



#9

July 2009

New Lisbon Strategy after 2010: Governance Reform

By Marcin Koczor

The year 2010 will mark the end of a 10-year implementation period of the Lisbon Strategy (LS), which in the meantime has undergone a series of changes, both in terms of its scope and its implementation structure. The LS's original version was flawed due to a plethora of largely incoherent goals, an unclear division of responsibilities among the various entities involved, and an inefficient implementation structure. All these factors affected the Lisbon Agenda's poor results after its initial five years, which led to its re-launch in 2005.

The Strategy has since functioned in accordance with the principle of the coherence of its three dimensions (macroeconomics, microeconomics, employment), which has minimised the risk of conflict between individual LS objectives and made a more effective push for growth and jobs. To ensure that the Strategy maintains a comprehensive approach to the task of building a competitive economy, this underlying principle should be retained after 2010. The validity of these revised Strategy goals is not disputed. While consideration might perhaps be given to a skilful distribution of emphasis between individual priorities, it is obvious that measures should continue to support entrepreneurship, build the knowledge triangle (innovation, education, research), develop human capital, increase energy efficiency, introduce environment-friendly technology, and promote EU standards and norms in global relations with third parties. **The real challenge, therefore, is not to define new LS goals for the period after 2010, but to pursue the existing priorities more effectively. LS modification should thus be concerned with its governance process, not its objectives.**

But it must be emphasised that an effective reform of LS governance process may not be enough to improve its outcome. **One of the necessary conditions for increasing the effectiveness of LS implementation is that the European Commission should have a strong position relative to its member states throughout the course of the evaluation process and its subsequent recommendations.** Only with a politically sturdy Commission can the "name and shame" approach be effectively pursued over the course of Strategy progress monitoring and evaluation. In respect to the LS, the Commission does not have particularly strong instruments at its disposal—a result of the Open Method of Coordination (OMC), a typical soft instrument, serving as the basis for Agenda implementation. The exception is the macroeconomic dimension, where the Commission has a "hard" instrument, the Stability and Growth Pact (although here, too, disciplinary measures are subject to Ecofin Council consent). **Consequently, the Commission's clout with LS implementation largely depends on a nod from member state governments**, many of which in fact may be ill-disposed to the idea of a stronger Commission in the Lisbon process, wary of its excessive activity and assertiveness.

Proposed LS reform in a nutshell

The proposed reform of LS governance should take place within the existing implementation structure, as defined in 2005, which provides for a two-level (national and Community) approach. At the national level, the main element of this structure is the National Reform Programme (NRP), prepared in accordance with the Integrated Guidelines for Growth and

Jobs, and at the EU level it is the Community Lisbon Programme (CLP), both documents having been approved for three-year periods. This structure should be kept, as it transparently reflects the division of tasks between member states and Community institutions. It has also made possible a more customised approach on the part of individual member states to designing and conducting their own actions within the LS framework, thus helping to improve Agenda implementation after 2005.

The principal objective of the reform should be to raise the effectiveness of Lisbon process governance at both levels. The proposed instruments to be used in this pursuit include the following:

1. Appointing a special commissioner for Lisbon Strategy, and introducing organisational changes at the Commission with a view to more effective implementation
2. Improving bilateral contacts between the Commission and member states in the course of the monitoring and evaluation processes
3. Tightening up cooperation between National Lisbon Coordinators (so called “Mr/Ms Lisbon”)
4. Creating a Web-based platform for good practices in LS implementation

1. The reform’s specific goal should be to reinforce LS governance coordination at the European Commission level. In this context, consideration should be given in the Commission’s new term to the appointment of a special LS commissioner who would be the Commission’s vice-president in charge of coordination of the Lisbon Strategy at the EU institutions level. There is no such function assigned under the current governance model, resulting in a lack of clarity as to the actual allocation of responsibility for LS implementation in the Commission. In the outgoing College of Commissioners, the “Lisbon Strategy face” function has usually been played by Commission President José Manuel Barroso, an indication of the high priority LS matters have had from 2004 to 2009. In this role, Mr Barroso was backed by Commission Vice-President and Industry/Enterprise Commissioner Günter Verheugen. It should be noted that the Commission president, given his extensive agenda, cannot be actively engaged in the Strategy governance on a day-to-day basis. There is thus the risk that, even if the Commission president’s role in the process were strengthened formally, he might not be able to effectively discharge the related duties. Therefore, the appointment of a dedicated vice-president for Lisbon Strategy would give a real boost to its governance at the Commission level. The creation of this post would also be a symbolic manifestation of the weight the Union assigns to the implementation of the Lisbon Agenda—a circumstance not without importance, given the soft nature of the instruments currently available to the Commission. The commissioner would not only deal with overall coordination of Lisbon Strategy implementation within the Commission, but would also cooperate with other EU institutions (especially Parliament and Council). His or her most important tasks would include the following:

- Taking part in the Lisbon programming process and reviewing it
- Overseeing the monitoring and evaluation process at the Commission level
- Coordinating CLP implementation
- Presenting evaluation reports on the progress of member states
- Handling the communication policy in respect to the Lisbon Strategy

While pursuing these tasks, the vice-president would cooperate with other commissioners responsible for particular LS-related areas (e.g. economic and monetary affairs, employment, enterprise, information society, internal market, regional policy, research and development). **To make this cooperation more effective, a standing Lisbon Steering Group should be appointed in the framework of the College, with the LS commissioner in chair, pursuant to Article 3.2 and Article 18 of the Commission’s rules of procedure.** It would take over from the Group of Commissioners on Lisbon Strategy called into being during the 2004–09 term, but which has been quite anaemic. As of now, the Lisbon Steering Group operates at the level of the Commission’s senior officials, providing the de facto principal forum for LS governance coordination at the Commission level. The reform would thus add to this group a political tier by positioning it to play the primary role in drafting annual reports of member states’ progress and formulating recommendations for each member state.

The LS commissioner, as head of the Lisbon Steering Group, could be supported by a special directorate, to be formed within the structure of the Commission’s Secretariat-General (SG). The secretariat deals with planning and programming the Commission’s proceedings in addition

to coordinating and supporting the sector-specific Directorates-General (DGs). The practice so far in the field of LS programming, monitoring and evaluation within the Commission indicates that SG is the right place to support LS governance. The directorate could be formed on the basis of the present Strategic Objective Prosperity Unit, positioned within SG. In addition to this unit's personnel, the directorate could be staffed with those officials from other DGs currently involved in the monitoring of member states' Agenda implementation as well as with delegated national experts. Seconding national experts to this new directorate would provide an opportunity to strengthen its capabilities and improve the quality of the Commission's relations with national institutions that are responsible for NRP implementation. An increase in the number of personnel in charge of Lisbon process coordination would result as a logical consequence of the LS commissioner appointment, and would make it possible to monitor progress more accurately. **In respect to LS communication policy, the commissioner would be supported by DG Communication.**

2. As part of LS governance reform, bilateral contacts between member states and the Commission on Strategy implementation should be intensified. It would therefore be desirable to increase the frequency of visits by Commission officials in charge of LS monitoring, particularly to those member states that lag farthest behind in NRP implementation. This increased contact could help strengthen the Commission's influence on these state governments. Presently, each member state holds one annual review meeting (usually at mid-year) to check their overall progress in Strategy implementation in all segments, and it is attended by representatives of various national institutions in charge of LS implementation as well as Commission officials of various rank. **The Commission should initiate an additional review meeting in those member states that demonstrate little or no progress in LS implementation—possibly early in the year, with a view to not only reviewing progress but, primarily, analysing the underlying causes of the member state's problems with effective implementation of the reform programme.** In the remaining member states, such additional meetings would be held only when the need arises. The "standard" review meetings would be similar to those held today, differing only in that the Commission delegation would be headed by the Lisbon commissioner.

The Commission should also consider increasing its frequency of contact with member states specifically in relation to the Strategy's macroeconomic dimension, a matter of particular importance in view of mounting fiscal imbalances that will pose a major LS challenge after 2010. Such meetings, to be held with representatives of those member states for which an excessive deficit procedure has been initiated, would aim at a more detailed monitoring of deficit-reducing measures, actions taken to improve the quality of public finances, or, for example, budget-linked preparations for demographic challenges.

3. Cooperation between the National Lisbon Coordinators should intensify. Their meetings could be held, for example, on a quarterly basis instead of twice a year (under each presidency) as is the case now, providing both parties an opportunity to exchange their experiences in the Agenda implementation. Each meeting should deal with a previously defined LS-linked subject and produce conclusions coupled with coordinators' commitments to undertake particular measures. It is important that these meetings be attended by, in addition to Commission representatives (LS commissioner, sector-specific commissioners) and stakeholders, senior officials from the international institutions (especially the OECD, but also the IMF and the World Bank) which have accumulated a wealth of experience in the preparation and implementation of structural reforms.

4. The goal of improving LS governance effectiveness at the national level would also be served by an effort on the part of the Commission to facilitate the exchange of good practices between member states. It would be very useful in this context to set up a special online platform for good practices, where participants may exchange and accumulate their experiences:

- Structural reforms preparation and implementation
- Coordination of NRP implementation
- Partnership in NRP implementation between national administration and stakeholders (local authorities, scientists, businesses, trade unions, NGOs)
- LS-related communication and promotion policy

The Web-based platform could be built around the three data bases that contain information about member states' microeconomic reforms (MICREF), labour market reforms (LABREF), and the structural reform implications for macroeconomic indicators (MACMIC). These data bases are administered by the Commission's Directorate-General for Economic and Financial Affairs (ECFIN). In order to accommodate NGOs and the general public, access to the platform would be free, even though—given its profile and scale—it would largely target officials and experts dealing with these subjects.

LS governance reform and debate on the Lisbon Agenda's future

A demand to increase the effectiveness of Lisbon implementation through changes in Strategy governance has emerged in the course of discussions about a post-2010 Strategy. It is an important part of the recommendations of a detailed report on the LS's future (*Beyond Lisbon. A European strategy for globalization*) prepared for the French government by Laurent Cohen-Tanugi in 2008. The report provides an important point of reference in the post-LS debate that has been initiated de facto under the French presidency of the Council in the second half of 2008. In the autumn of 2009, in response to a request from the European Council, the Commission will present its conclusions on the LS's future, marking a key moment in the discussion of a post-2010 LS.

In this time of financial and economic crisis, the debate on the future of the Lisbon Strategy closely correlates with reflections on the post-crisis model of the European economy. An analysis of the effectiveness of EU crisis-management may conclude that EU-level macroeconomic governance should be strengthened and structural reform coordination intensified. This inference is generally in line with the demand to strengthen the structure of LS implementation through changes in its governance. At the declaratory level, member states more or less agree on the need to reinforce Strategy implementation. **But the expected reservations on the part of many member states concerning the Commission's increased influence may stand in the way of these necessary measures.**