggested to give greater emphasis to financial sustainability and the quality of public expenditure (particularly in the context of the exit strategy from the crisis), improving education, skills matching, and promoting life-long learning, mobility and migration, (social) innovation models and creativity, infrastructure and the use of natural resources.

As outlined in the European economic recovery plan, accelerating structural reforms and using the fiscal stimulus to make "smart" investments will be essential to emerge from the crisis with an economy placed on a stronger footing, geared towards a low-carbon, innovation and knowledge basis.

The Lisbon strategy beyond 2010 must be part of the EU's exit strategy from the current crisis. This can be done by making sure that the fiscal stimulus packages introduced as part of the European economic recovery plan are used to boost "smart" investments and go hand-in-hand with reforms that can help the EU become a low-carbon, innovative and highly skilled economy. Fast rising unemployment is putting additional strains on the labour market reforms that were underway prior to the crisis, but skills mismatches persist and as growth picks up again we may soon be faced with skills and even labour shortages.

These challenges raise the question of how the Lisbon strategy should be adapted to ensure the right exit from the crisis and the right reforms for the post crisis situation the EU will face? Linked to this is the question how best to sequence reforms? How should the integrated guidelines be adapted to guide this process?

*First issue for discussion: The Prague meeting provides us with an opportunity to assess: the **impacts of the crisis** on the challenges to be addressed by the Lisbon strategy beyond 2010. The discussion should focus on the contribution of the Lisbon strategy to economic recovery and our crisis exit strategy; whether the crisis has accelerated the delivery of structural reforms, or slowed them down ?*

3. Keys to a better delivery of reforms – Further issues for discussion:

While discussions have so far focused on the direction and policy emphasis of the Strategy after 2010, National Lisbon co-ordinators have agreed that the Prague meeting should be devoted mainly to identifying keys to a better delivery of reforms.

Reforms undertaken since 2005, particularly in macro-economic and employment policies, have helped the EU in the current crisis and have created some fiscal space which is now being used for a co-ordinated fiscal impulse to support demand.

But lessons will need to be drawn from the implementation of reforms since 2005. Whilst there is now a broad consensus on the overall direction of reforms, the **pace (and depth) of reforms has been uneven**, both between Member States and across policy areas. Given the strong interdependence of Member States' economies within the EU, and specifically within the euro zone, there is a clear common interest in stepping up the pace and coherence of reforms across-the-board.

Identifying ways of accelerating and improving the successful implementation of reforms is not only relevant in the medium-term, it is also an essential component of the **response to the current crisis**.

Therefore, in parallel to concluding the discussion on the challenges ahead, the Prague meeting should kick off work on how best to **improve the delivery of reforms**. The questions set out below are intended to focus attention on the key issues and help steer the debate.

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1. It is generally felt that the introduction of a **partnership** approach as part of the renewal of the Lisbon strategy in 2005 has been a fundamental improvement of the working method and has helped reinforce the ownership/adherence of national governments to a (EU-wide) reform agenda. However during earlier discussions both the Commission and coordinators agreed that ownership/adherence can and should be further enhanced to help the delivery of reforms.

A key question therefore is how the partnership approach could be reinforced. Currently the partnership is based on a division of responsibilities between the European and Member State level, driven forward at the highest political level, whereby

- at EU level, reforms are promoted through actions decided by the European Council in the four priority areas upon proposal by the Commission, and by regular assessments of overall progress made with reforms. In addition, the Community Lisbon Programme contains initiatives to be taken at EU level;
- at national level by Member States implementing reforms in response to EU policy guidance, subject to regular Commission monitoring (which culminates in a proposal to the Council on country-specific recommendations and in multilateral surveillance). Reforms to be undertaken are set out in their National Reform Programmes and Action plans.

One of the key challenges is to **reinforce the political nature of the partnership** (and remove bureaucratic elements that have slipped in since 2005) in order for it to be used by Member States and the Commission as a common European agenda which can help increase the pressure for EU and national reforms. It is therefore important to keep the focus on how adjustments to instruments and working methods can help speed up the delivery of reforms.

- Ø *How can the Lisbon partnership best be strengthened? What could the European Commission and what could Member States do concretely to draw greater benefits from the partnership?*
- Ø *Do National Reform Programmes contribute sufficiently to policy integration and implementation of reforms? To ensure stronger political ownership and a focus on key reforms, is there a need to improve country specific recommendations and what instruments could help with their implementation?*
- Ø *How could the implementation of EU measures be speeded up? Would this require a different kind of Community Lisbon Programme? How can the open methods of co-ordination be made more politically relevant?*

Ø *Is there an interest in benchmarking Member States? Or in enhancing peer pressure? If so, what form could this take?*

2. The Lisbon strategy was **launched for 10 years in 2000**, reviewed and re-launched in 2005 on the basis of **3 year cycles**. In deciding how to extend it beyond 2010 consideration is needed on whether working with cycles is still the best approach? Currently, the main orientations and decisions are given by the European Council in the form of priority actions and the endorsement of country-specific recommendations which are reviewed every year, while integrated guidelines are reviewed every 3 years. Given that the need for reforms will continue, should the strategy be made a permanent part of the EU's governance system?

Ø *Is the organisation of the Lisbon Strategy around three-year cycles still relevant given the need for continuous adaptation and given national and EU political cycles which follow different time-tables?*

Ø *Given the need for stability in the reform process and recognising different starting positions of Member States, how should the update of the integrated guidelines be handled?*

3. Creating broad-based support behind ambitious **reforms** is a critical factor for success for any reform process **within Member States**. Evidence suggests that conducting a solid and comprehensive problem analysis of the country's challenges, identifying possible solutions and trade-offs and **associating the main stakeholders** (in particular the social partners) at an early stage is key to building support and achieving results. This is also true at the EU level and will require closer involvement of EU level stakeholders such as the Economic and Social Committee and the Committee of the Regions.

In many EU countries regional or local entities are competent for conducting reforms in several of the policy areas of the Lisbon strategy (e.g. labour activation, business environment, skills and education, R&D and innovation). Through their "lisbonisation", Structural funds massively contribute to the introduction of structural reforms. Exchanging good practices and monitoring progress at regional level can generate a positive dynamic for the reform process.

Ø *In the same way as the Lisbon strategy is organised around a partnership between the EU and the Member States, should the Lisbon strategy post-2010 provide for a partnership at national level, involving the government, regional and local authorities, social partners and other stakeholders?*

Ø *How could the European Parliament and national parliaments become more involved? What role could the European Commission/Union play in support of national efforts to reinforce adherence?*

4. **Communicating reform** is essential in reaching out to citizens and obtaining support for reforms. Even though the Lisbon Strategy is a **positive modernisation agenda for Europe** (i.e. emphasising skills, education and inclusive labour markets, a business environment free of red tape, more R&D and innovation, ICT roll-out and usage and, overall, promoting the transition towards a clean, low-carbon economy), it is still often unduly perceived as primarily a business agenda or an agenda which lacks a social dimension.

Communication efforts should be stepped up to emphasise the positive role reforms can play in particular with a view to better explaining the benefits of reforms to citizens as well as the downsides of inaction or delay in implementing reforms. Ideally, the debate around which structural reforms to undertake and why, should be carried more by civic society, and not be dependent on communication initiatives by the EU and/or individual Member States alone. Case studies show that the successful introduction of reform packages depends on communicating openly about their potentially (sometimes painful initial) impacts whilst highlighting perhaps less-immediate benefits. In some countries the introduction of reforms can be facilitated when presented as part of an international effort to modernise and or step up competitiveness.

Ø *How can communication efforts be further improved? Is there a need for 'rebranding' the Strategy? Should communication efforts focus more on themes (e.g. skills/education) rather than on the Strategy as a whole? How can examples of successful reforms ("best practice") be used more in communication efforts? How can regional and local levels participate more in communicating reform? What role is there for social innovation in generating a debate with civil society?*

5. Finally **monitoring progress** plays a key role both at EU and national level:

a) Currently the Commission's and Council's annual monitoring concentrates on identifying areas where progress could be improved and through the country-specific recommendations calling on Member States to remedy this.

Ø *In addition to issuing country-specific recommendations, would identifying good practices to address specific reform gaps be helpful? How could a more intensive exchange of best practices be organised and be brought to the political attention? Is there a role for the national Lisbon coordinators' network in organising best practice exchanges?*

b) Monitoring progress also means finding the right indicators and benchmarking:

Ø *Are the current two headline objectives (70% employment rate & 3% investment in R&D) still sufficiently illustrative of the overall goals of the Lisbon Strategy? Given the prominence of policies such as skills development, energy-efficiency, innovation and/or high speed internet, should these also figure amongst the headline targets of the Strategy?*

Ø *Given the diversity of the Union rather than having single indicators for the Union should we provide for indicators to be set at national level taking account of each country's respective starting point? In that case, should progress be measured relative to each country's own target?*

Ø *Whilst avoiding a ranking (see question above), would introducing more benchmarking help with the delivery of reforms? How could an international comparison be construed that is relevant for all 27 Member States?*