FROM THE LISBON STRATEGY TO EUROPE 2020

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Foreword

"*Panta Rei.*" This famous quotation best describes the world we live in: a world where everything is in constant flux. The challenges posed to human beings and societies around the world are considerable. Citizens' well-being depends on how well they themselves are prepared to adapt to change. It is the responsibility of governments and international organizations to accompany citizens on their journey of permanent change.

In this regard, the European Union has always been ambitious. It has set for itself demanding goals in order to ensure a peaceful, safe and prosperous life for its citizens. The strategies and policies deployed were perhaps not always fully successful, but they have certainly significantly improved the living conditions of people across the European continent and have served as a sound basis for the further development of EU policies.

"Europe 2020: a strategy for smart, sustainable and inclusive growth" is the response of the European Union to a changing environment, an environment deeply affected not only by the global economic crisis, but also by global challenges such as climate change and energy security. As a successor to the Lisbon Strategy, this strategy is designed to respond to the need to reorient policies away from crisis management towards the introduction of medium- and long-term reforms, which should promote growth and employment, while ensuring the sustainability of public finances.

The impact of the "Europe 2020" strategy on other EU policies is far-reaching. All common policies, including, for instance, the common agricultural policy and the cohesion policy, need to support this strategy. The trade policy, internal market policies, the re-designed industrial policy and the common energy policy will also have to contribute towards important targets, such as higher levels of employment (through the greater participation of young people, older workers and low-skilled workers), improved conditions for innovation, research and development, meeting a series of climate change and energy security objectives, improved education levels and the promotion of social inclusion, in particular by reducing poverty.

To succeed and ensure a prosperous future for European citizens, this strategy needs to be fully endorsed and implemented at national level. The member states need to set their national targets, identify barriers to growth and indicate, in their National Reform Programmes, how they intend to remove them. It is therefore of paramount importance, not only for current member states, but also for future member states of the European Union, such as Croatia, to understand and be fully informed about this new strategy, while the experiences of the Lisbon Strategy can be very instructive. That is why the Delegation of the European Union to the Republic of Croatia has decided to support this initiative, which hopefully will reach many interested readers.

I believe that, in order to fully benefit from future membership, citizens of candidate countries should be well informed about the European Union and its policies. All layers of Croatian society should take up their responsibility and work together: in the first place, the government at central, regional and local level, but also academia, think-tanks, civil society organizations, businesses, trade unions and others.

I therefore very much value an initiative like this one, because it offers the opportunity to review present policies and raise awareness about new policies by fostering academic research and launching a substantive debate among the citizens of Croatia. This is important for a prosperous future for present and future generations in Croatia.

H.E. Paul Vandoren
Head of the Delegation of the European Union to the Republic of Croatia

Predgovor

"*Panta Rei.*" Taj poznati citat najbolje dočarava svijet u kojem živimo: svijet u kojem se sve neprestano mijenja. Veliki su izazovi koji stoje pred ljudima i društvima, a dobrobit građana ovisi o tome koliko su spremni prilagoditi se promjenama. Odgovornost je vlada i međunarodnih organizacija pratiti građane na tom putu neprestane promjene.

U tom je pogledu Europska unija uvijek bila ambiciozna. Postavila je zahtjevne ciljeve kako bi svojim građanima osigurala miran, siguran i prosperitetan život. Primijenjene strategije i politike možda nisu uvijek bile najuspješnije, ali su svakako znatno unaprijedile uvjete života ljudi diljem europskog kontinenta i poslužile kao zdrav temelj za daljnje razvijanje politika Europske unije.

''Europa 2020: strategija za pametan, održiv i uključiv rast'' odgovor je Europske unije na okruženje koje se neprestano mijenja, okruženje na koje ne utječe samo globalna gospodarska kriza, nego i globalni izazovi poput klimatskih promjena i energetske sigurnosti. Ta je strategija, kao nasljednica Lisabonske strategije, usvojena slijedom potrebe da se politike preusmjere s upravljanja krizom na uvođenje srednjoročnih i dugoročnih reformi koje bi trebale promicati rast i zapošljavanje, a istodobno osiguravati održivost javnih financija.

Dalekosežan je utjecaj strategije Europa 2020. na ostale politike Europske unije. Sve zajedničke politike, uključujući primjerice zajedničku poljoprivrednu politiku i kohezijsku politiku, trebaju podržavati tu strategiju. Trgovinska politika, nova industrijska politika i zajednička energetska politika također će morati dati svoj doprinos važnim ciljevima poput veće zaposlenosti (posebno mladih ljudi, ali i starijih te niže obrazovanih radnika), boljih uvjeta za inovacije, istraživački rad i razvoj, odgovora na niz ciljeva vezanih uz klimatske promjene i energetsku sigurnost, više obrazovne razine i promicanja socijalne uključenosti, posebice smanjivanjem siromaštva.

Kako bi uspjela i osigurala prosperitetnu budućnost svojim građanima, Europa 2020. zahtijeva punu potporu i provedbu na nacionalnoj razini. Države članice moraju odrediti svoje nacionalne ciljeve, prepoznati zapreke rastu te u svojim nacionalnim reformskim programima navesti kako ih namjeravaju otkloniti. Stoga je iznimno važno, ne samo za sadašnje nego i za buduće države članice, poput Hrvatske, da tu strategiju razumiju i da o njoj budu dobro informirane, a iskustva Lisabonske strategije pritom im mogu biti vrlo korisna. Zbog toga je Delegacija Europske unije u Republici Hrvatskoj odlučila podržati ovu inicijativu koja će, nadamo se, doprijeti do velikog broja zainteresiranih čitatelja.

Vjerujem da bi građani zemalja kandidatkinja trebali biti dobro informirani o Europskoj uniji i njezinim politikama kako bi uživali u svim prednostima budućeg članstva. Svi slojevi hrvatskoga društva trebali bi preuzeti svoj dio odgovornosti i raditi zajedno: u prvom redu javna uprava na središnjoj, regionalnoj i lokalnoj razini, ali i aka-

demska zajednica, znanstveni instituti, organizacije civilnog društva, poslovni sektor, sindikati i drugi.

Stoga visoko cijenim inicijativu poput ove, koja pruža priliku za reviziju postojećih politika i podizanje svijesti o novim politikama kroz poticanje akademskog istraživačkog rada i sadržajne rasprave među hrvatskim građanima. Važno je to za prosperitetnu budućnost sadašnjih i budućih naraštaja Hrvatske.

NJ.E. Paul Vandoren
Šef Delegacije Europske unije u Republici Hrvatskoj

Editorial

In the past decade the Lisbon Strategy has proved to be the European Union's most relevant strategic action and development plan. Although its ambitious goals are far from being fully achieved in its ten-year life cycle, its contribution to progress in different areas of EU economic development and social cohesion is considered to be relevant and there is no doubt that Lisbon-type reforms need to be continued in the coming decade. The importance of constructing a new economic model for the EU has become evident following the economic crisis, which pointed towards numerous structural weaknesses in the member state economies. Therefore the new "Europe 2020" project, launched in March 2010, focused particularly on finding an adequate response to the ongoing challenges by assigning greater value to themes such as knowledge and innovation, low carbon economies, higher growth, employment and social cohesion.

The new momentum in the life of the Lisbon-related reforms is an opportunity for academic evaluation and an excellent framework for cooperation among researchers. The book From the Lisbon Strategy to Europe 2020 is an attempt to evaluate the Europe 2020 strategy as the successor to the previous strategy, announcing smart, sustainable and inclusive growth as the future EU paradigm. It is also an opportunity to analyse the achievements and shortcomings of Lisbon Strategy implementation in the past decade, and for assessing the challenges of the future "Europe 2020" strategy, both for current and future member states of the EU.

The book is a collection of papers prepared by researchers from the Institute for International Relations (IMO) in Zagreb in cooperation with other Croatian and

international authors. The basic idea behind this book is to bring together knowledge on setting priorities and objectives, methodologies for their implementation and achievement, evaluation of the accomplishments of the Lisbon Strategy and the challenges for the future Europe 2020 strategy, and an analysis of their relevance for Croatia. The book also intends to offer knowledge gained from experience to EU candidates, in order to speed up the Lisbon-type reforms which are crucial for their overall progress and accession to the EU. Finally, the goal of the book is to raise awareness of the importance of effective implementation of Lisbon-type reforms for Croatia in order for it to function efficiently as a future new EU member state, within the Europe 2020 project.

The book is composed of two parts. The first part of the book in a way follows chronologically the development path of the Lisbon Strategy and its successor the Europe 2020 strategy. Some of the contributions were prepared during the time of constructing the Europe 2020 strategy and therefore they represent an analytical view of possible future developments, while others analyse the achievements and weaknesses of the Lisbon Strategy in search of the needed developments in the coming decade. The second part of the book is focused on thematic issues, trying to find an answer to the question as to what extent the Lisbon Strategy has been effective in some of the areas studied (such as competitiveness, education, research, innovation, social policy and the social economy, competition, energy, environment and others). Thematically it covers the most relevant topics which have been addressed within the Lisbon Strategy and will continue to be important issues in the new Europe 2020 project. All contributions focus on the evaluation of achievements and challenges in the strategies' implementation and the experiences of the new member states, and offer some reflections on the situation and challenges for Croatia in the areas concerned. Executive summaries in Croatian are given for each particular chapter.

The Institute for International Relations and the research team express their gratitude to the Delegation of the European Union to the Republic of Croatia for recognizing this research effort and for its valuable support which made the publication of this book possible. The support of Croatian Chamber of Economy - HGK and Croatian Bank of Reconstruction and Development - HBOR is highly appreciated. The contributions published in the book resulted from IMO long-term research activities within the project supported by the Ministry of Science, Education and Sports. Finally, I would personally like to thank all the authors for their valuable contributions, the reviewers for their useful comments and suggestions the language editors for the improvements to the papers and to my co-editor Hrvoje Butković for his dedicated work on this book.

Višnja Samardžija
Institute for International Relations

Riječ urednice

Lisabonska strategija potvrdila se u prošlom desetljeću kao najrelevantniji strateški i razvojni program Europske unije. Iako njezini ambiciozni ciljevi nisu u desetogodišnjem ciklusu potpuno ostvareni, značajno je pridonijela razvoju i socijalnoj koheziji Unije. Stoga je neupitno da reforme koje se nadovezuju na Lisabonsku strategiju treba nastaviti i u novom desetljeću. Razvoj novog ekonomskog modela Europske unije postao je nužan u jeku ekonomske krize koja je ukazala na brojne strukturne slabosti gospodarstava zemalja članica. Zbog toga se Europa 2020., pokrenuta u ožujku 2010. godine, usmjerava na rješavanje trenutačnih izazova te posebnu pozornost pridaje znanju i inovacijama, rastu, jačanju niskougljičnog gospodarstva, zapošljavanju i socijalnoj koheziji.

Novi početak životnog ciklusa reformi koje se nadovezuju na Lisabonsku strategiju predstavlja izazov za znanstveno promišljanje i temelj za produbljivanje suradnje među istraživačima. Knjiga Od Lisabonske strategije do Europe 2020. nastala je kao pokušaj procjene dometa strategije Europa 2020. kao nasljednice Lisabonske strategije, koja kao buduću paradigmu EU-a najavljuje pametan, održiv i uključiv rast. Ova publikacija analizira uspjehe i nedostatke u provedbi Lisabonske strategije tijekom desetljeća koje završava te procjenjuje izazova buduće strategije Europa 2020. iz perspektive sadašnjih i budućih članice Europske unije.

Knjiga donosi priloge istraživača Instituta za međunarodne odnose iz Zagreba i drugih domaćih i inozemnih autora. Temeljna zamisao jest objedinjavanje znanja o definiranju prioriteta i ciljeva te razradi metodologije za njihovu provedbu, evaluacija postignuća Lisabonske strategije i procjena izazova za buduću strategiju Europa 2020., kao i propitivanje njihove relevantnosti za Hrvatsku. Knjiga također nastoji prenijeti spoznaje i iskustva EU-a zemljama kandidatkinjama za članstvo i tako pridonijeti ubrzavanju reformi „lisabonskog" karaktera koje su ključne za njihov cjelokupni napredak na gospodarskom i socijalnom planu. Nadalje, cilj je knjige podignuti razinu svijesti o važnosti učinkovite implementacije reformi u Hrvatskoj što je preduvjet njezinog uspješnog funkcioniranja kao buduće članice Europske unije u okviru projekta Europa 2020.

Knjiga se sastoji od dva dijela. Prvi dio kronološki slijedi razvojni put Lisabonske strategije i njezine nasljednice, Europe 2020. Neki od objavljenih radova napisani tijekom pripreme strategije Europa 2020. i stoga predstavljaju analitička promišljanja mogućeg budućeg razvoja, dok ostali proučavaju postignuća i slabosti Lisabonske strategije u nastojanju da se pronađu odgovarajuća rješenja za iduće desetljeće. Drugi dio knjige bavi se tematskim područjima i nastoji dati odgovor na pitanje u kojoj je mjeri Lisabonska strategija bila uspješna u nekima od analiziranih područja (konkurentnost, obrazovanje, istraživanje, inovacije, socijalna politika i socijalna ekonomija, tržišno natjecanje, energetika, okoliš i drugo). Prilozi tematski pokrivaju najvažnija pitanja kojima se bavi Lisabonska strategija, a koja će ostati relevantna

i u novom projektu Europa 2020. Objavljeni radovi fokusiraju se na vrednovanje postignuća i izazova u provedbi Strategije te na iskustva novih zemalja članica i Hrvatske. Svi članci sadrže sažetke i na hrvatskom jeziku.

Institut za međunarodne odnose i autori knjige posebno zahvaljuju Delegaciji Europske unije u Republici Hrvatskoj koja je prepoznala doprinos ovog istraživačkog pothvata i pomogla tiskanje ove knjige. Također se zahvaljujemo sponzorima, Hrvatskoj gospodarskoj komori - HGK i Hrvatskoj banci za obnovu i razvoj - HBOR na podršci ovoj knjizi. Predstavljeni radovi rezultat su dugoročnih istraživačkih aktivnosti IMO-a u sklopu projekta koji financira Ministarstvo znanosti, obrazovanja i športa. Veliko mi je zadovoljstvo i osobno zahvaliti svim autorima na njihovim vrijednim doprinosima, recenzentima na korisnim komentarima i sugestijama, lektoricama na jezičnim savjetima te Hrvoju Butkoviću na predanom radu na zajedničkom uređivanju ove knjige.

Višnja Samardžija
Institut za međunarodne odnose

List of abbreviations

AGS	Annual Growth Survey
APR	Annual Progress Report
APST	Action Plan on Science and Technology (Croatia)
BEPGs	Broad Economic Policy Guidelines
BES	Business Enterprise Sector
BICRO	Business Innovation Centre of Croatia
BRIC	Brazil, Russia, India and China
CAEs	job accompaniment contracts (France)
CAP	Common Agricultural Policy
CCA	Croatian Competition Agency
CCS	carbon capture and storage
CEFTA	Central European Free Trade Agreement
CIP	Competitiveness and Innovation Programme
CIRIEC	International Centre of Research and Information on the Public, Social and Cooperative Economy
CLP	Community Lisbon Programme
CO OTS	Cabinet Office: Office of the Third Sector (UK)
CO2	carbon dioxide
CoR	Committee of the Regions
CNVA	Commission for Mutual Societies, Cooperatives and Associations (France)
DG RELEX	Directorate-General for the External Relations

DTI	Department of Trade and Industry (UK)
EAP	Environmental Action Programme
EAPN	European Anti-Poverty Network
EBRD	European Bank for Reconstruction and Development
EC	European Community
ECOFIN	Economic and Financial Affairs Council
EEA	European Environment Agency
EEAS	European External Action Service
EEB	European Environmental Bureau
EERP	European Economic Recovery Plan
EES	European Employment Strategy
EESC	European Economic and Social Committee
EGs	Employment Guidelines
EMU	Economic and Monetary Union
EP	European Parliament
ERA	European Research Area
ERDF	European Regional Development Fund
ESF	European Social Fund
ESRB	European Systemic Risk Board
ET 2020	Strategic framework for European cooperation in education and training
ETC/ACC	The European Topic Centre on Air and Climate Change
EU ETS	European Union Emissions Trading Scheme
FP7	Seventh Framework Programme
FTA	fast track actions
GCI	Global Competitiveness Index
GCR	Global Competitiveness Report
GDP	gross domestic product
GHG	greenhouse gas emissions
GHK	independent multidisciplinary consultancy (UK)
GOVBOST	governing body for science and technology (Croatia)
HITRA	Programme for Innovative Technological Development (Croatia)
ICT	information and communications technology
IEA	International Energy Agency
IFIs	international financial institutions
IGs	Integrated Guidelines
IMD	International Institute for Management Development
IMF	International Monetary Fund
ISCED	International Standard Classification of Education
ISCO	International Standard Classification of Occupations
JAP	Joint Assessment Paper

JIM	Joint Inclusion Memorandum
MSES	Ministry of Science Education and Sports (Croatia)
MST	mathematics, science and technology
NAP	National Action Plan
NEAP	National Environmental Action Plan (Croatia)
NEPS	National Environmental Protection Strategy (Croatia)
NPR	National Progress Report
NRP	National Reform Programme
OECD	Organisation for Economic Co-operation and Development
OG	Official Gazette
OMC	Open Method of Coordination
OPEC	Organization of the Petroleum Exporting Countries
PEP	Pre-accession Economic Programme
PLS	post Lisbon Strategy
PPP	private-public partnership
PPS	purchasing power standards
R&D	research and development
SBH	Spanish-Belgian-Hungarian team EU presidency
SCP	Stability and Convergence Programme
SDS	Sustainable Development Strategy
SEE	South-eastern Europe
SGP	Stability and Growth Pact
SMEs	small and medium-sized enterprises
SO2	sulphur dioxide
TFEU	Treaty on the Functioning of the European Union
VAT	value-added tax
WBIF	Western Balkans Investment Framework
WEF	World Economic Forum

PART ONE

STRATEGIC PERSPECTIVES

FROM THE LISBON STRATEGY TO EUROPE 2020 AN INTRODUCTON

Hrvoje Butković
Višnja Samardžija

Abstract

The purpose of this paper is to set up a basic framework and provide an introduction for the contributions that follow in this book. It offers a chronological analysis of the developments within the EU Lisbon Strategy and the main challenges in its implementation, as well as studying the principal questions related to the continuation of reforms within Europe 2020, as its successor. The aim is to demonstrate that from the very beginning the Lisbon Strategy represented a pioneering and experimental process which has been reshaped and readopted on several occasions in order to provide adequate answers to the ever changing economic realities of a modern day Europe. The last "great adaptation" which took shape was the new Europe 2020 strategy, and this has largely been influenced by the unprecedented economic crisis which resulted in an increased focus of this new strategy on topics such as EU economic governance, the social dimension of prescribed reform efforts, and their wider continental and global relevance. Governance aspects of the Lisbon Strategy and its successor are also the focus of this paper. It will be argued that these strategic programmes introduced a dramatic change in EU policy making since they greatly contributed to the affirmation and development of the soft law governance mechanisms such as the Open Method of Coordination (OMC). The paper takes the position that although the Lisbon Strategy did not succeed in delivering its prescribed ambitious goals, its achievements cannot be denied. For that reason it comes as no surprise that without great opposition numerous EU actors agreed to continue the Lisbon-type reforms within the newly adopted Europe 2020 strategy.

The Europe 2020 strategy has emerged with three principle tasks, while the central ideas of the Lisbon Strategy have been kept. Firstly, the EU has to continue with the Lisbon-type reforms. Secondly, on top of the existing Lisbon framework, Europe 2020 needs to develop new instruments of economic governance which should bring more policy convergence and better overall results. These new governance instruments could prove crucial in overcoming the effects of the crisis in Europe. Finally, Europe 2020 has to build its profile externally, by proving its relevance globally. The external dimension of Europe 2020 is of particular importance to the EU candidate, potential candidate and neighbouring countries, which are expected to be more closely associated with this agenda. Croatia and other countries in the Western Balkans could profit from such an approach, since it further motivates them to "look beyond" the acquis communautaire in approaching their future EU membership.

The Lisbon Strategy – an ambitious programme with mixed results

The Lisbon Strategy, launched at the European Council meeting in Lisbon in March 2000, represented the main strategic framework for development of the EU in the past decade (European Council, 2000). Its intention was to find a solution to stagnation of economic growth in the EU, through the formulation of policy initiatives that were to be implemented by all member states. The strategy represented an ambitious ten-year reform programme which searched for answers to global challenges such as the advancement of the US and Japan in a "new" knowledge-based economy and their domination in the field of information and communication technologies. It promoted integration of social and economic policy while focusing in particular on strengthening the EU's research capacity, completing the internal market, promoting entrepreneurship, fiscal consolidation and sustainability of public finances, encouraging progress within information society technologies, developing an active employment policy and modernizing social protection systems. The Lisbon Strategy was intended to improve the EU's economy and boost employment through approaching certain goals, such as creating an internal market for services, decreasing administrative burdens, improving human capital, reaching the target of raising the level of expenditure on R&D to 3% of GDP and raising the level of the employment rate to 70%.

The first phase in the Lisbon Strategy implementation focused on: translating the Lisbon European Council conclusions into policy instruments of the EU; adding the environmental dimension and building on the sustainable development approach; preliminary implementation in the member states; introducing the basic mechanisms for implementation; and introducing stronger mechanisms in the new European constitutional treaty, which were later retained in the Lisbon Treaty (Rodrigues, 2009: 5). Regarding implementation mechanisms it was agreed that the European Council would take on a pre-eminent guiding and coordinating role to ensure overall coherence and the effective monitoring of progress in implementing the goals of the strategy (European Council, 2000: 36). Accordingly, it was stated that the European Council would hold a meeting every spring where progress in the Lisbon Strategy implementation would be monitored. The Commission was entrusted with drawing up an annual synthesis report on progress on the basis of structural indicators to be agreed relating to employment, innovation, economic reform and social cohesion. Most importantly, building on the EU experiences with the employment strategy, the Commission and the Council created the OMC as a specific governance method in the area of soft law to be used within the Lisbon Strategy. Essentially the OMC represented a means of spreading best practice and obtaining the highest level of convergence on the path towards realizing the main goals of the Lisbon Strategy. In the years immediately following the strategy's initiation, the OMC was developed altogether in 11 policy fields, including research, education, social protection, employment, environmental policy and the information society.

However, despite achievements in some areas, the original Lisbon Strategy gradually developed into an overly complex agenda with multiple goals and actions and an unclear division of responsibilities, while the results were weaker than expected. Therefore in 2005, following a mid-term review, the strategy was re-launched (European Commission, 2005c). This renewed agenda promoted a governance structure founded on partnership between the EU institutions and its member states and it was focused on growth and jobs while other topics started to be treated mostly as long-term goals. To promote this new agenda the EU adopted a set of 24 Integrated Guidelines (IGs) for Growth and Jobs, which combined previously separated broad economic policy guidelines and the employment guidelines (European Commission, 2005b). Within the general framework of growth and jobs the renewed strategy focused in particular on: research and innovation, investing in people, modernizing labour markets, unlocking business potential (particularly of small and medium-sized enterprises (SMEs)), and energy/climate change (European Council, 2005b: 4).

With the renewed strategy member states initiated preparation of the three-year National Reform Programmes (NRPs) as specific instruments for adapting the strategy to national circumstances. The NRPs at the member state level have been complemented by the Community Lisbon Programme (CLP) which for the first time brought together measures foreseen in the regulatory domain, financial instruments and proposals for policy development to be launched at the European level (European Commission, 2005a: 4). However, despite the imposed general three-year framework, the renewed strategy continued with the pre-2005 practice of evaluating achievements on a yearly basis. For that purpose member states began issuing specific implementation reports whose contents served as a basis for the European Commission report presented to each spring European Council.

In 2008, the spring European Council decided to launch a third cycle of the Lisbon Strategy 2008-2010 which endorsed minor adjustments to the existing set of 24 IGs. However, the new guidelines emphasized that the focus of the new cycle will be on implementation. Therefore the European Council invited the Commission, the European Parliament and the Council, within their spheres of competence, to take forward work on the 10 objectives identified in the CLP, which provides a strategic reform agenda for the Community part of the renewed Lisbon Strategy. Furthermore, the European Council reconfirmed the four priority areas agreed at its spring 2006 meeting as the cornerstones of the renewed Lisbon Strategy and at the same time called for synergies among them to be exploited to a greater degree (European Council, 2008: 2). Altogether this new Lisbon cycle has put stronger emphasis on the environment, climate change and energy, social aspects, the external dimension and connection between the Lisbon Strategy and cohesion policy.

According to the European Commission the reforms agreed in the Lisbon framework delivered tangible benefits, including increased employment, a more dynamic business environment, more choice for consumers and a more sustainable future. However, the strategy was not focused enough on critical elements which played a key role in the origin of the financial crisis, such as robust supervision and systemic risk in financial markets, speculative bubbles and credit driven consumerism which in some member states, combined with wage increases outpacing productivity gains, fuelled high current account deficits. In addition, the delivery gap between commitments and actions has not been closed, because well-performing member states pressed ahead with more ambitious reforms, whilst others gradually built up a sizeable delivery gap (European Commission, 2010e: 3-4).

Independent evaluations of the past Lisbon decade show even more criticism of the strategy's achievements. A recently published study by the Centre for European Reform concluded that the gap between the best and worst performing countries is wider in 2010 than it was in 2000. According to its analysis there has been no more policy convergence within the EU than there has been between the EU and the rest of the Organisation for Economic Co-operation and Development (OECD). Furthermore, the report indicates that although Lisbon may have had a modest influence on reforms in some of the smaller member states, in the larger ones the reform process has been driven by domestic political dynamics (Tilford and Whyte, 2010: 3). The report makes a clear distinction between strong performers, which include the Nordic member states, Austria and the Netherlands, member states that could do better, such as France, Germany and the UK, and laggards including Spain, Portugal, Greece and Italy (Tilford and Whyte, 2010: 9).

Strong performers score highly across indicators of social equality, labour market performance and environmental sustainability by combining competitive markets with comprehensive welfare provisions. Germany, the UK and France are categorized in the report as member states that could do better. These are large economies which need to overcome specific obstacles in order to be able to implement Lisbon targets more fully. Germany, which is not able to rely on exports to drive its economic growth, needs to stimulate domestic demand. The UK must improve its productivity growth either by substantially shrinking its large and unproductive state or by justifying the share of economic resources it commands by doing a better job than it currently does. Finally, France needs to increase competition in the product markets, fully embrace EU competition rules and continue with cuts in public spending in order to prevent a sharp rise in public debt. As far as laggards are concerned, the report indicates that their main problem lies in that as eurozone members they failed to use the decline in borrowing costs to implement reforms which would ultimately make their membership of the euro a success. As a result they are now stuck with rigid and externally uncompetitive economies and have no mechanism to adjust, beyond wage cuts which are very unpopular (Tilford and Whyte, 2010: 4-8).

The analysis of differentiation between good and bad Lisbon performers, within the "old" member states themselves, indicates that due to the soft law nature of the Lisbon reforms these are relatively easy to carry out in countries where they are not crucial, while their implementation is difficult in countries where they are indispensable. This apparent paradox can be explained by considering that the cost of reforms is borne by the categories of population that used to benefit from the previous situation. In countries at the bottom of the Lisbon performing list these "insiders" organized themselves in lobbies which successfully opposed the reform efforts. Contrary to this, countries counting among the top Lisbon performers have fewer "insiders" while those that do exist generally enjoy less power (Vergnaud, 2008: 7).

Anticipating the new strategy – how to continue where Lisbon landed?

If the Lisbon Strategy had ended in 2008, there certainly would be much room for optimism. According to statistical indicators in 2005-2007, implemented reforms helped raise the eurozone's potential GDP growth rate by 0.2%. In the same time frame there was a robust growth in employment resulting in the creation of nearly 6.5 million new jobs, while the overall EU employment rate reached 64.6%, approaching the 70% Lisbon target. By 2007 the new pension schemes implemented by many member states increased the employment rate of elderly workers to 42%, closing on the 50% Lisbon target, while the female employment rate amounted to 57.2%, thereby almost reaching the 60% target. In the field of public finances, on average the EU budget deficits have been cut from 2.5% of GDP in 2005 to 1.1% in 2007, whereas the public debt decreased from 62.7% in 2005 to almost 60% in 2007 (Vergnaud, 2008: 4-5). However, most of these impressive results have literally been eradicated by the financial crisis which hit hard in 2008 and 2009, putting Europe through the worst contraction since the 1930s. In 2009 alone in the EU, GDP fell by 4%. In the period between March 2008 and December 2009, unemployment increased by 7 million while industrial production fell by about 20%. Furthermore, public finances have been very severely affected, with public deficit at the moment reaching over 7% of GDP and the debt forecast to be over 80% of GDP in 2011 (European Commission, 2010b: 1).

In such difficult circumstances it became clear that the Lisbon Strategy, despite all of its weaknesses, remains a necessity because it proved itself as a useful instrument in promoting economic reforms. For example, it is not a coincidence that the member states of the eurozone which are now experiencing the greatest loss of confidence in financial markets are those which find themselves furthest from meeting their Lisbon targets (Tilford and Whyte, 2010: 3). It became clear that the Lisbon-type strategy is not only about constructing favourable development patterns but that it is also about reforming the European social model which otherwise cannot be sustained. Furthermore, the continuation of the Lisbon-type reforms is expected

to produce substantial economic benefits. According to European Commission estimates, the removal of cross-border regulatory and tax barriers, a reduction in administrative burdens, the impacts of the service directive and the unbundling of electricity markets taken together by 2020 could boost EU potential growth by 10-20%. In addition, completing the internal energy market by reducing prices for firms and consumers may add 0.6-0.8% to GDP in the upcoming years, while achieving the 2020 renewable target could deliver 2.8 million jobs in the renewable energy sector (European Commission, 2010b: 49).

The need for a post-2010 Lisbon-type strategy was officially expressed for the first time at the European Council summit held in March 2008. Its Presidency Conclusions stressed that a continued EU-level commitment to structural reforms, sustainable development and social cohesion would be necessary after 2010 in order to lock in the progress achieved by the Lisbon Strategy. Therefore the EU and national institutions were invited to start reflecting upon the Lisbon Strategy in the post-2010 period (European Council, 2008: 4). This motivated numerous individual and collective actors to start forming ideas about the new Lisbon-type strategy, and these were primarily constructed through analysing the shortfalls of the past Lisbon decade.

Proposals on the upcoming strategy multiplied after November 2009 when the Commission published a Communication officially inviting all interested parties to submit their views on the future Europe 2020 strategy by mid-January 2010. In this document the Commission drew up a very general framework for a newly named Europe 2020 strategy. It stated that Europe 2020 should focus on key policy areas where collaboration between the EU and member states could deliver the best results and on improved delivery through better use of the instruments. Furthermore, it underlined the thematic priorities of the new strategy: creating value by basing growth on knowledge, empowering people in inclusive societies and creating a competitive, connected and greener economy (European Commission, 2009b: 4). Finally, the Communication particularly emphasized the need for policy and governance convergence within Europe 2020, seen as a key factor in making a successful exit from the financial crisis (European Commission, 2009b: 9).

The reflection and consultation period resulted in various proposals, some of which must be briefly considered before analysing the content of the new Europe 2020 strategy. Reflecting upon the accomplishments of the Lisbon Strategy, Mojmir Mrak in his contribution to this book identified two central problems connected with the upcoming Lisbon-type strategy implementation at the national level. These are the lack of political ownership in the member states and weaknesses in the methodology and design of the NRPs which in the future should specify a wide range of quantitative and qualitative indicators in order to allow a thorough assessment of the state's actual performance. For Attila Ágh (contribution in this book) the problem that needs to be addressed lies more at the EU level than at the national level. In

his opinion the OMC as an instrument failed because it did not provide an effective control mechanism for reaching the common goals. Therefore the Europe 2020 strategy needs to shift the borderlines between the EU and national competences giving more competences to the EU.

As a means for improving the OMC the group of authors associated with the Bertelsmann Stiftung proposed that instead of the Lisbon "naming and shaming" mechanism the new strategy should have a "naming and praising" one. In other words, the best performing member states should be praised and given additional EU financing which they may use only for further accomplishment of the Europe 2020 process. However, in order to give economically weaker member states a chance of winning, the assessment of their achievement would have to concentrate less on their overall ranking and more on developments over the year in focus (Fritz-Vannahme et al., 2010: 4).

Several member states concluded within the public consultation period that Europe 2020 should be better linked with other strategies, such as the Stability and Growth Pact (SGP), the Sustainable Development Strategy, the Social Agenda, cohesion policy and strategies relating to energy and climate change. Furthermore, some member states called for more binding governance arrangements, an effective monitoring, benchmarking and partnership approach more closely involving the regions, and also for a stronger link between the EU's budget and the priorities of the new strategy (European Commission, 2010d: 1).[1]

Constructing Europe 2020 – new strength for an old agenda

The consultation process resulted in a great number of comments and proposals officially submitted by the member states, various civil society organizations and also individual citizens, all of which were published on a specially designed web page.[2] These inputs aided the Commission by early March 2010 to come up with the Communication "Europe 2020: a European strategy for smart, sustainable and inclusive growth". Despite the fact that all elements of the new strategy were not determined in March 2010, it is fair to conclude that with its Europe 2020 Communication the Commission managed to present the new strategy in an extensive and detailed way. Although the Europe 2020 strategy has been constructed as a con-

1 Among the European Parliament party groups there were some interesting proposals as well. The Progressive Alliance of Socialists and Democrats (S&D) proposed quite a radical concept which envisages the merger of the Lisbon Strategy, the Sustainable Development Strategy and the Stability and Growth Pact into a single strategy. On governance, the S&D proposal argued that instead of giving a central role to the European Council within Europe 2020, sectoral councils, the European Parliament and the national parliaments should be better involved. Much in line with the proposal issued by the Bertelsmann Stiftung, the Alliance of Liberals and Democrats for Europe (ALDE) called for the strengthening of the role of the Commission which in their view should reward strong performers with additional structural funds and apply financial penalties to those not providing declarations on correct spending of EU funds for the Europe 2020 priorities (European Commission, 2010d: 4).

2 See: http://ec.europa.eu/dgs/secretariat_general/eu2020/consultation_en.htm

tinuation of the Lisbon Agenda, it also introduced a number of innovative elements which proved the willingness of the Commission to strengthen the whole process. Compared with its predecessor the proposed strategy introduced new dynamism regarding its targets. Furthermore, better financial underpinnings and better coordination between this strategy and other EU strategic efforts were determined. Finally, Europe 2020 brought in a new and arguably better division of labour between various EU and member state actors, while in the ambit of implementation it introduced new mechanisms aimed at higher policy convergence.

It looks as though the Commission accepted the criticism that key priorities in its November 2009 Communication were vaguely defined, too broad and overlapping (Notre Europe, 2010). Therefore, in its March 2010 Communication it somewhat rephrased itself by putting forward three mutually reinforcing priorities: developing an economy based on knowledge and innovation, promoting a more resource efficient, greener and more competitive economy and fostering a high-employment economy delivering social and territorial cohesion (European Commission, 2010a: 3). Building on these priorities the new strategy stated that progress towards their fulfilment would be measured against five representative headline targets (see Table 1). These issues are covered in several contributions to this book (social policy issues in a paper by Stubbs and Zrinščak; research and development in the contribution from Demarchi while energy targets are analysed in the paper by Boromisa).

Table 1. Europe 2020 headline targets

1.	75% of the population aged 20-64 should be employed
2.	3% of the EU's GDP should be invested in R&D
3.	the "20/20/20" climate/energy targets should be met (including an increase to 30% of emission reductions if the conditions are right)
4.	the share of early school leavers should be under 10% while at least 40% of the younger generation should have a tertiary degree
5.	20 million fewer people should be at risk of poverty.

Source: European Commission, 2010a.

The quantitative increase of targets from two to five represents an innovative element in the new strategy pointing towards increased interest in education, climate change and poverty eradication. Moreover, to underpin its five targets the Commission put forward seven flagship initiatives on: innovation, youth, the digital agenda, resource efficiency, industrial policy, skills and jobs, and the fight against poverty (see Table 2). These flagship initiatives could prove crucial in approaching the set targets because they elaborate specific actions that need to be implemented at both the EU and the national level.

Table 2. Europe 2020 "flagship initiatives"

1.	Innovation Union The aim of this is to re-focus R&D and innovation policy on the challenges facing our society, such as climate change, energy and resource efficiency, health and demographic change. Every link should be strengthened in the innovation chain, from "blue sky" research to commercialization.
2.	Youth on the move The aim is to enhance the performance and international attractiveness of Europe's higher education institutions and raise the overall quality of all levels of education and training in the EU, combining both excellence and equity, by promoting student mobility and trainee mobility, and improve the employment situation of young people.
3.	A Digital Agenda for Europe The aim is to deliver sustainable economic and social benefits from a Digital Single Market based on fast and ultra fast Internet and interoperable applications, with broadband access for all by 2013, access for all to much higher Internet speeds (30 Mbps or above) by 2020, and 50% or more of European households subscribing to Internet connections above 100 Mbps.
4.	Resource efficient Europe The aim is to support the shift towards a resource efficient and low-carbon economy that is efficient in the way it uses all resources. The aim is to decouple our economic growth from resource and energy use, reduce CO2 emissions, enhance competitiveness and promote greater energy security.
5.	An industrial policy for the globalization era The framework will address all elements of the increasingly international value chain from access to raw materials to after-sales service.
6.	An agenda for new skills and jobs The aim is to create conditions for modernizing labour markets with a view to raising employment levels and ensuring the sustainability of our social models.
7.	European Platform against Poverty The aim is to ensure economic, social and territorial cohesion, building on the current European Year for Combating Poverty and Social Exclusion so as to raise awareness and recognize the fundamental rights of people experiencing poverty and social exclusion, enabling them to live in dignity and take an active part in society.

Source: European Commission, 2010a.

Regarding these targets, the Europe 2020 strategy stressed that its five headline targets should subsequently be broken down into differentiated and measurable national targets. With such practice, the Commission claims, each member state will be able to tailor the Europe 2020 strategy to its particular situation (European Commission, 2010a: 3). This should finally put an end to a "one size fits all" approach by introducing different priorities for structurally very heterogeneous member states. In its Communication the Commission invited member states to a dialogue on translating EU targets into national targets. However, what remained unclear is whether these national targets would ultimately be set by the Commission or by the member states. Commenting on this situation Ann Mettler, Director of the

Lisbon Council in Brussels, stated that targets should be set by the Commission because otherwise it would be highly unlikely that member states would agree to strong targets (EUobserver, 2010).

In an attempt to create a better financial base for the new strategy the Commission proposed that the EU's multi-annual financial framework should reflect its long-term growth priorities. Therefore, different funding instruments such as structural funds, agricultural and rural development funds, the research framework programme, and the Competitiveness and Innovation Framework Programme would need to be devised in a way which would make them capable of achieving Europe 2020 goals. Furthermore, the financial ramifications of the future strategy do not stop at the EU level since the Commission noted that government expenditure budgetary consolidation programmes should prioritize the key thematic areas of its Europe 2020 strategy (European Commission, 2010a: 20, 24).

The Europe 2020 strategy also introduces a better division of labour between various EU and member state actors. It clearly indicates that the European Council should provide overall guidance for the strategy. This guidance is said to be both horizontal (keeping in mind the overall performance) as well as vertical (focusing on one specific theme each year). A greater role is intended for the Council of Ministers as well which will have to work in various Council formations in order to achieve the set targets in specific fields. The role of the Commission is described as an annual monitoring of the situation on the basis of a set of indicators showing overall progress towards the set targets. Unlike the Lisbon Strategy, Europe 2020 designed specific roles for the European Parliament and the national, regional and local authorities. On the one hand, the European Parliament is set to play an important role in its capacity as co-legislator but also as a driving force for mobilizing citizens and their national parliaments. On the other hand, national, regional and local authorities are set to contribute to the elaboration and implementation of the NRPs (European Commission, 2010a: 27).

Within Europe 2020 the Commission seems to show greater determination in assessing progress made by the various member states. On top of the already existing Lisbon practice of publishing policy recommendations the Commission introduced a possibility of issuing "policy warnings" as a means of last resort. In other words, if a member state fails to meet its policy recommendation in the agreed time frame the Commission could issue a "policy warning" under Article 121 of the Lisbon Treaty. Ultimately, these warnings, which would need approval by member states, could be made public, giving them more political weight (European Commission, 2010a: 26).

Although it is true that "policy warnings" have the potential to provide better implementation, it is regrettable that, despite heavy criticism of the Lisbon implementation mechanisms, the new strategy opted for mechanisms that are still predominantly based on soft law. Furthermore, the Commission failed to turn Europe 2020 into a proper benchmarking exercise by introducing new delivery mechanisms such

as an external review of the performance of member states and EU institutions (Zuleeg, 2010). Finally, the Commission refused the frequently debated idea about introducing conditionality when it comes to fulfilment of its Europe 2020 targets. Such a scenario, as indicated previously, generally envisaged rewarding good performers with better access to EU funds while punishing the bad ones with a reduction of these possibilities.

In April 2010 the Commission published its proposal for IGs which would assure delivery of the Europe 2010 strategy (European Commission, 2010c). The Commission altogether formulated 10 guidelines (six on economic policy and four on employment policy) which will replace the previous set of 24 (see Table 3). The guidelines address the employment and broad economic policy issues in a coherent manner, while their reduced number directly reflects the European Council conclusions. Although the guidelines are addressed to member states, the Commission clearly stated that the Europe 2020 strategy should be implemented in partnership with all national, regional and local authorities, closely associating parliaments, as well as social partners and representatives of civil society.

Table 3. Europe 2020 Integrated Guidelines

1.	Ensuring the quality and sustainability of public finances.
2.	Addressing macroeconomic imbalances.
3.	Reducing imbalances in the euro area.
4.	Optimising support for R&D and innovation, strengthening the knowledge triangle and unleashing the potential of the digital economy.
5.	Improving resource efficiency and reducing greenhouse gas emissions.
6.	Improving the business and consumer environment and modernising the industrial base.
7.	Increasing labour market participation and reducing structural unemployment.
8.	Developing a skilled workforce responding to labour market needs, promoting job quality and lifelong learning.
9.	Improving the performance of education and training systems at all levels and increasing participation in tertiary education.
10.	Promoting social inclusion and combating poverty.

Source: European Commission, 2010c.

The new IGs give precise guidance to the member states on defining their NRPs and implementing reforms. They also reflect the interdependence between Europe 2020 and the SGP. The new guidelines will form the basis for country-specific recommendations that the European Council may address to the member states or, in the case of the broad guidelines on economic policies, for "policy warnings" that the Commission may issue in cases of insufficient follow-up to the respective country-specific recommendations. The issued guidelines will remain largely stable until 2014 to ensure a focus on implementation. As a general conclusion it can be

stated that the new set of IGs diligently reflects the Europe 2020 headline targets. Inclusion of a special guideline on "promoting social inclusion and combating poverty" should particularly be noted, since it reconfirms the focus of the Europe 2020 strategy on poverty eradication.

Europe 2020 and the economic crisis – economic governance at a crossroads

The expectations from the new Europe 2020 strategy are again quite ambitious. It is intended to help Europe to recover from the crisis and come out stronger, both internally and at international level, by boosting competitiveness, productivity, growth potential, social cohesion and economic convergence. It is intended to be a response to a challenge of reorienting policies away from crisis management towards the introduction of medium- to longer-term reforms that should promote growth and employment and ensure sustainability of public finances (European Council, 2010a).

Moving out of the crisis is the starting point of the new strategy, but an even bigger challenge is to avoid returning to the pre-crisis situation. It is a starting point in several new Europe 2020 IGs.[3] Indeed, the global economic crisis (and the Greek crisis in particular) have challenged the existing mechanisms of EU economic policy coordination and clearly pointed out their weaknesses. The EU was faced with high levels of public debt that was not reduced over the past decade and became unsustainable. It put pressure on financial stability in Europe and was a clear signal that an exit strategy could not be postponed. The European stabilization mechanism has been introduced to preserve financial stability in Europe but it was clear that a wider and more comprehensive approach was needed. Fiscal consolidation and structural reforms became a necessity together with investment in job creation.

Another important cornerstone of the current EU transformation is the fact that external pressures such as globalization, pressure on resources and ageing have strongly intensified. According to Maria Juão Rodrigues (2009), the challenges are today wider than was the case in 2000, because Europe is confronted by strong competitors all over the world. There are lots of emerging economies, not just the United States and Japan. With the environment, the central challenge is now climate change, while regarding demographic trends, the ageing problem is now deeper. Furthermore, it became evident that the growth model was no longer sustainable and there was a need for stronger coordination of growth policies (EuroActiv, 2010).

3 Several newly elaborated 2010 IGs aim " to enable the EU to exit stronger from the crisis", namely: IG 1: Ensuring the quality and the sustainability of public finances; IG 2: Addressing macroeconomic imbalances; IG 3: Reducing imbalances in the euro area; IG 10: Promoting social inclusion and combating poverty (European Commission, 2010c).

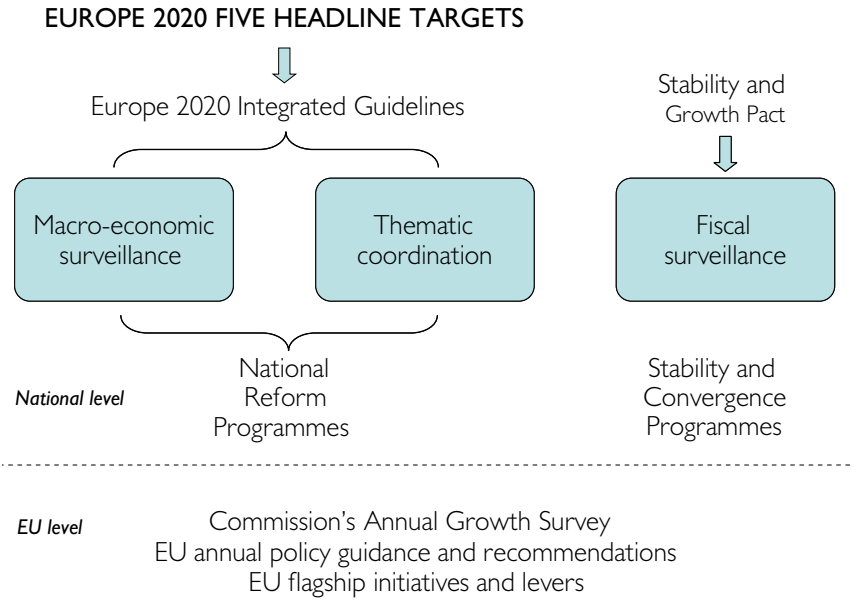
However, the crisis should also be perceived as an opportunity to put more effort into enhancing economic coordination. It seems that the crisis has already helped the EU to draw lessons concerning the way economic policies are dealt with and the weaknesses that are a result of it. It was an opportunity to strengthen policy approaches that support economic recovery, ensure the long-term sustainability of public finances and enhance economic policy coordination. It was also a momentum to intensify efforts for raising competitiveness, based on advanced competitive sectors, education and innovation and not on low wage standards.

It became clear that the rules of budgetary discipline needed to be fully implemented. The European Economic Recovery Programme (EERP) in 2008 helped to a certain extent to soften the shock of the downturn of economies, but meanwhile the challenges the EU was facing became stronger.

The Europe 2020 strategy recognized the lack of convergence between the Lisbon Strategy and the SGP as a serious problem. Therefore, in order to move towards better economic governance in the EU it proposed that the Europe 2020 strategy and the SGP reporting and evaluation be done simultaneously. The aim was to bring the means and aims together, while keeping the instruments and procedures separate and maintaining the integrity of the SGP. This means that the annual Stability and Convergence Programmes (SCPs) and the streamlined NRPs will be proposed simultaneously. They will both be submitted to the Commission and other member states in April (European Commission, 2010a: 25).

The governance of the Europe 2020 strategy will be based on three integrated strands (see Figure 1). First of all macroeconomic surveillance is to ensure a stable macroeconomic environment conducive to growth and employment creation taking full account of spill-over effects across member states. In accordance with the IGs (Nos 1 to 3), it will cover macroeconomic and structural policies to address macroeconomic imbalances, macro-financial vulnerabilities, and competitiveness issues which have a macroeconomic dimension. Secondly, the so-called thematic coordination will focus on structural reforms in the field of innovation and R&D, resource efficiency, business environment, employment, education and social inclusion, in accordance with the IGs (Nos 4 to 10). Finally, in parallel with macroeconomic surveillance and thematic coordination, fiscal surveillance under the SGP will be enhanced to strengthen fiscal consolidation and foster sustainable public finances.

Figure 1. Governance of the Europe 2020 strategy



Source: European Commission, 2010g.

Since the adoption of the Europe 2020 strategy, few steps have been made towards better economic policy coordination. The European Council conclusions of 25 March 2010 stated that "the European Council must improve the economic governance of the EU" and it was proposed "to increase its role in the economic coordination and the definition of the European Union growth strategy" (European Council, 2010b). The task force prepared the proposal, while the Commission submitted its report as well.

Although the EU already had a number of economic policy coordination instruments, the crisis has pointed out that their implementation was not efficient. Enhancing economic policy coordination and surveillance became a necessity that could not be postponed. The new set of EU policy instruments for economic governance, which was developed in the first half of 2010, relies on reinforced macroeconomic, budgetary and structural surveillance.[4]

The most relevant aspects of the reinforced economic policy coordination are the following (European Commission, 2010f; European Council, 2010):

Strengthening the present rules on budgetary discipline, compliance with the SGP and deeper fiscal policy coordination. This means strengthening both the preventive

4 The gouvernement économique was a long-standing French idea for the eurozone, arguing that greater economic and political coordination could reduce the imbalances in economic competitiveness.

and corrective arms of the SGP, with sanctions (and hopefully incentives in the future as well). In other words, the rules and principles of the SGP remain relevant and valid, but its compliance with fiscal policy coordination should be reinforced. Apart from the SGP corrective arm, reinforcing the preventive dimension of budgetary surveillance is extremely important, with increasing effectiveness in the preparation and assessment of SCPs through better ex-ante coordination. The starting point is that prevention is more effective than correction. Budgetary surveillance with a stronger focus on levels and evolution of debt to ensure the long-term sustainability of public finances, with more efficient treatment of breaches of the SGP will be needed. Implementing effective national fiscal frameworks will be crucial with measures for encouraging member states to pursue the commonly agreed objectives regarding fiscal sustainability through the EU budget.

Surveillance of macroeconomic imbalances and competitiveness developments. Broader economic surveillance is needed in different areas in order to prevent macroeconomic and competitiveness imbalances, including early coordination at the European level.[5] It will include developing a scoreboard to better assess competitiveness developments and imbalances and to allow for early detection of unsustainable trends, as well as developing an effective surveillance framework, reflecting the particular situation of eurozone member states.

A European semester. This will aim to introduce better ex-ante fiscal and economic policy coordination, during the preparation of national budgets and NRPs. The European semester will start in 2011. Early guidance at the beginning of each year would facilitate the preparation of SCPs and NRPs. Furthermore, an early peer-review of fiscal policies would help shape a fiscal stance for the EU and the eurozone as a whole.

Crisis management framework for eurozone member states.[6] A set of procedures for the provision of financial support to eurozone member states in serious financial distress is aimed to preserve the financial stability of the eurozone in the medium and long term. The temporary European stabilization mechanism was intended to respond to the current exceptional circumstances. Therefore in the medium term a permanent crisis resolution mechanism should be set up.

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5 The proposed two-stage surveillance mechanism also includes a preventive and corrective arm. The preventive arm is the alert mechanism, which will identify member states with potentially problematic levels of macroeconomic imbalances. The alert mechanism will consist of a scoreboard of external, internal and competitiveness indicators which would measure severe imbalances. The corrective arm is an enforcement mechanism. A member state presenting significant risk would be placed in the "excessive imbalance position", and would be subject to stricter surveillance.

6 Adoption of the new instruments for economic coordination of the eurozone member states has been based on Article 136 of the TFEU stating that the Council of Ministers representing 27 member states can adopt measures concerning eurozone countries in order "to strengthen the coordination and surveillance of their budgetary discipline" and "set out economic policy guidelines for them".

It seems that new EU economic governance is still undergoing the process of getting its final shape which might lead to deeper changes in EU functioning, or in the future it might even raise new requests for changes to the treaty (Open Europe, 2010). The key challenges could be summarized in the follows:

- more powers to monitor and supervise national budgets of EU member states aiming to avoid member states running excessive deficits or unsustainable economic policies;

- macroeconomic supervision and monitoring competitiveness (economic surveillance beyond the budgetary dimension);

- stronger sanctions for those that do not comply with the rules of the SGP, but also positive incentives (for positive developments, or for investments in the green or smart economy);

- suspending voting rights or EU funds (new "conditionality" regarding budget payments to member states);

- statistical supervision, ensuring quality, reliability and timeliness of national statistical data.

This shows that European economic governance is at a crossroads. A single market of 500 million citizens and an economic and monetary union of 330 million citizens, together with the challenge of further enlargement, require ambitious reforms which would be an appropriate answer to the expected importance of the EU in the world. Continuation of reforms should aim to strengthen internal cohesion and improve the EU position in the external environment.

Relevance of Lisbon and Europe 2020 goals for EU candidates

The scope of this book is to analyse the relevance of the Lisbon and Europe 2020 strategy goals for the EU accession countries, candidates and potential candidates. In this context it is important to stress that the Lisbon Strategy objectives became relevant for the candidate countries during the last period of enlargement. Although the negotiations within the fifth enlargement were completed before the Lisbon mid-term review, its targets were considered to be relevant as a two-way learning process.[7] In the case of South-east European countries, with the first evaluation of progress in implementing the Thessaloniki Summit instruments,[8] certain new issues were introduced in 2006. The Lisbon Agenda was one of them. The South-east European countries were encouraged to start considering the Lisbon goals in their

7 The Barcelona Summit conclusions highlighted the Lisbon Strategy "as an incentive for candidate countries to adopt and implement key economic and social environment objectives as a two-way learning process" (European Council, 2002).

8 The Thessaloniki Summit (held in June 2003) gave unequivocal support to the European perspective of the Western Balkan countries.

reforms, aiming to gradually achieve the objectives "taking into account the level of development of the economies and the individual stage of rapprochement to the EU" (European Commission, 2006: 8). According to this, the Lisbon objectives were not expected to constitute additional criteria or economic objectives, but the EU policies towards the region were intended to reflect Lisbon activities within the priorities under the EU Accession Partnerships.

Increasing competitiveness, reducing high levels of unemployment, fostering human development and labour market participation, together with social cohesion, soon became major challenges for the region. The Commission stressed its intention to support "efforts to promote sustainable development and to become acquainted with the objectives of the Lisbon strategy" through different initiatives (European Commission, 2008: 16).

However, the Lisbon objectives became an even more important issue in the process of negotiations. The Lisbon Strategy goals are integrated in various EU policies, economic and other EU consultation mechanisms and thus represent an overall horizontal policy framework for adjustment. The goals are not obligatory, but many instruments of the Lisbon Strategy are a reference point during the screening process in different chapters.[9] This means that candidate countries face the challenge of combining efforts in meeting the Copenhagen economic criteria with (voluntarily) considering the goals of the Lisbon Agenda adjusted to their own circumstances.

During the process of EU accession, the Lisbon Strategy principles were intended to be gradually introduced into the acceding countries' strategic documents that are relevant for all three Lisbon pillars. The logic of the macroeconomic pillar of the Lisbon National Reform Programmes with similar governance procedures (peer review) has been introduced in practice for candidates and potential candidates. The EU candidates are invited to prepare Pre-Accession Economic Programmes (PEPs) while the potential EU candidates are asked to adopt the Economic Fiscal Programmes (EFPs).[10] It is a part of the pre-accession fiscal surveillance procedure, which aims to prepare these countries for participation in multilateral surveillance and economic policy coordination within the Lisbon Strategy and Economic and Monetary Union (EMU) (European Commission, 2009a: 35-36). Candidate countries are taking part in multilateral and bilateral economic dialogues with the European Commission and are included in the Commission economic prognoses documents (covering EU member states and candidates).

9 For the first time these policy aims and instruments for implementing the Lisbon Agenda as a horizontal policy were introduced into the multilateral screening for Croatia and Turkey.

10 The objective of these programmes is to define the medium-term policy framework (public finance objectives, structural reform priorities) that is needed for EU accession. The documents are evaluated by the Commission which lays the ground for policy dialogue on economic and fiscal issues, contributes to institutional and analytical capacity building for participation in the EMU, etc.

Regarding the Lisbon microeconomic pillar, the key issue for candidates and potential candidates is raising competitiveness. Therefore some of the countries of the region have set up their national competitiveness councils (Croatia in 2002, Serbia in 2008) and take part in different benchmarking exercises regarding competitiveness.[11] Among others, such activities are supported by the Competitiveness and Innovation Programme (CIP) and the Seventh Framework Programme for research and technological development (FP7).

In the employment pillar and social area, candidates participate in the OMC through the elaboration of two types of document that are prepared jointly with the European Commission during the accession period. The first one, the Joint Inclusion Memorandum (JIM), deals with poverty and social exclusion while the Joint Assessment Paper (JAP) deals with employment issues.[12] The process of drafting these documents is a preparation for participation in the social OMC (see the contribution of Stubbs and Zrinšćak to this book).

The OMC, as a tool for implementing European soft law, is an instrument relevant for candidate countries as a means of spreading best practice and achieving greater convergence with the main EU goals. The OMC involves fixing guidelines combined with specific timetables, qualitative and quantitative indicators, benchmarking, sharing best practice, periodic monitoring, evaluation and peer reviews and similar practices (European Council, 2000, point 37). Various types of consultation mechanism are present in the procedures for developing policies or enacting laws.

The IGs refer to the EU member states only. They include macroeconomic, microeconomic and employment guidelines. However, they are relevant for candidate countries, bearing in mind that some of the issues covered by IGs are also underlined (in a less demanding shape) in the Accession Partnerships. The IGs are more comprehensive in nature, but the priorities in the Accession Partnership could be understood as a first stage in approaching the IGs' targets. During the process of negotiations, candidates have to implement reforms and adopt (still on a non-obligatory basis) some of the basic principles covered by the EU macro- and microeconomic IGs. The complementarity between the IGs and the Accession Partnership

11 For example, in Croatia the key Lisbon goals were already introduced in 2004 in 55 recommendations of the National Competitiveness Council, covering all the areas relevant for raising the level of competitiveness, including education, innovation and technology development, strengthening of SMEs, creating leadership, etc. (National Competitiveness Council, 2004). During the accession period, Croatia adopted Pre-Accession Economic Programmes (PEPs), Economic and Fiscal Policy Guidelines, the Joint Inclusion Memorandum (JIM), the Joint Assessment Paper (JAP), etc., which were emerging from or driven by the EU accession process incorporating the Lisbon goals.

12 The JIM outlines the principal challenges in relation to tackling poverty and social exclusion, presents the major policy measures taken in the light of the agreement to start translating the EU's common objectives into national policies and identifies the key policy issues for monitoring and review. The JIM provided a basis for the new member states to prepare their first NAP on inclusion after accession.

briefly analysed in the continuation of this paper is based on the EU document for Croatia (European Council, 2006a).[13]

The macroeconomic guidelines are in some areas complementary to both the short- and medium-term economic priorities stated in the Accession Partnership. The Accession Partnership could be understood as a preparation for IG implementation. Namely, in the case of Croatia, the country was expected within a short-term period to implement prudent, stability-oriented macroeconomic policies, including the development of market-based monetary instruments; to strengthen fiscal consolidation, in particular in the area of subsidies and social spending; and to continue structural reforms. The microeconomic guidelines are also to a certain extent related to the Accession Partnership. Croatia was expected to accelerate and speed up restructuring and privatization; further improve the business environment; further simplify and accelerate company registration procedures; introduce online access to selected government facilities for SMEs; further develop impact assessments; and continue the implementation of the European Charter for Small Enterprises. In the area of the internal market, the country was expected to make preconditions for the acquis-compliant market structures which are the basic step towards the preconditions for a successful entry to the internal market, while the microeconomic guidelines are more demanding. There is also a certain complementarity between the employment guidelines and the requirements regarding employment in the Accession Partnership. In the Croatian case it was necessary to concentrate on alignment with the acquis in the areas of labour law, health and safety, gender equality and antidiscrimination, as well as to strengthen administrative and enforcement structures and inter-ministerial coordination, while in the medium term it has to continue labour market and education reform with a view to increasing labour force participation and employment rates (European Council, 2006a).

Finally, one of the important priorities in the Accession Partnership (Croatian example) was the need to implement public administration and judiciary reforms, to promote training and to improve human resource management in order to ensure accountability, efficiency, openness, transparency, depoliticization and a high level of professionalism in the public service. This is set as one of the basic preconditions for the efficient implementation of the Lisbon Strategy goals.

Regional initiatives among countries from South-eastern Europe could be in a way understood as a learning platform for EU economic governance. Certain initiatives among the South-east European countries (such as CEFTA 2006, the SME Policy Index, the Western Balkans Investment Framework (WBIF), eSEE, the Energy, Transport and Aviation Community, the Regional Research Strategy, etc.) correspond with the Lisbon Strategy and Europe 2020 objectives. This is due to the fact that many of them are established in areas outside the acquis (competitiveness, research, enterprise and energy efficiency) and their work results in policy learning, recom-

13 For more details see Samardžija, 2007.

mendations, benchmarks, common targets and so forth, while their implementation depends on decisions at national level. Thus, in a way, they reflect the OMC estabished under the Lisbon Strategy.[14]

Progress in reaching the Lisbon goals has been evaluated comparatively for the EU member states and the South-east European potential members by the World Economic Forum (WEF) since 2006 (see the contribution of Krešimir Jurlin in this book). The latest report was prepared for 2010. In these reports, based on the WEF methodology, the EU-27 countries, candidates, potential candidates and also some neighbouring countries (occasionally even Central Asian countries) are biannually ranked comparatively according to progress in eight distinct dimensions[15] that capture the areas considered to be critical for reaching the Lisbon goals. Two of the mentioned indicators are particularly relevant for these analyses, namely the information society, and innovation and R&D. In spite of the fact that it lags behind the EU average, Croatia has improved its overall ranking from 3.93 (2006) to 4.18 (2010) and thus together with Montenegro ranks even better than some EU members (Poland, Romania, Bulgaria). Furthermore, Croatia was the best performing country in South-eastern Europe and neighbouring countries regarding the information society as well as innovation and R&D. Most of the remaining South-east European countries are ranked below the EU members, but also below Azerbaijan, Turkey, Georgia, Ukraine and Georgia (WEF, 2010).

Finally, it could be concluded that the strategic goals defined within the Lisbon Strategy remain relevant for South-east European countries in the next decade. The new Europe 2020 strategy pointed out very explicitly the relevance of the goals of smart, sustainable and inclusive growth for candidate and neighbouring countries, by saying that the "Europe 2020 strategy is not only relevant inside the EU, it can also offer considerable potential to candidate countries and our neighbourhood and better help anchor their own reform efforts. Expanding the area where EU rules are applied will create new opportunities for both the EU and its neighbours" (European Commission, 2010: 21.). It will certainly depend on the readiness of the countries of the region to what extent they will be able to integrate the Europe 2020 targets into their own goals and "prioritize" them according to their development level. However, even more important is the question of their effectiveness in implementation.

14 This is the author's interpretation of the presentation given by Peter Polajnar, European Commission, DG Enlargement, at the Mediterranean Programme 11th Mediterranean Meeting, held in Montecatini Terme, Italy, on 24-27 March 2010, Workshop 16 on the Western Balkans.

15 Namely, information society, innovation and R&D, liberalization, network industries, financial services, enterprise environment, social inclusion and sustainable development.

Conclusion

In the past decade the Lisbon Strategy represented an important catalyst for reforms in the EU member states. Although its achievements are not always easy to measure due to its overly soft law based instruments, by late 2007 the EU-15 countries generally found themselves on track to meet the set Lisbon targets. However, due to the devastating consequences of the financial crisis, numerous achievements of the Lisbon Strategy have been dismantled. Furthermore, the crisis brought to the surface huge differences between "good" and "bad" Lisbon performers. Large discrepancies are evident not only between the "old" and the "new" member states, which is not surprising, but between various groups within the "old" member states as well.

Still, despite all its weaknesses, the majority of the EU and national actors agree that the Lisbon-type strategy represents a useful tool for implementing future social and economic reforms and obtaining a greater level of policy convergence. This coordinated effort has proven its value in both economically favourable pre-crisis times as well as under chaotic crisis ridden conditions. The financial crisis for its part only intensified the need for a Lisbon-type strategy because challenges that the EU faces are now greater than before the recession, while its room for manoeuvre is more limited. For that reason the European Council in mid-2008 called upon all interested parties to start conceptualizing the new post-Lisbon strategic decade, which has resulted in March 2010 with the Commission publishing its Europe 2020 strategy.

Although envisaged as a continuation of the Lisbon Agenda, the Europe 2020 strategy introduced a number of important innovative elements into that process. Regarding its implementation mechanisms the new strategy introduced the possibility for the Commission to issue "policy warnings" as a means of last resort in disciplining poor performers. Furthermore, the new strategy introduced a better division of labour between various EU and member state actors, improved the financial underpinnings of the whole process and provided better coordination between Europe 2020 and other EU strategic efforts. In trying to respond to criticism about the lack of clear focus, Europe 2020 proposed seven flagship initiatives which are meant to firmly integrate concrete EU action in the new strategy. Finally, aiming to produce more policy convergence, Europe 2020 proposed the adoption of differentiated and measurable national targets as an addition to the five EU headline targets.

Ultimately the success of the Europe 2020 strategy will depend on the willingness of member states (and eventually candidates, as well) to enforce it as their own. All member states will have to increase their ownership of the new strategy and accept the fact that a continuation of Lisbon-type reforms is a necessity. As pointed out by the Commission, the choice is twofold. Either they face up collectively to the immediate challenge of economic recovery and the long-term challenges of globalization, pressure on resources and ageing, or they risk ending up with a permanent loss of wealth, a "sluggish recovery" possibly leading to social distress and a relative decline

on the world scene (European Commission, 2010a: 7). Confronted with such a blunt dilemma it should be expected that within Europe 2020 poor performers will find themselves increasingly under pressure from both EU institutions and member states occupying the top of the agenda's performance list.

With the Europe 2020 strategy the EU is moving towards closer economic governance. In the upcoming years both the NRPs and the SCPs should be fully integrated within the national budgetary procedure. Streamlining and evaluation of the NRPs will be done in parallel with the annual SCPs, resulting in greater convergence between Europe 2020 and the SGP. Furthermore, since the adoption of the Europe 2020 strategy, the EU has taken some bold steps towards the development of new economic policy coordination instruments. Such actions include strengthening of compliance with the SGP, surveillance of macroeconomic imbalances and competitiveness developments and a crisis management framework for the eurozone countries. These policy instruments have been developed in the aftermath of an economic crisis which highlighted structural weaknesses in the EU's economic governance.

Europe 2020 should be even more relevant for candidate and potential countries than was the case with the Lisbon Strategy. Although the process of EU enlargement has been slowed down, the next decade offers enough time and space for preparation of accession for the South-east European countries. Regarding the Lisbon Strategy goals, the countries of the region were encouraged to start considering them in their reforms, aiming to gradually achieve the objectives on a voluntary basis. These objectives did not constitute additional criteria, but the EU policies towards the region reflected relevant Lisbon activities within the short- and medium-term priorities defined for the countries individually. Strategic goals defined within the Lisbon Strategy remain relevant for the South-east European countries in the next decade, as redefined within Europe 2020. In other words, the new Europe 2020 strategy pointed out explicitly the relevance of the goals of smart, sustainable and inclusive growth for candidates and neighbouring countries. It offers considerable potential to candidate countries and could better help anchor their own reform efforts, which remain of crucial importance in the whole process.

Sažetak

Lisabonska strategija, pokrenuta na sjednici Europskoga vijeća u ožujku 2000., u proteklom desetljeću predstavljala je glavni strateški okvirni program za gospodarski razvoj Europske unije. Tijekom prvih pet godina provedbe postupno je prerasla u vrlo složen program s brojnim ciljevima i nejasnom podjelom odgovornosti, zbog čega je 2005. temeljito revidirana. Kako bi prevladala navedene slabosti nova revidirana Lisabonska strategija promovirala je strukturu upravljanja utemeljenu na partnerstvu između institucija Unije i njenih država članica te je fokusirana na rast i zapošljavanje, a preostale su se teme počele razmatrati uglavnom u svjetlu dugoročnih ciljeva. Evaluacijom učinaka Lisabonske strategije u razdoblju 2005.–2007. moglo se zaključiti da je Strategija polučila relativno dobre rezultate te da se približava ispunjenju nekoliko zadanih ciljeva. Potencijalni rast BNP-a u državama euro zone tada je iznosio 0,2%, a došlo je i do naglog poboljšanja u području zapošljavanja stvaranjem 6,5 milijuna novih radnih mjesta. Nažalost, svjetska financijska i ekonomska kriza tijekom 2008. i 2009. u Europi je rezultirala jakim padom gospodarskih aktivnosti čime je gotovo poništena većina rezultata usko vezanih uz lisabonske odrednice. No, kriza ipak nije poljuljala povjerenje većine europskih ekonomskih stručnjaka u pozitivne učinke reformi na tragu Lisabonske strategije, prije svega zato što se pokazalo da su države članice koje su najviše poodmakle u provođenju lisabonskih reformi najspremnije dočekale krizna vremena. Tako je još 2008. na razini EU-a počeo proces stvaranja novog strateškog okvira u sklopu kojeg će se u idućem desetljeću provoditi lisabonske reforme. U ožujku 2010. taj je proces rezultirao komunikacijom Europske komisije "Europa 2020: strategija za pametni, održivi i uključivi rast" u kojoj su na sveobuhvatan način prikazani najvažniji elementi novog programa. Iako zamišljena kao nastavak Lisabonske strategije, Europa 2020 uvela je i neke nove elemente. Povećan je broj glavnih ciljeva strategije s dva na pet. Prvi od glavnih ciljeva govori da bi 75% stanovništva od 20-64 godine trebalo bi biti zaposleno. Slijedi izdvajanje 3% BNP-a EU-a za znanost i istraživanja. Nakon toga navodi se ispunjavanje tzv. 20/20/20/ klimatskih i energetskih ciljeva. Oni se odnose na smanjenje količine stakleničkih plinova u atmosferi za 20% u odnosu na 1990. (ili čak za 30% ako omoguće uvjeti), korištenje 20% energije iz obnovljivih izvora te na povećanje energetske efikasnosti za 20%. U sklopu četvrtog glavnog cilja govori se o smanjenju broja učenika koji prekidaju školovanje na 10%, te o barem 40% mladih sa sveučilišnom diplomom. Konačno, peti glavni cilj ističe smanjenje broja osoba u riziku od siromaštva za 20 milijuna. U novoj strategiji broj integriranih smjernica smanjen je s 24 na 10 čime je povećana njihova koherentnost. Europu 2020 odlikuju bolji financijski temelji, a otvoren je i put kvalitetnijoj koordinaciji s ostalim strateškim programima Unije. Europa 2020 rezultirala je također boljom podjelom zaduženja između Unije i država članica, dok su u području implementacije uvedeni novi instrumenti koji bi trebali polučiti veću konvergenciju unutar pojedinih politika. Kao odgovor na posljedice krize Europa 2020 ima zadatak preusmjeriti politike Unije od upravljanja krizom prema srednjoročnim i dugoročnim reformama. Zbog toga se tijekom prve

polovice 2010. počelo stvarati novi paket instrumenata ekonomskog upravljanja koji su utemeljeni na snažnijem makroekonomskom, proračunskom i strukturnom nadzoru. Novo ekonomsko upravljanje podrazumijeva jačanje postojećih pravila u pogledu proračunske discipline, usklađivanja s pravilima Pakta o stabilnosti, dublje koordinacije u području fiskalne politike, nadziranja makroekonomskih neravnoteža i konkurentnosti te procedura za krizno upravljanje euro zonom. Uz jasniju podjelu odgovornosti između različitih aktera, veću fokusiranost glavnih ciljeva te nove instrumente ekonomskog upravljanja Europa 2020 dobila je zadatak da dokaže svoju relevantnost i izvan granica EU-a, na globalnom planu. Ciljevi Lisabonske strategije za države na putu prema članstvu u Uniji nisu predstavljali neke dodatne kriterije iako su politike EU-a prema tim državama odražavale sadržaje te strategije u sklopu kratkoročnih i srednjoročnih prioriteta koji su bili određeni na individualnoj osnovi. Za razliku od Lisabonske strategije, u sklopu strategije Europa 2020 izrijekom se ističe važnost programa za države kandidatkinje, potencijalne kandidatkinje te za države susjedstva, iz čega slijedi da novu strategiju odlikuju značajni potencijali na polju jačanja reformskih procesa u budućim državama članicama. Uspjeh strategije Europa 2020 najviše će ovisiti o spremnosti država članica (i budućih članica) da ju prihvate kao vlastiti nacionalni program. Kriza je jasno pokazala da ne postoji alternativa hvatanju koraka s najkonkurentnijim svjetskim gospodarstvima. Stoga se može očekivati da će se u idućem desetljeću države članice koje su do sada neadekvatno provodile lisabonske ciljeve naći pod velikim pritiskom institucija EU-a i država članica koje su u tome uspješne.

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THE EUROPE 2020 STRATEGY
A NEW VISION FOR THE EU

Attila Ágh

Abstract[1]

The first ten years of the Lisbon Strategy implementation can be divided into three periods. The first period, launched in 2000, has been renewed in 2005, while the renewed strategy can also be observed as consisting of two separate programming cycles, 2005-2008 and 2008-2010. These periods have usually been articulated as Lisbon-I, Lisbon-II and Lisbon-III. The central theme of this paper is the analysis of the current stage (Lisbon-III) as well as recommendations for the preparation of the forthcoming Europe 2020 strategy. The Lisbon-III cycle focused on closing the implementation gap by increasing the effectiveness of the Lisbon objectives through the strict implementation reports. Furthermore, it reconfirmed the close connection of the Lisbon Strategy with cohesion policy and the importance of the Lisbon Strategy social dimension as its integral part. By increasing the Lisbon external actions, Lisbon-III brought about the merger of the internal and external policy profiles of the EU. Despite many encouraging developments during the Lisbon-III cycle, a global financial crisis revealed the need for short-term crisis management measures due to the fact that the Lisbon Strategy as a long-term strategy was not suitable for such actions. Therefore, the governance line of the Europe 2020 strategy has to be considered from the long-term view of institutionalization of the EU that culminates in the Lisbon Treaty. The further integration of the EU and national levels, as the radical reform of the governance line, represents one of the main preconditions for the success of the Europe 2020 strategy.

1 Note: The paper has been written before the adoption of the Europe 2020 strategy. Minor updates were made before publishing.

Introduction – the Lisbon jungle of theories and approaches

The Lisbon Strategy has been the flagship of EU modernization for a decade, and it will be extended for a second decade as Europe 2020. The usual definitions of the Lisbon Strategy cover a large variety of theories and approaches from the narrowest possible economic policy (special issues such as "growth and jobs") to the widest possible brave vision about the future of the EU (finalité politique). Given its complexity, a real "Lisbon jungle" has emerged around the Lisbon Strategy with a huge and rather chaotic literature stemming from all directions of societal interests and from all scientific disciplines concerned, and this has finally produced a patchwork of theories and a mosaic of approaches.

Basically, the Lisbon Strategy has been both a brave political vision of the EU as a global player and a large framework programme for policies, altogether an ambitious project to enhance the social capacity of the European economy to compete globally with the US and the new Asian global powers. The Lisbon Strategy has been an economic development programme focusing on growth and employment, extended to become a strategic policy-planning or macro-policy mix with synergy and cohesion among various policy fields. This tension between the brave vision and the pragmatic programmes has run through the whole history of the Lisbon Strategy. The concrete meaning and importance of the Lisbon Strategy has changed drastically several times since its conception in March 2000. At the beginning it was mostly a programme for internal reforms, and later it was expanded to include the international dimension as the Lisbon external action. In fact, the history of the Lisbon Strategy has also been marked so far by the duality between its actual development and its evaluation in the successive EU documents, since these two lines have also diverged to a great extent due to the changing legitimacy needs of the EU institutions. Despite the growing strategic or vision deficit, the Lisbon Strategy theory has still evolved significantly during the past decade and it has contributed a great deal to the development of European governance. Although most policy issues have remained in a grey zone between vision and practice with some vague and inflated terms such as cohesion, competitiveness and the like, in the Lisbon Strategy, the EU has opened up to a large policy universe and has managed to trigger some increasing synergy effects

The need for the renewal of the Lisbon Strategy arises again in the troubled years of the global crisis when the EU itself is looking for a new identity and self-definition. The renewal of the Lisbon Strategy as the Europe 2020 strategy for the next decade after 2010 is a special task for the Spanish-Belgian-Hungarian team presidency as the priority of priorities. There is no doubt that the new, future-oriented definition of the EU has to embrace both the pragmatic and the visionary dimensions because the ongoing economic crisis management includes both short-term economic measures and long-term radical socio-political reforms. In order to underline the significance of the Lisbon Strategy, one has to describe the great periods of EU history, namely:

(1) From Rome to The Hague: the Franco-German reconciliation in the original Six – the European Economic Community as an "international" organization formed the nucleus of the integrated Common Market with a narrow policy universe.

(2) From The Hague to Maastricht: the collapse of the bipolar world and the unification of Europe – by drawing up the framework for its deepening and widening enlargement at The Hague Summit (European Council, 1969), the EU began its extension to the wider core of Europe and to new policy fields.

(3) From Maastricht to Lisbon: the EU as a global actor challenges the US – the EU-12 was extended to the wider core of Europe, widened its policy universe through the three pillar structure and looked for a global role by competing with the US.

(4) From Copenhagen to Copenhagen: the Eastern enlargement – in the first decade of the 21st century, the EU has embraced 12 new member states, and it has developed both new institutions and new neighbourhood policies.

(5) From the Lisbon Strategy to Europe 2020: the civil superpower in global competition – the global crisis has demanded a proactive external European role in the emerging new world order and an internal extension of the new community policies.

The Lisbon Strategy as European governance in its first decade can be described in three periods, since after its first period (2000-2004) it was renewed in 2005, and the renewed Lisbon Strategy can also be articulated according to its programming into two cycles, those of 2005-2008 and 2008-2010. These periods have usually been mentioned as Lisbon-I, Lisbon-II and Lisbon-III. The central topic of this paper is the analysis of the current stage of the Lisbon Strategy in order to contribute to the preparation of the Europe 2020 strategy for the Spanish-Belgian-Hungarian team presidency.[2]

2 This paper is part of a longer study on the Lisbon Strategy. It relies first of all on the seminal works of Maria Rodrigues (2002, 2003, 2004 and 2009). The Lisbon Strategy has also figured as one of the key issues for the emerging team presidencies. See, for example, Cohen-Tanugi (2008), and Fabry and Ricard-Nihoul (2008: 101-126) with their discussions of globalization in terms of Lisbon-I, Lisbon-II and Lisbon-III.

The current stage of the Lisbon Strategy and the Lisbon external action

Lisbon-III – the global extension of policies and governance methods

After the gloomy mood in the mid-2000s, in 2007 the EU was again in a slightly more optimistic mood with the improving economic situation, and it began to prepare the third stage (Lisbon-III) of the Lisbon Strategy: "Europe is currently enjoying an economic upswing and reforms are starting to translate into growth and jobs. (…) The renewed Lisbon Strategy for Growth and Jobs is beginning to deliver results. It is contributing to the favourable overall economic upturn (…) A promising start has been made in the implementation of Member States' National Reform programmes and of the Community Lisbon Programme presented in autumn 2005. (…) Cohesion policy also contributes to achieving the Lisbon goals. Member States are determined to take full advantage of the improving overall economic situation to strengthen the momentum for reforms and thus to further improve Europe's global competitive position" (European Council, 2007a: 2). This year meant, in general, a watershed with the new financial perspectives starting in 2007, but the change was even deeper. In 2007, the panic related to eastern enlargement significantly diminished, when it turned out that the EU-27 could be managed properly within the EU transnational institutions. In this political space of the EU-27, both further policy widening and new forms of governance have occurred in the Lisbon-III cycle under the pressure of increasing globalization that finally ended in brutal crisis. In December 2007, the second Lisbon package was launched with some basic documents published in 2008. The European Commission drew up a strategic planning and programming cycle. This new three-year cycle began in 2008 and in the Annual Policy Strategy for 2008 the Commission indicated that: "The renewed Lisbon Strategy for growth and jobs remains the major vehicle for promoting a more prosperous, environmentally responsible and socially inclusive European Union (…) The challenge is now to capitalise on the current upturn in order to press ahead with further reforms" (European Commission, 2007a: 5).[3]

3 Actually, the Commission prepared two conceptual documents (2007c, 2007d) and altogether a package in five parts on 11 December 2007, out of which Part I (Strategic Report), Part IV (Broad Guidelines) and Part V (Integrated Guidelines) are of particular importance (European Commission, 2007e, 2007f, 2007g). In 2008, the Commission formulated a document on better regulation (2008a), the renewed social agenda (2008b), territorial cohesion (2008c), and the economic recovery (2008d). The Commission then followed with the package including the strategic framework for education (2008e), the global fund (2008f), the external dimension of the Lisbon Strategy (2008g) and finally a set of implementation reports (2008h) on 16 December 2008. This time ten basic tasks were identified and repeated a year later (European Commission, 2009b).

Table 1. Integrated Guidelines for Growth and Jobs (2008-2010)

Macroeconomic guidelines	
1.	To secure economic stability for sustainable growth.
2.	To safeguard economic and financial sustainability as a basis for increased employment.
3.	To promote a growth and employment orientated efficient allocation of resources.
4.	To ensure that wage developments contribute to macroeconomic stability and growth.
5.	To promote greater coherence between macroeconomic, structural and employment policies.
6.	To contribute to a dynamic and well-functioning EMU.
Microeconomic guidelines	
7.	To increase and improve investment in R&D, in particular by private business.
8.	To facilitate all forms of innovation.
9.	To facilitate the spread and effective use of ICT and build a fully inclusive information society.
10.	To strengthen the competitive advantages of its industrial base.
11.	To encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth.
12.	To extend and deepen the internal market.
13.	To ensure open and competitive markets inside and outside Europe and to reap the benefits of globalisation.
14.	To create a more competitive business environment and encourage private initiative through better regulation.
15.	To promote a more entrepreneurial culture and create a supportive environment for SMEs.
16.	To expand, improve and link up European infrastructure and complete priority cross-border projects.
Employment guidelines	
17.	Implement employment policies aimed at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion.
18.	Promote a lifecycle approach to work.
19.	Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job seekers, including disadvantaged people and the inactive.
20.	Improve matching of labour market needs.
21.	Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners.
22.	Ensure employment-friendly labour cost developments and wage setting mechanisms.
23.	Expand and improve investment in human capital.
24.	Adapt education and training systems in response to new competence requirements.

Source: European Commission, 2007g.

The "global" policy widening

Knowledge society was one of the basic issues already in the original Lisbon Strategy project, but the knowledge triangle (higher education – science – innovation) was fragmented among the member states and innovation (R&D) was financed very little from Community sources, since the Community role was reduced to issuing recommendations. Similarly, in the initial set-up energy policy and energy security were considered strictly as "national" policies, and member states clashed and competed with each other for energy resources in a fragmented market. Finally, fighting against global climate change was a common goal of the EU states already in the 1990s and the EU issued a series of exhortations for it but without any practical steps taken at the Community level. By the late 2000s it became crystal clear that these policies had to be managed at the Community level, including their financing. However, they have been stuck between the national and Community approaches in a hybrid zone somewhere, and they are still there due to the endless debates on competences and financing. Furthermore, these new policies are, ab ovo, of a global nature, so new policies have pushed for global governance. These policies of a global nature appeared in the programmes of the first team presidency (Germany-Portugal-Slovenia) and came to the fore very markedly for the first time in the 2007 spring European Council. In discussing the Lisbon Strategy results, the emphasis has been laid on the need to "further improve Europe's global competitive position" by inviting the Commission to draw up the Integrated Guidelines for Growth and Jobs (2008-2010) (European Council, 2007a: 2; see Figure 1).

The European Council meeting in December 2007, at the end of the Portuguese presidency, dealt at length with the Lisbon Strategy in its global perspectives: "The European Council welcomes the presentation of the Commission's Strategic Report assessing the implementation of the renewed Lisbon Strategy for Growth and Jobs and making proposals for the next three-year cycle, including a new set of integrated guidelines, country-specific recommendations and a new Community Lisbon programme. (…) The Lisbon Strategy is delivering. The four priority areas of reform identified by the European Council in Spring 2006 continue to be valid: knowledge and innovation, business environment, employment and energy and climate change" (European Council, 2007b: 10).

These December 2007 Presidency Conclusions are again part of the constant self-legitimacy exercise in the EU because global climate change, energy (security) and the knowledge triangle might have been occasionally mentioned before but they became priorities only in 2007 and afterwards, based on this document. These new policies appeared high on the agenda and, despite the often mentioned continuity, they were now prioritized as never before. Still, the Lisbon Strategy appeared more than ever to be a general framework for the EU policy universe, in which the "old" policies were confronted with the "new" ones. Thus, from the policy side, the debate began anew for Lisbon-III concerning the European social model starting with

the European Commission's basic document on 15 March 2007 (European Commission, 2007b) and concluding with a "new social vision" on 20 November 2007 (European Commission, 2007d), supported by an expert view from the Notre Europe Institute that initiated a re-foundation project for EU social policy (Jouen, 2007). Otherwise, in social policy the well-known two approaches ran parallel and clashed even at this stage: investing in people as prime movers of economic growth or considering social protection as a luxury item. The exhortations for social dimensions were kept but were pushed to the background even before the social crisis that was provoked by the global financial crisis.

Altogether, the December 2007 summit indicated a new beginning for the Lisbon-III period with a marked policy widening but it began also a new debate on the national versus the Community competences in all policies concerned, including their financing. In fact, the Lisbon Strategy was relaunched for the second time in 2008 from the side of both policy and governance lines: "In 2007, there was a positive trend in terms of growth and net employment creation. (…) In 2008 within the framework of trio presidencies (…), a new cycle of Lisbon Agenda was launched for the period of 2008-10 with a stronger emphasis on the environment, energy, and social cohesion as well as on the external dimension of the Lisbon Strategy. The European Council of March 2008 also defined a mandate to initiate a reflection on the future of the Lisbon Strategy in the post-2010 period" (Rodrigues, 2009: 8).

Better governance – coping with the implementation gap

Already at first glance there was a manifest improvement in the Lisbon Strategy governance in 2008 due to the strict separation and re-combination of the national and Community levels in the Lisbon Strategy, with a bigger emphasis on regional/cohesion policy, but also with an increasing reference to better governance and multilevel governance (European Commission, 2008a, 2008b). It enabled the EU to introduce a new government cycle in Lisbon-III with an ambitious goal of improving the implementation of the Lisbon Strategy targets to a great extent. The December summit in 2007 outlined the tasks of the next government cycle by concluding that: "The role of the regional level to deliver growth and jobs should also be increased, as recognised in the new generation of programmes of the cohesion policy covering the period 2007-2013. The Lisbon toolbox should be fully used by strengthening the existing horizontal coordination, developing tailor-made communication and involving all relevant stakeholders" (European Council, 2007b: 10).

Based on this cautious optimism, the 2008 spring European Council decided to launch the third cycle of the Lisbon Strategy in 2008-2010. It endorsed the new Integrated Guidelines for Growth and Jobs (2008-2010), with the same set of 24 concrete guidelines, as before in the 2005-2008 period. However, the new guidelines emphasized that the focus of the new cycle will be on implementation, namely on the implementation of the 10 objectives identified in the Community Lisbon

Programme, which provides a strategic reform agenda of the Community part of the renewed Lisbon Strategy. The spring 2008 Council document therefore "reconfirms the four priority areas agreed at its spring 2006 meeting as the cornerstones of the renewed Lisbon Strategy and at the same time calls for synergies among them to be exploited to a greater degree" (European Council, 2008: 2). Furthermore, it also "reconfirms" the close connection of the Lisbon Strategy with cohesion policy, and "the importance of the social dimension of the EU as an integral part of the Lisbon Strategy and in particular stresses the need to further integrate economic, employment and social policies" (European Council, 2008: 4). Altogether, realizing that the recommendations and/or guidelines were set regularly but their implementation was poor, the new efforts in the Lisbon Strategy focused on closing the implementation gap by increasing the effectiveness of the Lisbon Strategy objectives through the strict implementation reports.

Accordingly, country-specific recommendations were issued to the member states in 2007 and 2008. These recommendations were adopted in a single instrument with an integrated structure of National Reform Programmes (NRPs) and implementation reports. Following this step, the member states updated their new NRPs and submitted them to the Commission by October 2008 together with an implementation report. Lisbon-III was the first government cycle in the Lisbon Strategy with the full participation of the new member states. It partly closed and partly created a new "implementation gap" in the new member states, in fact the term was introduced by the EU to describe the performance of the new member states in their pre-accession period. This implementation gap was caused basically because of the contradictions between the three basic documents that determined the behaviour of the new member states in the EU: (1) NRPs for the Lisbon Strategy, (2) convergence programmes and (3) national development programmes.[4]

The global challenge in the late 2000s

By raising the Lisbon external action, the new turning point in Lisbon-III brought about also the merger of the internal and external policy profiles of the EU. The Lisbon Strategy has been conceived from the very beginning in terms of a global challenge but it was prioritized in the specific terms of a "global governance challenge" or, more simply put, as an external action only in 2007-2008. In fact, the Commission issued a warning in 2005 that: "Globalisation is not new. But the speed at which it is now happening is extraordinary. We feel every day the impact of the emergence of new economic giants such as China, India and other nations. And the

4 The volume edited by Visnja Samardzija (2006) expressed the new situation in the Lisbon Strategy matters right after the EU entry of the new member states and the basic contradiction between the three EU programmes has not changed since then. Tamás Szemlér explained that compared to the Lisbon National Reform Programme, the National Strategic Reference Framework and the Convergence Programme "enjoy priority (…) it is not Lisbon that matters first", since these are "partially overlapping and potentially conflicting programmes" (Szemlér, 2006: 117).

EU is not closing the gap with the United States" (European Commission, 2005: 6). After a long prehistory the decisive turn in global governance came in December 2007, during the Portuguese presidency, as the Lisbon external action, formulated above all in the EU Declaration on Globalization (European Council, 2007b: 25-27). The global preconditions for the implementation of the Lisbon Strategy were formulated as a necessity for the integration of the Lisbon Strategy policy universe with foreign policy. In this spirit the European Globalization Adjustment Fund was created as an instrument to protect the member states against the negative effects of global changes, and amended at the time of the global crisis (European Commission, 2008f). The external action is to be implemented in direct and indirect ways. In the indirect way it is the extension of European governance to global governance with its methods and values. In the direct way it appears as extended European governance to its neighbouring regions in the form of intensive regional cooperation by entering the next stage in the elaboration of the European Neighbourhood Policy (ENP).[5]

In the EU Declaration on Globalisation (2007) the Lisbon Strategy was also identified as an "external" action being harmonized with the "internal" action. The "internal" action gave the main content of the Lisbon Strategy before December 2007 with only some vague references to globalization and without serious efforts towards a synthesis of "external" and "internal" policies of the EU. These new efforts became manifestly formulated in 2007 in the above declaration: "The Union's internal and external policies need to be harnessed in order to respond to the opportunities and challenges of globalisation. We must deliver on the Lisbon Strategy for Growth and Jobs and further develop the four freedoms within the Internal Market while ensuring a strong social dimension and respect for the environment. This will both enhance Member States' capacity to compete in a globalised world and increase the Union's ability to pursue its interests and values in the world" (European Council, 2007b: 25). The global role of the EU was described earlier as the effective multilateralism and civil superpower's behaviour with a global representation of European values (see, for example, Rasmussen, 2003, 2004; European Commission, 2005). These general ideas, however, were integrated only from late 2007 onwards with the concrete actions of the Lisbon policy universe.[6]

5 This EU Declaration on Globalization led the French Presidency to prepare a long report on the Lisbon Strategy focusing on the globalization strategy after 2010. The report notes that the declaration represents a "middle way" between the interventionist French and the liberal British approaches (Cohen-Tanugi, 2008: 172). The main message of this book-size report is that the EU needs a "reinforced governance" or "strong institutions with more coherence and efficacy" in order to play an eminent role in the globalizing world system. Thus, the conclusion is that the recent global challenge gives an opportunity to the EU for a new big vision after the Single Market and the euro to create a new identity in the global world by entering a new period of its development (Cohen-Tanugi, 2008: 190).

6 The EU has run a website "Global governance: contribution of the European Union" (http://ec.europa.eu/governance/governance_global/index) for reference. See also the Commission report on Millennium Development Goals in 2004 (http://www.undp/org/mdg/EC.pdf), on effective multilateralism and European values in the globalised world in 2005 and on social Europe and its national systems (European Commission, 2005), as well as Rasmussen, 2003 and 2004.

The outbreak of crisis in autumn 2008 provoked a drastic change in the EU's attitude to global governance. The "external" dimension of the EU "internal" policies or the global external action has come to the fore very markedly in recent EU documents: "The external dimension of competitiveness remains of crucial importance. (…) Avoiding the trap of protectionism and overregulation, Europe needs to take full advantage of the emerging international economic system, diversify relations and develop new opportunities for mutually beneficial partnerships around the globe. (…) Relations with BRIC economies and other important actors should be intensified. The EU neighbourhood policy offers important economic potential. (…) The Council welcomes the December 2008 Commission Communication on the external dimension of the Lisbon Strategy" (Council of the EU, 2009a: 17). Due to "America's clumsiness" the EU has been forced to rethink its global role, including transatlantic relations.[7]

The final period of the Lisbon Strategy

The global crisis

After the first serious steps of the EU to tame it, the globalization process appeared in a very brutal form during the global financial crisis. As a first reaction and damage limitation to the sharp economic downturn, on 26 November 2008 the Commission proposed a European Economy Recovery Plan (EERP). The EERP admitted that "The global financial crisis has hit the EU hard" and it built its programme on the continuity of Lisbon-III: "The Lisbon Strategy has already strengthened the European economic fundamentals. Appropriately tailored, Lisbon Strategy structural reforms could be an appropriate short-term policy response to the crisis as they strengthen economic resilience and flexibility" (European Commission, 2008d: 4). The Lisbon Strategy as a long-term strategy was not suitable in itself for the short-term crisis management measures; it had to be adjusted for that function. The EERP was endorsed and further developed by the Presidency Conclusions of the European Council on 12 December 2008. These documents indicated a basic turning point in the history of the EU with the outline of a new, fifth period. As has been mentioned in the introduction to this paper, in this new period the global crisis demanded a proactive European role in the emerging new world order externally and the extension of new Community policies internally.

The drastic turning point is quite clear if one compares the 2008 and 2009 spring European Councils. The 2008 spring Council mentioned the "longer-term challenges" only marginally, although it put forward the mid-term perspectives of elabo-

7 "Through various means other players have developed their own appeal and sovereignty of interpretation when it comes to international relations, e.g. Russia, China or India ... Military force no longer represents the core element of political power, today's politics are about developing convincing and efficient structures for interpretation and implementation of political actions" (Bauer, 2008: 1-2).

rating the post Lisbon Strategy: "The European Council furthermore stresses that a continued EU-level commitment to structural reforms and sustainable development and social cohesion will be necessary after 2010 in order to lock in the progress achieved by the renewed Lisbon Strategy for growth and jobs. The European Council invites the Commission, the Council and the national Lisbon coordinators to start reflecting on the future of the Lisbon Strategy in the post-2010 period" (European Council, 2008: 4). The 2009 spring Council, in turn, has dealt with the global crisis with full force. Crisis management has continued to be the first priority in the preparations for the post-Lisbon Strategy as well. The closing years of Lisbon-III may be characterized by the statement that: "A global crisis requires global responses" (European Council, 2009a: 7). Accordingly, the 2009 spring European Council focused on crisis management and approached the Lisbon Strategy in this spirit, as well "making full use of the renewed Lisbon Strategy for Growth and Jobs" in the global crisis management: "In the current crisis, the renewed Lisbon Strategy, including the current Integrated Guidelines, remains the effective framework for fostering sustainable growth and jobs. The crisis underlines the need to pursue and accelerate structural reforms, which will bolster the credibility and impact of stimulus measures. (…) The European Council endorses the updated country-specific integrated recommendations for the economic and employment policies of the Member States and calls for their swift implementation. In this context, the European Council looks forward to the proposals on the post-2010 Lisbon Strategy the Commission will present during the second half of this year" (European Council, 2009a: 5). The events since the 2009 spring European Council have accelerated the design of the new strategy, and in the spring of 2010 it appears that the drawing up of the Europe 2020 strategy will be completed by the end of 2010.

Institutional and policy changes in the global crisis

In the governance line the EU has developed two kinds of response: permanent summits and better governance. First, global crisis management at the international level has led to institutional improvisations in the form of permanent summits, in which the EU efforts to contribute to the renewal of global governance have also been reinforced. The permanent summits have generated institutional chaos and lack legitimacy. The informal summits that were institutional reactions to unexpected crisis events have taken place before (for example in 2001 after 9/11), since these meetings were necessary to discuss the immediate common actions in the EU. The nature of the recent permanent summits is, however, quite new. The series of new summits appeared in autumn of 2008 during the French presidency as a means of global crisis management, but even more intensively in the spring of 2009, during the Czech presidency. Given the global crisis, however, they were combined with the global summits of big states worldwide (for instance the G7/8 and G20 meetings) that blurred the EU character of the decision-making process and put the big EU member states in a special position. During the Czech presidency all the

contours of the frequent high-level meetings became more obscure. The normal decision-making processes at the level of the European Council seemed to lose their usual meaning and function.

Thus, there are basically two problems with the permanent summits. First, the legitimacy, transparency and efficiency of these meetings can be questioned. Second, the summits have turned out more and more to be a club of the big states. The character of meetings has not been clear, namely to what extent are they decision-making forums, especially if these forums are global. Even if one considers that the usual decision-making process at the European Council meetings can validate them, at the same time this raises new doubts, since, for example, some new high-level meetings were announced well before the March 2009 European Council summit for the next period, namely already for April and May 2009. It therefore questions the significance of the March 2009 "Conclusions" as well. The weak legitimacy of the permanent summits has been overburdened with a lack of transparency because EU citizens only receive information about these informal meetings through the media, which has distorted the information to a great extent by overemphasizing discrepancies between the views of the participants. Finally, these very frequent meetings as ad hoc gatherings have obviously had very low efficiency, since they have been mostly improvisations and have barely produced visible results. However, the biggest problem of the permanent summits has been the increase of the small-big state controversy in the EU, since these summits have turned out to be a "big state show" with a few global leaders. In the EU the smaller member states have complained increasingly because they have felt that they could be left out in this institutional disorder. The European Council has considered the crisis management as a long-lasting process at several levels and by several actors, reaching its first decision only at the June 2009 European Council summit (European Council, 2009b). It has become clear, however, that these preparatory meetings cannot be limited to the frequent informal gatherings of the leaders of big member states. Without properly involving all member states this approach to global crisis management can be counter-productive as it just sometimes follows the barely disguised national interests of the bigger member states that dominate this permanent summit process.[8]

The EU internal institutional responses have been focusing on completing the basic transformations designed by the Lisbon Treaty and, in addition, some other institutional changes have also continued to build better governance in the Lisbon Strategy management system. The diverging alternatives of short-term crisis manage ment versus long-term basic reforms have become clear in this line of governance. Although crisis management has been high on the agenda, it has only produced

8 "The EU is about more than just the big states", as the European Voice (26 February 2009) quotes Alexander Stubb, Finland's foreign minister, since these informal meetings could lead to "institutional confusion". Carl Bildt, the foreign minister of Sweden did not understand "the mathematics behind" turning G20 to G22, and finally Karel de Gucht, Belgium's foreign minister declared that the "rigour" of the EU institutions would be lost if too many ad hoc meetings were organized.

some transitory improvisations (described above), while the implementation of the long overdue Lisbon Treaty represents the long-term reforms. Furthermore, the demands for the extension of the multilevel governance structures and the preparations for the post-Lisbon Strategy have indicated the direction of further institutional and policy reforms. The EU documents in 2008 and 2009 have increasingly expressed the need for a long-term policy strategy as a new "super-plan". In the EERP the Commission identified "the four priority areas of the Lisbon Strategy (people, business, infrastructure and energy, research and innovation)". The document, as before, by "people" meant promoting employment, by "business" meant reducing administrative burdens through better governance, and the issues of infrastructure and energy as well as research and innovation already indicated the new priorities (European Commission, 2008d: 9-10).[9]

In fact, this document has outlined the main fields that can be the base and the point of departure for the new strategic planning that has also been demanded by many analysts: "Obviously, the effects of the global financial and economic crisis on European growth and the EU's response will be of immediate concern. We believe, however, that the Lisbon Strategy should focus on the long-term orientation of the European Economic and Social Model" (Kellermann et al, 2009: 1). Although in the 1990s the social and employment outputs lagged behind those of economic integration, it has become even more evident by late 2000 that the Lisbon Strategy is more than an economic development programme, since it has to combine the European economic and social models. Thus, these latest documents "sent out a twofold message: that the EU was reforming itself through accelerated economic and labour market structural reform, and the modernization of social protection systems", through policy coordination in an effort for a coherent integrated project (Goetschy, 2009: 75). This is, indeed, the European economic and social model (see Stuchlik and Kellermann, 2009 for a comprehensive overview).[10]

9 See Committee of the Regions, 2009 on the multilevel governance reforms. Concerning the Lisbon Strategy, an important part of the Lisbon governance is the meeting of the national Lisbon coordinators. In December 2008 the Lisbon national coordinators met in Paris. In April 2009, during the Czech presidency they met in Prague where they also dealt with the perspectives of the post-Lisbon Strategy.

10 The main issue is whether social policy remains one of the subordinate aims or follows the itinerary set by the Social Agenda (2005-2010) and confirmed by the Renewed Social Agenda (2 July 2008, Commission, 2008b). There have been signs since the spring 2008 that the global crisis has contributed to "putting social and environmental concerns back onto the EU's growth and jobs agenda (…) to shift the Lisbon Agenda away from its purely 'growth and jobs' focus of the past three years and to put environment and citizens more 'in the foreground' (…) to proceed resolutely with reforms." (EU "Lisbon Agenda" gets social makeover, 18 March 2008). See also the opposite claim, the old agenda will stay due to the global crisis (PA bosses assess Barroso's flagship "Lisbon Strategy", 6 August 2009) (http://www.euractiv.com).

Final evaluation of the Lisbon Strategy – the first decade

The mainstream view is that the first decade of the Lisbon Strategy has been a failure. According to this majority view there has been a crumbling consensus on the changing Lisbon Strategy priorities, for the following reasons:

(1) There has been unsatisfactory growth, particularly in the eurozone, and the productivity gap with the US has increased since 2000, first of all in terms of competitiveness and productivity in the real economy; altogether the sheer economic figures have been below expectations.

(2) There is still no match between economic competitiveness and social solidarity, since the efforts to strike a balance between economic efficiency and social justice have not been successful, and in the most pragmatic terms the employment targets have not been reached either.

(3) The main reason for the failure of the Lisbon Strategy has been the hesitant implementation of structural reforms at the national level that has been causing deep divergence between Community and national tasks; this split has been reinforced by the global crisis and the recent "economic nationalisms".[11]

On the other side, one can argue with justification that the Lisbon Strategy has been successful in its substance, as a new form of long-term planning and policy coordination:

(1) Growth and jobs are still at the centre of the programme, and there have been serious achievements in this decade, particularly if one takes a look at the virtual scenario of "the last decade without the Lisbon Strategy". It has been very useful that the Lisbon Strategy has been focusing on competitiveness as a multilevel issue, that is, both separating and combining the EU, national and regional levels, as well as producing the revelation that regional policy has to be based on a correspondence between economic, social and territorial cohesion.[12]

(2) Competitiveness and productivity have been increasingly treated as a comprehensive issue in the productivist approach. Although there has been a painful reminder in the crisis and recession periods of the simple quantitative meaning of employment, the qualitative meaning of the "knowledge" worker has still come to the fore with the emerging idea of "social productivity". The Lisbon Strategy has also

11 As a general negative view, "the Lisbon Strategy has fallen short where it really counts, that is both in qualitative terms – as an attempt to combine economic, social and environmental aims – and quantitatively, since the goal of seventy per cent employment rate has been missed by almost five percentage points." (Kellermann et al, 2009: 2). The Swedish non-paper formulates the common wisdom: "The Lisbon Strategy has been successful in some respects, but less so in others. There seems to be a 'delivery gap' between our commitments at European level and what we deliver at national level" (2009: 2).

12 On territorial cohesion see European Commission, 2008a. As is well known, after a long prehistory the Lisbon Strategy has introduced the principle of territorial cohesion. In 2011, during the Hungarian presidency the EU will elaborate a comprehensive concept of the unity of economic, social and territorial cohesion.

meant a turning point in the EU level social dimension because it has Europeanized to a great extent the member states' social policy. The current Social Agenda runs from 2006 to 2010, and the Commission is preparing a renewed Social Agenda for the post-Lisbon era by updating this policy mix.[13]

(3) Integrating EU domestic policies with the external action for global competitiveness has been one of the major achievements of the Lisbon Strategy and has been a culmination of efforts during the last decade. The EU has dealt since the early 2000s with competitiveness on the global level, that is, combined with global governance, and within the EU it has been emphasized that the quality of governance is the critical determinant of social cohesion. It has represented the continuity of EU efforts in improving the regulatory environment both globally and domestically. The issue of global governance in the initial EU efforts was still mostly separated from improving the regulatory environment or better governance as the external and internal processes, but the two issues have recently been merged in the efforts of global regulation.[14]

The strengths and weaknesses of the Lisbon Strategy have in fact been combined in the same process, with increasing strengths and decreasing weaknesses over the decade, along both (1) the policy line and (2) the governance line, but (3) lacking harmony:

(1a) From the very beginning the Lisbon Strategy has been marked by the dilemma of policy widening and reducing, and by that of extending the criteria or benchmarks yet limiting them to the basic indexes. This is the normal process of overloaded social sciences trying to cope with an increasing complexity that can only be solved at a higher systemic level by combining the holistic approach with a detailed overview of tasks. The latest guidelines have been rather successful in coping with this re-emerging dilemma.

13 "Productivity, in turn, would have to be understood in terms of 'social productivity' the core of which would comprise an increase of in quality of jobs, the inclusion of external costs (…) the ideal of an innovation-based competitiveness can be combined with a socially just and sustainable model of society." (Kellermann et al, 2009: 4). "The transfer of social competences from the national to the EU level seemed to have reached a threshold, a trend broadly confirmed later with the Lisbon Treaty (2007) (…) despite the increasing disparity between the EU national social systems, labour market and social protection systems were increasingly similar for all countries". Consequently, the Lisbon Strategy has Europeanized the member states' social policy, since "Compared to the past, the Lisbon Strategy and its OMC have led to a substantial enlargement of the EU employment and social agenda on matters of national priority" (Goetschy, 2009: 76, 81).

14 The EU has had a series of internal governance reforms since the 1990s, including the Kinnock reforms of the Commission, the transformation of the Directorates General by Prodi, and the establishment of the Competition Council that was supposed to support the Lisbon Strategy. There was an EU study and report by a Working Group in May 2001, as a preparation for the White Paper on Governance, "Strengthening Europe's Contribution to World Governance" (Group 5 – An EU Contribution to Better Governance beyond Our Borders). This study was also followed along "development" lines by the Communication of the Commission on "Governance and Development" (Brussels, 20.10.2003, COM (2003) 615 final) that linked this better governance statement to the UN Millennium Declaration. The Presidency Conclusions of the December 2007 summit prepared EU reactions to the current global crisis and facilitated the relatively quick responses to it. Finally, the Third Strategic Review of Better Regulation in the European Union is part of the second Lisbon package (European Commission, 2009a).

(1b) The deep tension between competitiveness and solidarity has also permeated the entire decade of the Lisbon Strategy and it has produced a large variety of solutions from the productivist approach to technocratic views. In fact, the mainstream view has always been formed not by theoretical arguments but by sheer necessity due to the brutal pressures of the world market and/or the waves of globalization.

(1c) The original idea of the EU was based on the spill-over effect, on coherence and synergy, namely on the positive effect of policy changes on adjacent policies. Although the first naïve approach has been overcome, the main idea still remains, since the whole development model of the Lisbon Strategy presupposes – in a variety of direct and indirect ways – that policy coherence among various policies produces synergies.

(2a) The main dilemma of the Lisbon Strategy governance has been the compatibility of the Community and national competences, and the Open Method of Coordination (OMC) has been introduced as a bridge between them. In the meantime with policy widening and with the entry of new types of policy this bridge has become overloaded and a new, much larger and stronger bridge has to be built to carry the increasing weight of the new Community policies.

(2b) Accordingly, the main institution-building task has been to establish compatibility between the super-planning in the Commission through the Community Lisbon Programme versus member states Lisbon actions through National Reform Programmes. The macro-tuning was carried out successfully in Lisbon-II and Lisbon-III, but for the Europe 2020 strategy a new institutional planning structure is needed with the EU metagovernance at the top, facilitated by the Lisbon Treaty.

(2c) The Lisbon Strategy has also been very successful in producing new modes of governance. It has actually been a breeding centre for new methods and approaches in this field. These new modes of governance have increased performance but they have also brought in new contradictions in the democratic control of policy making, so the history of the Lisbon Strategy has also been that of renewed democratization and communication campaigns.

(3a) Initially, the Lisbon Strategy was based on strategic planning but left out public sector reform, although the public sector was supposed to do the job of strategic planning. Later on the Lisbon Strategy concerns have been more and more extended to public sector management, but it has never been formulated clearly that one of the key preconditions of the strategy's success is the high performance of the public sector.

(3b) The global financial crisis, and the ensuing political, social and ideological crises, have demonstrated that the relationships between the public and private sectors need a drastic re-regulation through the creation of a proper regulative institution in the EU. After the first steps to establish this new system it has become evident that the Lisbon Strategy has presupposed a particular combination of EU democracy with an EU type of market economy.

(3c) Accordingly, while in the first decade the budgeting approach and the strategy lines have been separated, at the end of this decade there is recognition that they have to be merged. Whereas earlier the public sector was outside of the Lisbon Strategy framework both institutionally and policy-wise, it cannot be so any longer, since the public sector has been impacted by the Lisbon targets and these have budgetary consequences as well.

Getting closer to the drafting of the Europe 2020 strategy, the leading EU policy institutes have reiterated the productivist approach after a turbulent decade on a higher level: "Lisbon has been neither a complete success story nor a complete failure. It is now important for the EU to look ahead and to realize it is facing new challenges that could not have been foreseen in 2000. A post-2010 Lisbon Strategy ought to focus on 'competitiveness through innovation'. But how best to foster innovation? This contribution argues that innovation can be best achieved by additional investment in human capital, a dimension that has not been given enough attention in the original Lisbon Strategy of 2000. (…) A new Lisbon process (2010-2020) will have to be designed with a completely different background. (…) educational policies that strengthen the quantity and quality of education, thus leading to higher skill levels, will have positive side effects. One can expect not only more growth, but also higher employment rates and less inequality" (Gros and Roth, 2008: 1-2). This proposal can be a real breakthrough in the endless debate between the "rigidity" of the "growth and jobs" approach and the "softness" of the social or human dimension, since it combines human investment with the narrow-minded "growth and jobs" economic practices.[15]

While social progress with "quality" jobs is high on the agenda of the European Economic and Social Committee (EESC), they have also underlined the task of consolidating the external dimension: "In view of the rise of new global economic powers and the impact of the international economic crisis, it is more important than ever for the EU to give itself a new, more unified and assertive framework for its external activities (…) foster multilateralism and dialogue with the key partners, and create a mutually beneficial area of progress" (EESC, 2009: 9).[16]

All in all, the situation in 2009 was the following: "The short-term measures should improve the economic conditions for business and should also be in line with the medium- and long-term objectives of the Lisbon Strategy. These measures should also contribute to the creation of more jobs. The Council broadly welcomes the Lisbon Package submitted by the European Commission. In this respect, the Com-

15 In an earlier paper I dealt at length with the social and employment policy of the EU in the Lisbon Strategy framework (Ágh, 2010). This paper contains only some parts and references to the earlier paper.

16 As Ulrich Beck has stated in a very marked way: "If the EU did not exist, we would have to invent it today. (…) Europe does not need less Europe – it needs more Europe. The global crisis shows that monetary union cannot be achieved without political union. (…) This crisis cries out to be transformed into a long overdue new founding of the EU. (…) an EU rejuvenated by the crisis" (Beck, 2009).

munity Lisbon Programme is welcomed as a valuable tool." Furthermore, "A clear commitment in the spirit of joint ownership to continue implementing Lisbon structural reforms beyond 2010 is necessary in order to boost confidence among citizens and businesses. (…) The micro-economic elements of the Lisbon Strategy need to be brought closely together in a well-defined 'Competitiveness Agenda' that would be complementary and mutually reinforcing with other aspects of the Strategy" (Council of the EU, 2009a: 7-8). The "integration of integration" is the final word in the evaluation of the Lisbon Strategy, since the integration of institutions and integration of policies is the new task as well as the basis for the new brave vision of Europe 2020.[17]

In a comprehensive overview, one can summarize the historical analysis of the Lisbon Strategy in the following way. The main EU developments have been policy widening and governance innovations that have permeated the entire decade of the 2000s and the Lisbon Strategy has been an extremely useful framework for them. The strategy has also served as a comprehensive framework for structural reform, that is, for a set of long-term reform ideas and practices. Thus, under given global and EU domestic circumstances, the strategy has been a very useful and successful prime mover of EU reforms in the 2000s and a driving force for the harmonization of EU institutions and policies.[18]

The Europe 2020 strategy as a new vision for the next decade

Team presidencies – political leadership and the Europe 2020 strategy

The organization of the team presidency has been one of the most important governance reforms of the Council. It has run parallel with the Lisbon Strategy and it has been demanded to a great extent by the strategy, since the discontinuity of rotating presidencies in policy making and governance has negatively affected the implementation of the Lisbon Strategy. In 2003 the European Council launched a "Multiannual strategic programme" for 2004-2006 that also dealt with the Lis bon Strategy in great detail, setting out the tasks for the incoming four rotating presidencies (European Council, 2003c: 11-19). Following this, the two (rotating)

17 Campaigning for his re-election the Commission's President José Manuel Barroso issued a manifesto on Political guidelines for the next Commission. He only once mentioned the Lisbon Strategy, in the introduction to this manifesto: "In particular, we need to revise the current Lisbon strategy to fit the post-2010 period, turning it into a strategy for an integrated vision of 'EUROPE 2020'" (Barroso, 2009: 3).

18 The Lisbon Council has published a comprehensive overview of the first decade of the Lisbon Strategy (European Growth and Jobs Monitor 2009, http://www.lisboncouncil.net/media/publications). The Lisbon Council played an important role in monitoring and advising the LisbonStrategy, for instance through a series of conferences (2009 Growth and Jobs Summit, March 2009). Maria Rodrigues has also channelled her contribution to the development of the Lisbon Strategy to a great extent through the Lisbon Council. Ann Mettler, executive director and co-founder of the Lisbon Council has reconfirmed the need for "a solid, visionary and comprehensive medium- to long-term strategy" (In defence of the Lisbon Agenda, 8 June 2009, http://www.euractiv.com).

presidencies in 2005 and 2006 also drew up a common programme that could be considered as the preparation for team presidencies. The new system started with the first team presidency in 2007 (Germany, Portugal and Slovenia), and it was followed by the second one (France, Czech Republic and Sweden).

I have introduced the term of "integrative balancing" as a characteristic of team presidencies, since they contain a balance between new and old, small and big member states. This has a "spill-over" effect from joint team governance to common team policies, since they also have to merge their policy priorities. The practice of common team priorities has proven to be a good preparation for Council meetings, since it paves the way for final compromises. Integrative balancing – with its multilateral and multidimensional approach based on the partnership principle by empowering the relatively weak partners – has proven to be very useful and it has to be extended to the other reforms, including the Europe 2020 strategy. The reform of the Lisbon Strategy as the way of drawing up the Europe 2020 strategy has to be based on a proper "governance mix" and "policy mix" in the spirit of integrative balancing, both in the long term for the next decade and in the short and medium term for the subsequent team presidencies.[19]

Team presidencies do not mean that rotating presidencies have lost their special profiles, since they have always produced their own very characteristic "mix". It is enough to refer to the Portuguese role in the reform of the Lisbon Strategy and in the preparation of the Lisbon Treaty. Still, team synergies matter, and the introduction of team presidencies has also brought about a deep reform of the Council in its policy cooperation and policy planning aspects. As a starting point, the European Council invited the Commission and the Council in the March 2008 decision to prepare a draft document for Europe 2020 (European Council, 2008: 4). There was a common understanding that the first proposal had to be ready by December 2009. The 2009 EU documents confirmed this itinerary (European Council, 2009a: 5). The elaboration of Europe 2020 began in the Swedish presidency but basically it was left for the Spanish-Belgian-Hungarian team presidency.[20]

The Swedish presidency had an optimistic approach to Europe 2020 by emphasizing that "we can expect some innovation in this field". Although the Swedes noted that: "During the Spanish Presidency in 2010 a new agenda to replace the Lisbon Strategy will be launched", they also developed some role in preparing Europe 2020: "Without pre-empting the agenda for the following presidency, it should be possible to argue that the Swedish Presidency could be in a position where agenda-

19 I have developed these ideas at length in my paper, Ágh, 2009a. My proposals for the Europe 2020 reflect the basic logic of integrative balancing.

20 Anyway, the European Council on 11-12 December 2009 dealt with the post-2010 sustainable development strategy and the spring 2010 summit is supposed to adopt the main policy orientations, while in March or June 2010 some more detailed decisions may be reached, including integrated guidelines and a new type of Community Lisbon Programme. The EESC proposes a "strategic reorganization" and "a different name to the new European strategy" (EESC, 2009: 4).

setting leadership could be exercised in this field" (Langdal and Sydow, 2009: 8). This agenda-setting of Nordic style was both welcome and useful, since the EU was stuck in the troubles concerning the ratification of the Lisbon Treaty. The urgent tasks of the incumbent Swedish presidency were identified by the speech of Prime Minister Fredrik Reinfeldt in the European Parliament. Among the very first items on the agenda, he mentioned the elaboration of Europe 2020: "A review of the EU's Lisbon Strategy can contribute to a vital reform agenda. We will open discussions on this during the autumn." It is very important that he underlined the basic turn in EU history by declaring that: "With the Lisbon Treaty in place, we can close the chapter on an inward-looking phase in the EU's cooperation. The time has come for the EU to look outwards and into the future." And finally, he expressed his deep commitment to Nordic values, to the productivist approach in social policy: "I want to see a Europe that continues to develop the European social model. That combines a well-functioning welfare system with growth." (Reinfeldt, 2009: 7, 8, 11; see also the Work programme for the Swedish Presidency of the EU, 2009: 30-32).[21]

There is no doubt, indeed, that the "Swedes were pushing for a Nordic flavour" to the post-Lisbon Strategy, since it can be seen from the very beginning of the Swedish presidency. There has been some news about an even more accelerated agenda as they would like to adopt the new strategy before their mandate ends. Although a more cautious and less urgent approach would be more advisable, the direction of the Swedish presidency is welcomed in the Europe 2020 preparation. Allegedly, "the Swedes aspire to a new Lisbon Agenda very much in their own image", namely "paying a lot of attention to the social dimension" with flexicurity and "active inclusion strategies" on the one side, and "green growth and environmental sustainability which are likely to feature high among the strategy's new priorities" on the other. This is "the backbone of Swedish attempts to cast EU policy along Nordic lines" that has to be supported but a long process can be expected in the EU to agree upon these goals.[22]

For the Spanish-Belgian-Hungarian team presidency Europe 2020 is high on the agenda. It is in fact the priority of priorities. The elaboration of the new vision for the EU and launching Europe 2020 during the Spanish-Belgian-Hungarian team presidency – hopefully – will be combined with the implementation of the Lisbon Treaty, which is the proper institutional base for Europe 2020. The preparation of Europe 2020 as a long-term vision about the future of the EU needs a common

21 The Swedish presidency has prepared a "non-paper" that has presented eight proposals for the PLS, e.g. stronger involvement of regional and local governments, a stronger role for the Community Programme, but finally: "Creating more institutions and/or institutional frameworks that will underpin long-term growth, improved productivity, sustainable policies for high employment and public finances" (2009: 6). I have given the evaluation of the Swedish Presidency in my paper, Ágh 2009b.

22 See this summary "Swedish push for Nordic flavour to Lisbon Strategy II" 6 August 2009, http://www.euractiv.com/en/socialeurope/swedes-push-nordic-flavour-lisbon-strategy-ii/article-184015. The EESC is pushing in the same direction, for "quality jobs", social progress and social cohesion, and for flexicurity as "effective security" (2009: 5-6).

effort from all member states and their policy institutes or the epistemic communities.[23]

The Lisbon Treaty and metagovernance in the EU

The "future of the EU" figured high on the agenda in the early 2000s connected with the Nice and Laeken Presidency Conclusions and European Council declarations (December 2000 and 2001), but this approach faded away when the mentality became less optimistic by the mid-2000s. In order to return to the big and brave vision, the EU has to make a very marked distinction between short-term crisis management measures and long-term radical institutional reforms. The main difficulty is that the structural reforms have to be accomplished by the member states, and for Europe 2020 an extended Community level programme has to be completed jointly. Therefore an efficient institutional framework is needed at the EU level so that it can bridge the gap between/among the diverging institutions with conflicting interests. Even within the transnational EU institutions there has been a tendency for "agency drift" among the Council formations, the Directorates General, and/or the advisory bodies, such as the Committee of the Regions and the EESC, representing various vested interests. It has hardly been counter-balanced so far by the central steering committee, although the centre has "struck back" at disintegration with coherent forms and comprehensive frameworks at the EU level of public action, though the centre itself has also remained rather fragmented. This new change in governance for implementing Europe 2020 is supposed to be a special form of "governance mix" with integrative balancing, designed as a "matrix" of horizontal and vertical structures in the spirit of the multilevel governance structures, first of all in the big institutional triangle of the Council, Commission and Parliament. Hence, there is a need for strong "metagovernance" at the top that enables the EU to make integrated decisions, since Europe 2020 and budgeting policies also have to be adjusted or integrated. It has been a problem from the very beginning that the declared objectives of the Lisbon Strategy have had no financial resources and this has only been partly corrected by the integration of the Lisbon Strategy with cohesion policy. The case is, again, that Europe 2020 starts in 2010 or 2011 and the new financial perspectives in 2014, in such a way a non-correspondence between them can be continued.[24]

The EU is again sailing on uncharted waters in the new period of globalization, as before in 1989-1991, when the bipolar world collapsed and new perspectives

23 On 25 May 2009 there was a conference in Budapest on Europe 2020 under the guidance of Maria Rodrigues with many internationally known experts presenting good initiatives (see Borsi, 2009). A summary note about this conference has also been mentioned at the 28 May 2009 meeting of the Competitiveness Council.

24 The Third Strategic Review on Better Regulation in the EU (Commission, 2009a) has emphasized three points that were recapitulated by the Competition Council (Council of the EU, 2009a: 31): (1) the impact assessment system, (2) the action programme for the reduction of administrative burdens, and (3) simplification of the regulatory environment. The Bruegel Institute has recently launched a programme that directly related to Europe 2020 and it has also suggested a better match between the PLS and future financial perspectives (see Sapir, 2009).

opened up. Usually, global developments and external structural constraints have been forcing the EU to change its institutional structure in order to be able to develop its long-term planning, policy coordination and strategic vision. With the emerging new world order the EU entered a world of uncertainty, since "future developments remain uncertain" (European Council, 2009b: 5). Thus, not only crisis management capacity, but also anticipatory capacity and risk management are of ever greater importance. Consequently, the EU has to strengthen its anticipatory and adaptive capacity in the next decade, creating institutions for "general flexicurity" in all basic policies, for instance the European Systemic Risk Board for financial supervision (European Council, 2009b: 7). Given the fact that "the EU needs to go strategic", global risk management and anticipatory capacity have become the biggest political power potential: "Political power derives from effectively dealing with the risks and challenges that have snuck into our homes and lives: energy security, climate change, financial crisis, demographic change, migration, overstretched health care systems, and social security" (Bauer, 2008: 2).

The philosophy behind this message is that the EU needs a complex goal setting with a clear vision, and its implementation has to be managed by a metagovernance type of institution. A governance initiative was launched in early 2009, quite clearly outlining the complexity of the governance: "The Council acknowledges the multidimensional nature of governance, which includes political, social, economic, security, legal, institutional, cultural and environmental aspects, at all levels. All these aspects are interlinked and should be addressed in a holistic and balanced way" (Council of the EU, 2009b: 1). The implementation of the Lisbon Treaty will be the long awaited institutional match to Europe 2020. It will produce a new mission statement for the EU and will lead to the rejuvenation of the EU through the new strategic programme.[25]

Thus, the governance line of the Europe 2020 strategy has to be considered from a long-term view of institutionalization of the EU that culminates in the Lisbon Treaty. The further integration of the Community and national levels, as the radical reform of the governance line, is one of the main preconditions for the success of the Europe 2020 strategy: "The OMC has failed as an instrument because it does not provide an effective control mechanism for the common goals. In its current form it allows member states to integrate European objectives into national interests thereby making policy according to the changing facts on the ground. Without a robust and binding mode of coordination, Europe-wide macroeconomic management will be pursued in vain. A progressive growth policy must be combined with a new mode of cooperation – in fact, it depends upon it" (Kellermann et al, 2009:

25 At the Budapest conference on Europe 2020 the leading experts underlined the need for long-term institutional reforms. Ian Begg emphasized that "national ownership of it continues to be unsatisfactory" and a stronger Community approach is needed (Begg, 2009: 1). Similarly, Hans Martens focused on the need for "a comprehensive long-term framework" (Martens, 2009). These issues have been developed at length in a European Policy Centre paper, noting the necessity of the involvement of the public sector and public finances in the Lisbon Strategy (Martens and Zuleeg, 2009).

4). Reading this very severe statement, one should not forget the basic fact that it also reflects the very heavy demands of the current global crisis management. Briefly said, the OMC has been useful but not committing, therefore the EU toolkit has remained too limited. Nowadays a clear commitment from member states is needed in order to refocus on the Lisbon Strategy and afterwards by shifting the border lines between the Community and national competences and giving more competences to the Community.[26]

Altogether, in the new strategy the proper "governance mix" has to be introduced as a matrix of three dimensions in order to balance the institutions at the Community and national levels, within the big institutional triangle of the EU and on the several territorial levels with economic, social and territorial cohesion.[27]

Super-planning – Europe 2020 with the new policies at centre stage

Despite the long process of policy widening, there has only been a very pragmatic approach within the Lisbon Strategy to shifting the priorities or the "four objectives" of the strategy gently towards the new policies. It has been a cautious process with a set of new recommendations offered to the member states through the permanent reinterpretation of the former priorities as a conflict avoidance exercise. The various policies have represented diverging interests and the abrupt changes could have generated sharp conflicts. Hence, there have been no clear turning points putting the new policies at centre stage. The "policy turns" have been blurred in the Lisbon Strategy cycles and no effort has been observed during the lifetime of the Lisbon Strategy to design the proper "policy mix" clearly and unambiguously. They have not been matched to the budgeting allocations either, since these allocations were set for seven years based on former political compromises. The Lisbon Strategy and budgeting relationship has been both complicated and controversial, since the EU budget has been allocated for the financing of common policies and, as indicated above, even after the Lisbon Treaty most new policies in Europe 2020 will be within national competences. Thus, budgeting allocations for new policies would

26 "A 'post Lisbon Strategy' would not represent a total renunciation of previous Single Market and competition policy, but would build on existing EU structures, institutions and mechanisms. To gain the support of the member states, it is central to combine further coordination with the preservation of some degree of national autonomy. Apart from that, in principle a more democratic overall structure is needed for the European Union, including a European economic government in order to facilitate a stronger redistributive and development role at EU level over the long term" (Kellermann et al, 2009: 4).

27 There have been serious efforts by the Committee of the Regions to "involve local and regional authorities in the Lisbon governance process" and this has been supported by the Lisbon Monitoring Platform (LMP) as a contribution to the implementation of the Lisbon Strategy. This trend was relaunched at the European Summit of Regions on 5-6 May 2009 in Prague, prior to the Employment Summit (http://www.cor.europa.eu/pages/EventTemplate).

also involve the co-financing of national policies because so far there have been no real "common" energy or innovation policies.[28]

A new budgeting concept of the Bruegel Institute proposes the separation of "EU public goods" and "redistributive expenditures" with a move toward financing more EU public goods and less redistributive expenditure. In my view, this separation is a good idea in order to increase the competitiveness of the EU with proper budgeting. But this proposal also reflects the "enlargement fatigue" of the old member states to support the new member states in their efforts to catch up. Therefore the "redistributive expenditure" has often been stigmatized from a narrow technocratic point as wasted money. It is also true that the EU commitments for "redistribution" have been connected with the various milestones of the EU integration process, namely as "responses" to the given historical situation, for example the cases of the Common Agricultural Policy (CAP) and cohesion policy. However, as the present trend continues, the CAP will be less, and cohesion policy will be relatively more financed by the EU. The real question is, however, whether all these "responses" of the EU have become outdated or whether help to catch up is still needed: "The Lisbon Strategy is a case in point. In spite of extensive relabeling, currently only one tenth of the EU budget is spent on the items directly related to Lisbon (…). Three quarters of EU spending in the past 20 years has been consistently directed towards agriculture and structural policy, leaving little room for new priorities" (Santos and Neheider, 2009: 2). Basically, this effort to restructure the EU budget and focus more on the Europe 2020 targets is very positive, but it may focus too much on competitiveness and neglect solidarity. This narrow technocratic view would be highly counterproductive, since it could split the EU and it would create serious long-term tensions.[29]

On the contrary, in order to cope with increasing complexity, the EU has tried to integrate all policies into one integrated framework of "super-planning". This effort can be seen in the latest EU documents that have summarized the history of "Lisbon management" and have concluded by saying there is an urgent need for further policy integration. The Commission has reminded us that since 2005 the broad

28 The Competition Council has underlined the necessity of "European cooperation within the 'knowledge triangle' (…) the European Institute for Innovation and Technology (EIT) is expected to play an important role in this context." The role of "frontier research", "effective governance of ERA" and the Ljubljana process as the "fifth freedom" have also been mentioned (Council of the EU, 2009a: 15). In an interview the Hungarian Minister for National Development and Economy, István Varga, has pointed out that even now "several instruments exist at EU level aimed at harmonisation and synchronisation of national RD programmes in certain areas" (Keep innovation high on EU agenda, http://www.euractiv.com, 29 July 2009). The First European Innovation Summit was held on 13 and 14 October 2009, with the informal meeting of Competitiveness Ministers (including the ministers for research) on 14 to 16 October 2009.

29 Against the narrow minded Bruegel approach one can refer to the Gros and Roth argument (2008: 1-2) as follows: "It is also apparent that the next Lisbon strategy will have to be valid for all 27+ member states, including the goal of reducing the still-substantial disparities in income per capita between old and new member states."

guidelines for economic policies and those for employment policies have merged to become the "integrated guidelines". It has reiterated that in recent years the EU has identified four priority areas: innovation, business environment, employment opportunities and "integrated energy/infrastructure policy". Finally, the Commission concluded: "In order to pursue the Lisbon strategy for growth and jobs in a coherent, integrated manner, these recommendations have to be adopted in a single instrument. (…) The 2008 Spring European Council launched a second cycle of the renewed Lisbon Strategy, which will be completed in 2010. The Council adopted in May 2008 a recommendation on the broad economic policy guidelines for the Member States and the Community (2008 to 2010) and in July 2008 a decision on guidelines for the employment policies of the Member States, which together form the 'Integrated guidelines for growth and jobs'" (European Commission, 2009b: 2-3). It is easy to note that the most frequent word in this document is "integrated", which reflects the main effort of the EU institutions for a holistic approach. In this spirit the "main messages" of the Employment Summit (Prague, 7 May 2009) have emphasized that the EU's response to the crisis "should be based on a coordinated approach integrating economic, employment and social policies (…) should mobilise all available national and Community instruments and fully integrate growth, employment, solidarity, social protection and inclusion strategies" (European Commission, 2009c: 1). The summary of the main message is that: "The future strategy should be focused on well-defined goals, relevant to European citizens; it should be reinforced to deliver sustainable growth, social cohesion and more and better jobs, ensuring long-term sound public finances and a modern social protection system" (European Commission, 2009d: 1).

In fact, since the relaunched Lisbon Strategy in 2005 the main line of "policy integration" has been the integration of various policies with their synergetic effects. The proper "policy mix" has to balance between competitiveness and convergence approaches, between "traditional" and "new" Community policies, and finally between "internal" and "external" policies. It has to shift focus to the Community designed policies but pay attention also to the member states' specificities. According to the Swedish efforts with a Nordic flavour the policy mix has to be basically composed of cohesion and sustainability.[30]

30 This essential link between the Lisbon Strategy and cohesion policy has been carefully documented by the Directorate General for Regional Policy, including the overview of the "economic crisis – the response from European Cohesion Policy" (http://ec.europa.eu/regional_policy/funds/recovery).

Conclusion

The analysis of the Lisbon Strategy through its problems in the historical context can contribute to preparing the new strategic vision for the 2010s with a mission statement of Europe 2020 as a future-oriented definition of the EU.

The EU has to return to its brave vision by formulating its outstanding role in the global world in terms of European values, through competitiveness based on social productivity. In fact, the EU approach to global governance has proven to be superior to the former US approach during the Bush administration. After the failure of the US global policy the statements of the Obama administration are close to the EU global policy line. In the global competition of various models, the EU offers the best combination of economic and social dimensions. It gives a new opportunity for the EU as the soft superpower to participate actively in the establishment of global governance using the partnership principle of effective multilateralism instead of unilateral hegemony.

Active and effective global governance presupposes efficient European governance that has to be closely linked with extended European governance as globalization cum regionalization in the neighbourhood, that is, global governance combined with the reformed ENP. In order to manage the EU as a whole, European governance has to combine the internal-transnational and external-global governance. The EU has to fight against the institutional and regulative crisis in two ways, both through the EU regulatory agencies and the global regulative network. In the last analysis European governance needs to upgrade its metagovernance at the top of the big institutional triangle and in the complex institution building in the EU as a whole in the spirit of multilevel governance.

The "EU competitiveness" and "EU cohesion" have to be put on an equal footing through the principle of social productivity. The EU has to move ahead in the global competition as one compact unit in the spirit of economic, social and territorial cohesion as the Lisbon Treaty stipulates. This means that the competitiveness programme has to be completed through a catching up programme, both in quantitative and qualitative terms. There is a need for this kind of roadmap, with new Community policies and new budgeting on the one hand, and with renewed efforts for fully integrating the new member states, including the Europe 2020 agenda, on the other.

The future strategy has to be elaborated with a few clear strategic priorities such as: green or low-carbon economies, innovation centred, productivist society, policy-driven financial perspectives and a modernized public sector with high quality public services. The Europe 2020 strategy has to be based on a well-coordinated set of concrete programmes, with the main objectives specified and with a detailed set of indicators that will facilitate a radical programming turn towards super-planning.

Sažetak

Lisabonska strategija bila je posljednjih deset godina stjegonoša modernizacije EU-a i prolongirat će se i na iduće desetljeće kao strategija Europa 2020. Lisabonska strategija promovirala je hrabru političku viziju EU-a kao globalnog igrača i istodobno bila velik okvirni program za provedbu politika. Riječ je o ambicioznom projektu povećanja društvenih kapaciteta europskoga gospodarstva kako bi postalo sposobno za globalnu utakmicu sa SAD-om i novim azijskim silama. Općenito se može zaključiti da je Lisabonska strategija u prvom desetljeću implementacije bila koristan okvir za produbljivanje politika i za uvođenje inovacija u upravljanje, što je bio sastavni dio potrebnih strukturnih reformi na razini EU-a kao i na razini država članica. Prvih deset godina implementacije Lisabonske strategije autor dijeli na tri razdoblja. Strategija inicirana 2000. obnovljena je 2005., s time da se za obnovljenu strategiju može reći da je sačinjena od dva izdvojena programska ciklusa, 2005.–2007. i 2008.–2010. Te cikluse autor artikulira kao Lisabon-I, Lisabon-II i Lisabon-III. Glavna je tema rada analiza tekućeg lisabonskog ciklusa (Lisabon-III) i iznošenje preporuka za pripremanje nadolazeće strategije Europa 2020. Lisabon-III fokusirao se na zatvaranje implementacijskog jaza putem povećanja efikasnosti lisabonskih ciljeva kroz striktne implementacijske izvještaje. Nadalje, u sklopu trećeg ciklusa potvrđena je tijesna povezanost između Lisabonske strategije i kohezijske politike te važnost socijalne dimenzije kao sastavnog dijela te strategije. Povećavajući važnost vanjskog djelovanja, Lisabon-III doveo je do spajanja unutarnjih i vanjskih policy profila EU-a te je u tom duhu uspostavljen Europski fond za prilagodbe globalizaciji kao instrument za zaštitu država članica od negativnih učinaka globalnih promjena. Poseban problem u sklopu Lisabona-III, kao i kod prethodnih ciklusa, jest to što ciklusi nisu bili usklađeni s proračunskim alokacijama, jer su one ustanovljene za sedam godina temeljem ranije utvrđenih političkih kompromisa. Usprkos brojnim ohrabrujućim pokazateljima tijekom Lisabona-III globalna financijska kriza upozorila je na potrebu uvođenja kratkoročnih kriznih upravljačkih mjera zato što Lisabonska strategija kao dugoročna strategija nije bila primjerena za takvo djelovanje. Kao prvu reakciju na oštar gospodarski pad u studenom 2008. Komisija je predložila Europski plan za gospodarski oporavak, koji se temeljio na kontinuitetu ostvarenom u sklopu Lisabona-III. Osim toga, kriza je inicirala praksu učestalih neformalnih sastanaka europskih lidera, poznatijih kao permanentni samiti. No, ti su sastanci patili od manjka legitimiteta zbog vrlo niske efikasnosti, nedostatka transparentnosti i porasta kontroverzi između malih i velikih država članica. Analizirajući različite karakteristike Lisabonske strategije kao cjeline, naročito ciklusa Lisabon-III, može se zaključiti da Unija u budućnosti treba ojačati svoje anticipatorne i adaptacijske sposobnosti kako bi se izgradile institucije za "opću fleksigurnost" u svim osnovnim politikama kao što je primjerice Odbor za europski sustavni rizik u području financijskog nadzora. Nadalje, upravljačke aspekte strategije Europa 2020 trebalo bi razmatrati iz dugoročne perspektive institucionalizacije EU-a, koja je kulminirala inovativnim rješenjima Lisabonskog ugovora. Jedan od najvažnijih preduvjeta za uspjeh strategije Europa 2020

radikalna je reforma upravljanja u smislu daljnje integracije između nacionalne razine i razine Unije. Prikladan policy mix buduće strategije trebao bi pronaći ravnotežu između konkurentskih i konvergencijskih pristupa, između "tradicionalnih" i "novih" politika Unije te konačno između njezinih "unutarnjih" i "vanjskih" politika. Strategija Europa 2020 trebala bi se usmjeriti na politike koje je osmislila Europska unija, a istodobno voditi računa o specifičnostima država članica. Osim toga, buduća strategija trebala bi se fokusirati na nekoliko jasnih strateških prioriteta kao što su: zelena i nisko ugljična ekonomija, proizvodno društvo usredotočeno na inovacije, financijske perspektive usredotočene na politike te stvaranje moderniziranog javnog sektora s visokokvalitetnim javnim uslugama. U konačnici, zaključuje se, Europa 2020 trebala bi se temeljiti na dobro koordiniranom paketu konkretnih programa u sklopu kojih bi bili razrađeni glavni ciljevi i detaljni paketi indikatora. U vezi s proračunskim pitanjima buduće strategije, autor pozitivno ocjenjuje prijedlog Brugelova instituta za razdvajanje "javnih dobara" Unije od njenih "redistribucijskih troškova" te za zaokret prema intenzivnijem financiranju javnih dobara na štetu redistribucijskih troškova. Takvim djelovanjem, navodi se, povećala bi se konkurentnost EU-a.

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THE POST-2010 LISBON-TYPE STRATEGY PERSPECTIVES AND CHALLENGES

Mojmir Mrak

Abstract[1]

The Lisbon Strategy set up by the European Council in March 2000 was conceptualized as the EU's response to the widening economic gap between the EU and the US. Looking back at its ten-year accomplishments it can be concluded that the strategy did not achieve its prime objective to develop the EU into the most dynamic and competitive economy in the world. Still, instead of assessing it as a failure it is fairer to say that it achieved mixed results in terms of meeting its objectives and poor results in terms of its implementation process. In terms of objectives the results have been better regarding growth and employment than R&D. Geographically they have generally been better for Scandinavia and "new" member states than for some larger "old" member states. Regarding its implementation it is obvious that the problem lies in the Open Method of Coordination (OMC), the strategies' implementation mechanism which has no binding legal power. In addition to that, political ownership of the strategy at the level of member states has been weak and there were also methodological problems connected with its implementation. There are two principle scenarios when it comes to continuation of the Lisbon-type strategy in the post-2010 period. The first one is a "sustainable development oriented Lisbon strategy" which implies a wide range of institutional and structural reforms in various areas of economic, social and environmental development. Due to the subsidiarity principle this would to a large extent remain under the member states' authority. The alternative concept is a "competitiveness focused Lisbon strategy" which would imply a more narrow definition of the Lisbon-type strategy objectives and this would, by and large, be focused on strengthening international competitiveness of the EU.

1 Note: The paper has been written before the adoption of the Europe 2020 strategy. It presents the ex-ante analyses of key challenges regarding the future Lisbon-type strategy developments. Minor updates were made before publishing.

Evolution of the Lisbon Strategy

As a response to growing global challenges and especially to the widening economic gap vis-à-vis the US, the Lisbon European Council in March 2000 set out the goal for the EU to become within ten years "the most dynamic and competitive knowledge-based economy in the world capable of sustainable growth with more and better jobs and greater social cohesion". In more operational terms, the objectives to be achieved through a series of policies aimed at stimulating R&D investment, intensifying structural reforms for competitiveness and innovation, completing the internal market and modernizing welfare systems were twofold. The first was to reach 3% average economic growth and the second one was to create 20 million jobs by 2010. The initial results of this Lisbon Strategy were strongly disappointing as recognized by the March 2004 European Council. The Council concluded that because of a lack of will, coherence and financial resources, Europe probably would not be able to catch up with the US by 2010.

In order to make an independent assessment of the Lisbon Strategy, the High Level Group on the Lisbon Strategy, chaired by Wim Kok, was appointed. Its main conclusion was that the disappointing delivery of the strategy was due primarily to a lack of determined political action, an overloaded agenda and shortcomings in its governance. The Commission's mid-term review of the Lisbon Strategy has accepted several recommendations from the Kok report when drafting the renewed Lisbon Strategy (Lisbon-II).

In terms of the objectives, the Commission has accepted the refocusing of the Lisbon Strategy agenda on growth and employment. In contrast to a large number of objectives set in Lisbon-I, only two quantitative objectives have been retained; by 2010, R&D investment is to be raised to 3% of Europe's GDP and the employment rate is to be increased to 70%.

The Commission has also followed some of the proposals aimed at improving the governance of the Lisbon Agenda. In order to improve the ownership of reforms by member states, each of them has been asked to start preparing their National Reform Programmes (NRPs) for growth and jobs, and each of them has appointed its national Lisbon coordinator. Further on, the Commission has proposed the better use of common EU policies, including the EU budget, in order to help implement the Lisbon Strategy. Unfortunately, the completion of the negotiations on the financial perspective for 2007-2013 has been a clear disappointment for the Lisbon Strategy objectives. Member states have significantly reduced the substantial increase in EU funding for R&D proposed by the Commission. On the other hand, there were also governance proposals in the Kok report that were not accepted by the Commission. "Naming, shaming and faming", namely praising good performance and castigating bad performance is one of them. As argued by Pisani-Ferry and Sapir (2006: 6), "the reason for this was probably that the large member states,

above all France and Germany, having just succeeded in trimming the wings of the Stability and Growth Pact, were determined that Lisbon would not be yet another thorn in their side". This means that governance of the Lisbon Strategy continued to be based on the OMC aimed at encouraging member states to exchange best practices. Although there is no obligation to adopt any coordination that may be constraining, the OMC does contain a multilateral surveillance mechanism in order to ensure implementation of both reforms and initiatives taken by member states.

Lisbon strategy stocktaking and critical assessment of its achievement

Overall assessment of the Lisbon Strategy performance

Today it can be safely concluded that the Lisbon Strategy did not achieve its proclaimed objective, that is, to develop the EU into the most dynamic and competitive economy in the world. Even though the objective will not be achieved – due partly to its overambitious articulation – implementation of the Lisbon Strategy cannot be assessed as a failure, especially not the period that followed its 2005 revision. An overall assessment of the Lisbon Strategy is that it has achieved mixed results in terms of meeting the objectives and poor results in terms of the implementation process (see, for example, Pisani-Ferry, 2006; Vergnaud, 2008; Cohen-Tanugi, 2008). The results vary from objective to objective – they have been better in terms of growth and employment than regarding R&D – and also from country to country. They have been generally better for Scandinavian and "new" member states than for some of the larger "old" member states. Macroeconomic performance of the EU member states was rather good in the years prior to the current crisis but the legitimate question remains as to what extent this has been caused by cyclical factors and to what extent it was influenced by the Lisbon Strategy implementation. A much more negative assessment of the Lisbon Strategy is to be assigned to its implementation process. The OMC as the softest mechanism of policy coordination among the member states has de facto proved to be a rather weak vehicle for introducing highly needed structural reforms into the EU's economy.

Assessment of the Lisbon Strategy by objectives and by indicators that measure its performance

GDP growth rate

The EU GDP growth rate has increased significantly since 2005. In contrast to the-period 2002-2005 when the average annual growth rate of the EU-27 was equivalent to around 2%, it increased to an average annual level of 3% in the following two years. All "new" member states and several "old" states registered growth rates higher and even significantly higher than 3%. On the other hand, some larger "old" member states remained below the 3% target (Eurostat, 2010a). It has been

mentioned already that it is difficult to quantify the contribution of the Lisbon Strategy to this performance. According to the Commission's estimations, "reforms that have been launched have helped raise the eurozone's potential GDP growth rate by 0.2 percentage point since 2005, increasing it to 2.25% in 2007" (Vergnaud, 2008: 4). However, after these positive developments, negative trends started in 2008, due to the impact of the crisis.

Employment

Growth in employment was robust in the post-2005 period. Though the 70% employment rate target has not been achieved for the EU-27, this rate reached 66% in 2007, that is, an increase of 3 percentage points from the year 2000. Again according to the Commission, "there is evidence of structural improvement in the functioning of labour markets. These developments can be seen as a major success of the Lisbon strategy to date. After several years of favourable growth, and in particular a good performance in terms of employment creation, economic conditions deteriorated rapidly in the second half of 2008 and early 2009" (European Commission, 2009: 4-5).

Compared to the relatively good progress of the Lisbon Strategy, especially of Lisbon-II in the macroeconomic areas,[2] namely GDP growth rates and employment figures, developments in some of the microeconomic areas are much more discouraging. For example, performance with respect to R&D investment has been particularly disappointing. In fact, the share of GDP dedicated to R&D has even decreased since the beginning of the decade, declining from 2.0% in 2000 to 1.9% in 2008 (Eurostat, 2010b). It is clear that the EU's principal objective of 3% (with the private sector contributing 2% of GDP) will not be met by 2010. There are some other problems/questions that continue to be associated with R&D investment.

Low level of private R&D investment in EU member states in general

There is clear evidence that many member states have prioritized public R&D investments within their national budgets (in 20 of them, the share of R&D in the total government budget increased between 2000 and 2007), but private R&D investment remains disappointingly low and far below the set target. In contrast to EU public R&D investment, which as a percentage of GDP is at similar levels to in the US and Japan, the comparative figures for private R&D are significantly lower. Creating more favourable framework conditions for private R&D investment, establishing more appropriate governance structures and the growth of research intensive sectors therefore remain among the key EU objectives in building a knowledge-based economy.

2 After several years of good performance in terms of growth and employment, economic conditions in the EU member states deteriorated dramatically after autumn 2008 as a consequence of the financial and general economic crisis.

Inappropriateness of a uniformly defined quantitative target for R&D investment

The R&D investment target of 3% of GDP for all the member states had a strong political motivation at the time of launching the Lisbon Strategy. The diversity of EU member states that strongly increased with the eastern enlargement increases doubts about R&D investment as a flagship or as the single most appropriate indicator for measuring structural reforms of individual member states. There are several arguments that support this doubt. First, research on determinants of growth suggests that R&D investment is more important for countries that are closer to the technology frontier than to countries that are in technology catching-up stages of their development (Pisani-Ferry and Sapir, 2006: 4). Second, the uniform 3% target does not take into account the effects of industrial specialization (van Pottelsberge, 2008). Countries with different investment structures simply need different levels of R&D investment. Third, for EU members with R&D over or close to 3% of GDP this kind of benchmark is either useless or at least not very stimulating. For other member states, especially for some "new" ones, the 3% target is simply too high to be considered as an appropriate stimulus for reforms. Fourth, R&D investment is an input indicator which by its very concept cannot be a good indicator of output performance. If the money is being spent suboptimally then even large financial inputs cannot be sufficient for the achievement of the stated objectives.

Assessment of the Lisbon governance mechanism

In March 2000 when the Lisbon Strategy was launched, the OMC was introduced as a policy instrument for its implementation. The OMC consists of four ingredients: fixing common guidelines for national policies; developing indicators of national performance to compare best practice; asking countries to adopt National Action Plans (NAPs) to implement the guidelines; and joint monitoring and review of results (Sapir et al., 2003). This was confirmed in principle and elaborated in its procedures at the March 2005 European Council when the Lisbon Strategy was "relaunched".

The OMC is a policy instrument that has brought together different processes applied in areas such as employment policy, education policy, research and innovation policy and labour markets, where there are large differences between national preferences and policies, where member states operate in the absence of competences and instruments at the EU level, and where cooperation among the member states is based primarily on coordination of national policies. The OMC is therefore a very soft process of intergovernmental coordination where decisions are taken mostly by consensus. These decisions typically lead to recommendations for action for member states and the European Commission that have political significance but no binding legal power (Cohen-Tanugi, 2008).

The ten years of the Lisbon Strategy, in its original and relaunched versions, have clearly confirmed that its great weakness lies not in its principles and objectives

but in the OMC as its implementation mechanism. The OMC weaknesses can be summed up as "no solid legal basis, a weak decision-making capacity because of the requirement of consensus, and decisions limited to soft law outside the realm of Community hard law" (Cohen-Tanugi, 2008: 47).

The systemic weaknesses of the OMC as a policy instrument have been clearly recognized already during the Lisbon-I period (see, for example, Sapir, 2003; Kok, 2004). Even though some of the recommendations, such as the introduction of NRPs and the appointment of a "Mr/Ms Lisbon" in each member state, have been introduced into the process at the launch of the Lisbon-II in March 2005, the OMC process can still be assessed as a failure. This was mainly because of the systemically inbuilt weaknesses of the OMC, but partly also because of other factors, such as the highly inappropriate treatment of the Lisbon Strategy expenditures in the EU budget negotiations where these expenditures were de facto treated as a budgetary reserve (see the following section), and also weaknesses in the implementation of the OMC governance instruments introduced in 2005.

There is clear disappointment about the level of political ownership of the NRPs, especially in view of the fact that these programmes have been considered as the main governance innovation of the Lisbon-II (Pisani-Ferry and Sapir, 2006). Few anecdotal facts concerning this issue can be pointed out. Parliaments in several member states have been poorly included in the process. Mr/Ms Lisbon have in some member states been appointed at a civil servant level, meaning that the process remained to a large extent a bureaucratic exercise only. Furthermore, having Mr/Ms Lisbon appointed at different levels, politician vs. civil servant, also reduces the possibilities for fruitful cooperation among themselves.

Another important weakness of the Lisbon Strategy governance structure is that there is no clear focal point in the Council that would have an "umbrella ownership" over this strategy. The mandate to discuss the Lisbon Strategy issues is allocated among councils of different configurations. This institutional structure does not bode well for the interests of the Lisbon Strategy objectives when they are faced with the views/positions of the ECOFIN (Economic and Financial Affairs Council) which have a much clearer and straightforward structure and whose activity is largely based on Community hard law.

Last but not least, there seem to be some methodological problems associated with the implementation of the Lisbon Strategy. The 2005 relaunch of the Lisbon Strategy introduced so-called "integrated guidelines" as the main instrument for achieving consistency among member states in policies aimed at reaching the objectives. Even though the document is titled "Integrated Guidelines", it contains as many as 24 intermediate objectives designed to meet the Lisbon Strategy's principle goals or targets, including growth rates (3%) and overall employment rates (70%), and encompasses a wide range of macroeconomic, microeconomic and employment policies. Methodological problems with the integrated guidelines are many.

The main ones among them are the following. First, they are extremely broad and complex in character. The guidelines address practically all macro and structural policy areas of a member state. As a consequence, the guidelines de facto set a large number of policy priorities. Experience, however, shows that too many priorities may be easily transformed into no priority at all. Second, the integrated guidelines are universal, meaning that they provide the same guidelines for all the member states even though they are very different in terms of the characteristics and problems of their economies. Furthermore, member states are at very different levels of socio-economic development, especially after the 2004 eastern enlargement. Third, the first two deficiencies lead directly to the next one. The guidelines are only taken notice of very loosely, not only when the member states draft their NRPs but also when the Commission makes an assessment of these documents. In evaluating the NRPs, "the Commission does not appear to follow the letter of the guidelines very closely and instead focuses on national priorities" (Pisani-Ferry and Sapir, 2006).

In conclusion, in contrast to Lisbon-I which has been generally assessed as a complete failure, the results of Lisbon-II are mixed. While Lisbon-I objectives were articulated very broadly, Lisbon-II has focused on two priorities – growth and employment. There is no doubt that the renewed Lisbon Strategy has been more effective than its predecessor (Lisbon-I) with respect to the streamlining of objectives to be achieved in order to transform the EU into an innovation-based economy. On the other hand, however, implementation of the strategy through the OMC, in spite of certain adjustments introduced in 2005, continues to be close to a failure.

Challenges for the future EU Lisbon-type structural reforms[3]

Globalization

Looking into the future is always associated with great uncertainties. Nevertheless, current trends within the EU together with its current political ambitions are important ingredients for outlining Europe's future image. In contrast to the previous 50 years when the EU primarily focused on itself, as its activities were primarily aimed at addressing internal challenges, in the future the EU must turn a significant share of its attention outwards. The list of challenges with obvious implications on post-2010 structural reforms within the EU includes, among others, the ones that are elaborated in contunuation of this chapter (based on Mrak et al., 2007). Due to rapid technological changes, particularly in the areas of information communication technology, transport, logistics and services, geographical distance is becoming less of an obstacle for a number of economic activities and this logically stimulates the processes of internationalization and economic integration on the global scale. For

3 This section outlines only those challenges that have implications for structural reforms of the EU as the core of its Lisbon Strategy. The section, therefore, does not address some other important challenges, such as further enlargements of the EU.

EU globalization challenges are of two types: how to replace jobs lost in traditional industries, primarily due to the relocation of certain activities outside the EU, with new, quality jobs; and how to stop lagging behind the US and Japan as regards innovation in high technology sectors with a view to increasing the EU's long-term international competitiveness. The answer to both is a transformation from a declining traditional manufacturing base to a knowledge-based economy.

Climate change and energy

If the world does not change its attitude to the environment and begin a determined reduction of greenhouse gas emissions the entire population of the planet, including all EU citizens, will encounter significant long-term negative consequences of atmospheric warming in the decades ahead. Challenges in the area of climate change are linked to potential food production problems and, even more so, to the challenges the world faces regarding energy. For the EU, these challenges are further complicated by its high energy import dependence. Today, the EU covers approximately one half of its energy needs by importing oil, gas and coal from third countries. This share is expected to rise to 70% by 2030 which is a clear indication of the vulnerability of EU member states in the area of energy supply. The EU can solve its dependence on high energy imports only in the long term and only with the use of technologies which are still in the research phase. Energy is clearly an area in which the EU must resolve at least some problems collectively. In this context, investment in research and development of new technologies and the construction of networks (for transferring energy between member states to increase the stability of the European energy system, and for linking with energy sources within the EU environment) are increasingly recognized as "European public goods".

Ageing of the population and immigration

The next great challenge the EU will encounter in the coming decades is the ageing of its population, where it is clear that immigration flows to the EU will not only be likely but urgent. The EU's ageing population will have strongly negative impacts on public finances through increasing expenditure for health care and pensions. The problem will be further aggravated because of the decreasing working age population. The ageing of the population may negatively affect Europe's competitive position associated with an increased scarcity of young and highly educated employees. In addition to immigration which is directly or indirectly stimulated by the ageing of the European population, or immigration which is the result of the search for opportunities for a better life, the EU will face immigration driven by other reasons in the coming decades. Climate change, which according to assessments will have the greatest negative effects on countries located in the south of the European continent, could result in famine, poverty and even the outbreak of related regional conflicts in these territories. In the search for solutions to their existential problems,

populations from the aforementioned area will begin to emigrate. It is realistic to expect that the EU will be a very attractive destination.

Ongoing financial and economic crisis

After several years of favourable growth, economic conditions in the EU member states deteriorated rapidly in the last year. The slowdown in economic activity caused mainly by the global financial crisis is broad-based with a large majority of all member states registering negative growth in 2009. Investment as a driving force of the economic growth in previous years declined substantially in 2009 reflecting the impact of multiple shocks: from weakening in demand and a marked drop in investor confidence to tightening of financing conditions and a reduction in credit availability. For the time being, the euro has been acting as a strong stabilizing factor in the current crisis but the government budgets are set to deteriorate considerably putting fiscal sustainability under severe pressure. The current economic crisis will also have significant implications for the core economic principles on which the EU functions. In the recent period, for example, we have seen some basic internal market policies, such as competition policy and state aid policy, being interpreted more loosely than before. Furthermore, the financial crisis has raised the question as to how to regulate the single market in financial services and, more specifically, how to regulate the activity of large transnational financial institutions (Tilford and Whyte, 2009).

In search of the post-2010 EU strategy

Concept/objectives of the post-2010 Lisbon Strategy

The basic parameters of the Lisbon Strategy that were set at the 2000 Lisbon European Council remain by and large valid after almost a decade. The strategic goals of the EU set at that time and not achieved in the past decade continue to reflect the major challenges that the EU as a whole and its member states individually are faced with in the highly globalized and multi-polar world characterized by rapid technological change. Some of the challenges already experienced at the time when the Lisbon Strategy was articulated and adopted continue to be present today. For example, the EU still lags behind the US in terms of productivity and innovation- and in some of these areas the gap has even widened. There are, however, some entirely new challenges, including the growing competition from large emerging economies, such as China, India, Brazil and Russia, increasingly urgent energy and climate issues, the effects of the introduction of the euro and eastern enlargement, and recently also the financial and economic crisis that have to be addressed as well. All these challenges could represent a threat to the EU economies but at the same time they could also be looked on as an opportunity for the EU to posi-

tion itself properly in the changing international environment. The Lisbon Strategy implemented throughout the past decade has been a comprehensive programme of structural reforms aimed at revitalizing EU economies and these reforms are still needed. Furthermore, structural reforms in the EU member states will have to be not only intensified but also adjusted to the new realities of the continuously changing global environment.

The post-2010 strategy of EU structural reforms should on the one hand represent a continuation of the processes launched in 2000; they should remain focused on increasing the EU's competitiveness in the world. On the other hand, they should introduce knowledge and innovation into the very heart of the EU's economic, social and environmental development. While the social dimension of the Lisbon Strategy, revised in 2005, has been clearly recognized, most visibly through the employment objectives, this has not been the case for its environmental dimension with an implicit or even explicit argument that environmental objectives may have negative consequences on the international competitiveness of the EU economy. Environmental objectives have regained their importance in the context of the growing importance of integrated energy – the climate policy launched by the EU in recent years. A key building block for implementation of this policy, as well as of several other structural adjustment policies of the EU, is their reliance on knowledge and innovation.

In contrast to the Lisbon Strategy which is focused exclusively on internal policies, the new strategy has to be more "outward" oriented. The EU must find effective answers to the new challenges stemming from the external environment if it wishes to maintain and even strengthen its relative position in the world. The real global challenge with which Europe is now confronted is to stay in the race, in terms of prosperity and international influence, in a world that is bound to be dominated by an American/Asian duopoly" (Cohen-Tanugi, 2008: 98).

To sum up, in the post-2010 period the EU should embark on a comprehensive "sustainable development oriented Lisbon Strategy". Based on instruments driven by knowledge and innovation the strategy should aim to achieve the economic objectives of growth, competitiveness and employment with due consideration given to the achievement of environmentally and socially balanced development. Under this concept of the post-2010 Lisbon Strategy, policy instruments should include a wide range of institutional and structural reforms in various areas of economic, social and environmental development which due to the subsidiarity principle would to a large extent remain under the member states' authority. Expenditures aimed at achieving the strategy's objectives should include not only expenditures for R&D and human resource development but also expenditures for infrastructure financing, including for energy and climate change purposes, as well as expenditures for cohesion and rural development purposes. This concept of the Lisbon Strategy implies that one policy instrument would be applied for achieving several objectives.

For example, funds for R&D allocated with a clearly determined purpose of suporting the best performing R&D entities would be complemented by a redistributive objective of reducing the technological gap among the member states. On the other hand, funds that have been allocated for redistributive purposes, such as cohesion funds, would be used in line with the Lisbon Strategy allocative objectives.[4]

From the substance point of view the concept presented above of the post-2010 Lisbon Strategy is relatively close to the original Lisbon concept. With an extremely vague governance structure the Lisbon-I concept has been rightly criticized as a concept with too many objectives. If the existing OMC governance structure were enhanced with stricter forms of policy coordination in at least some segments of the post-2010 Lisbon Strategy then implementation of the with multiple objectives might also become more feasible.

Governance of the post-2010 Lisbon-type strategy at the member state and EU levels

In spite of some adjustments introduced in 2005, deficiencies in governance have remained the weakest point of the Lisbon Strategy. This section articulates a number of recommendations aimed at strengthening the governance of the post-2010 Lisbon-type strategy and provides a more or less detailed argument supporting these recommendations. The recommendations could be grouped under two headings: first, recommendations aimed at improving governance at the national level, and second, recommendations aimed at improving governance at the EU level.

At the level of a member state, the key component of the revised Lisbon Strategy governance has been the country's NRP. As the OMC will remain the core of the Lisbon-type strategy governance in the post-2010 period it is of utmost importance to effectively address its key weaknesses at the national level. Two central problems have been identified with respect to NRPs: a lack of political ownership in the member states and weaknesses in the methodology and design of the NRPs. The following is being recommended to address these deficiencies: First, member states should introduce some minimal standards regarding the in-

4 An alternative concept of the post-2010 Lisbon Strategy would be a "competitiveness focused Lisbon Strategy". Under this concept, the post-2010 Lisbon Strategy objectives would be defined more narrowly and would be by and large focused on strengthening the international competitiveness of the EU. Within such a scenario policy instruments would mainly include structural and institutional reforms in the areas of competition and state aid, labour and financial market reforms and other service sector reforms. Under this concept additional funding needs for its implementation would be rather limited. They would be focused on R&D investments and on human resource development funding with the latter, due to the subsidiarity principle, being more or less under the member states' authority. Following this concept of the post-2010 Lisbon strategy, EU budget resources aimed at achieving this objective could be clearly put under a separate heading whereby resources would be allocated among the member states exclusively on the basis of the excellence principle. This concept would allow application of the principle "one objective, one policy instrument". The concepts of the "sustainable development focused Lisbon Strategy" and the "competitiveness focused Lisbon strategy" were outlined by Janez Šušteršič in an internal document prepared for the government of the Republic of Slovenia in October 2008.

volvement of parliaments in the processes of preparation and implementation of national programmes for Lisbon-type strategy implementation. Furthermore, governments in member states should create the conditions whereby activities designed and implemented within the context of a Lisbon-type strategy will have a more prominent position in their overall activities than in the past. An integral part of this process should be that the position of the Mr/Ms Lisbon is assumed by a minister with an important development portfolio in the government and not by a mid-level civil servant as used to be the case in some member states. Last but not least, the media should be attracted to make their own analyses and to measure successes and failures of their own country vis-à-vis their EU partner states.

Second, the methodology and design applied to the preparation of national programmes for the implementation of the post-2010 Lisbon-type strategy should be significantly changed from the one applied in the existing NRPs. New national programming documents should move away from simple numerical targets and from universality for all member states. In contrast, these documents should be country specific and should contain a plan of action which would benchmark the member state against other member states at a similar level of development and with a similar economic structure. The plan for an individual member state should specify a wide range of quantitative and qualitative indicators which would allow a thorough assessment of the state's actual performance. In addition, the plan should set clear country specific targets for each member state to be achieved in the short and medium term and should also provide guidance as to how these targets are expected to be met.

Major changes are also needed in governance at the EU level. Even though the OMC is conceptually a rather vague concept of governance, there is still plenty of room for its improvement. The following recommendations related to the work of the Commission and the Council aim to improve the governance of the post-2010 Lisbon-type strategy.

First, the Commission's process of NRP evaluations should be strengthened. It is true that responsibility for implementation of Lisbon-type reforms rests primarily with the member states themselves and that consequently the Commission has relatively limited power to force the member states to design and implement structural reforms. Nevertheless, there are at least two areas where the Commission can make a difference. It can design and put into operation an improved methodology for assessing the NRPs. The methodology for assessing these programmes should aim to enable a more structured surveillance of structural reform in the EU member states. The characteristics of this methodology should also complement the methodology applied for assessing a country's macroeconomic and, especially, fiscal policy framework as embodied in national convergence programmes. Furthermore, benchmarking and peer pressure should become a much more efficient governance component of the post-2010 Lisbon-type strategy. Within this framework,

the Commission should be more courageous in designing and publishing league tables outlining the member states' performances with respect to meeting or failing to meet the stated strategy objectives.

Second, the role of the Council should be significantly strengthened in governing the post-2010 Lisbon-type strategy. Under the existing governance structure, Lisbon coordinators have no formal decision-making role in the Council and consequently their deliberations are considered as not much more than a "debating club". The obligatory appointment of ministers as Mr/Ms Lisbon in all the member states (as proposed above) should be accompanied with the formation of a "Lisbon Council" (or "Europe 2020 Council"). For the time being, the Lisbon Strategy is an "orphan" within the Council. While decisions of the European Council on macroeconomic issues are taken based on the strong and growing role of the ECOFIN Council, decisions on structural actions and measures are driven by the relatively complex Competitiveness Council structure (depending on the items on the agenda, this Council is composed of European affairs ministers, industry ministers, research ministers). Very often decisions on the Lisbon Strategy issues are being prepared by the General Affairs and External Relations Council with poor or no participation by national Mr/Ms Lisbons. What is being proposed is a dual-track Council governance structure whereby the ECOFIN Council would continue monitoring the macroeconomic framework while the post-2010 Lisbon Strategy would be governed by the newly created Lisbon Council. Its work would be supported by a High-Level Working Group similar to the way in which the ECOFIN Council is supported by the Economic Policy Committee.

Sažetak

Razmatrajući desetogodišnja ostvarenja Lisabonske strategije moglo bi se zaključiti da nije ostvarila primarni cilj transformacije EU-a u najdinamičnije i najkonkurentnije gospodarstvo svijeta. Ipak, umjesto da se Strategiju sagledava kao neuspio projekt, realnija je ocjena da je ostvarila različito uspješne rezultate kada govorimo o dostizanju ciljeva, a slabe rezultate u području provedbe. Kada je riječ o ciljevima, rezultati su bolji na području rasta i zapošljavanja, a lošiji u području istraživanja i razvoja. Iako postoje dokazi da su brojne države članice povećale javno investiranje u istraživanja i razvoj, razočaravajuće je mala zastupljenost tih investicija od strane privatnog sektora, znatno ispod cilja zadanog Lisabonskom strategijom. Lisabonska strategija bilježi bolje rezultate u Skandinaviji i "novim državama članicama" nego u nekim većim "starim" državama članicama. U pogledu provedbenih aspekata Strategije navodi se da problem leži u otvorenoj metodi koordinacije (OMK) kao implementacijskom mehanizmu u domeni "mekog prava" koji ne prati mogućnost pravne obveze. Osim toga, na razini država članica "političko vlasništvo" nad Strategijom nije bilo na zadovoljavajućoj razini, a prisutni su bili i određeni metodološki problemi u vezi s njezinim integriranim smjernicama, koje su sadržajno bile vrlo široke i kompleksne

što je rezultiralo prevelikim brojem prioriteta. Osim toga, s obzirom na to da među državama članicama postoje znatne strukturne razlike, primjena integriranih smjernica po principu "jedna mjera za sve" pokazala se prijepornom. U tekstu se napominje da neostvareni strateški ciljevi EU-a postavljeni 2000. i dalje odražavaju glavne izazove s kojima se suočavaju kako Unija u cjelini tako i njene države članice. Na obje razine suočeni smo s visoko globaliziranim i multipolarnim svijetom koji karakterizira brza tehnološka promjena. Stoga bi strategija kojom se promoviraju strukturne promjene EU-a u razdoblju nakon 2010. trebala ostati fokusirana na povećanje konkurentnosti, no uz istovremeno pozicioniranje znanja i inovacija u samo središte ekonomskog, društvenog i okolišnog razvoja. Nasuprot Lisabonskoj strategiji, koja je usredotočena isključivo na interne politike, nova strategija trebala bi biti okrenutija "prema van". Među brojnim izazovima s kojima će se morati suočiti strategija za razdoblje nakon 2010. naročito treba izdvojiti: globalizaciju, klimatske promjene i energetiku, starenje stanovništva i imigraciju te posljedice financijske i ekonomske krize. Prilog je pisan u vrijeme koje je prethodilo donošenju strategije Europa 2020, pa autor identificira dva moguća scenarija za nastavak strategije lisabonskog tipa nakon 2010. Prvi scenarij može se okarakterizirati kao "Lisabonska strategija okrenuta održivom razvoju" i podrazumijeva širok dijapazon institucionalnih i strukturnih reformi u različitim područjima ekonomskog, društvenog i okolišnog razvoja koje bi zbog principa supsidijarnosti velikim dijelom ostale pod ingerencijom država članica. Alternativni koncept naznačen je kao "Lisabonska strategija fokusirana na konkurentnost" što implicira uže definiranje ciljeva takve strategije, koji bi većinom bili fokusirani na jačanje međunarodne konkurentnosti EU-a. U dilemi između tih opcija autor se odlučuje za "Lisabonsku strategiju okrenutu održivom razvoju". Takva nova strategija putem instrumenata utemeljenih na znanju i inovacijama trebala bi težiti prema ostvarivanju ekonomskih ciljeva rasta, konkurentnosti i zapošljavanja ne zanemarujući pri tome okolišno i društveno izbalansiran razvoj. Prema autoru u razdoblju nakon 2010. strategija lisabonskog tipa na razini država članica trebala bi uvesti neke minimalne standarde u pogledu sudjelovanja nacionalnih parlamenata u procesu pripreme i implementacije nacionalnih provedbenih programa. Nadalje, vlade država članica trebale bi stvoriti uvjete kojima će aktivnosti zacrtane i provedene u sklopu takve strategije imati važnije mjesto među općim aktivnostima vlada nego što je bio slučaj s Lisabonskom strategijom. Autor smatra da bi metodologiju i dizajn koji se koriste za pripremanje nacionalnih provedbenih programa trebalo znatno unaprijediti. Ti bi dokumenti za svaku zemlju trebali biti specifični i sadržavati akcijski plan kojim bi se putem benchmarka država članica uspoređivala s članicama slične ekonomske strukture. Na razini EU-a, autor predlaže da Komisija izradi poboljšanu metodologiju za evaluaciju trogodišnjih nacionalnih reformskih programa u sklopu koje bi mjerenje putem benchmarka te kolegijalni pritisci prerasli u znatno efikasnije komponente upravljanja. Ulogu Vijeća ministara u sklopu nove strategije trebalo bi znatno ojačati, a imenovanja određenih ministara odgovornih za provedbu strategije na razini Unije dopuniti posebnom formacijom Vijeća ministara, tzv. Vijećem Europa 2020.

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PART TWO

THEMATIC ISSUES

COMPETITIVENESS AND EDUCATION WITHIN THE LISBON STRATEGY AND EUROPE 2020

Krešimir Jurlin

Abstract

The 2000 Lisbon European Council defined competitiveness as the main strategic goal and prerequisite for sustainable economic growth, high employment and social cohesion. The more operative measures were introduced through the Integrated Guidelines for Growth and Jobs (IGs), adopted in 2005 and revised in 2008, leading to significant improvements in performance indicators. However, the economic crisis encouraged the adoption of the new strategy called "Europe 2020" to ensure new impetus for dynamic and sustainable growth, reemphasizing competitiveness as the main tool for growth as well as an important issue within macroeconomic surveillance. The immediate policy response to the crisis was a large increase in public spending, and there is a need for a comprehensive exit strategy. Several countries could face stringent surveillance measures, not only at the level of fiscal and current account balance, but more importantly for indicators of problematic factors for national competitiveness that are causing the problem of macroeconomic imbalances. The paper starts by ranking the EU member and other countries regarding competitiveness and elaborating the Lisbon and Europe 2020 strategy goals aimed at increasing competitiveness. The interrelations between competitiveness and economic performance are presented. Two particular areas are taken into consideration in relation to competitiveness – the regulative environment, and education and training. The administrative burden is one of the most important bottlenecks in the competitiveness of the EU countries, and the defined goal of a reduction by 25% by 2012 is well addressed in the Action Programme and in the measurement mechanisms, though significant improvements are still to be reported. In education and training, out of five 2010 benchmarks, only one is on track, while for the 2020 benchmarks, two are above the necessary trend line, and progress should be speeded up for a further two. However, for low achievers, performance has clearly deteriorated. Croatia has made a significant improvement in policies that fall within the Lisbon Strategy, which also represents quite sound public finances. However, there are still significant problems, especially within the administrative barriers for business, higher education and lifelong learning, and decreasing overall competitiveness.

The role of competitiveness for economic development

The "official" OECD definition of a nation's competitiveness is "the degree to which a country can, under free and fair market conditions, produce goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term" (Garelli, 2002). Therefore, the term competitiveness is closely connected to the sustainable growth of GDP in real terms, within the competitive international environment. However,one should not link competitiveness with low labour costs, bearing in mind the fact that the most competitive countries in the world are also the most developed ones. They have developed and maintained their productivity level to cope with high incomes for workers by investing in knowledge and technology while designing and marketing high quality goods and services. There is a close relation between competitiveness and factor productivity and the World Economic Forum (WEF) defined competitiveness as "the set of institutions, policies and factors that determine the level of productivity of a country" (WEF, 2009: 4). As the term "competitiveness" in fact refers to the overall success of national economies, it may prove to be an overwhelming task to analyse the underlying factors and even the most important components by which the countries differ.

The most cited yearly study on national competitiveness, the Global Competitiveness Report (GCR) of the World Economic Forum[1] has traditionally focused research on two levels, namely the business sector and the business environment. In recent years, however, more advanced analysis has led to the measurement of competitiveness through 12 pillars: institutions, infrastructure, macroeconomic stability, health, primary education, higher education and training, goods, labour and financial markets, technological readiness, market size, business sophistication and innovation.

Among the 139 countries ranked in the GCR 2010/2011, the countries of northwestern Europe are placed near the top of the list, due to high scores in innovation, new technologies and spending on R&D, high quality education and training (Table 1). On the other hand, some of the "old" member states (EU-15) still significantly lag behind in competitiveness, which is true particularly for Greece, Italy and Portugal, while in the last few years Spain and even Ireland have also recorded a significant drop in position. Rankings of the new members significantly differ with Estonia, the Czech Republic, Poland and Cyprus ranked better than the four lowest ranked EU-15 countries. Poland recorded a significant improvement and proved to be rather resilient to the impact of the crisis, but it led to the rapid fall of Latvia and Slovakia on the WEF competitiveness ladder to join Romania and Bulgaria. Countries of

1 The other important competitiveness ranking is also conducted yearly by the IMD (International Institute for Management Development) in its World Competitiveness Yearbook, focusing on four main pillars – economic performance, government efficiency, business efficiency and infrastructure – consisting of five main sub-factors each. See: http://www.imd.ch/research/publications/wcy/World-Competitiveness-Yearbook-Results/

South-eastern Europe (SEE), that is, prospective EU members, are ranked close to position 100 in the WEF competitiveness ranking which means that they have to significantly improve their national competitiveness. This is also true for Croatia, which, after a notable improvement in previous years, has fallen by 16 places since 2008. Nevertheless, Montenegro improved significantly in the last two years to get into the "Top 50", behind Italy, in 2010. Macedonia and Albania also recorded noticeable progress in their competitive positions.

Table 1. Global competitiveness ranking (2008-2010)

	2010	2009	2008			2010	2009	2008
EU-15					EU-12			
Sweden	2	4	4		Estonia	33	35	32
Germany	5	7	7		Czech Republic	36	31	33
Finland	7	6	6		Poland	39	46	53
Netherlands	8	10	8		Cyprus	40	34	40
Denmark	9	5	3		Slovenia	45	37	42
United Kingdom	12	13	12		Lithuania	47	53	44
France	15	16	16		Malta	50	52	52
Austria	18	17	14		Hungary	52	58	62
Belgium	19	18	19		Slovak Republic	60	47	46
Luxembourg	20	21	25		Romania	67	64	68
Ireland	29	25	22		Latvia	70	68	54
Spain	42	33	29		Bulgaria	71	76	76
Greece	83	71	67		SEE countries			
"BRIC" countries					Montenegro	49	62	65
					Croatia	77	72	61
China	27	29	30		Macedonia, FYR	79	84	89
India	51	49	50		Albania	88	96	108
Brazil	58	56	64		Serbia	96	93	85
Russian Federation	63	63	51		Bosnia and Herzegovina	102	109	107

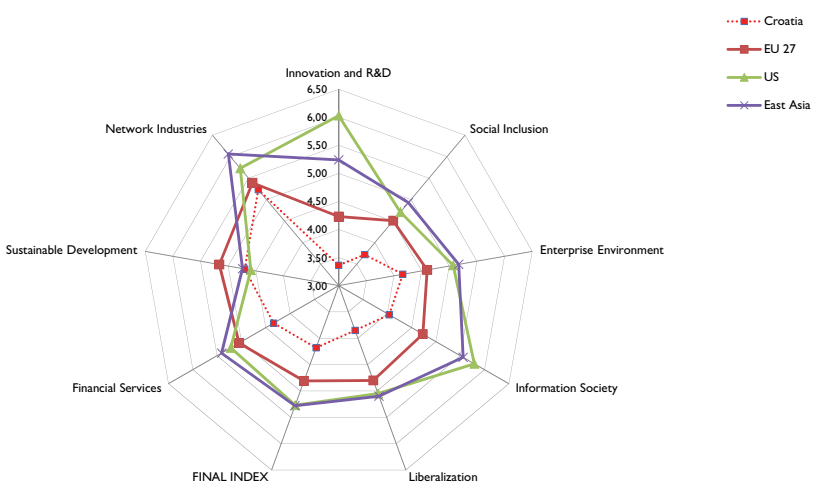
Source: WEF, 2008, 2009, 2010a.

After many years of benchmarking against the United States and Japan, the European Commission has recently started to pay special attention to the competitive threat of the countries that are increasing their share in world trade as well as in the EU markets, namely the BRIC countries (Brazil, Russia, India and China). These countries, although their overall development level is lower than the EU, stand rather well according to the WEF competitiveness ranking. It is most evident for China

which reached position 29 on the global list in 2009, placing it between Ireland and Spain, illustrating the immense improvement in competitiveness of that country as it enters more demanding markets that require the use of high technology and knowledge-based production factors. The share of technology-driven industries in EU imports from China was even higher than in intra-EU imports while the share of high-skill industries also increased very fast. The 2009 edition of the European Competitiveness Report (European Commission, 2010b) looked into the details of the evolution of the BRIC countries. Since 2000, the Triad (EU, US and Japan) has lost shares in global markets as compared to the BRICs and in particular China, which has become the second largest exporter of goods.

The WEF has also conducted a series of biennial studies since 2006, in which it assessed the progress made by EU member countries (as well as for candidate and potential candidate countries) in the goals of the Lisbon Strategy, comparing performance of individual countries and benchmarking the 27 EU member countries against the United States, as well as against the average performance of five of the most competitive economies in East Asia – Hong Kong, Japan, the Republic of Korea, Singapore, Taiwan and China. The comparison was conducted for the eight dimensions that WEF used for measuring the success of reforms within the Lisbon Strategy. According to the results of the 2010 study (WEF, 2010b), the EU performed better than the US and East Asia only in sustainable development and the gap is rather small for financial services and social inclusion. However, there is an immense difference and the EU significantly lags behind the United States and East Asia in information society, innovation and R&D (Figure 1).

Figure 1. WEF Lisbon Strategy performance (2010)



Source: WEF, 2010b.

As for the GCR ranking, several countries that became EU members in 2004 outperformed some of the EU-15 countries in meeting the Lisbon goals, while some of the potential future members (Croatia and Montenegro) also ranked better than the four lowest ranked EU members – Poland, Italy, Romania and Bulgaria (Table 2).

Table 2. Comparative ranking of the scores of the EU and the SEE countries according to selected Lisbon criteria (2006 and 2010)

	Final index				Sub indexes			
	Rank		Score		Information society		Innovation and R&D	
	2006	2010	2006	2010	2006	2010	2006	2010
Montenegro	31	22	3.14	4.19	2.94	3.95	2.80	3.32
Greece	23	23	4.19	4.18	3.17	3.55	3.77	3.81
Croatia	25	23	3.93	4.18	3.69	4.04	3.32	3.36
Poland	27	24	3.76	4.07	3.32	3.50	3.57	3.64
Italy	24	25	4.17	4.03	4.06	3.74	3.73	3.78
Romania	28	26	3.59	3.96	3.21	3.48	3.17	3.37
Turkey	26	26	3.92	3.85	3.22	3.61	3.27	3.24
Bulgaria	29	27	3.31	3.77	3.09	3.63	2.92	3.12
Macedonia, FYR	30	27	3.28	3.79	2.79	3.86	2.51	2.93
Serbia	31	32	3.14	3.51	2.94	3.29	2.80	2.95
Albania	-	37	-	3.47	-	3.13		2.52
Bosnia and Herzegovina	-	42	-	3.07	-	2.86		2.54
EU-25 average	-	-	4.84	-	4.58		4.24	
EU-27 average	-	-	-	4.81	-	4.73		4.23
EU-15	-	-	-	5.12	-	5.06		4.66

Source: WEF, 2006; WEF, 2010b.

Note: WEF ranking 2006 (N=31) included EU and SEE countries only, while the WEF ranking in 2008 (N=44) encompassed EU, SEE and Central Asian economies; WEF ranking 2010 (N=42).

Croatia has performed rather well in network industries and sustainable development, while for social inclusion, liberalization and information society, the lag behind the EU-27 is very significant. It is interesting to note that in innovation and R&D (where the EU falls far behind the performance of its benchmarks), Croatia stands particularly low, indicating a need for sound strategies that would lead to an improved outcome within the Lisbon Agenda.

EU economic performance and the ongoing crisis

Sustainable and dynamic economic growth is the most evident result of competitiveness, a necessary prerequisite for high living standards, high employment rates and social inclusion. After a fairly healthy GDP growth of 3.2% in 2006 and 2.9% in 2007, the EU-27 growth figure went down to 0.7% in 2008, followed by an immense fall by 4.2% in 2009, only to recover by 1% in 2010, as forecasted (Table 3). The cumulative loss of GDP in the 2008-2010 period was 2.56%, which had a strong impact on employment and public finances, as well as on a number of policies that depend on public spending. Certain countries faced outstanding problems, in particular Ireland where GDP fell by 10.7% in the 2008-2010 period, as well as Lithuania, Estonia and Latvia, where it fell by 12.9%, 16.5% and 24.2% respectively. On the other hand, Poland and Slovakia seem to have been rather resilient to the crisis. Croatia recorded a very significant fall in GDP by 5.8% in 2009, to be followed by a further 1.5% in 2010, according to the recent prognosis of the Croatian National Bank, meaning that Croatia could face problems of stagnation for a longer period than most of the EU countries.

The economic downturn had an almost immediate impact on employment, the most important indicator of the success of economic policies as well as the goal of competitiveness strategies. The EU-27 employment rate, that should reach 75% as defined by the Europe 2020 strategy (for the population aged 20-64), dropped from 70.5% in 2008 to 69.1% in 2009 due to the crisis. In new member states, the fall was even more immense with the employment rate falling to 67.1% in 2009, as compared to 69.7% in 2008. Croatia followed a similar path, falling from 62.9% to 61.7% in 2009, while out of 27 EU member states only Hungary recorded a lower employment rate than Croatia.

The crisis also resulted in a significant fall in foreign trade. The share of exports of goods and services in the GDP of the EU-27 fell from 41.2% in 2009 to 36.5% in 2009, which was close to the 2000 figure (Table 4). The data clearly indicate which countries have problems in external competitiveness, for example Greece with very low exports (18.8% of GDP) and with a downward trend. Malta and Cyprus also show a strong fall in the share of the exports in GDP. Italy, Spain and France also face problems of export competitiveness. Croatia has significantly lower exports in real terms than most of the new EU member states, with a significant fall recorded in 2009.

Table 3. Real GDP growth rates (%)

	2005	2006	2007	2008	2009	2010 (forecast)	2008-2010 cumulative
EU 27	2.0	3.2	2.9	0.7	-4.2	1.0	-2.56
EU 15	1.8	3.0	2.7	0.5	-4.3	0.9	-2.96
Austria	2.5	3.5	3.5	2.0	-3.5	1.3	-0.29
Belgium	1.8	2.8	2.9	1.0	-3.0	1.3	-0.76
Netherlands	2.0	3.4	3.6	2.0	-4.0	1.3	-0.81
France	1.9	2.2	2.4	0.2	-2.6	1.3	-1.14
Luxembourg	5.4	5.6	6.5	0.0	-3.4	2.0	-1.47
Portugal	0.8	1.4	2.4	0.0	-2.6	0.5	-2.11
Germany	0.8	3.2	2.5	1.3	-4.9	1.2	-2.51
Greece	2.2	4.5	4.5	2.0	-2.0	-3.0	-3.04
Spain	3.6	4.0	3.6	0.9	-3.6	-0.4	-3.12
United Kingdom	2.2	2.9	2.6	0.5	-4.9	1.2	-3.28
Sweden	3.2	4.3	3.3	-0.4	-5.1	1.8	-3.78
Denmark	2.4	3.4	1.7	-0.9	-4.9	1.6	-4.25
Finland	2.9	4.4	4.9	1.2	-7.8	1.4	-5.39
Italy	0.7	2.0	1.5	-1.3	-5.0	0.8	-5.48
Ireland	6.2	5.4	6.0	-3.0	-7.1	-0.9	-10.70
Poland	3.6	6.2	6.8	5.0	1.7	2.7	9.67
Slovakia	6.7	8.5	10.6	6.2	-4.7	2.7	3.94
Cyprus	3.9	4.1	5.1	3.6	-1.7	-0.4	1.43
Malta	3.9	3.6	3.8	1.7	-1.5	1.1	1.28
Bulgaria	6.2	6.3	6.2	6.0	-5.0	0.0	0.70
Romania	4.2	7.9	6.3	7.3	-7.1	0.8	0.48
Czech Republic	6.3	6.8	6.1	2.5	-4.1	1.6	-0.13
Slovenia	4.5	5.8	6.8	3.5	-7.8	1.1	-3.52
Hungary	3.5	4.0	1.0	0.6	-6.3	0.0	-5.74
Lithuania	7.8	7.8	9.8	2.8	-14.8	-0.6	-12.94
Estonia	9.4	10.0	7.2	-3.6	-14.1	0.9	-16.45
Latvia	10.6	12.2	10.0	-4.2	-18.0	-3.5	-24.19
Croatia	4.2	4.7	5.5	2.4	-5.8	-0.5	-4.02

Source: Eurostat, 2010a.

Table 4. Share of exports of goods and services in GDP

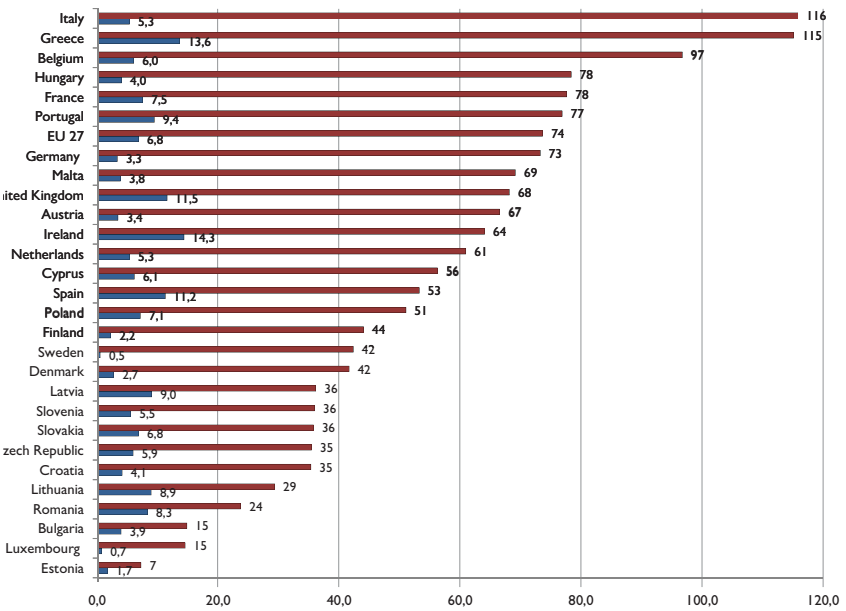
	Share of exports %			Growth rate	
	2000	2008	2009	2000-2008	2008- 2009
EU 27	35.9	41.2	36.5	5.3	-4.7
EU 8 (2004)	57.4	66.1	60.3	8.7	-5.8
Luxembourg	150.0	172.8	160.3	22.8	-12.5
Ireland	98.3	83.5	90.8	-14.8	7.3
Hungary	73.1	82.1	77.9	9.0	-4.2
Belgium	78.2	85.8	73.4	7.6	-12.4
Malta	92.1	82.8	72.7	-9.3	-10.1
Estonia	84.6	75.6	70.6	-9.0	-5.0
Slovakia	70.5	83.0	70.1	12.5	-12.9
Netherlands	70.1	76.8	69.3	6.7	-7.5
Czech Republic	63.4	77.1	69.1	13.7	-8.0
Slovenia	53.9	67.7	58.9	13.8	-8.8
Lithuania	44.7	60.2	53.8	15.5	-6.4
Bulgaria	55.7	60.5	50.0	4.8	-10.5
Austria	46.4	59.4	50.0	13.0	-9.4
Sweden	46.5	53.3	48.5	6.8	-4.8
Denmark	46.5	55.0	47.2	8.5	-7.8
Latvia	41.6	42.8	43.2	1.2	0.4
Germany	33.4	47.3	40.7	13.9	-6.6
Cyprus	55.4	44.8	39.4	-10.6	-5.4
Poland	27.1	40.0	38.9	12.9	-1.1
Finland	43.6	47.1	36.2	3.5	-10.9
Croatia	42.0	41.9	36.1	-0.1	-5.8
Romania	32.8	30.4	31.2	-2.4	0.8
Portugal	29.0	32.5	28.0	3.5	-4.5
United Kingdom	27.6	29.2	27.9	1.6	-1.3
Italy	27.1	28.9	24.0	1.8	-4.9
Spain	29.0	26.5	23.7	-2.5	-2.8
France	28.6	26.7	23.0	-1.9	-3.7
Greece	24.9	23.2	18.8	-1.7	-4.4

Source: Eurostat, 2010a.

The immediate policy response to the crisis was a large increase in public spending. The European Economic Recovery Plan (EERP) recommended a fiscal package of 1.5 % of EU GDP (some €200 billion) over the period 2009-2010 to stimulate demand, which rose by mid-2009 to a level of 2.1%. Public spending and investment was considered as the most effective way for preserving employment in the sectors directly affected by the decrease in demand, such as the car industry.

However, following the EERP, a significant number of countries became outside the limits of the convergence criteria of the Stability and Growth Pact (SGP), concluded by the European Council at the Dublin Summit in December 1996. This consisted of fiscal monitoring, warnings and sanctions[2] for the countries that exceed an annual budget deficit of 3% of GDP or have a national debt above 60% of GDP. Greece was a clear candidate for imposing these rules as the country has recorded excessive public deficits for the whole of the last decade, exploding to 13.6% of GDP in 2009. Portugal, Italy and Belgium also did not make the needed fiscal adjustments, together with certain countries outside the eurozone, such as the UK, Poland and Hungary (Figure 2).

Figure 2. Total debt and fiscal deficit of consolidated general government (% GDP 2009)



Source: Eurostat, 2010b.

2 Generally, if a country breaks the rules in three consecutive years, the Commission could impose a fine of up to 0.5% of GDP, but this has never happened. In 2005, the EU Council relaxed the rules to include more flexibility with decisions to declare excessive deficit based on the cyclically adjusted budget, the level of debt, the duration of the slow growth period and the possibility that the deficit is related to productivity-enhancing procedures. Apart from that, there is a long list of exceptions for spending not considered debt for this purpose, including education, research, defence, aid and "the unification of Europe".

The EU-27 general government consolidated gross debt as a total increased from 61.6% of GDP in 2008 to as high as 73.6% in 2009, due to a 6.8% GDP deficit. Therefore there is a need for a comprehensive exit strategy with progressive withdrawal of short-term crisis support and the introduction of medium- to longer-term reforms that promote the sustainability of public finances and enhance potential growth. Regarding this, the Commission adopted a set of tools for stronger EU economic governance. The process of bringing the deficits to below 3% of GDP should be completed, as a rule, by 2013.

Competitiveness as the Lisbon and Europe 2020 strategy goal

Competitiveness was among the main strategic goals of the 2000 Lisbon European Council, "to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion" (European Council, 2000). However, the original Lisbon Strategy did not specify the fields of work or measurable goals regarding competitiveness. As it was envisaged to be the engine for growth and competitiveness and jobs, the Lisbon Strategy specified among its targets: "The shift to a digital, knowledge-based economy, prompted by new goods and services." The second mention of competitiveness was connected to business climate: "The competitiveness and dynamism of businesses are directly dependent on a regulatory climate conducive to investment, innovation, and entrepreneurship."

The Lisbon Strategy contributed to the creation and the broad direction of the EU's policies on promoting economic development and employment. The strategy was an "umbrella" for the definition of the IGs, that were first adopted by the Council in 2005 and revised in 2008. Guideline No. 1 of the IGs 2008-2010 specified that "Member States posting current account deficits that risk being unsustainable should work towards correcting them by implementing structural reforms, boosting external competitiveness and, where appropriate, contributing to their correction via fiscal policies". This guideline tackles the issue of the final results of foreign trade competitiveness, which may be assessed by indicators of current account deficit and dynamics of exports. Guideline 2 stated that "Member States should avoid unsustainable macroeconomic imbalances" in current accounts, asset markets and the household and corporate balance sheets. The eurozone member states "with large and persistent current account deficits[3] that are rooted in a persistent lack of competitiveness" should reduce these deficits significantly, including reduction of real unit labour costs. Furthermore in Guideline No. 6, devoted to economic and monetary union (EMU), the need for structural reforms was specified that improve productivity, competitiveness and economic adjustment to asymmetric shock. Under this guideline, the dynamics of restructuring is the main focus. Possible indica-

3 According to Eurostat data, Spain, Portugal, Italy, Romania and Bulgaria may be considered as countries with persistent current account deficits.

tors include those on productivity and the dynamics of structural change at the sectoral level.

Guideline No. 10 was focused specifically on competitiveness, stating that "The necessary pursuit of a modern and active industrial policy means strengthening the competitive advantages of the industrial base, including by contributing to attractive framework conditions for both manufacturing and services". The listed activities for member states include: identifying the added value and competitiveness factors in key industrial sectors and addressing the challenges of globalization; focusing on the development of new technologies and markets by promoting new technological initiatives; and development of networks of regional or local clusters across the EU. This guideline was rather broadly written which does not enable a straightforward and simple monitoring. Possible indicators include the dynamics of the value added by sectors, the share of medium and high technology in production, and services and data on clusters.

The 2008 guidelines provided a basis for National Reform Programmes (NRPs), tackling the most important issues of economic and labour market reform. Nevertheless, the guidelines also faced criticism for not clearly stating priorities and lacking links that should bring them together as a consistent and strong development framework, which became rather evident recently when most of the member states were strongly hit by the global recession.

However, the global economic crisis in 2008-2009 took away a large part of the improvements in competitiveness gained since 2000. Among others, this was the starting point of the new Europe 2020 strategy in which the Commission envisages an impetus for the dynamic and sustainable growth of productivity and social inclusion, based on smart and strong economic governance that would lead to an employment rate of the population aged 20-64 of at least 75% by 2020. In the new strategy, competitiveness is very much emphasized and it is stated that:

"...we (EU) must improve our competitiveness vis-à-vis our main trading partners through higher productivity. We will need to address relative competitiveness inside the Euro area and in the wider EU. The EU was largely a first mover in green solutions, but its advantage is being challenged by key competitors, notably China and North America. The EU should maintain its lead in the market for green technologies as a means of ensuring resource efficiency throughout the economy, while removing bottlenecks in key network infrastructures, thereby boosting our industrial competitiveness."

The Europe 2020 strategy also asked for more stringent country reporting in fiscal policy and "core macroeconomic issues related to growth and competitiveness". In order to support integration of economic policies, in June 2010, the European Council formally adopted the strategy and reaffirmed the importance of competitiveness and its role in macroeconomic surveillance, urging the development of a

scoreboard to better assess competitiveness developments and imbalances and to allow for early detection of unsustainable or dangerous trends (European Council, 2010).

Within the Europe 2020 strategy, Guideline No. 1 is devoted to quality and the sustainability of public finances stating that: "Member States should achieve a consolidation of well beyond the benchmark of 0.5 % of gross domestic product (GDP) per year in structural terms until medium-term budgetary objectives have been reached." Also, member states should prioritize "growth-enhancing items" such as education and skills, R&D and innovation and investment in networks, for example high-speed Internet, energy and transport interconnections – that is, the key thematic areas of the Europe 2020 strategy. Furthermore, sectoral support schemes should be ruled out early as they carry large budget costs, while access-to-finance support should continue until there are clear signs that financing conditions for business have normalized.

In Guideline No. 6 of the Europe 2020 strategy, it is envisaged that member states should ensure well-functioning, open and competitive goods and services markets and continue to improve the business environment by modernizing public administrations and reducing administrative burdens.

It is important to note that competitiveness covers a wide range of issues that fall beyond the limited scope of this chapter, which will focus only on the selected issues of competitiveness that are in line with the Lisbon Agenda, namely economic performance (1), administrative barriers (2) and education and training (3).

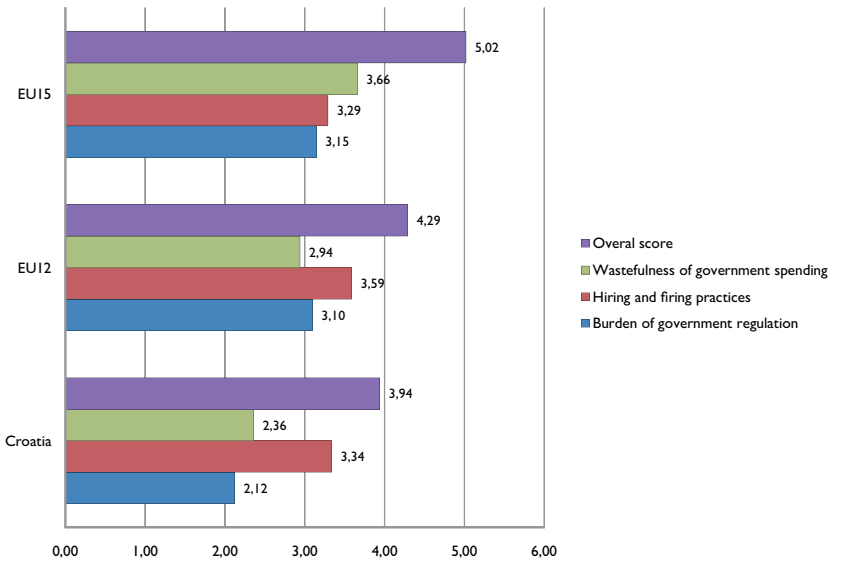
Competitiveness in the European Union is supported through the Competitiveness and Innovation Programme (CIP) (2007-2013) set up by the European Union to strengthen competitiveness and innovation capacity in the EU, advancement of the knowledge society and sustainable development. The CIP should help to connect research and innovation and also complements the structural funds of the regional policy. The CIP facilitates access to funding for the start-up and growth of small and medium-sized enterprises (SMEs), fosters SME cooperation, promotes innovative actions and encourages entrepreneurship and innovation culture. Its main objectives are to foster the competitiveness of enterprises, in particular SMEs; to promote all forms of innovation, including eco-innovation; to accelerate the development of the information society; and to promote energy efficiency and new and renewable energy sources.

Regulative environment for competitiveness

Although market regulation is very important, it also produces costs for businesses. The burden of regulation is one of the most important bottlenecks of the EU countries, as often detected throughout the executive surveys conducted for the

WEF Global Competitiveness Report. For the EU-15 the average survey score (in the 1-7 range) for government regulation in 2010 (see Figure 3) was as low as 3.15, compared to the overall average score of 5.02 for these countries. Not much better were the scores on labour market regulation (3.29) and overall wastefulness (non-productive use) of public spending (3.66). The results were similar also for the new EU members, as well as for Croatia, with a very low score for government regulative burden and wasting of public funds, although somewhat relatively better than in the EU-15 for labour market regulation.

Figure 3. Regulative burden in the WEF executive survey 2010/2011



Source: WEF, 2010a.

Note: the survey questions are as follows: Wastefulness of government spending: how would you rate the composition of public spending in your country? 1 = extremely wasteful, 7 = highly efficient in providing necessary goods and services. Burden of government regulation: how burdensome is it for businesses in your country to comply with governmental administrative requirements (e.g. permits, regulations, reporting)? 1 = extremely burdensome, 7 = not burdensome at all. Hiring and firing practices: how would you characterize the hiring and firing of workers in your country? 1 = impeded by regulations, 7 = flexibly determined by employers.

In 2006 the European Commission clearly defined administrative costs as expenses and these were linked to legal obligations to provide information on administrative burdens – costs specifically linked to information that businesses would not collect and provide in the absence of a legal obligation. Since 2007, the Commission has been focused on measuring administrative costs and reducing administrative burdens. Guideline No. 14 of the IGs 2008-2010 proscribed that member states should reduce the administrative burden for enterprises, particularly for SMEs and

start-ups and improve the quality of existing and new regulations. They should also consider and make progress in measurement of the administrative burden associated with regulation, as well as the impact on competitiveness, including in relation to enforcement.

Although the business environment is one of the most important components of competitiveness, this guideline did not state any precise goal, tool or measurement by which regulative and administrative burdens will be lowered. In the Implementation Report for the Community Lisbon Programme 2008-2010, Objective 4 specified that the Commission should move towards the target of reducing EU administrative burdens by 25% by 2012 and implement an ambitious simplification programme.

The Action Programme for Reducing Administrative Burdens in the European Union, (European Commission, 2007) specified the actions of the Commission and the member states in reducing the administrative burden on businesses for each year quarter until 2012. The action programme contains a quite precise measurement of administrative burdens and includes immediate measures "fast track actions" (FTAs) that should bring visible benefits through technical changes in existing rules, while thorough changes will be included in the rolling simplification programme. The EU baseline measurement was completed in October 2009 with the identification and description of information obligations and measurement of the administrative costs. Already in 2005, the Commission proposed a common EU methodology for measuring administrative costs imposed by legislation through the Standard Cost Models, measuring the administrative costs by simply multiplying the costs of a single required administrative action by the total number of actions in a year. Following up the invitation from the March 2007 European Council to member states to set their own national targets, by October 2009 all member states had set ambitious targets for reducing administrative burdens.

The European Economic Recovery Plan (EERP) was also focused on the simplification of procedures and faster implementation of programmes financed by the Cohesion Fund, the Structural Funds and the European Agricultural Fund for Rural Development with a view to strengthening investment in infrastructure and in energy efficiency. Furthermore, for 2009 and 2010, public procurement directives were suggested to accelerate procedures, which is justified by the exceptional nature of the current economic situation, in order to reduce from 87 to 30 days the length of the tendering process for the most commonly used procedures for major public projects.

Although regulation will be simplified and reduced, there are fields that require better and even more regulation. The Commission's Communication on "Regulating Financial Services for Sustainable Growth" of 2 June 2010 sets out a comprehensive list of initiatives to be undertaken and completed before the end of 2011, including proposals on financial supervision to ensure that the European Systemic Risk Board

and the three European supervisory authorities can begin working from the beginning of 2011 (European Commission, 2010a).

A number of measures and initiatives were introduced in Croatia with the aim of improving the regulatory environment for competitiveness. One of the most important incentives was in 2006, when the Government of the Republic of Croatia introduced HITROREZ, a project with a target to reduce the number of unnecessary regulations by up to 40%. Up to January 2008, more than 160 recommendations have been implemented, although the lack of administrative capacity and training of public administrators proved to be a bottleneck for full implementation of the recommendations. After this date, the project was not continued as public servants were more focused on carrying out the necessary adjustments of laws and regulations within the process of negotiations for full EU membership.

Education and training for competitiveness

The basic precondition for competitiveness is labour productivity, which is closely connected with acquired education and skills. Education and training were recognized as very important for the creation of the knowledge-based society and economy of the European Union. The adoption of the Lisbon Strategy reinforced the important role of knowledge and innovation for economic growth and employment. The Education and Training 2010 work programme launched in 2001 and its follow-up, the Strategic Framework for European Cooperation in Education and Training ("ET 2020"), adopted by the Council in May 2009 (Council of the European Union, 2009: 2), is a main tool for cooperation between the EU member states and the European Commission in this field.

Considerable progress has been achieved through cooperation so far, particularly in support of national reforms of lifelong learning, the modernization of higher education and the development of common European instruments promoting quality, transparency and mobility.

European cooperation in education has led to the development of a number of EU reference tools to support national reforms. Recommendations and common principles have been developed in the areas of key competences, quality assurance in higher education and in vocational education and training, quality of mobility, validation of non-formal and informal learning, lifelong guidance and the European Qualifications Framework.

The European Reference Framework for Key Competences for Lifelong Learning, adopted in 2006 (European Parliament, 2006: 10), defined eight key competences for social inclusion and employability in the knowledge-based society. In the 2010 joint progress report on the implementation of the key competences recommendation, the conclusions are that most of the countries are introducing reforms at

school with explicit reference to the key competences framework and progress in changing school curricula has been observed.

Within the Lisbon Strategy, there are 16 indicators proposed by the Council in May 2007 (Council of the European Union, 2007) for monitoring the achievements, namely:

(1) indicators which can largely be based on existing data and whose definition is already broadly established (participation in pre-school education, early school leavers, literacy in reading, mathematics and science, upper-secondary completion rates of young people, higher education graduates, participation of adults in lifelong learning, cross-national mobility of students in higher education, educational attainment of the population);

(2) indicators which can largely be based on existing data and whose definition still needs further clarification (special needs education, ICT skills, investment in education and training);

(3) indicators which are still in the process of development (civic skills, adult skills and professional development of teachers and trainers); and

(4) indicators which are still in the process of development and which would be based on new EU surveys (language skills and learning to learn skills).

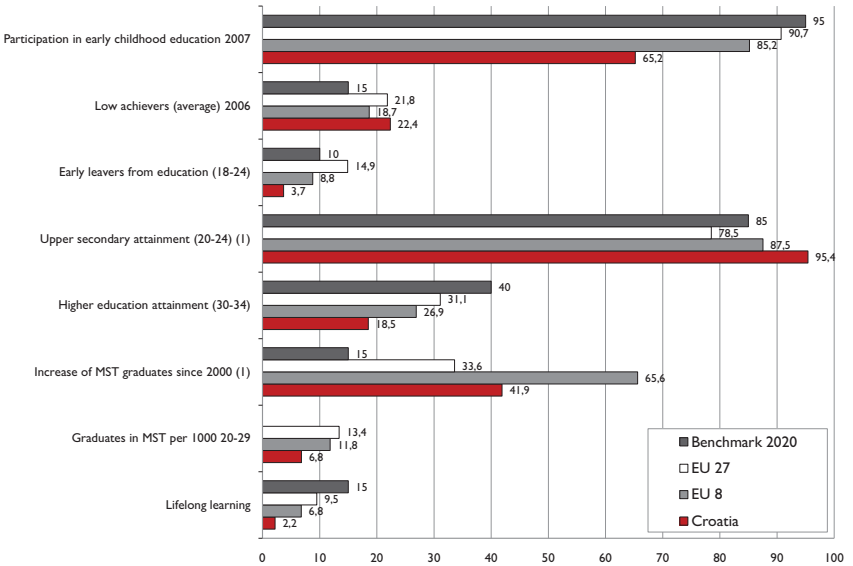
The Council set out broad objectives regarding education through the Education and Training 2010 work programme launched in 2001 (European Commission, 2001). In 2003-2005, the Council adopted benchmarks to be achieved by 2010 (Council of the EU, 2003). Finally, through the Strategic Framework for European Cooperation in Education and Training (ET 2020) adopted in May 2009, benchmarks for 2020 were set.[4]

It is important to note that the benchmarks measure progress towards the achievement of set targets at the EU-27 level, while individual countries should set their own goals, that is, benchmarks. The EU benchmarks provide quite strong instruments for identifying best practices among the EU countries in the field of education and lifelong learning.

The benchmark levels and achievement for the EU-27, EU-8 and Croatia are presented in Figure 4, starting from early childhood education to lifelong learning of adults.

4 Although it is cited that five new benchmarks were set, it is not completely correct. In fact, only two benchmarks were discontinued, one was left unaltered, and two were modified. Therefore, only two benchmarks were completely new.

Figure 4. Education benchmarks and achievement in the EU-27, EU-8 and Croatia



Source: European Commission 2009a; European Commission 2010c.

Note: EU-8 comprise of new EU member states (2004) excluding Cyprus and Malta.

The analysis of progress in implementing the Lisbon objectives in education and training results in the following key findings (Figure 4):

(1) Early childhood education: "by 2020, at least 95% of children between 4 years old and the age for starting compulsory primary education should participate in early childhood education". The value of the indicator increased from 85.6% in 2000 to 90.7% in 2007 for the EU-27, indicating that the benchmark may be met, although set rather ambitious. In Croatia, the increase was very significant, namely from 54% in 2000 to 65% in 2007, although it lags behind the EU-8 (increased from 77% to 85%). This low value is connected with the low overall employment level whereby, mostly in rural areas, children stay at home before elementary school. A further effort in organizing and financing early childhood education is therefore needed.

(2) Low achieving pupils (PISA test): "to reduce by 20% the percentage of 15 year-olds with poor reading skills (2010) and to reduce the share of low-achieving 15 year-olds in reading, mathematics and science to a level lower than 15%" (2020). The figure for the EU-27 actually worsened from 21.3% 2000 to 24.1% in 2006. In the EU-8 the change was just opposite to that, mostly with an improvement to 20.8% in 2006. Croatian performance (21.5% of low achievers) in 2006 was also worrisome. For 2020 the benchmark is significantly redefined to include not only reading, but also mathematics and science and the (combined) figure shall be reduced to a level lower than 15%. Although the calculation method was not specified, most likely the indicator will be monitored as the average of the three indicators

for which the gap is still rather large for the EU-27 (21.8%) and much better in the EU-8 (18.7%). In Croatia, figures for reading and science are significantly better that the EU-27 average; however, the share of low achievers in mathematics stood at a very high 28.6%, which took the average figure significantly below the EU-27 level.

(3) Completion of upper secondary education: "85% share of 20-24 year-olds with at least upper secondary education by 2010." Contrary to the previous benchmark, this one was set too ambitious with an increase from 76.6% to only 78.5% in the EU-27 in the 2000-2008 period. The EU-8 countries recorded somewhat better development and moved ahead of the stated benchmark value. Croatia has rather impressive results as measured by this indicator with a figure as high as 95% in 2008, indicating that policies for further stimulating secondary attainment will not have a high priority. The indicator was discontinued because the issue is well covered by the indicator on early school leavers.

(4) Early school leavers: "less than 10%" share of 18-24 year-olds with only lower secondary education or less and not in education and training." In the 2000-2008 period, the EU-27 figure was reduced only from 17.6% to 14.9%, indicating that the target would barely be met even 10 years later than originally stipulated. In the EU-8 the situation is much better with 8.8% early school leavers in 2008. In Croatia, the figure was more than halved to less than 4% in 2008, which is a rather encouraging figure, but this is also a consequence of very high youth unemployment and very low wages for people with only primary education, so that continuing education is the sole option for almost the whole young population.

(5) Mathematics, science and technology (MST) graduates: "15% increase of MST graduates, compared to 2000, with improved gender balance." Mostly due to the Bologna Process and the increased number of people with a bachelor's degree, the number of graduates increased in the EU-27 by 25% in 2006 and by a healthy 33.6% by 2008. However, most of the graduates continued their education in master's programmes and have not entered the labour market yet, which is not captured properly by this indicator. In the EU-8, the increase was immense, namely by two thirds. In Croatia, the increase was 42%, significantly below the EU-8 average, and not enough to move ahead of the share of MST in total number of graduates (6.8%) at a mere half of the level recorded in the EU-27. In addition, the gender balance improved, although only slightly, by 1.2 percentage points in the EU-27 and by 2.3 in EU-8. The share of female students in MST in Croatia (35%) is significantly higher than the two cited EU averages. It is not clear which policies will lead to more significant improvement in gender balance in MST and moreover why gender policies in higher education should be benchmarked specifically in this field and not in the others. The benchmark on MST graduates has been replaced for the period until 2020 with the one on overall tertiary level attainment.

(6) Tertiary level attainment: "the share of 30-34 year-olds with tertiary (ISCED 5 and 6) educational attainment should be at least 40%." The figure has increased

from 22.4% in 2000 to 31.1% in 2008 in the EU-27, mostly due to the Bologna Process. Still, the goals seem to be rather ambitious. In the EU-8, developments are also rather dynamic with the figure for 2008 at 26.9%, with most of these countries having either high initial levels or showing very dynamic change. Croatia still needs further reforms to improve the rate of students successfully finishing the education process, and 18.5% is a poor success rate compared to Slovenia which reached 31% from an only slightly better initial position.

(7) Participation of adults in lifelong learning: "to increase to 12.5% the percentage of the 25-64 population involved in education (2010) to 15% (2020)." The benchmark seems to be set in accordance with ongoing policies and developments while the figure for the EU-27 increased from 7.5% in 2000 to 8.5% in 2003 and further to 9.5% in 2008. However, developments in the EU-8 are rather slow with an increase only by 0.3 percentage points in the five years to 2008. For Croatia, this indicator is by far the worst among the EU education and training benchmarks with the 2008 figure (2.2%) almost 6 times lower than the 2010 EU benchmark.

For certain indicators benchmarks are not yet specified for a multitude of reasons, including the need to define proper measurement methods, to create consensus on the value of benchmarks and to coordinate policies that would lead to the achievement of the stated goals. One example of an indicator that is already available and can largely be based on existing data is investment in education and training, but benchmarks are still not defined. Traditionally, member states are more reluctant to state precise goals that are connected to public spending. Apart from that, the most commonly used indicator (public sector investment in education, % of GDP, see Figure 5) is influenced not only by policies aimed at improving investment in education but also overall developments in public spending and GDP growth rates.

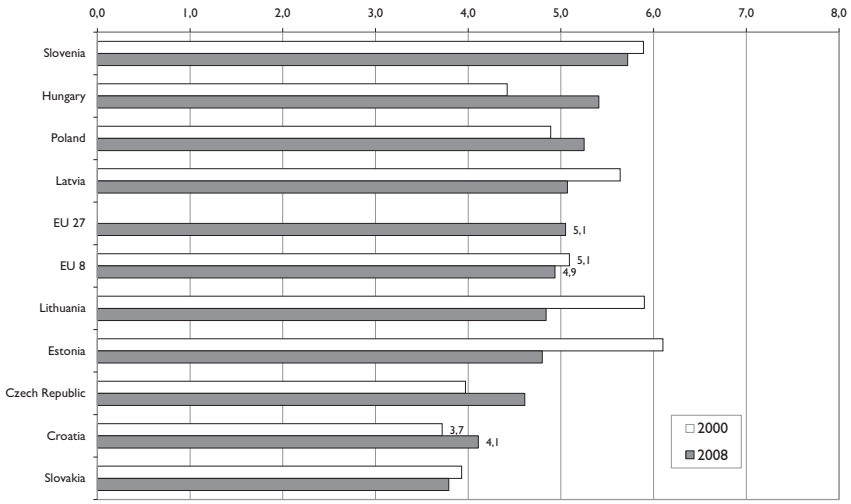
Data indicate that policies in particular countries vary considerably. In some countries (Hungary, Poland and the Czech Republic) public spending on education was increased in the period under review, while in the Baltic countries the figure dropped rather significantly. As a result, the EU-8 average remained almost unchanged, at a 5% level, very close to the overall EU-27 average. These figures may have changed significantly in recent years with large disturbances in GDP growth rates and public spending figures. Croatia lags behind the EU average by 1 percentage point, which is rather significant, indicating that a 25% increase in real terms is needed.

Regarding mobility, employability and language skills, precise benchmarks will be developed by the end of 2010. For mobility, benchmarks are expected to be in line with the Leuven Communiqué, adopted on 29 April 2009 by the ministers in charge of higher education in the countries participating in the Bologna Process, which stipulated that in 2020, at least 20% of the graduates within the European Higher Education Area should have had a study or training period abroad.[5] The

5 See: http://www.ond.vlaanderen.be/hogeronderwijs/bologna/conference/documents/Leuven_Louvain-la-Neuve_Communiqué_April_2009.pdf.

EU has supported mobility in learning through many initiatives, and most of all in the Lifelong Learning Programme 2007-2013, and under the Erasmus Mundus and Tempus programmes.

Figure 5. Public sector investment in education, % GDP



Source: Eurostat, 2010c.

For language skills, the benchmark shall build upon the "Barcelona target", that is, learning at least two foreign languages. Annual data are available from UOE (UNESCO/OECD/Eurostat) data collection (Eurostat specific tables), on how many and which languages are learnt by pupils/students. For 2006, the figures are that 57.6% of International Standard Classification of Education (ISCED) 2 level pupils and 88.8% of ISCED 3 level pupils learn at least two languages.

Employability will be measured by matching education data (ISCED) with labour market requirements by occupation (International Standard Classification of Occupations – ISCO), using the sources available from the EU Labour Force Survey. The issue will connect education with Employment Guidelines Nos 7 and 8 (expand and improve investment in human capital) and adapt education and training systems in response to new competence requirements.

Education will remain one of the priorities in the future strategy. However, it is important to stress that the Europe 2020 strategy reduced significantly the number of targets in the field of education. Guideline No. 8 of the Europe 2020 strategy is focused on the skills of the workforce to match current and future demand in the labour market, while Guideline No. 9 is devoted to education with a headline target to reduce the drop out rate to 10%, increasing the share of the population aged 30-34 with tertiary education to 40% by 2020.

Concluding remarks

The ultimate goal of the Lisbon Strategy (to become the most competitive in the world) has not been reached, with countries like China and India increasing their shares in the world markets, especially in skills and technology driven industries. However, there are a number of important and (partly) successful policies carried out within the field of economic policies, employment, education and training and reducing administrative barriers. Current economic crises have urged for the introduction of more advanced surveillance and control mechanisms while there are significant problems of fiscal and external imbalances in several member states. In recent years, more emphasis has been put on reducing administrative barriers for private businesses, along with setting clear goals, measurement methods and policy mechanisms.

In education, out of five 2010 benchmarks, only the number of MST graduates (the goal was reached even before 2005) is on track, while other benchmarks are not likely to be reached according to ongoing trends. It is important to note that the reading literacy of young people had even deteriorated up to 2006. For the 2020 benchmarks, progress up to 2008 for pre-primary education and tertiary education has been above the necessary trend line. For early school leavers, the goal is hardly to be reached. For low achievers, performance has clearly deteriorated, similarly as for the 2010 benchmarks. In lifelong learning performance the upward trend is too slow to reach the goal.

Although Croatia made a significant improvement in policies that fall within the Lisbon Strategy (as assessed by the WEF), there is still a need to increase efforts, in particular regarding employment and administrative barriers. Croatia shall also more carefully evaluate its policies in education and training to come in line with EU strategic objectives, defined key competences for social inclusion and employability, and use the benchmarks defined for the EU-27 to set measurable goals and track improvements. The indication that it is not done properly is a recent initiative for compulsory secondary education, for which Croatia measures rather well as compared to the EU-27 average. Apart from that, more significant improvements are needed for higher education attainment, including increasing the share of MST graduates, while gender equality is not an outstanding issue. In secondary education more emphasis needs to be put on decreasing the percentage of low achievers in mathematics, which is also connected to low figures in pre-school education in suburban and rural areas. However, most work remains to be done in stimulating the lifelong learning of the adult population for which Croatia lags most significantly behind the EU averages. Apart from that, Croatia needs to carefully follow developments in creating new education benchmarks and the most crucial one shall be on employability, in order to create stronger connections between the education systems and a need for a high-quality and flexible workforce able to contribute to the overall competitiveness of Croatia.

Sažetak

Konkurentnost vodi održivom gospodarskom razvoju, visokoj stopi zaposlenosti i socijalnoj koheziji. Stoga je 2000. godine Europsko vijeće za glavni strateški cilj Lisabonske strategije postavilo povećanje konkurentnosti, smatrajući ga preduvjetom za ostvarenje dinamičnog rasta gospodarstva utemeljenog na znanju. Strategija Europa 2020 koja će od 2011. zamijeniti Lisabonsku strategiju također je svoj fokus zadržala na konkurentnosti kao jednom od važnih strateških ciljeva. U sklopu Lisabonske strategije i strategije Europa 2020, u okviru integriranih smjernica kojima se prati napredak pojedinih zemalja članica, definirani su usporedivi i mjerljivi razvojni ciljevi. Integrirane smjernice također su bile temelj za stvaranje nacionalnih reformskih programa i u konačnici su pridonijele znatnom napretku u ostvarivanju ciljeva Lisabonske strategije, kako u području konkurentnosti tako i na drugim planovima. Rad se bavi samo nekim od širokog spektra pitanja koje pokriva područje konkurentnosti, s fokusom na glavne teme Lisabonske strategije, točnije na gospodarsku učinkovitost, administrativne zapreke te obrazovanje i stručno usavršavanje. Gospodarska učinkovitost obilježena je učincima svjetske krize koja je zahvatila i EU. Pad BDP-a Unije od 4,2% tijekom 2009. snažno je utjecao na zapošljavanje, javne financije i politike koje su ovisne o javnoj potrošnji. Kao neposredan odgovor na krizu, u državama članicama došlo je do velikog povećanja javne potrošnje što je bilo i preporučeno u okviru Europskog ekonomskog plana oporavka (EERP), koji je predvidio fiskalni paket u vrijednosti 1,5% BDP-a Unije (oko 200 milijardi eura) tijekom 2009.–10. kako bi se potaknuo gospodarski rast. Ipak, nakon EERP-a pokazalo se da znatan broj država članica izlazi iz okvira Pakta o stabilnosti iz 1997., koji predviđa fiskalni nadzor, upozorenja i sankcije za države članice euro zone čiji godišnji proračunski deficit prekoračuje 3% BDP-a, a nacionalni dug prekoračuje ili se ne približava dopuštenoj granici od 60% BDP-a. Stoga su se na razini Unije sve glasnije čuli zahtjevi za stvaranjem sveobuhvatne izlazne strategije, tj. za ukidanjem kratkoročnih kriznih potpornih mjera te provedbom srednjoročnih i dugoročnih reformi koje bi promovirale održivost javnih financija i povećale potencijalni rast. U tom smislu Komisija je usvojila paket instrumenata za jaču koordinaciju ekonomskih politika zemalja članica. U skladu s tim mjerama neke bi članice mogle biti suočene sa strogim nadzornim mjerama putem kojih se neće nadzirati samo područje fiskalnog i proračunskog usklađivanja, nego i indikatori koji bi upućivali na problematične faktore nacionalne konkurentnosti. U pogledu administrativnih zapreka, prilog analizira uredbeni i administrativni okvir za konkurentnost te valorizira uspjehe u ostvarivanju postavljenog cilja smanjenja administrativnih zapreka za 25 posto do 2012. prema Akcijskom programu za smanjivanje administrativnih zapreka u EU-u iz 2007. godine. Iako su, općenito govoreći, postavljene mjere rezultirale pojednostavljenjem i smanjenjem administrativnih zapreka, dodatni napredak je moguć, a postoje i područja koja radi povećanja konkurentnosti zahtijevaju bolje, pa čak i brojnije propise. Stoga je u lipnju 2010. Komisija izradila sveobuhvatnu listu inicijativa koje se moraju provesti do 2011., uključujući i prijedloge financijskog nad-

zora, kako bi se početkom 2011. omogućio nesmetan rad Europskom vijeću za sistemske rizike i europskim nadzornim tijelima. Konačno, rad analizira povezanost obrazovanja i stručnog usavršavanja s poticanjem konkurentnosti. Analize provedene u tom području upućuju na to da je od pet mjerila za 2010. samo ono koje se tiče broja diplomiranih studenata iz matematike, prirodnih i tehničkih znanosti na putu da bude ostvaren, dok je primjerice u pogledu čitalačkih sposobnosti mladih čak zabilježen negativan trend u odnosu na 2006. Što se pak tiče mjerila za 2020. zamijećen je znatan napredak (do 2008.) u vezi s predškolskim i sveučilišnim obrazovanjem. Ipak, u pogledu prekida školovanja zadani cilj teško će se ostvariti, situacija u vezi s učenicima i studentima s lošim rezultatima pogoršala se, a u području cjeloživotnog osiguranja uzlazni je trend previše spor da bi se zadani cilj do 2020. ostvario. Hrvatska kao zemlja kandidatkinja ostvarila je znatan napredak u politikama koje pokriva Lisabonska strategija. Prema Izvještaju o globalnoj konkurentnosti, a u vezi s uspješnosti ostvarivanja Lisabonskih ciljeva, Hrvatska je, zajedno s Crnom Gorom, rangirana bolje od četiri države članice (Poljska, Italija, Rumunjska i Bugarska). Razmatrano iz perspektive konkurentnosti Hrvatska je postigla znatan napredak u području javnih financija. Ipak, još su uvijek prisutni veliki problemi u pogledu administrativnih barijera prema privatnom sektoru te u području visokog obrazovanja i cjeloživotnog učenja.

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INVESTING IN R&D IN THE EU AND CROATIA COMMON OBJECTIVES, INDIVIDUAL PATHS

Giorgia Demarchi

Abstract

Fostering social and economic progress is at the heart of the Lisbon Agenda for raising the EU's competitiveness and thus making it better suited to face the global economic challenges of the 20th century. Investing in research and innovation is thus crucial for the EU in order to ensure its progress towards building a sustainable and competitive knowledge-based society and economy. The Lisbon Agenda sets ambitious targets for the EU in this respect, with the aim of meeting its socio-economic goals by 2010 in the areas of growth and employment. These include the aim of spending 3% of the EU's GDP in research and development (R&D), whereby private investment should account for two thirds of the total by 2010. This paper sets out to identify the main trends in R&D and innovation policy within the EU, highlighting disparities among member states in their achievements related to the Lisbon goals. After evaluating the EU's successes and failures in pursuing these policies, drawing distinctions between old and new member states, the paper will turn to the analysis of Croatia's approach to the Lisbon Agenda and to its provisions related to fostering research and innovation. It will conclude that, whilst it is in the candidate country's interest to follow the non-binding recommendations of the Lisbon Strategy, to be seen as part of the acquis and as a trigger for economic and social reforms, Croatia needs to approach this with flexibility and a critical mind. As the shortcomings in the EU's own achievements show, member states and candidate countries alike should formulate focused and realistic objectives. The aim of substantially improving research and innovation policies, increasing investment in these sectors and focusing on the importance of the knowledge triangle continue to be among the highest priorities for the Europe 2020 strategy. Structural issues characterizing each country should, however, be taken into account, and every country, including Croatia, should attempt to do more in promoting innovation, especially in the areas where it has the potential to be most competitive.

Introduction

The Lisbon Strategy, adopted by the EU and partly followed by candidate countries, failed to achieve its desired results by 2010. The strategy envisaged fostering R&D and innovation as important elements of progress towards building a competitive knowledge-based society and economy. In this respect, the EU still lags behind its global competitors. It was unable to meet the quantitative target of investing 3% of its GDP in R&D, of which two thirds would have had to be funded by the business sector, or to foster a climate conducive to sustainable progress in innovation. Despite shortcomings in reaching the overambitious targets set in 2000, some positive developments did take place and represent steps in the right direction for the post-2010 agenda. First, developing debates around the link between innovation and R&D on the one hand, and growth and employment on the other, ensured that these issues would be high on the agenda for years to come. Second, member states had to acknowledge the state of their R&D efforts, starting to develop national strategies for convergence towards common objectives. Lastly, the 2000-2010 developments offer several lessons learned based on which strategic improvements can be made. This applies also to countries not bound to the strategy, but tightly linked to the EU, such as Croatia as a candidate country.

These conclusions will be reached by a three-step analysis both at the level of the EU and of Croatia, which will follow a brief methodological discussion on the link between R&D and innovation and competitiveness. The first step is a comparative analysis of the 3% R&D target. The investigation will then turn to the business sector's contribution to R&D. Finally, qualitative measures of progress in R&D and innovation will be considered, thus offering insights into the importance of structural issues characterizing a single member state. The analysis will show that further efforts towards not only increasing investment in R&D but also improving the overall environment for research and innovation are needed in most member states as well as in Croatia for the post-2010 period.

Theory and debates on the 3% R&D target – some methodological observations

R&D policies in general and investment in R&D in particular have been widely considered good proxies for progress in innovation. Promoting scientific and technological innovation, in turn, is deemed fundamental by the European Commission, research institutes (e.g. the World Economic Forum) and governments alike to foster Europe's competitiveness within the world economy and to promote economic growth. Whilst this paper will not challenge these assumptions, it is nonetheless important to consider some of the methodological weaknesses of this approach.

A thriving debate has developed around the link between the level of R&D expenditure and innovation. The 2007 Integrated Guidelines (IGs) on jobs and employ-

ment identified the level of R&D expenditure as "one of the main explanations for the EU/US innovation gap" (European Commission, 2007: 13). Similarly, the expert group Knowledge for Growth accepted the link between R&D expenditure and firms' growth and profitability, highlighting that the EU level of R&D expenditure is 30% lower than that in the higher-productivity US economy (Foray and Ark, 2008: 1). It is indeed generally agreed that investment in R&D can further innovation in several ways: fostering the creation of new markets or production methods; leading to incremental improvements in the production process; augmenting a country's capacity to absorb new technology; and finally increasing productivity. Predictions on the direct effects on Croatia's GDP growth of reaching the 3% R&D target by 2015 have been put forward by Lejour et al. (2008) in their background paper for the World Bank's Croatia EU Convergence Report.

Whilst accepting the positive impact of R&D investments on innovation in this and other contexts, it is fundamental to underline the complexity of the stimuli for innovation and economic growth. The level of R&D expenditure should therefore only be considered a convenient proxy rather than an absolute indicator of the potential for innovation of a given country. Firstly, innovation requires other elements, such as knowledge of markets, factors of production and so on. Secondly, the level of expenditure in R&D interacts with other elements such as employment and education policies. And thirdly, it is fundamental to bear in mind that an input measure such as R&D expenditure does not necessarily show the efficiency in the use of such inputs and thus does not directly determine innovation outputs (see Mojmir Mrak in this book). For these reasons, composite indicators such as the World Economic Forum's (WEF) Global Competitiveness Index - GCI (WEF, 2009: 3) and the WEF index it created for the evaluation of the Lisbon Strategy progress (WEF, 2008: 21) are other useful tools for evaluating EU policies in the field of R&D and innovation. These include important measures such as, for example, the extent of collaboration between the business and education sectors, the availability of scientists and the number of utility patents. By considering all these elements, it is easier to keep the focus placed by the EU on complex concepts such as the knowledge triangle of education, research and innovation.

Another issue to point out is the link between R&D annual growth and GDP annual growth. This is especially relevant in the context of emerging economies, including most of the EU's new member states and candidate countries such as Croatia. With an annual GDP growth averaging 6.6% in the case of the new member states and 5.5% for Croatia (Eurostat), even slight percentage increases in R&D expenditure in 2007 over the previous year often translate into substantial increases in the actual sum spent on R&D. Whilst relying also on the percentage of GDP spent on R&D as a key measure for identifying trends, comparing country performance and evaluating shortcomings and strengths in the EU's and Croatia's innovation policy, this paper will therefore be cautious in using this indicator. It will therefore also include

complex indicators such as the WEF's ones, which are used extensively in the next two sections.

The EU Lisbon Agenda and R&D

R&D integrated guidelines and microeconomic recommendations

At the turn of the decade, the objectives of the Lisbon Strategy should have been accomplished. The EU should by now be, thanks to the policies in the fields of growth and employment formulated by member states in line with Lisbon Strategy recommendations, a dynamic and competitive economy. If not a complete failure in so far as R&D as well as innovation progress are concerned, the EU has achieved at best mixed results. Agh and Boromisa and Samardžija have identified problems of governance and implementation of the appropriate legislation and undertakings as the main factors inhibiting faster and better progress in innovation (Boromisa and Samardžija, 2006: 227; see Agh in this book). The weaknesses inherent in the Open Method of Coordination (OMC) and issues of prioritization across the various dimensions of the Lisbon Strategy support this understanding. Alongside these considerations, structural and political differences among the member states should also be held responsible for the divergence in results among countries as well as for the overall failure in reaching the 3% R&D target.

Before embarking on the analysis of R&D expenditure and prospects for innovation and competitiveness within the EU economy, it should be highlighted that the Lisbon Agenda defines a much broader set of recommendations than simply an EU-wide expenditure target to be reached by 2010. These should be looked at comprehensively in order to evaluate the Lisbon Agenda results. Whilst the spring European Council of 2006 stressed the importance of stepping up investment in R&D, it also called for coordination among member states on researchers' mobility and streamlining rules for patents (European Council, 2006: 6). The attention to creating clusters for innovation and strengthening cooperation in research across member states was further demonstrated in initiatives such as the creation of the European Research Area (ERA), the Seventh Framework Programme (FP7) and the Commission's recommendations in the cluster policy area (European Commission, 2008b: 5). In the wake of the new focus on the knowledge triangle and the "fifth freedom", namely, freedom of knowledge, underlined in the Community Lisbon Programme (CLP), in 2007 the European Commission set forth in the IGs two important guidelines related to R&D and innovation. Firstly, in Guideline No. 7 the Commission stressed the need to "increase and improve investment in R&D, particularly by private business". While the European Council had already set the target of the business enterprise contribution to the total R&D expenditure at two thirds, the IGs also offered specific microeconomic recommendations. These range from measures to improve framework conditions and public-private partnerships

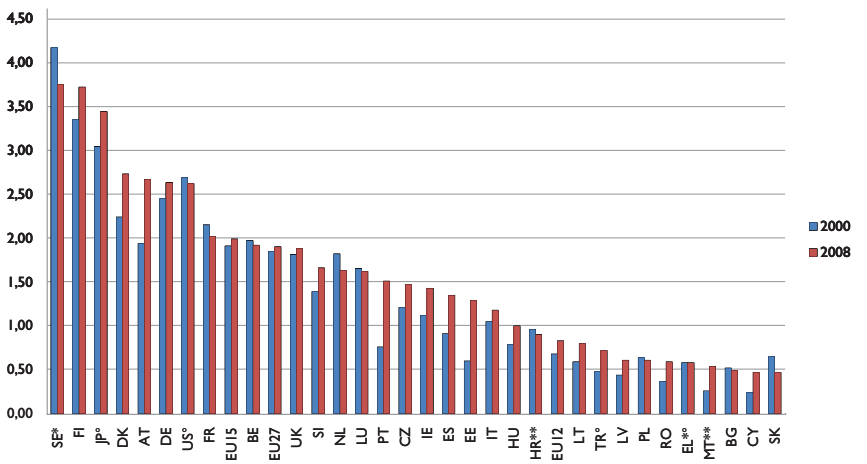
and offering incentives to increase private expenditure on R&D, to ones aimed at modernizing the management of research institutions and facilitating transfer of knowledge among institutions and universities. Secondly, Guideline No. 8 sets out to "facilitate all forms of innovation". In particular, it encourages member states to support technology transfer (also cross-border), improve public procurement practices, guarantee better access to domestic and international finance, and finally to ensure efficient and affordable means for the enforcement of intellectual property rights.

The objectives set by the EU correspond to three measures and can thus be analysed for the purpose of this paper through: increase in total R&D expenditure; increase in the share of business enterprise expenditure in R&D; and improvements in the quality and capacity of research. Their evaluation will shed some light on the complex nature of R&D and innovation policy in the EU. It will then be possible to draw some conclusions on the EU's progress and prospects in achieving the Lisbon Agenda targets for R&D.

R&D expenditure – 3% target

Progress towards meeting the Lisbon objective of R&D expenditure (3% target) is the most easily measurable. Figure 1 below shows the percentage of GDP spent by each member state on R&D in 2008 (as compared to 2000) and it includes the EU-27, EU-15 and EU-12 (new member states) averages. R&D expenditure rates in the US and Japan are also highlighted, as they are usually taken as benchmarks for EU progress, and Croatia's and Turkey's levels are shown to stimulate analysis of the position of candidate countries in relation to the EU-27 as well as to the EU-12.

Figure 1. R&D expenditure as percentage of GDP, 2000 and 2008



Source: Eurostat data composed by the author.

Note: *2001 data. **2002 data. ° 2007 data. EU-27 and EU-15 are Eurostat estimates.

Three main observations can be made from Figure 1. Firstly, the EU seems far from reaching its 3% target in R&D expenditure. In 2008, the EU allocated only 1.9% of its total GDP to R&D, with only seven member states exceeding the EU-27 average and two meeting the 3% target (Sweden with 3.75% and Finland with 3.72%). The EU is scoring on average significantly lower than the Lisbon Agenda had set. If looking at the relative expenditure on R&D as a way to close the innovation and competitiveness gap with the US and Japan (devoting respectively 2.67% and 3.44% of their GDP to R&D),[1] the EU has so far achieved limited results. Further remarks can be made analysing developments in this field from the launch of the Lisbon Strategy in 2000. Eurostat data on R&D expenditure between 1997 and 2008 suggest that there was only a modest increase in overall EU expenditure on R&D since the Lisbon Strategy was launched. Furthermore, it seems unlikely that a radical increase in the percentage of GDP spent on R&D that would allow the EU to reach the 3% target could take place by the end of 2010. According to Eurostat, R&D expenditure in the EU-27 was the same in 2000 as in 2007 (1.85%), with only very modest fluctuations in the years in between. A significant increment in expenditure took place up to 2000: the figure augmented from 1.78% in 1997 to 1.85% in 2000. A second remark to be made is that, although the EU-27 and EU-15 averages align to these trends, many member states do not follow this trajectory. Slovakia's figure, for instance, fell from 0.65% in 2000 to 0.47% in 2008.

This remark about dissimilar progress among member states in R&D introduces a second observation. Figure 1 clearly shows that new member states are lagging behind the EU-15 with an average expenditure on R&D of 0.83%. The best performing new member states are Slovenia and the Czech Republic (respectively 1.66% and 1.47%), which spend on R&D almost double the EU-12 average, approaching the EU-27 average and outperforming old member states such as Spain and Italy. Croatia and Turkey, included in this figure as candidate countries, do relatively well compared with new member states. Croatia in particular, with 0.9% of GDP spent on R&D in 2008, is above the new member state average. Turkey (0.72% in 2007) is just behind this average and both countries have increased their percentage of spending on R&D from 2006. Lastly, Figure 1 suggests significant divergences in R&D expenditure figures between northern and southern EU-15 countries. These range from Sweden and Finland's figures above 3% to Greece's 0.58%, far lower than the EU-12 average.

The preliminary observations on R&D expenditure above call for further analysis of countries' differences and a thorough evaluation of the foreseen failure in achieving the 3% target set for 2010 in the Lisbon Strategy. As the 3% R&D target is seen as an average EU objective, each member state is expected to set its own target, which can thus be lower than 3%. Examples of action plans or National Reform

1 2007 Eurostat data from http://epp.eurostat.ec.europa.eu.

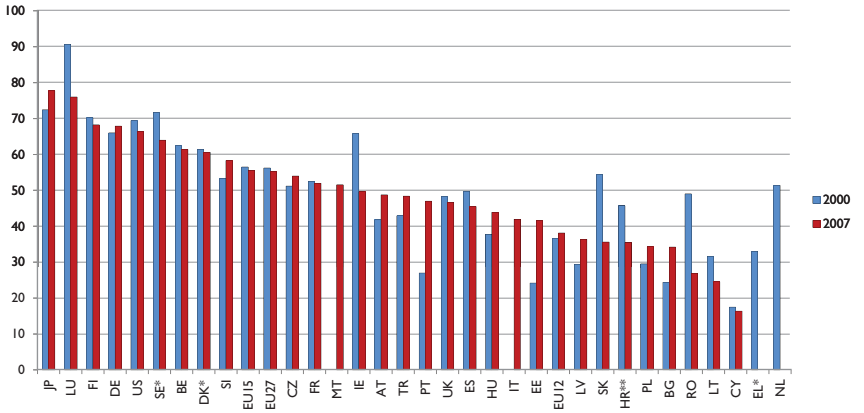
Programmes (NRPs) and of the European Commission's national progress reports can shed some light on countries' objectives, implementation and their difficulties in meeting the Lisbon objectives in R&D expenditure. Among the EU-15 member states, the case of Italy is quite informative. Italy's National Reform Programme for 2008-10 sets out to increase its R&D expenditure to 2.5% of GDP by 2010 (Republic of Italy, 2008: 7). This figure is highly optimistic, given the low level of R&D spending in 2006 (1.13%), the expected negative growth for 2008-2009 (European Commission, 2009b: 27), and structural issues such as the presence of mainly small companies and the absence of a big high-tech sector, usually more likely to promote R&D. The case of Italy and other Mediterranean member states contrasts with, for instance, Sweden. As a country that has long worked on establishing itself as a "research nation", its NRP for 2008-2010 focuses on the "consolidation" (Kingdom of Sweden, 2008: 3) of this status through increased expenditure and voluntary improvements in research on medicine, technology and climate issues.

Differences between old and new member states, as well as between Mediterranean and Nordic countries, seem to suggest that the level of economic development and underlying structure of the economy impacts on R&D expenditure rates. Further analysis is therefore needed in order to establish the reasons for such disparities and also the prospects for improvement in the EU's achievement of the Lisbon targets. As highlighted above, focusing solely on the 3% R&D target would not provide enough elements to evaluate the EU's performance in R&D and innovation: the role of the private sector and the analysis of qualitative indicators should also be considered.

Private versus public expenditure – 2/3 target

The renewed Lisbon Strategy called for an increase in the private share of R&D expenditure, which was to reach two thirds of the total by 2010. In 2007, the Business Enterprise Sector (BES) as a source of funding covered only 55.2% of the total EU expenditure on R&D and the IGs for 2008-2010 encouraged member states to work further towards increasing BES spending in this field. Figure 2 below shows the BES expenditure on R&D as a percentage of the total R&D expenditure of member states in 2007 compared to 2000.

Figure 2. BES expenditure on R&D as percentage of total, 2000 and 2007



Source: Eurostat data composed by the author.

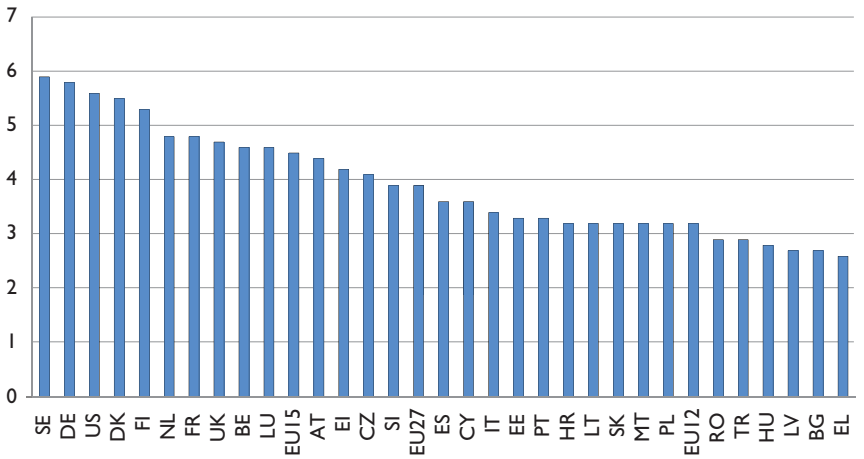
Note: *2001 data. **2002 data. EU-27 and EU-15 are Eurostat estimates.

It is evident that only Luxembourg, Germany and Finland had met the two thirds target by 2007, with a BES expenditure of 76%, 67.9% and 68.2% respectively. Some observations similar to the ones carried out above in the context of total R&D expenditure can be made. Firstly, the dispersion in the figures is very high. The gap between the EU-15 and the new member states' averages is, however, not as clear-cut, despite the EU-12 average being again significantly lower than that of the EU-15. Slovenia and the Czech Republic continue to be the best performers among the new member states under this heading as well. Slovenia's proportion of BES expenditure on R&D is higher than the average EU-27 and EU-15. In this field, Croatia scores below both the total EU-27 and EU-12 averages, with a modest 35.5%, although data for 2008 show a further increase to 40.8%. The other candidate country considered here (Turkey), on the other hand, invests more than new member states do on average (48.4%), and approaches the level of old member states such as Austria (48.7%). Secondly, among the worst old member states in implementing the Lisbon Agenda recommendation are again the Mediterranean member states, namely Italy (42%) and Greece (31.1% in 2005).

Whilst few outperformers significantly increase the EU-27 average BES expenditure on R&D figure, the level of private R&D investment in the EU is generally low, as Mrak stresses in his article. He is rightly sceptical about the prospect of the EU meeting its own target of BES expenditure of two thirds of the total by 2010. Such a radical change in the source of R&D funding requires structural reforms in the socio-economic environment, and adequate legislation covering the enterprise sector's development, research and innovation. The corporatist traditions rooted in most EU countries, as well as the legal and economic environment, can be seen as possible inhibitors to faster changes in the balance between private and public funding of R&D.

Some qualitative data provided by the the WEF evaluating member states' performance on a 1 to 7 scale (7 representing the best performance) represent another useful indicator for measuring companies' spending on R&D (see Figure 3). Although based on executive survey data, they confirm many of the trends highlighted above.

Figure 3. WEF's results on company spending on R&D, 2008-2009 weighted average



Source: WEF's Global Competitiveness Report, 2008. Data compiled by the author.

The survey providing these data is not focusing on BES spending in terms relative to total spending, but relies on the knowledge and perception of companies' insiders on the efforts of the private sector in investing in R&D. Furthermore, elements of optimism, especially within new member states, emerge compared to previous relative data showing a low proportion of BES spending on R&D (e.g. Cyprus).

The main alternative source to BES of R&D expenditure is government spending. Government spending covers 33% of the total in the EU. According to the European Commission's reports on the occasion of the launch of the new FP7, however, the increase in R&D budgets in absolute terms in 20 out of 27 member states is due mainly to governments' higher expenditure since 2000. Another source of funds worth mentioning is funding from abroad. This represents a substantial share of the total in many new member states, as well as in Austria and the UK.

It must also be noted that no substantial increase in the BES rate has been experienced in the EU overall. Whilst BES expenditure on R&D has stayed almost constant in recent years, both figures are lower than before the Lisbon Strategy was launched. Radical falls in the proportion of BES expenditure on R&D have in recent years characterized new member states such as Romania and Slovakia, although positive performances have been witnessed in Hungary and Slovenia. The reason

for their successes should be further explored if sustainable progress in this area is to offer insights for future member states. The qualitative analysis to be elaborated in the next section of this article offers a brief starting point for further research.

The two indicators considered above, corresponding to the two key Lisbon targets for R&D, suggest that little progress has been made by the EU in meeting the Lisbon quantitative objectives. Looking at more complex indicators, including an evaluation of the qualitative improvements in R&D and innovation policy, as well as in the economic and legal environment in the EU according to the Lisbon recommendations, can offer not only further insights into developments in R&D objectives, but also provide some explanations on the differences between member states.

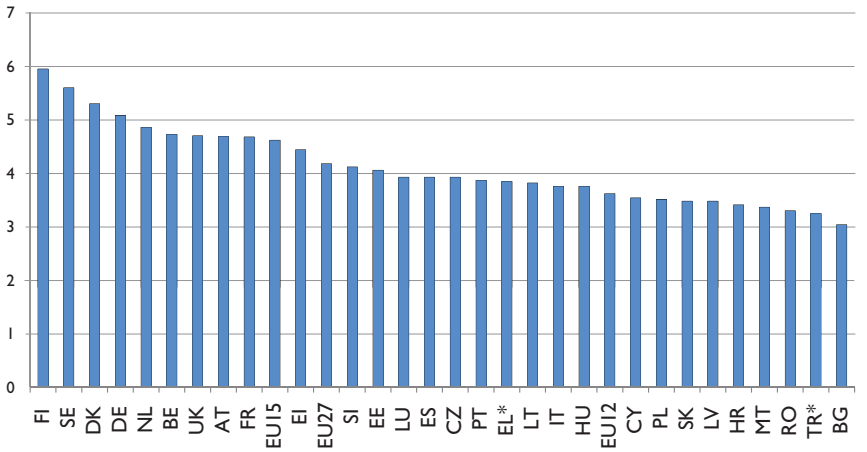
Qualitative analysis – the economic environment

As suggested in the methodological section of this paper, the quantitative objectives offer useful benchmarks and a reference point for comparing financial inputs in R&D across EU member states and between EU and non-EU countries. Encouraging countries, however, to increase expenditure on R&D does not necessarily lead to an efficient and effective use of such funds. EU member states need simultaneously to increase private as well as public funding for science and innovation and to foster an economic and social environment where R&D and innovation can thrive. The WEF's Lisbon Review 2008: Measuring Europe's Progress in Reform (WEF, 2008) and the Global Competitiveness Report 2009-2010 offer a good starting point for this analysis, and provide excellent insights into issues of productivity and competitiveness. By conducting a qualitative overview of issues ranging from human capital (quality of scientific research institutions, available researchers and university education) to capacity for innovation, as well as protection of intellectual property, the WEF created an "Innovation and R&D Subindex" for the Lisbon review. This relies heavily on the data gathered under the "innovation pillar" of the GCI, based on similar measures.

Figure 4 below shows the results found by the WEF in its survey on the status of the EU's competitiveness in 2008, following the Lisbon Strategy's recommendations, in comparison to the US and East Asia's emerging economies.[2]

2 The subindex (one of the measures taken into account by the WEF to calculate EU's competitiveness) is composed of the following qualitative data: latest technologies' availability; capacity of companies to absorb new technology; presence and quality of research institutions; companies' spending on R&D; collaboration between universities and the business community; results of government procurement decisions; intellectual property protection; companies' access to new technology (licensing/imitation of foreign versus own new products); presence of scientists and engineers. Scores are on a 1 to 7 scale, where 7 represents the best result.

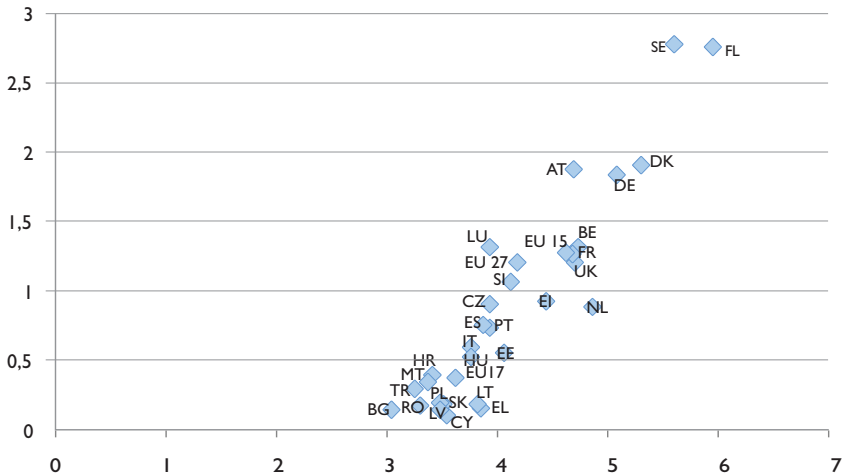
Figure 4. WEF's innovation and R&D score, 2008



Source: WEF's GCR, 2008. Data compiled by the author.

The picture that this figure on innovation and R&D offers is in line with previous ones. Firstly, it is clear that Nordic member states perform much better than Mediterranean countries. Secondly, the average for new member states (3.62) is much lower than the EU-15's (4.62). The dispersion within each group is great and trends over the 2006-2008 period vary too. Hungary, for instance, lost significant ground, while Estonia's progress seems to have been stable (WEF, 2008: 7). Croatia and Turkey are low in the ranking, and appear to score much worse than member states (including most new member states) under this index than in the R&D spending ranking, suggesting an inefficient use of financial resources. Lastly, the EU is overall still far below the US and East Asian economies in innovation and R&D performance. The 2008 WEF data clearly indicate that further efforts in enhancing R&D and innovation in the EU are needed, if the EU still aims to become a competitive knowledge-based economy catching up with the US. Previous quantitative targets, such as BES expenditure, seem to be in a strong correlative relation with this measure, as the scatter plot below shows (Figure 5).

Figure 5. WEF's Innovation/R&D score and BES expenditure as % of GDP, 2008



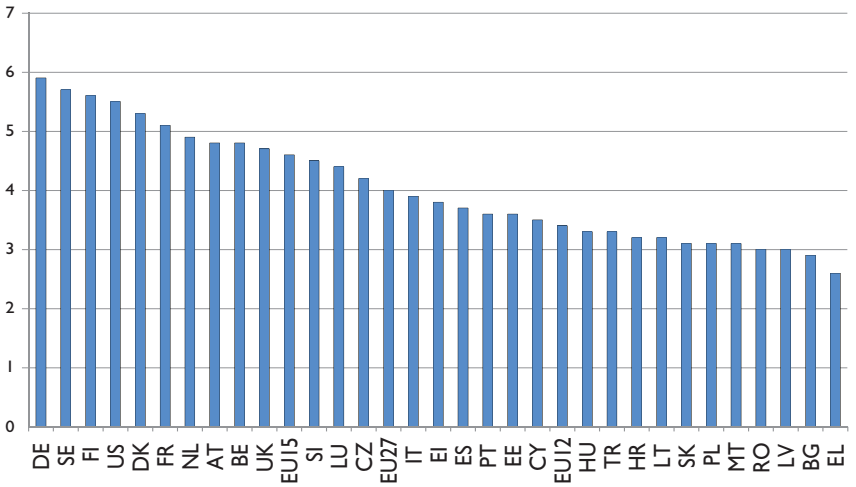
Source: Data from WEF's GCR, 2008. Data compiled by the author.

Breaking down the index with the latest data of the GCI relevant to the research and innovation dimension of competitiveness may not only provide explanations as to what is behind the aforementioned scores, but also contribute to the evaluation of the reasons for success and failure in countries' performance.

Single indicators and specific issues

One indicator within the "Innovation and R&D Subindex" that can contribute greatly to the understanding of the role and capacity of the private sector in R&D and innovation is "capacity for innovation". The data for member states' capacity for innovation shed light on companies' acquisition of new technology, thus indicating whether research and innovation in developing new products and processes is taking place within member states or whether the know-how is imported from foreign companies (see Figure 6).

Figure 6. Capacity for innovation, 2008-2009 weighted average



Source: WEF's GCR, 2008. Data compiled by the author.

This, in combination with previous indicators, provides a rather disappointing picture of the EU's overall innovation status and potential in so far as the private sector's contribution is concerned. Factors potentially inhibiting companies' ability or willingness to invest in research and innovation are related to legality issues and legislation on economic policy.

Firstly, there is the legal environment that companies can rely on. Legal issues range from measures to protect intellectual property to diversion of public funds to companies due to corruption. Less reliable environments, in so far as transparency and guarantees for the private sector are concerned, limit companies' confidence in investing more in R&D and innovation. Although implying a direct causal relationship between the level of corruption and private expenditure on R&D can hardly be substantiated by scientific data, a correlation is nonetheless visible. East European countries, Italy and Greece are suffering most from diversion of public funds to companies due to corruption, according to the GCR (WEF, 2009: 348). These are indeed among the worst performing EU member states in innovation and R&D. Good performers, however, among the new member states, such as the Czech Republic, score very badly on the corruption level ranking (24th among EU member states), while Cyprus, rather unsuccessful in the expenditure scores, is only a little affected by corruption issues (11th among EU member states). Furthermore, it must be noted that the EU as a whole scores much worse on the "diversion of public funds due to corruption" ranking, than it does on the innovation measure. Legality issues connected to the business environment affect the structure of the economic environment in EU countries. Governments should therefore enhance their efforts to guarantee that companies operate in a transparent and predictable

legal environment, where their rights are protected. This consideration leads to a second set of issues related to the environment in which the BES operates. These are more strictly linked to legislation concerning the enterpreneurial sector: tax incentives, administrative burdens, firms' start-up conditions and efforts to promote development of small and medium-sized enterprises (SMEs) fall within this category.

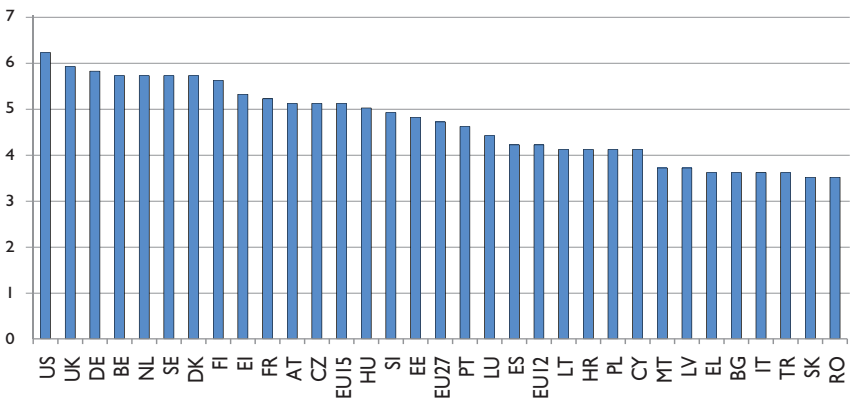
Europe is structurally a highly regulated economic space. Compared to many emerging economies (e.g. Arab Peninsula, East Asia), EU member states score very low in the GCI for "burden of government regulation". Only 8 member states are among the 50 best ranking countries when considering "how burdensome it is for businesses to comply with governmental admnistrative requirements" (WEF, 2009: 353). Old and new member states are equally distributed across the ranking, with Estonia topping the EU rank and Hungary occupying the bottom position (WEF, 2009: 353). In the context of the Lisbon Agenda as well as of broader debates on structural measures to be adopted following the global economic crisis, the European Commission insisted that member states facilitate conditions for the success of their enterprises (European Commission, 2008a: 12). Measures fostering private investment in R&D have also been encouraged. The Commission praised steps undertaken by member states in areas such as tax relief reforms (successful for instance in Slovenia) and fiscal benefits for firms investing in R&D. In countries that start from a low level of BES involvement in R&D this is particularly difficult. Even in well-performing new member state Slovenia the proportion of innovation-active enterprises is as low as 35.1% (2006). Although higher than during the 2002-2004 period (26.9%), the number remains low and changes that are much more structural are needed to reach at least the EU average on this measure. Italy, on the other hand, has made some progress over the 2006-2008 period in the field of fiscal benefits for firms investing in R&D (European Commission, 2009b). It guaranteed tax credits for investments in pre-competitive R&D and allowed firms to deduct from taxable income funds to finance university research. Serious progress, however, is still limited by the structure of the Italian economy.

The case of Italy is informative for the evaluation of possible factors inhibiting the success of policies aimed at increasing BES expenditure on R&D. Research and innovation policies, in fact, need to take into account the peculiarities of each country's productive structure and specialization. It would be unrealistic to expect that member states like Italy, where 95% of the total number of businesses employ less that 10 employees, reach within years the recommended levels of BES R&D expenditure and hence competitiveness. NRPs are excellent starting points for tackling individual member states' situations. More attention, however, should be paid at EU level to structural reforms, which should also foster the development of further high R&D intensity sectors. It is, in fact, the application of new products and processes developed through R&D initiatives that would guarantee the progress towards real competitiveness through innovation.

The link between research and the applicability of its results is relevant for another dimension of the Lisbon Strategy's concern with innovation: education. In particular, it is university research and other research institutions' work that could provide a broader understanding of the knowledge triangle and the link between innovation and investment in human capital for enhancing competitiveness. Whilst an analysis of education and human capital levels is beyond the scope of this paper, it is nonetheless important to look at least at three dimensions of the knowledge and human capital issue in the EU: quality of scientific research institutions, availability of scientists, and university-industry collaboration. These are all indexes considered by the WEF in the Lisbon review.

Figure 7 below shows some differences in ranking compared to previous indexes. The United Kingdom and Germany, for instance, have very high quality scientific research institutions, and many new member states score as high as the EU-15 average. Among the worst performing member states are again south European countries, as well as numerous new member states. This measure's meaning, taken in combination with previous ones, however, remains quite unclear. It would be reasonable to believe that the more efficient research institutions are, the better quality reseach they can produce for a given financial input. However, the quality of research institutions is not enough to guarantee innovation.

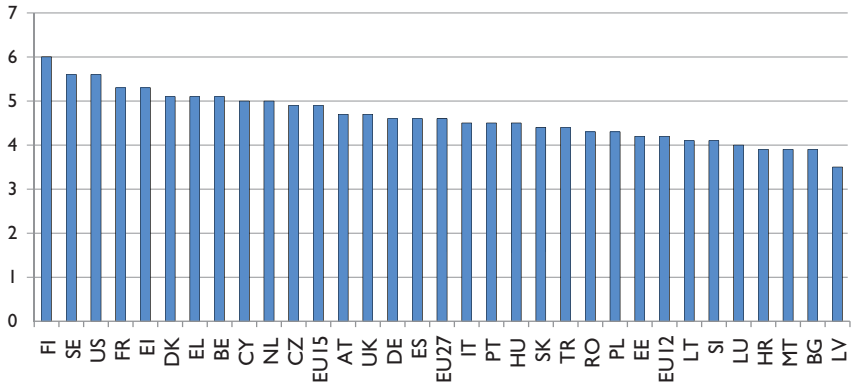
Figure 7. Quality of scientific research institutions, 2008-2009 weighted average



Source: WEF's GCR, 2008. Data compiled by the author.

One of the key factors likely to determine the quality of research institutions is the human capital they can rely on. Availability of scientists and engineers is a useful measure for assessing this. It is interesting to observe in Figure 8 that, whilst Turkey surpasses the EU-12 average, Croatia is among the worst performing countries on this measure.

Figure 8. Availability of scientists and engineers, 2008-2009 weighted average

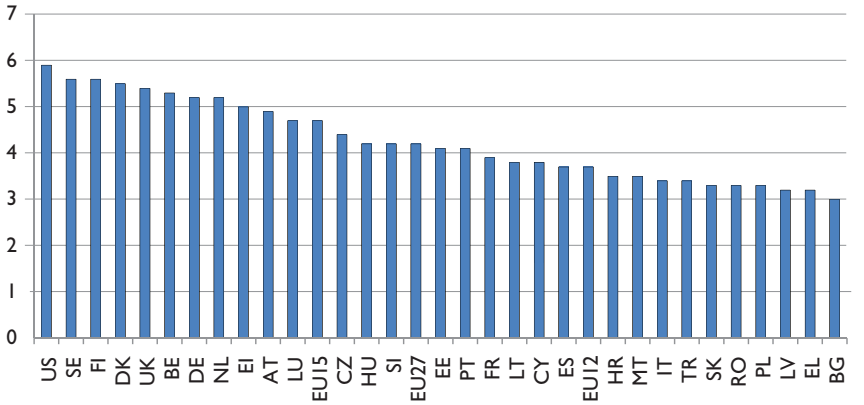


Source: Data from WEF's GCR, 2008. Data compiled by the author.

There are two main explanations for the lack of qualified scientific research personnel in most new member states and Croatia. The first is a significant problem with retention of qualified researchers, who either tend to look for better employment opportunities abroad or do not return to their native countries upon completion of higher education abroad. The financial situation of east European countries' research sector does not make them competitive employers. Measures have been adopted at national and EU level to overcome some of these issues, through cohesion programmes, researchers' mobility plans and cooperation among institutions. It is, however, unlikely that significant improvements will take place in new member states unless substantial financial increases aimed at making researchers more competitive are made.

The second problem, which is often also an issue in more economically advanced EU-15 states, is the failure by governments and enterprises to attract students to pursue scientific studies and, later, scientific research careers. More direct paths leading to careers in scientific research could be fostered by closer cooperation between universities and industries. Figure 9 shows that not only do new member states score fairly low on this account, but old member states like Italy and Spain display structural problems in linking the education and enterprise worlds.

Figure 9. University-industry collaboration in R&D, 2008-2009 weighted average



Source: Data from WEF's GCR, 2008. Data compiled by the author.

This section has briefly outlined some of the possible factors affecting the EU's expenditure on R&D, as well as the effectiveness of innovation policies. Removing barriers to investment in research and fostering the economic and legal conditions in which innovation and competitiveness can thrive is still an ongoing process in many EU member states, as well as in candidate countries. Qualitative structural changes will thus be needed before R&D and innovation policies can lead to high levels of competitiveness.

Towards Europe 2020

A picture that is disappointing overall has emerged as regards the EU's achievements in meeting the Lisbon objectives on R&D and innovation by 2010. The 3% R&D expenditure target, the two thirds BES investment target, and the creation of an environment throughout the EU conducive to innovation will need more time to be reached. Despite further difficulties that the current economic crisis is creating, which might have influenced spending on R&D as this area is usually among the first affected by cuts in costs, nevertheless the foundations for a renewed post-2010 Lisbon strategy, namely Europe 2020, have been laid. In doing so, there was a need to take into account two main issues, highlighted in the analysis above. Firstly, restructuring of the economic environment and legislation fostering research and innovation are needed to ensure not only that inputs in R&D are used efficiently, but also that more can be invested by the private sector. New member states and south European states will need to work hardest in this direction. Secondly, the post-2010 framework should take into account differences between member states and suggest measures tailored to the needs of new member states that are still catching up, allowing for a "qualitative catching-up" as advocated by Agh, rather than aiming at reaching high levels of competitiveness (see Agh in this book).

The Europe 2020 programme should become more realistic and clearly defined, as a better implemented Lisbon Agenda for post-2010 is needed. Its main focus should be to improve the conditions leading to higher investment in R&D and to ensure that EU recommendations are implemented properly. NRPs are a good start for accommodating the needs and potential of each member state. The aim, in fact, should not be to achieve a single EU target, but for each country to increase as much as possible their R&D expenditure and enhance to the highest possible level their innovation policies. In doing this, EU member states should cooperate with others according to the principle of freedom of knowledge. Overall, the EU should focus on the long-term prospects in the R&D and innovation area, as increasing competitiveness requires an approach focused on sustainability of its progress. Concentrating on a "greener" economy and on human capital formation would be steps in this direction.

R&D and innovation in Croatia

Research sector in Croatia

Innovation and progress in competitiveness through the development of a knowledge-based economy require a long time to be achieved. It is therefore important that EU candidate countries start their efforts in this direction alongside EU member states in order to pursue the Lisbon Strategy and post-Lisbon Strategy objectives as soon as possible, without losing ground vis-à-vis the EU. Whilst not bound to the Lisbon Strategy directly, Croatia has nonetheless set out economic policy objectives in line with and focusing on some of Lisbon's recommendations. Conditionality and the acquis, in fact, require Croatia to align with the main tenets of the EU's long-term economic and social policies. This is also necessary in order to allow Croatia to cope with competitive pressures within the EU market in the future, as the Action Plan 2007-2010 Science and Technology Policy of the Republic of Croatia stressed.

So far, Croatia has appeared aware of the need to move in the direction of the Lisbon Agenda also as regards R&D and innovation. Three key documents contain Croatia's commitment on issues mirroring the Lisbon Agenda's ones in R&D and innovation: the 2008 Pre-Accession Economic Programme of the Republic of Croatia (PEP); the Action Plan to Encourage Investment in Science and Innovation by the Ministry of Science, Education and Sports (APSI) of April 2008; and the Action Plan on Science and Technology Policy (APST) for 2007-2010. The first states that it is necessary "to ensure sustainable economic growth, along with increasing employment and strengthening competitiveness of the Croatian economy based on knowledge in the context of accession to the EU" (Ministry of Finance, RC, 2009: 2). The APSI builds on this, focusing on specific issues, such as the need to invest in R&D for long-term economic and social development (Ministry of Science, RC, 2008: 3). Both contain the country's commitment to research and business innova-

tion through the development of a knowledge-based society and economy, which requires "channelling of resources in education, research, development and lifelong learning" (Ministry of Finance, RC, 2009: 16). It should be stressed, however, that Croatia does not envisage reaching the 3% R&D goal by a given year, but rather it intends to "intensify investment and system reforms in order to reach the goal as soon as possible" (Ministry of Science, RC, 2007: 6), as well as to increase funding from the state budget by at least 10% a year (Ministry of Science, RC, 2008: 11). Moreover, the APST sets out actions and describes the role of different actors in the implementation of National Innovation System measures recognizing the interconnectedness between private and public institutions (Ministry of Science, RC, 2008: 6, 2).

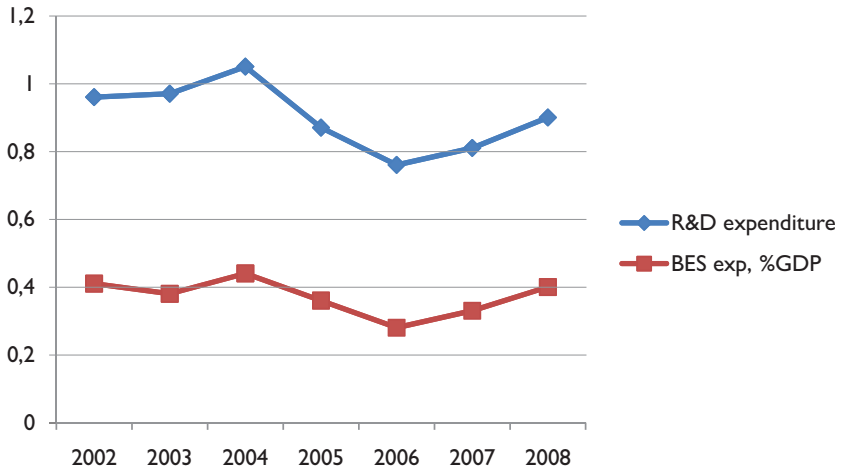
Increasing investment in science and technology is, however, easier said than done. Not only does Croatia need to substantially increase its funding to R&D and innovation (in 2007, 0.81% of GDP), but also to develop realistic objectives and well-implemented programmes, some of which have already been defined. These two issues, alongside the potential threat posed to R&D financing by the worsening economic conditions due to the financial crisis and the still ongoing problems of the transition, represent key obstacles to the pursuit of Croatia's R&D objectives. If the Lisbon Strategy can be implemented only at a higher level of development (see Agh in this book), Croatia, like most new member states, will need to elaborate realistic R&D objectives and policies, better suited to its own economic and political outlook. Much has been done in this respect through the APST, but its implementation is fundamental. Before turning to the evaluation of Croatia's R&D progress and future prospect, it would be useful to look at the situation in the research field at the end of Lisbon's first decade.

A faithful overview of the research sector in Croatia should consider not only investment in R&D (total expenditure as percentage of GDP, BES expenditure, funding from governmental institutions), but also its progress over the 2000-2008 period in relation to GDP growth, the economic structure of the country, and recent programmes aimed at encouraging research and innovation. The seemingly positive data for R&D expenditure as a percentage of GDP compared to the EU-12 average, in fact, hide the reality of the absolute volume of expenditure and structural issues inhibiting faster progress towards increasing innovation and competitiveness in Croatia.

Turning to the evaluation of investment in R&D in Croatia, two main issues should be explored here: R&D expenditure, including its source and absolute value, and the dynamics of R&D expenditure over the last decade. The first measure has been presented above, but deserves a few more comments. The latest data provided by Eurostat confirm the slightly positive trend in R&D expenditure as a percentage of GDP. The BES contributed about 35% to the total R&D expenditure in 2006 and 2007, whilst the figure increased to 40.8% according to the latest Eurostat data for

2008. As the government is the major funder of research projects, a further interesting detail is its budget for scientific projects. In 2007 this amounted to a modest €19.5 million (about 16% of the total budget of the Croatian Ministry of Science Education Sport – MSES), while the biggest share of the MSES budget was used for the general funding of its institutions (Erawatch, 2009: 52). The second aspect of R&D expenditure data, namely the trend over time, should be explored further to provide a thorough understanding of the dynamics and future prospects of the Croatian research sector. As far as R&D expenditure, total and from the BES, as a percentage of GDP is concerned, the trend is visible in Figure 10 below.

Figure 10. Croatia's R&D expenditure as % of GDP, 2002-2008



Source: Eurostat data compiled by the author.

It is evident that progress in the direction of increasing R&D expenditure has not been constant between 2002 and 2008, with the greatest fall in R&D financial input as a percentage of GDP between 2004 and 2006. These data, however, hide the reality of high GDP growth rates (averaging about 4.5% in the 2002-2008 period),[3] whereby the absolute value of R&D expenditure has risen. As Erawatch points out, the share of state budget devoted to scientific projects was the same every year between 2002 and 2007, but the figure increased by 52% (Erawatch, 2009: 7). However, the figures for 2008 are visibly lower than in 2002, bringing Croatia further away from achieving the Lisbon goals. Annual average growth rates of R&D expenditure recorded by Eurostat suggest that between 2001 and 2006 Croatia's annual expenditure on R&D increased by 2.4% overall, while the share of BES decreased on average by 1.4% per annum.

3 Data provided by the Croatian National Bank (http://www.hnb.hr).

The trend in Croatia's research sector is discouraging. Not only has Croatia failed to approach the Lisbon targets as far as the two quantitative criteria (3% R&D target and two thirds BES expenditure) are concerned, but during Lisbon's first decade it even saw a deterioration of its efforts in this respect. However, from 2006 the trend has regained a positive momentum and Croatia's commitment to raising its R&D expenditure might find correspondence in reality if efforts continue to move in this direction.

As for the EU analysis, an in-depth understanding of Croatia's research policies requires an overview also of non-hard data, allowing the exploration of the qualitative outlook of the country's economic structure and research sector within it. Two main observations must be made in this respect. Firstly, as the GCR highlights, Croatia is still in the process of economic transition, whereby it is moving from efficiency to innovation driven growth (WEF, 2009: 12). Changes in the structure of the economy, such as increasing the knowledge-based services sector and creating a bigger high-tech sector, will be fundamental for increasing the potential and relevance of R&D. Secondly, the state is by far the most active sponsor of research activities. According to the Erawatch survey, there are twice as many public scientific institutions than private ones (Erawatch, 2009: 2). These business sector scientific institutions, while employing 15% of total researchers, cover 35% of total R&D expenditure in Croatia (Erawatch, 2009: 3). This sector is made up mainly of large companies, in sectors such as pharmaceuticals and ICT.

A closer look at the measures taken into account in the GCR can shed further light on Croatia's progress towards the Lisbon criteria in R&D. The WEF estimates that Croatia's competitiveness is worsening, moving from a score of 4.2 and a rank of 57 in 2007-2008 to a score of 4 and a rank of 71 in the 2009-2010 GCI. Croatia's total innovation score remains, however, above the new member states' average (3.41 compared to 3.37). Its performance on most indexes in the GCR has fallen significantly, except as regards the quality of research institutions. It must be noted, however, that the EU-27 average also fell on all the same indexes. It is evident that Croatia should do more to ensure sustainable progress in its innovation performance, focusing primarily on the resources and structures for R&D. It could do this by building on a rather strong human capital basis, based on EU-comparable investment in education and high rates of secondary school completion (about 95%) (Ministry of Science, RC, 2008: 3), and creating an economic environment more conducive to innovation.

Evaluation of Croatia's progress and future prospects in R&D

Good implementation of some of the measures adopted in the R&D and innovation field in recent years could bring Croatia closer to the Lisbon criteria in the medium and long term. Programmes under the names of BICRO and HITRA have been developed to foster technology transfer, entrepreneurial culture and cooperation

between scientific research organizations and SMEs. Their impact might become visible in the medium term. Links between the research and enterprise sectors have further been strengthened by the creation of a governing body for science and technology (GOVBOST), which should guarantee a better coordination of efforts between the MSES and the Croatian Ministry of Economy, Labour and Enterprise. Policies on tax relief, exemption of VAT and custom duties on equipment for scientific research have also been adopted since 2003, alongside corporate tax deductions for enterprises investing in innovation. Lastly, plans have been adopted to encourage the return of young researchers for the 2006-2009 period, although the GCR's index on the availability of researchers does not indicate a positive trend in this area yet. All the aforementioned measures taken to stimulate private sector investment in research now need to be thoroughly implemented, and research policy decisions, as the European Commission underlined, should be made more transparent (European Commission, 2009a).

Two further issues other than implementation of policies represent significant obstacles for Croatia's innovation and R&D progress: structural issues and the transition process. Both should be tackled if Croatia wants to improve its competitiveness. On the structural side, there are problems that have emerged in the analysis above. Lack of researchers, low attractiveness of scientific study and insufficient adaptation of researchers' structure to the needs of the Croatian economy and the business sector are significant shortcomings. Transforming research into innovation through commercialization and better cooperation between the research and the business sector, as well as a "more diversified production structure and export potential" are identified by the European Commission as key improvements that Croatia should make to advance towards the Lisbon targets (European Commission, 2009a: 25). As far as the transition process is concerned, and linked to Agh's arguments about innovation and the chances for less developed countries to achieve the Lisbon Agenda targets, another key inhibitor to innovation can be identified. Relatively poor development of technology, the separation between business and R&D and limited protection of property rights are some of the problems that have characterized the transition in eastern Europe. Croatia is not immune from these and is in the process of tackling them while at the same time aiming to improve competitiveness and innovation. As the GCR stresses, however, the adoption of existing technology and the creation of an environment supportive of innovation are fundamental preconditions in countries like Croatia. Structural improvements in these fields must be undertaken before Croatia can be expected to enhance competitiveness and innovation like in more developed EU countries (WEF, 2009: 466). New member states need to catch up rather than increasing their technological innovation level. Candidate countries have the potential advantage of benefiting from the lessons learned from the EU-12's experience.

While stating its commitment to embark on reforms according to the Lisbon Strategy is definitely a step in the right direction, Croatia should be more resolute in

implementing these measures and more realistic in formulating shorter-term objectives. These would represent the preconditions for reaching a level of economic and technological development that would allow Croatia to become a competitive and knowledge-based economy in the longer term.

Conclusions and future perspectives

The EU's failure to achieve the goals it had set for 2010 should not be a reason for abandoning its aim to become a knowledge-based competitive economy. The post-Lisbon Strategy era should build upon the positive achievements of its first decade, and especially of the period after the mid-term review. The NRPs and action plans drafted by each member state were a step in the right direction, allowing for more realistic approaches accounting for the specific needs, obstacles and potential of each member state. The latter should keep to their commitments and focus on the implementation of such programmes.

Both the EU and Croatia should focus on realistic objectives in the direction of Lisbon Agenda recommendations, balanced to their means and starting conditions. Rather than setting unreachable goals for the short term, such as the 3% R&D target, member states should commit to invest as much as they can in R&D and innovation, and focus their efforts on creating the conditions for higher private expenditure too.

Similarly, Croatia is right in not setting such specific and unrealistic targets. It has a long way to go in creating a climate conducive to more and better R&D. Croatia has, however, three advantages it could benefit from. Firstly, as a newcomer, it can learn from the failures as well as the success stories of EU member states, learning the lessons that countries with a similar history and economic structure (e.g. Slovenia) can offer. Secondly, Croatia can rely on a good education system, especially at pre-university level, which is a necessary condition for the development of human capital for progress towards a knowledge-based society and economy. Lastly, the commitment to reforms required for EU accession can provide a further momentum and act as a strong stimulus to bring about economic and legal improvements, which would also favour R&D and innovation.

It is ultimately on the medium- and long-term perspective that Croatia and the EU should concentrate their efforts, as innovation and competitiveness are dynamic processes. For this reason, the sustainability of R&D policies and progress is of extreme importance, making the creation of an economic, legal and political environment conducive to innovation much more relevant than the achievement of quantitative targets.

Sažetak

Autorica analizira glavne trendove u području istraživanja razvoja i inovacija unutar EU-a, ističući razlike među državama članicama u ostvarivanju ciljeva Lisabonske strategije. Nakon vrednovanja uspjeha i neuspjeha EU-a u ostvarivanju ciljeva te uočavanja razlika među novim i starim državama članicama analizira se pozicija Hrvatske u odnosu na Lisabonsku strategiju na različitim područjima, posebice u pogledu poticaja za istraživanje i inovacije. Rad polazi od stajališta da je ulaganje u istraživanje i inovacije presudno za EU u smislu stvaranja uvjeta za razvoj i izgradnju održivog i konkurentnog društva utemeljenog na znanju. U središtu Lisabonske strategije 2000. postavljen je krajnji cilj – poticanje društvenog i gospodarskog razvoja kako bi se poboljšala konkurentnost EU-a, a time i spremnost na suočavanje s globalnim gospodarskim izazovima 21. stoljeća. Lisabonska strategija postavila je ambiciozne ciljeve u području istraživanja, razvoja i inovacija radi ostvarivanja svojih društveno-ekonomskih ciljeva do 2010. godine. Među zadanim je ciljevima i dostizanje razine ulaganja od 3% BDP-a u istraživanje i razvoj od čega bi ulaganja privatnog sektora trebala iznositi 2/3 ukupnog ulaganja do 2010. godine. Kvalitativni ciljevi, postavljeni kako bi se stvorilo ekonomsko i pravno okruženje povoljno za inovacije, ojačani su usvajanjem nacionalnih reformskih programa svih zemalja članica. Revidirana Lisabonska strategija donijela je dvije smjernice koje se izravno odnose na istraživanja i inovacije, a fokus na te smjernice temeljem odredbi Lisabonskog programa Zajednice (CLP) iz 2007. naročito je pojačan u sklopu drugog ciklusa revidirane Lisabonske strategije (2008.–2010.). U smjernici broj 7 naglašena je potreba za većim i boljim ulaganjima u istraživanja i razvoj, naročito od strane privatnog sektora, i dane su specifične mikroekonomske preporuke koje uključuju popravljanje općih uvjeta, javno-privatno partnerstvo, stvaranje poticaja za povećanje ulaganja u istraživanja i razvoj od strane privatnog sektora, inicijative za modernizaciju upravljanja istraživačkim institucijama te omogućivanje lakšeg transfera znanja među institucijama. Smjernica broj 8 nastoji se "promicati sve oblike inovacija" što se naročito odnosi na potporu državama članicama u prekograničnom transferu tehnologije, poboljšanje pravila javnih nabava, osiguranje boljeg pristupa domaćim i inozemnim izvorima financiranja te osiguranje efikasnih i pristupačnih načina za provedbu zakona na području autorskih prava. Na razini EU-a usmjerenost prema stvaranju inovacijskih klastera te jačanju suradnje na području istraživanja potvrđena je kroz inicijative kao što su Europski istraživačko područje (ERA), Sedmi okvirni program (FP7) te kroz preporuke Komisije u području inovacijskih klastera. Ipak, za Lisabonsku se strategiju u najboljem slučaju može reći da je postigla različito uspješne rezultate: do 2008. samo 1,9% od ukupnog BDP-a EU-a uloženo je u istraživanja i razvoj, od čega je tek nešto malo više od polovice ulaganja došlo od poslovnog sektora. Pokazatelji koji se analiziraju u članku upućuju na velike razlike između zemljama članica kad je riječ i o kvalitativnim i kvantitativnim mjerenjima. Mediteranske i većina istočnoeuropskih zemalja zaostaju, pa se njihov napredak u provedbi reformi koje zagovaraju unutar svojih nacionalnih reformskih programa može ocijeniti sporim. Hrvatska je pristupila

pitanjima istraživanja, razvoja i inovacija u skladu s Lisabonskom strategijom usvajajući mnoge politike kako bi poboljšala rezultate u tim područjima, pa ne zaostaje znatnije za većinom novih zemalja članica. Ipak, pred Hrvatskom je još dug put prema ostvarivanju konkretnih i održivih rezultata u području inovacija. Zaključuje se da je u interesu države kandidatkinje slijediti neobvezujuće preporuke Lisabonske strategije, odnosno prepoznati je kao dio pravne stečevine te kao zamašnjak za gospodarske i društvene reforme, no da je istodobno potrebno pristupiti fleksibilno i kritički. Nedostaci u postignućima EU-a pokazuju da bi zemlje članice i zemlje kandidatkinje trebale postaviti fokusirane i realne ciljeve za razdoblje nakon 2010. Važni prioriteti strategije Europa 2020 i dalje ostaju unapređenje istraživačkih i inovacijskih politika, povećanje ulaganja u tim sektorima te fokusiranje na važnost tzv. trokuta znanja. Strukturne probleme karakteristične za svaku zemlju trebalo bi uzeti u obzir, a svaka zemlja, uključujući i Hrvatsku, trebala bi više raditi na promicanju inovacija, osobito u područjima u kojima ima potencijala da postane najkonkurentnija.

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COMPETITION ASPECTS OF THE LISBON AND EUROPE 2020 STRATEGIES

Ivona Ondelj

Abstract

This paper analyses the implementation of EU competition policy within the Lisbon Strategy by focusing on the prevention techniques and sanctioning mechanisms developed within this domain, the level of openness of the market in general, services liberalization and the role of consumer preferences in determining market competition. In order to elaborate this, the paper is divided into three parts. The first section deals with the position of competition policy within the Lisbon Strategy and the forthcoming Europe 2020 strategy. In the Lisbon Strategy this issue has been embodied in Integrated Guideline No 13 which aimed to achieve open, competitive markets both inside and outside Europe in order to fully use the benefits of globalization. In the Europe 2020 strategy competition policy is addressed in Integrated Guideline No. 6 arguing for a better business and consumer environment, the modernization of the industrial base, the continuation of services liberalization and the tackling of market distortions. Europe 2020 also envisages a further decrease in state aid. The second section describes the reforms in Romania and Bulgaria that have been implemented within the Lisbon Strategy by focusing on the sectors of state aid, energy services and railway transport in the former and the overall implementation of controlling and sanctioning mechanisms in the latter. Finally, in its third section the paper deals with competition policy in Croatia and the necessary adjustments that will have to be made as part of EU accession, such as, for example, a move towards horizontal state aid that aims to increase the competitiveness of viable economic fields. Other reforms to be implemented in Croatia deal with the reduction of administrative barriers and further liberalization of the services sector.

Competition policy from Lisbon to Europe 2020

From integrated guidelines to implementation in the area of competition

Proactive competition policy is an important component of the Lisbon Strategy and its relevance continues to be recognized in the new Europe 2020 strategy. Effective competition is impaired by agreements between firms which restrict competition, abuse of dominant position and mergers that reduce competition. Certain forms of state intervention can threaten competition in the market as well. Weakly liberalized and unopened markets prevent an environment of equal conditions for all competitors. By insisting on a proactive approach, the European Union stresses the importance of competition policy in improving the business environment in the EU.

The Integrated Guidelines IGs for Growth and Jobs 2008-2010 (European Commission, 2007) serve as an implementation tool of the renewed Lisbon Strategy, with the main purpose of guiding and assisting member states in the process of reforms. The IGs set up the framework for the main targets, which should direct member states in reforming their systems. Although few guidelines could be seen as being closely connected with competition issues, the most important one is Guideline No. 13, which requires the accomplishment of open, competitive markets within and outside the Europe in order to be able to benefit from the results of globalization.

The main issues covered by Guideline No. 13 (which are further described in the text) encompass:

- the creation of an open market through removal of various trade ob stacles and overregulation;

- better enforcement of proactive competition policy, through various methods of selective monitoring of the market for the maintenance of effective competition (for example, through the prevention of harmful effects due to the abuse of a dominant position in the market, or negative effects which certain market structures, such as oligopolies and monopolies, can have for effective competition, etc.);

- the reduction of state aid, as well as adequate routing and efficient use of remaining state aid through support for horizontal objectives (for example research, innovation or adequately identified market failures);

- the complete opening up of network industries (telecommunications, postal, transport, electricity or gas services, financial services) in the liberalized market, resulting in competing offers and prices and greater choice and benefits for consumers; Guideline No. 13 requires national reforms to strengthen the enforcement of consumer legislation;

- the easy entry of new competitors into the market, through the elimination of various obstacles (in the form of various permits and authorizations,

regulated prices, set minimum capital requirements for business start-ups, procedures regarding business closure), as well as elimination of national protectionism in the market.

If compared with the targets set by the new Europe 2020 strategy (European Commission, 2010a), the following have continued to be the focus of future expectations directed at member states. These are the proper enforcement of competition policy, a more determined attitude to the prevention of abuse of position in the market or anticompetitive agreements between competitors, a reduction of state aid and proper routing of remaining state aid. Furthermore, liberalization of the services market, together with an improved consumer environment and a flexible market entrance regime (which prevents any form of national protectionism), also continues to be required.

Enforcement of competition policy

According to the evaluation document from February 2010 (European Commission, 2010b), reforms introduced in the area of competition policy have brought certain improvements. This document highlights the clearer determination of future priorities as one of the greatest achievements of the Lisbon Strategy.

However, proper enforcement of proactive competition policy has not always been facilitated by sufficient competence of national competition authorities. Most national competition authorities have been blocked in providing efficient supervision of market flows, while operating with not very up-to-date monitoring techniques, or simply lacking an adequate system of proportionate and dissuasive sanctions for punishing anticompetitive behaviour (European Commission, 2009a).

Continuation of reforms is needed to correct these shortcomings. The importance of proper enforcement of competition policy has been stressed in the Europe 2020 strategy (European Commission, 2010a: 19). Relevant improvements in the development of adequate competences for national competition authorities, together with modern techniques and monitoring models for the market, are prioritized as well. However, trained personnel who would know how to use these instruments are a precondition for the introduction of such reforms. In combination with a set of proportionate, but dissuasive sanctions, these amendments would bring the ideas formulated in the Lisbon Strategy, and reshaped by Europe 2020, closer to realization.

Implementation of the Lisbon Strategy has contributed to a more determined competition policy. The introduction of efficient procedural systems of merger controls, along with implementation of a broader form of substantive test for approval of

mergers,[1] has been the main focus of the reforms in this field. The cartel agreements have been treated in a more efficient way, using a specific model of leniency policy[2]. This model has enabled a cartel's insiders to reduce their responsibility for participating in illegal cartel agreements by offering them the possibility of voluntary cooperation with the European Commission in exchange for relevant information. Bearing in mind the extent to which cartels endanger effective competition, the consistent development of this model has to be seen as a significant move towards the targets set by the Lisbon Strategy. Although member states have introduced this mechanism into their legal systems, future efforts are needed in wider promotion and development of this project, while combating cartel cases (Government of Romania, 2009: 37-39).

State aid – benefit or threat for competition?

The reduction of state aid, which can harm effective competition by creating a more favourable market position for some competitors, has been required by the Lisbon Strategy. The state aid system has been completely modernized (European Commission, 2009b: 2), while providing member states with the possibility of better routing of their support towards promising areas (for example innovation, research and development, risk capital for SMEs and start-ups, regional development, environmental protection).[3] Reforms introduced by the State Aid Action Plan 2005-2008 (European Commission, 2005) in the form of exemptions from notification of certain forms of state aid to the European Commission, have contributed to a simpler and more user-friendly state aid system.[4]

1 The previous test of dominant position was used for the evaluation as to whether or not concentration (which was examined) would lead to a dominant position, or would strengthen an already existing dominant position of a merged entity in the market, resulting in effective competition being significantly impeded. The main question was: Would concentration provide increased market power for the merged entity, in a way that would enable it to act independently to an appreciable extent from its competitors and consumers? Considering that a merger can distort effective competition, even in the absence of dominance, the new test – the significant impediment of effective competition test – does not insist on dominance as the condition for the establishment of significant impediment of effective competition (SIEC). The existence of dominance has been characterized as one of the most usual examples of distortion of effective competition. For more see Selvam, 2004: 52-62; Pecotić Kaufman, 2009: 81-83. If compared with the American "substantial lessening of competition" model (also used in Australia, Canada, etc.), some authors point out that the SIEC test asks whether or not the examined merger would significantly impede effective competition in the market. In this way the EU has introduced a model which has been used by the main global players, but also adjusted to European needs. More on this subject is available in Vickers, 2004: 455; Pecotić Kaufman, 2009: 86.

2 The leniency policy encourages cartel's insiders (natural and legal persons involved in cartels) to assist in detection of cartels, by providing useful evidences and information. In return for self-reporting and providing evidences, cartel' insiders can be granted total or partial immunity from fines (which otherwise would be imposed on them by European Commission).

3 A wide range of 26 different forms of state aid is at the disposal of national authorities, free of obligation to notify the provision of individual support to the European Commission. The lack of such an obligation makes provision of support easier and more effective.

4 The main acts introduced in this context are the General Block Exemption Regulation (European Commission, 2008c) and the De Minimis Regulation (European Commission, 2006a).

As a result of the effects of the economic crisis, especially in the financial sector, "emergency measures" were introduced with the main purpose of reducing the negative impacts brought about by the crisis. However, aware of the danger[5] of unilateral financial support, which is provided by member states for some competitors, the EU invited all member states to act in a coordinated manner (Spevec, 2010: 105). In that context, the European Commission issued the Banking Communication (European Commission, 2008a), allowing member states to take some measures (mainly state guarantees) in the banking sector, without causing significant distortions of competition, as well as being in compliance with rules on state aid. In this way the Commission allowed member states to intervene (European Commission, 2009b: 9) on the basis of the existence of "a serious disturbance in the economy" as required in Article 107 (3b) of the Treaty on the Functioning of the European Union (ex Article 87 (3) of the Treaty establishing the European Community (TEC Treaty).

Furthermore, as a result of the financial crisis, the European Economic Recovery Plan (EERP) has set the basis for the simplification of decision-making procedures on state aid, together with the provision of temporary authorizations for member states to ease access to financial resources, mainly through subsidy guarantees and loan subsidies for companies (European Commission, 2008b: 12). The European Commission also adopted the Temporary Community Framework (European Commission, 2009c) allowing member states to grant a limited amount of aid to companies facing a shortage or unavailability of credit. The introduced measures should be necessary, appropriate and proportionate, as well as founded on the existence of "a serious disturbance in the economy". This temporary allowed form of state aid has been used as an important instrument of support for the car industry, as well as in air transport (European Commission, 2009b: 26-27).

Relevant statistics between 2002 and 2007 have shown a decrease in state aid to industry and services, annually on average by 2% (meaning less than 0.5% of EU-27 GDP in 2007). However, the impact of the financial crisis can be recognized in the official statistics in the ending of decreasing trends of state aid. The overall level of state aid in 2008 was significantly increased to 2.2% of EU-27 GDP, compared to the statistics[6] from 2007 (European Commission, 2009d).

Although the trends and the routing of state aid have been improved in the period of time from 2002 to 2007, the financial crisis has left a significant mark.[7] Some

5 The danger can be in potential rivalry in getting financial support.

6 These statistics do not include the support provided by member states under the Temporary Community Framework, considering its application started at the end of 2009.

7 Among the documents produced under the financial crisis, two more documents have to be mentioned: the Recapitalization Communication (European Commission, 2008d), where recapitalization (as the instrument for fighting the risk of insolvency of certain market players) is regulated in a way which does not endanger competition, and the Impaired Assets Communication (European Commission, 2009e), which has provided space for asset relief measures.

assessments of future behaviour of member states contain a very pessimistic note, pointing out the great possibility of a continuation of this kind of trend and also the routing of state aid in the future (Tilford and Whyte, 2010: 8). The main reason for this lies in the threat of decreased productivity and eventual bankruptcy of important competitors in the national market, which would put pressure on national authorities to provide help to competitors facing difficulties. A threat of this kind has to be taken very seriously, and the area of state aid has to be dealt with extremely carefully.

Services liberalization

Implementation of the Lisbon Strategy's target on liberalization of services has shown that obstacles to cross-border business still exist. Services liberalization has been strongly preconditioned with adequate, timely and complete transposition of the Services Directive (European Parliament and the Council, 2006) into national legal systems and practices.[8] The process of reducing the various legal obstacles has progressed, although expectations of more intensive liberalization have put pressure on future reforms (Tilford and Whyte, 2010: 13).

Telecommunications services have been liberalized to a significant extent. The provision of variety in prices and choice, with the consumer playing a significant role in the determination of the market, has been accomplished. Nevertheless, important differences in the regulation of sectors do not contribute to the establishment of a unified, single market (Tilford and Whyte, 2010: 29-30). In order to influence the telecommunications market and to make it function properly, the new Body of European Regulators of Electronic Telecommunications has been established. This body is supposed to influence the market through recommendations. However, the intensity of its influence has been weak, considering the non-obligatory character of the recommendations, leaving room for dominant market players to preserve their position and influence. Furthermore, the attempts to separate call services from Internet services have failed, and this has also limited the liberalization of services (Tilford and Whyte, 2010: 30).

The area of financial services has benefited from the incorporation of the Financial Services Action Plan (European Commission, 1999) into the national legal systems of member states. Measures introduced have improved to a significant extent the flexibility of the financial services system, especially by reducing the regulations on provision of financial services outside the EU market. Nevertheless, the financial crisis has caused increased regulatory activity in the financial services market. It is important to accomplish a balance in regulatory activity, as too much regulatory

8 There would appear to have been progress in the services market in the areas of professions covered by the Services Directive. Furthermore, the member states are expected to liberalize all services professions (for example the notary profession) and to open up and upgrade the services market as a whole.

interference can damage the liberalization of the financial services market (Tilford and Whyte, 2010: 42-43).

The gas and electricity services markets have gone through certain reforms as well. The latest evaluation document from February 2010 has placed partial progress of liberalization of electricity and gas services among the positive impacts of the Lisbon Strategy. A parallel can be drawn with the progress made in the telecommunications services market.[9] The main problems have been recognized to be dominant state interference. Energy production or import and energy distribution have been concentrated by the same competitor.[10] Furthermore, the relevant practice of fining market sharing, one of the worst types of antitrust infringement (as established in 2009 by the European Commission), represents an important precedent in sanctioning market disturbances caused by energy companies.[11]

The transport services market has benefited from the liberalization of all forms of transport services, visible in the variety of services and upgraded infrastructural resources. However, progress is different in specific transport services. For example, air transport services have been more deeply liberalized compared to the rail services market (Tilford and Whyte, 2010: 36-37). Although some member states can serve as a good example of progress in competition in passenger and freight rail services,[12] some of them still need great efforts in order to reach the required level of liberalization.[13] Furthermore, cross-border provision of transport services has been weak as well (Tilford and Whyte, 2010: 36-37). Future reforms are required to upgrade the competition in the transport services market. The rail services market needs infrastructural developments, together with a reduction in subsidies to other transport sectors (Nash and Matthews, 2009: 51-61).

9 For example, the implementation of the Lisbon Strategy in the context of the EERP 2009 has seen infringement procedures started by the European Commission against 24 member states for inappropriate transposition of the set legislative framework into their legal systems (European Commission, 2009f).

10 One example that can be used is Gaz de France which enjoys 95% of import and distribution of gas, and, along with Electricité de France, has 87% of power production and 95% of distribution (Tilford and Whyte, 2010: 31).

11 This decision of the European Commission (COMP/39.401-E.ON/GDF of 8 July 2009, OJ 2009/C 248/05), brought against German E.ON AG and its subsidiary E.ON Ruhrgas, as well as against French GDF Suez SA, represents an important precedent in sanctioning disturbances in the market created by energy companies.

More information is available on: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1099 (10.09.2010).

12 For example, Germany or the United Kingdom (Tilford and Whyte, 2010: 36).

13 For example, Slovenia and Romania (Tilford and Whyte, 2010: 36).

Towards continued reforms – Europe 2020

Along with the benefits brought about by the implementation of the Lisbon Strategy, evaluations have pointed out some failures as well. Criticisms highlight the too general dimension of the Lisbon Strategy. The loudest critics refer to the lack of clearer determination of member states' obligations, while the targets set for the member states were not adjusted to the specific situation in each country. The lack of governance had been cited as the main issue for the failure, while the responsibility for driving the process and mechanism for issuing "policy warnings" to member states were not clearly defined. As a consequence, the set targets were only partially accomplished (European Commission, 2010b: 6). Summarizing the results achieved through the implementation of Lisbon goals (in relation to Guideline No. 13), it could be concluded that the EU and its member states are facing many challenges if they are to succeed in achieving a market with effective and undisturbed competition flows, with the consumer in the centre of the trading arena.

In order to deal with the Lisbon Strategy's leftovers, the EU has introduced the Europe 2020 strategy (European Commission, 2010a). The Europe 2020 integrated guidelines (European Commission, 2010c) have been set up as an instrument of guidance for member states in accomplishing the targets established by the new strategy. Future priorities and targets in the sphere of competition policy have been outlined by the new strategy, particularly by Guideline No. 6, requiring further efforts in proper implementation and enforcement of competition policy. Furthermore, commitment to the continuation of market opening, combined with a more determined fight against anticompetitive behaviour, has been prioritized, especially with the purpose of providing adequate protection for patents and property rights (European Commission, 2010a: 19).

Bearing in mind that the regulatory interventions within the area of state aid have contributed to its increasing trend (mainly due to the financial crisis), the role of state aid continues to be recognized as significant in the accomplishment of the set targets. State interventions in support of sectors in difficulty have to be strictly controlled, as well as reduced as much as possible, while the beneficiaries of state aid should be oriented to more productive activities (European Commission, 2010a: 13). Considering the impacts of the financial crisis on the state aid system, the Europe 2020 strategy especially highlights the temporary nature of support to the banks (provided through guarantees, recapitalization and special treatment of impaired assets). By defining an exit strategy from the financial crisis, Europe 2020 requires strict discipline in the state aid system, while the support provided through "emergency measures" has to be ended as soon as stable recovery is detected (European Commission, 2010b: 22-25).

The services sector continues to be a particularly strong sector in the EU (European Commission, 2010b: 7). Europe 2020 requires further liberalization of services, with proper incorporation and enforcement of the Services Directive. The

full implementation of the Services Directive is predicted to intensify trade in commercial services by 45% (European Commission, 2010b: 19). The establishment and maintenance of equal opportunities for competitors in the market has been particularly highlighted, including those which aim to enter the market.

Special recognition of prohibition of all forms of national protectionism policy is an important point, especially considering that it is precisely through such policies that member states are tempted to respond to the threats of the crisis. Obstacles in the form of various licences, authorizations, high costs for business start-ups or business closures have to be reduced and minimized. All competitors in the market must enjoy equal treatment, while new competitors should be provided with an easy entrance to the market (European Commission, 2010b: 18-19).

Impacts of reforms – Bulgarian and Romanian examples

National packages of reforms, together with the impacts of these reforms, demonstrate the actual results and accomplishments of the Lisbon Strategy. This section deals with the impacts of the Lisbon Strategy on the competition sphere in Bulgaria and Romania, considering the relevance of their experience for Croatia as a candidate state. Certain impacts of the reforms are selected according to the characteristics of each member state, serving as vivid examples as to how some challenges can be coped with.

The Lisbon scorecard X (an independent analysis of the Lisbon Strategy implementation[14]) has placed Bulgaria in 25th place and Romania in 26th place among 27 member states (Tilford and Whyte, 2010: 10).[15]

Bulgarian ranking does not speak in favour of introduced reforms, although certain examples can serve as models of how things should or should not be done. Among the set of reforms in Bulgaria (Republic of Bulgaria, 2009) the new Law on the Protection of Competition[16] was introduced. It has facilitated better cooperation between the EU and Bulgarian authorities in the area of legal enforcement and in the more preventive approach to the treatment of anticompetitive phenomena. The amendments in the sanctioning sphere have introduced the possibility of punishing anticompetitive behaviour with monetary sanctions, and this has contributed to a

14 The Lisbon Scorecard X is analysis prepared by the Centre for European Reform, which assesses individual EU countries' performances relative to their Lisbon targets, on the basis of various indicators (as for example economic, social and environmental).

15 The ranking of Romania (as well as Bulgaria) has not changed in 2009 compared to 2008. In first place (as to overall achievement of the implementation of the Lisbon Strategy) is Sweden, while the weakest progress has been recorded as a result of Malta's reforms. The poor ranking of Romania and Bulgaria has been partially justified by their "newest member states" status, considering that they have not had so much time to act in accordance with the demands of the Lisbon Strategy (Tilford and Whyte, 2010: 5-10).

16 The new Law on Protection of Competition was published in the Official Gazette, No. 102 of 28 November 2008, and entered into force on 2 December 2008.

more preventive and deterrent sanctioning.[17] The instruments of the competition authorities have been developed through the introduction of a new test for understanding the impacts of mergers on competition. The improvements brought by the new test can be seen clearly in its wider capability, encompassing various forms of anticompetitive market structures.

Another example of progress can be seen in the introduction of partial market analyses, which have made better detection of disturbances possible within the competition arena (Republic of Bulgaria, 2009: 16). An important improvement can be found in the establishment of an organized basis for the decisions of the Bulgarian Commission for Protection of Competition, which contributes to the greater transparency and accessibility of information on the status of proceedings and on decisions, directions and interpretations. Better cooperation between the Commission on Competition Protection and all other actors involved in market competition has made it easier for intended competition policy to be put into practice. The proper enforcement of competition policy has been facilitated through the establishment of the Communications Regulation Commission. The specific task of this body is to implement partial analyses, together with appropriate fines for competitors (if necessary).[18]

The state aid system does not demonstrate any significant examples which can serve as a guide for other states (Republic of Bulgaria, 2009: 13-14).

Bulgaria can serve as a good example of the liberalization of electricity and gas services markets. The opportunity to choose a provider of services, the variety of prices, greater choice and better quality of services, with the consumer having greater significance in shaping market flows, have to be mentioned. Now it is less possible to increase the prices to unjustified amounts because of limited energy reserves. The non-regulated model of the electricity market, through "one-day ahead" bilateral agreements has set the basis for the creation of a functioning balancing market.[19]

Analysis of the extent of openness of the Bulgarian market has shown significant improvement in business start-ups (Doing Business Rankings 2010 place Bulgaria in 50th place compared to 81st place in 2009), while in business closures there was no change compared to 78th place in the previous year (World Bank, 2009). Market access has been made more flexible through reduction of the initial capital required for the establishment of companies, or through amendments in relevant tax provi-

17 The amount of monetary sanction is determined as a certain percentage of the subject's (violator's) turnover.

18 According to the results from the latest report, the significant reduction of prices in the telecommunications sector has been a direct result of the work of the Communications Regulation Commission (Republic of Bulgaria, 2009: 16).

19 A balancing market is a market where the price has been set a day ahead. In this market, the selling bids and prices of suppliers have an increasing trend and are set for each hour, while buyers set their demand bids with a decreasing trend. These bids determine the final price of the service. For further information see Nogueira and Vale, 2003.

sions, social security provisions and public procurement or bankruptcy procedures. The reduction of the need for various licences and authorizations has contributed to the opening-up of the market as well (Republic of Bulgaria, 2009: 14-15).

Romanian weak accomplishments on implementation of the Lisbon Strategy's targets can be valuable in the form of positive or negative examples too. In Romania certain efforts have been directed into raising the educational and professional skills of administration personnel, in order to improve efficiency in their work. The proper enforcement of a set legal framework relies on the Competition Council.[20] The methodology of the work of the Competition Council has been improved through the use of sectoral market analyses. Furthermore, cooperation of the Competition Council with the European Competition Network has been intensified, and this has contributed to the proper implementation of the acquis communautaire and to a dynamic exchange of information. Problems still remain in the efficiency of the work of the Competition Council because of pending procedures, as well as a sanctioning system which lacks a sufficiently preventive and deterrent character. On the other hand, where infringements have already appeared, the procedure has to be dealt with by skilled personnel, while interpretations and methods used have to follow well-established EU practice (Republic of Romania, 2009: 37).

As part of the state aid system the National Network of State Aid has been established. The main advantage of this network can be seen through the cooperation at a consultative level among various authorities (local, financial or public administration). The reforms were set up in an attempt to re-orientate state aid away from being mainly focused on supporting companies in difficulty and the maintenance of workplaces. The statistics from the year 2007 show that services of general interest (for example, services related to drinking water or thermal energy) were supported to a greater extent, while de minimis aid was mainly directed towards small and medium-sized enterprises (SMEs) (Republic of Romania, 2009: 399). The good practice of granting de minimis state aid to SMEs should be intensified in the future, in the light of the fact that these interventions are likely to disturb effective competition only to a very small extent. According to the Annual Implementation Report regarding the Romanian GDP, the rate of national state aid has shown a significant reduction from 2.64 % in 2004 to 0.56% in 2007, while the objective of reaching a rate of national state aid of less than 1% of GDP has also been accomplished (Republic of Romania, 2009: 41).

The liberalization of services in the energy market in Romania offers positive examples (similar to in Bulgaria) concerning the development of a balanced market of electricity services. However, progress in Romania has been even greater as the model of "one-day ahead" bilateral agreements has been fully applied and the

20 The Competition Council's investigations increased by 40%, while the percentage of ex officio investigations increased by 70% (in 2009, compared to data from 1 October 2007 to the 1 October 2008). Statistics show that decisions were made mainly on merger cases (around 80%), and as sanctioning decisions (around 14%) (Government of Romania, 2009: 41).

Romanian electricity market has been evaluated as a wholly functioning market.[21] Such good examples are followed by some negative ones, however. This particularly concerns the Romanian experience in the liberalization of the transport services market. The reforms implemented in the Romanian rail services sector can serve as an example (especially rail freight services). The decreased public financing of rail freight, alongside very high charges for track access (Romanian track access has one of the highest charge rates in Europe) have lead to a significant decrease in the overall share of rail freight from 34% in 2002 to 19% in 2007.[22] Thus, the liberalization of rail services and the opening-up of the market have been restricted.

Regarding barriers to entry it has to be mentioned that the latest Doing Business Ranking has highlighted Romania's backward step (compared to 2009). For business start-ups, Romania was ranked in 42nd place (a step back compared to 30th place in 2009), while business closures Romania was ranked in 91st place (a few places lower compared to for 2009) (Doing Business Rankings, 2009). If compared with Bulgaria, it has to be noted that Romania has achieved much weaker progress in introduced reforms than Bulgaria. Furthermore, Romania needs to take significant steps to eliminate various authorization obstacles (European Commission, 2009a: 47-48).

Competition policy in Croatia – the challenge of Lisbon Strategy goals?

The first Competition Act was adopted in 1995[23], while the Croatian Competition Agency (CCA) was established by the Croatian Parliament in the 1995 (it has started to operate in 1997). Since then CCA is the main actor (next to the authorized courts) in safeguarding the effective market competition, as well as proper enforcement of competition policy.

Being a candidate country, Croatia does not have the obligation to establish a National Reform Programme in line with the targets of the Lisbon Strategy. Nevertheless, these targets create a significant challenge for Croatia on its way towards EU membership. Endorsing Lisbon Strategy can contribute not only to the achievement of certain requirements necessary for EU membership, but also to the improvement of the Croatian competition system in general (Samardžija and Boromisa, 2006: 212-214). The new Europe 2020 strategy has recognized the importance of strategic goals for candidate countries, as well as for neighbouring countries. It has stressed that the set targets carry great significance in framing and implementing future reforms in countries outside the EU. In other words, the framework, if used and interpreted in the right way, can serve as a valuable source of ideas on how to

21 More information is available on: http://www.seetec-balkans.org/show_news?id=46 (10.09.2010).

22 For more information see: http://www.cer.be/press/press-releases/1993-opening-national-rail-markets-will-help-to-improve-passenger-services (12.09.2010).

23 Competition Act, published in Official Gazette No. 48/1995, 52/1997, 89/1998.

improve national systems within the EU, or further afield.

Significant steps forward have been made through the provisions of the new Competition Act[24] on widening the competences of the Croatian Competition Agency (CCA) in sanctioning anticompetitive behaviour in the market.[25] The new legislation is intended to improve the ability of the CCA in supervising and maintaining effective competition flows in the market. The sanctioning system promises to become an efficient and deterrent system.

The clearer criteria[26] for assessing the existence of a dominant position will serve to make detection of dominant positions easier. Further improvements can be seen in the introduction of an advanced test – the SIEC test – for an evaluation of the admissibility of concentrations. As explained earlier, and following established European practice, this test is one of the most comprehensive for evaluation of the possible negative effects which certain market structures could have on market competition. Such improvements make the Croatian procedures of merger control more alike to the procedures used in the EU countries.[27] Following the model of the EU leniency programme, Croatia has introduced the possibility for cooperative cartel members to become entitled to complete or partial immunity. The introduction of the leniency policy contributes to making the fight against cartels stronger, especially considering the harmful impacts which these prohibited agreements can have[28] on market competition.

Intensifying the position of the CCA is among the priorities in the future. Trained and professional personnel, fully equipped with instruments capable of preventing distortion of competition and of sanctioning violation of competition rules, are needed in order to be able to come closer to achieving the targets first set by the Lisbon agenda and later underlined in the new Europe 2020 strategy.

State aid

According to the recent analysis, the share of state aid in the Croatian GDP has significantly declined in the recent years, which means total share of state aids in the

24 It was passed on 8 July 2009, and published in the Official Gazette No. 79/09. The application of the new act was postponed till 1 October 2010.

25 The provisions of the Competition Act from 2003 (Official Gazette No. 122/03) have treated anticompetitive behaviour as an offence dealt with by an authorized magistrates court. The new provisions ensure sanctioning through special administrative or penal measures decided by the CCA, while the Administrative Court executes judicial control over these decisions of the CCA.

26 For example, where there is a joint dominant position of undertakings the important factor is the existence of agreed practice (their common market share is not crucial). For more information see Cerovac, 2009: 8.

27 For more information see Vickers, 2004: 455.

28 Cartels are per se prohibited, which means that participation in a cartel cannot be legally justified.

2008 of 2.6 % GDP, compared to the 2007 and 3.4 % GDP (see Table 1).[29]

The analyses of state aid trends have reported opposite trends when comparing Croatian and EU state aid in 2008. Significant increase in support to the economies in the EU is opposed to the Croatian decrease in state aid (see Table 1). The main reason for an increasing trend of EU state is a result of the economic crisis (where state aid helps in coping with negative impacts of recession). Such results of economic crisis are expected to bring increasing trend of state aids in Croatia too (Kesner-Škreb, 2010).

The lack of clear targets in Croatian state aid policy represents a significant shortcoming in the state aid system (Spevec, 2010: 108). Support has been directed to the Croatian shipyard industry and transport, aiming at recovery and restructuring of these sectors. Evaluation of the official data on sector specific support, presented by the State Aid Annual Report 2008 (Croatian Competition Agency, 2009), has shown an increase in state aid in the sector of transport as well as in other sectors. A decrease has been noticed in steel production, shipbuilding, tourism, radio and television broadcasting and state aid aimed for rescue and restructuring of enterprises. The Table no.2 gives a short overview of the structure of the state aid in Croatia, as percentage of GDP.

Table 1. Comparative data on state aids granted in Croatia and the EU (GDP, %)

	2006	2007	2008
Croatian sectoral state aids (GDP, %)			
Steel production	0.00	0.06	0.00
Transport	0.49	0.45	0.42
Shipyard Industry	0.98	0.69	0.17
Tourism	0.09	0.06	0.05
Public (Radio and TV), Broadcasting	0.33	0.32	0.32
Other sectors	0.01	0.01	0.04
Rescuing and Restructuring	0.05	0.27	0.02
Total	1.95	1.86	1.02
Total share of state aids in GDP (%)			
Croatia	3.2	3.4	2.6
EU	0.6	0.5	2.2

Sources: Croatian Competition Agency, 2009; European Commission, 2009d.

29 According to the Annual Report of CCA, the state aids in 2008 amounted 8.810,5 million kunas, what is 17,6 % less compared to the year 2007. The total share of state aids in Croatian BDP in 2008 was reduced for 24,4% compared to the previous year.

The privatization of Croatian shipyards is still an ongoing process, significantly influenced by the negative impacts of the economic crisis and the decreasing productivity of this industry. The closure of the privatization process would also enable the fulfilment of state obligations in relation to the state guarantees provided to the shipyard industries (Croatian Competition Agency, 2009: 39-40).

Horizontal state aid, directed at research and development, protection of the environment and SMEs, would facilitate the general capacity of entrepreneurs to compete in the market. Reforms directed at decreasing sectoral state aid, together with an increase in regional and horizontal state aid is the direction which Croatia has to keep to in the future. Finally, a transparent state aid system with adequate supervision mechanisms has to be the aim in the development of competition instruments. Restructuring requires exceptional support for "promising" business activities only, applicable under the "first and the last time" principle, with necessary restructuring plans (Spevec, 2010: 107). In other words Croatia has to stop providing state aid to industries without a future.

Liberalization of services

Certain positive steps can be seen in the liberalization of services. Telecommunications services have been liberalized to a certain extent, mostly due to the strong efforts of the Croatian Post and Electronic Telecommunications Agency on opening up the Croatian market to new competitors in the telecommunications sector. The available statistics on fixed telecommunications service operators from December 2009 imply that HT d.d. had a significant market share of 73.27%.[30] A decreasing trend is evident, if these statistics are compared with statistics from December 2008, when HT d.d. had 76.54%. [31] The situation concerning mobile telecommunications service operators is different. Two main operators hold a significant market share (while three operators are holding the market). The latest available statistics on the number of users (from December 2009) imply that HT held 47.37%, followed by 42.72% held by VIPnet and 9.91% held by Tele2. A comparison with statistics from December 2008 (with 45.75% held by HT, 42.29% held by VIP net and 11.96% held by Tele2) implies a certain loss of market share for Tele2.[32] Although certain steps forward have been made, the liberalization of telecommunications services has to stay on the priority list for future reforms.

More rigorous reforms are needed in the energy services market, considering the domination of some suppliers still remains a problem in electricity and gas supply. In these areas customers are far from being offered variety in distribution, price or

30 Statistics relate to the number of users.

31 The statistics have been taken from the quarterly report on market share of the fixed telecommunications operators (Croatian Post and Electronic Communications Agency, 2010).

32 The statistics have been taken from the quarterly report on market share of mobile telecommunications operators (Croatian Post and Electronic Communications Agency, 2010).

quality, while their position in the market is marginalized. The necessary separation of the production or import of energy and distribution of energy still needs to be realized in full. State interference in the functioning of the Croatian energy market is strongly present. As far as pricing in the electricity market is concerned, it can be noted that a balancing electricity market (as used by Romania and Bulgaria) could be very useful for future Croatian reforms.

Progress has been achieved within the area of the postal services market, considering the introduction of new legislative provisions through the Postal Services Act,[33] which have harmonized relevant legal provisions with the significant part of the Directive on Postal Services (European Parliament and the Council, 2008). The timetable for opening up the market in segments has been established, predicting a complete market opening by the end of the year 2012 (European Commission, 2009g: 30).

Conclusion

Being an integral part of the Lisbon Strategy, proactive competition policy aims to create healthy businesses, where consumers' interests determine the complete business reality. The evaluation of the implemented reforms points out enforcement of competition policy through modernized techniques and a more preventive sanctioning system. Due to the fact that the EU member states were significantly hit by the financial crisis, state interventions have increased. This creates an important challenge for national governments in the future, as they need to re-orientate their state aid systems in a direction which does not endanger a healthy competition atmosphere in the marketplace. The further liberalization of services has contributed to the wider opening up of the market, although certain issues still need to be eliminated through future reforms. Experience from national practice in Bulgaria and Romania, the newest member states, can serve as an example for future Croatian reforms. For example, the reforms introduced by Romania into its state aid system can serve as very positive examples, while weak liberalization in rail freight services presents an example of inefficient reforms and responses to set targets. In the Bulgarian case, for example, the introduction of a more preventive and deterrent sanctioning system, along with improved methodology and capacities of competition authorities, is a valuable source of inspiration for future reforms in candidate countries.

The relevance of further liberalization of services, alongside the elimination of all forms of anticompetitive behaviour, continues to be prioritized in the new Europe 2020 strategy. Strictly controlled state interventions need to be reduced to a minimum, while the measures introduced during the financial crisis have to be avoided

33 The Postal Services Act was passed on 22 July 2009, and was published in the Official Gazette No. 88/09.

as much as possible. Elimination of national protectionism is something that must be particularly highlighted, as it is a very serious threat to effective competition and the further opening up of the market.

The Europe 2020 strategy underlines the importance of set targets for candidate countries and neighbouring countries as well. Croatia, as a candidate country, needs to upgrade its competition policy. Further strengthening of the position of the Croatian Competition Agency is necessary in order to be able to comply with the well-established practice of the EU and experiences of its member states. Liberalization of the services sector has to stay very high on the list of Croatian future priorities, with a strong commitment to the opening-up of the Croatian market. The elimination of various forms of obstacles is necessary for transformation of any form of national protectionist policy into the market policy which supports and promotes market competition.

Sažetak

Rad analizira provedbu politike tržišnog natjecanja EU-a odnosno temeljne mehanizme za suzbijanje narušavanja pravila tržišnog natjecanja. Ta se pravila mogu narušiti primjerice zloporabom dominantnog položaja na tržištu, sklapanjem zabranjenih kartelnih sporazuma, neadekvatnošću sustava državnih potpora i sl. Analize razmatraju također stupanj otvorenosti i liberalizacije tržišta usluga, kao i ulogu potrošača pri definiranju tržišnih interesa. Pitanje tržišnog natjecanja u sklopu Lisabonske strategije prvenstveno je razmatrano kroz analizu odabranih učinaka integrirane smjernice br. 13, koja teži ostvarenju otvorenih kompetitivnih tržišta unutar i izvan Europe kako bi Unija polučila koristi od pozitivnih aspekata globalizacije. Provedbom Lisabonske strategije na tragu smjernice br. 13 znatno je unaprijeđen sustav tržišnog natjecanja EU-a zato što su ujedno na razini unutarnjeg tržišta i na nacionalnim razinama uspostavljeni bolji instrumenti detekcije svih pojavnosti i ponašanja koji mogu ugroziti tržišno natjecanje. Zaslugom Lisabonske strategije vidljivo je pojačana kontrola državnih intervencija na tržištu (u obliku državnih potpora), koje su u trenutačnim kriznim vremenima intenzivirane kako bi se pomoglo poduzetnicima u poteškoćama. Osim toga, Lisabonska je strategija jasnije odredila prioritete u području tržišnog natjecanja čime je stvoren solidan temelj za daljnje reformiranje tog područja. Od 2011. Lisabonsku strategiju zamijenit će Europa 2020 kao nov višegodišnji strateški okvir za provedbu ekonomskih reformi na razini EU-a. Stoga se rad bavi i analizom mogućih učinaka te nove komplementarne strategije u području tržišnog natjecanja. Osobita pozornost posvećena je određenim aspektima integrirane smjernice br. 6, koja govori o poboljšanju uvjeta za poslovanje i potrošnju te o modernizaciji industrije. Na tragu te smjernice Europa 2020 ističe važnost daljnjih napora na pravilnoj provedbi politike tržišnog natjecanja što podrazumijeva odlučnu borbu protiv svih ponašanja poduzetnika koja mogu narušiti, ograničiti i spriječiti tržišno natjecanje. Nadalje, istaknuta je potreba za daljnjim smanjivanjem državnih

potpora, odnosno pravilnim usmjeravanjem preostalih državnih potpora, vodeći računa o privremenom karakteru rješenja kojima se pokušalo odgovoriti na izazove financijske krize, što se naročito odnosi na potpore financijskom sektoru. U sklopu strategije Europa 2020 ističe se da u slučaju neminovnosti državne potpore korisnici moraju biti pomno odabrani i trajanje potpore ograničeno, a potrebu za pružanjem državne potpore treba stalno nadzirati. Daljnje otvaranje tržišta, uz uklanjanje svih mjera nacionalnog protekcionizma kojima se pogoduje postojećim natjecateljima na tržištu, svakako ostaje jedan od temeljnih prioriteta i u sklopu strategije Europa 2020. Dokument također ističe potrebu za dovršenjem liberalizacije tržišta usluga te jačanjem položaja potrošača. Rad uključuje i analizu učinaka reformi provedenih u sklopu Lisabonske strategije u nacionalnim sustavima tržišnog natjecanja Bugarske i Rumunjske kao novih država članica. Imajući na umu korisnost primjera, analiza je usmjerena na pitanja koja su karakteristična za te zemlje. Tako su u pogledu Rumunjske razmatrane reforme provedene u sustavu državnih potpora, učinci liberalizacije tržišta energetskih usluga te posljedice reforme u području željezničkog teretnog prometa. Kod Bugarske je fokus na reformama u području kontrole i sankcioniranja ponašanja koje nije u skladu s principima tržišnog natjecanja te na instrumentima namijenjenim osiguranju zdrave natjecateljske klime na tržištu. Posljednji dio rada bavi se analizom sustava tržišnog natjecanja u Hrvatskoj i razmatra promjene koje će se morati usvojiti na putu prema članstvu u EU-u. Posebna pozornost posvećena je analizi sustava državnih potpora, procesu liberalizacije telekomunikacijskih, poštanskih i energetskih usluga te novim metodama nadzora tržišta, koje uključuju efikasno sankcioniranje prijestupnika. Državne potpore se u Hrvatskoj uglavnom upućuju brodogradnji, željezarama i prometnom sektoru, zbog čega se kao očit pokazuje problem nedostatnog vezivanja državnih potpora za sektore koji su u stanju opstati na tržištu. U tom smislu u budućnosti će trebati povećati tzv. horizontalne državne potpore, kojima se podupiru istraživanje i razvoj, zaštita okoliša te malo i srednje poduzetništvo kako bi se na taj način ojačala opća kompeticijska sposobnost poduzeća. Putem usporedbe relevantnih podataka za Hrvatsku s onima za Bugarsku i Rumunjsku provedena je analiza stupnja otvorenosti hrvatskog tržišta i može se zaključiti da Hrvatska, kako bi dosegla razinu navedenih zemalja, mora provesti reforme koje će omogućiti više fleksibilnosti pri ulasku na tržište, što podrazumijeva uklanjanje prepreka u obliku primjerice suvišnih autorizacija i dozvola. Radi poboljšanja nacionalnog sustava tržišnog natjecanja također će biti potrebno ojačati položaj hrvatske Agencije za zaštitu tržišnog natjecanja te nastaviti s liberalizacijom tržišta usluga.

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SOCIAL PROTECTION AND SOCIAL INCLUSION FROM LISBON TO EUROPE 2020

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Abstract

Perhaps one of the widest gaps in terms of understanding the role of the contemporary European Union (EU) concerns the broad theme of social policy, including social protection and, in particular, the fight against poverty and social exclusion. Most of the leading scholars of Europeanization, drawn largely from the disciplines of political science, law, economics and international relations, tend to ignore the social dimension of Europeanization completely or to play down its importance. In contrast, social policy scholars, while they may disagree on the details, and even on how important the EU is in terms of its influence on domestic social policy, consider the question of the social dimension of the EU to be of fundamental importance. Even within the politics and polity of the EU a similar gap remains, with only a small group of EU officials, politicians and activists arguing for the centrality of the social dimension against the indifference or opposition of the majority. Underneath all this is the truth that while the importance of the so-called "social dimension" of the EU tends to vary over time, sometimes given greater importance, sometimes less, the political and economic dimensions tend to always be in focus.

In this text we analyse the shifting meanings and significance of the European social dimension, paying particular attention to the first and second iterations of the Lisbon Strategy and the new vision of Europe 2020, and analyse the significance of the social impacts of the global economic and financial crisis on the reframing and remaking of "social Europe". We then move to the lessons which can be learnt from the integration of new member states, particularly the post-communist transition countries, eight in May 2004, and two in January 2007, an accession involving a number of rather poor countries with very different, and still developing, welfare systems compared to those of the old member states. A third section focuses on the social policy dimensions of Croatia's accession, including the Joint Memorandum on Social Inclusion (JIM) signed by the EU and the Government of Croatia on 5 March 2007. A brief concluding section looks at the likely impact of the new social agenda of the EU for Croatia as the 28th member state, expected to occur in 2012. This chapter is reflecting the changing dimensions of social policy within the EU itself and the responses to the social dimensions of the crisis.[1] *It also considers the revision of the Lisbon Strategy, the adoption of the Lisbon Treaty, the articulation of a new vision for Europe 2020, the absorption of new member states and the significance of the EU within Croatian social policy (Stubbs and Zrinščak, 2009).*

1 In some ways, the current text is a revisiting, revising and updating of an earlier text (Stubbs and Zrinščak, 2005). Unlike in that text, for reasons of space, social dialogue is not covered here.

Whither social Europe?

The Lisbon Strategy from 2000 appeared to signal a sea change in terms of linking growth, employment and social protection at the heart of the European project. Central to this was a "strategy aimed at modernizing the European social model, investing in people and combating social exclusion" (European Council, 2000). The Lisbon Strategy had "something for everyone" but was open to a number of plausible, but divergent, interpretations (Zeitlin, 2009). Crucially, the social dimension of the Lisbon Strategy remained framed within the idea that, according to the subsidiarity principle, social policy choices are the prerogative of sovereign member states so that progress would have to be made through the gradual expansion of the "Open Method of Co-ordination" (OMC).[2] The quest for what Franck Vandenbroucke called "an exercise in ambition in the social policy area" (Vandenbroucke, 2002: v) therefore came, in fact, to be dominated by innovation and experimentation more in the soft governance of the process of social policy making and comparison of achievements between member states than in the hard substance of policies themselves.

The priority from 2000 onwards was to build up the technocracy to support the OMC on social inclusion, through establishing common objectives on poverty and social exclusion, clarifying reporting arrangements in terms of national plans on social inclusion (submitted as national strategic reports) and joint reports by the Commission, devising agreed indicators for measuring progress, and ensuring sufficient capacity within the EU institutions to be able to identify common challenges, review outcomes and establish mechanisms for learning from best practice. Indeed, it was such a long process that there was little time before the mid-term review of the Lisbon Strategy in 2005 to really establish the value added of the social dimension. At the same time, through other processes, the EU was "reframing and recoupling the notion of 'social policy' itself" (Lendvai, 2007: 30), largely in terms of a new "dominant script" framing social policy in terms of employability and activation (ibid: 32). This essentially "employment-anchored social policy" (O'Connor, 2005) served, once again, to largely subordinate social policy to broader economic policies.

As early as 2002, there was recognition of the need for "streamlining" within the Lisbon Agenda, including within the OMC on social inclusion itself, in terms of linking social protection, poverty alleviation, health and long-term care, and pensions with social inclusion. This was expressed most clearly in the new common objectives on Social Protection and Social Inclusion (European Commission, 2005a), first mooted in a Commission Communication in 2003 (European Commission,

2 The process launched at the Lisbon summit in 2000 was, at the time, termed "the OMC on poverty and social exclusion". Later, after pensions and health and long-term care were added to the social inclusion strand, in March 2006, the three strands together became known as the "Social OMC". Still, there is no place in this paper to discuss in more depth the nature of the OMC itself, which is also an important aspect in evaluating the importance and impact of the social inclusion process. For an extensive discussion see Kröger, 2009.

2003) and finally approved at the European Council meeting in Nice in March 2006. Whilst optimistic commentators saw this as "strengthening the social dimension of the Lisbon strategy and enhancing the quality and coherence of the overall socio-economic governance of the EU" (Marlier et al., 2007: 27), the evidence from the mid-term review and subsequent reformulation of the Lisbon Strategy offers room for very different arguments.

In headline terms, the three Lisbon pillars, growth, jobs and social cohesion, became essentially revised to just two: growth and jobs. In President Barroso's Communication to the spring European Council of 2 February 2005 (European Commission, 2005b) "A New Start for the Lisbon Strategy", alongside "more growth" and "more and better quality jobs", a new third pillar "better governance" is added. This focuses, centrally, on labour market restructuring, microeconomic and structural reforms, and macroeconomic and budgetary measures. "Modernising social protection" is relegated to a sub-theme within the "more and better quality jobs" pillar, in terms of encouraging workers to remain active longer, and reforming social protection systems "in order to achieve a better balance between security and flexibility" (ibid: 2).

In line with the revised Lisbon Strategy adopted in 2005, the EU also adopted the Integrated Guidelines for Growth and Jobs for the period 2005-2008 which brought together the broad Economic Policy Guidelines and Employment Guidelines. While this reaffirms, in a sense, the idea that social protection issues had become delinked from the Lisbon Agenda, it should be borne in mind that, even within the first phase of the Lisbon Strategy, there were no clear targets set within the common objectives formulated at the December 2000 Nice European Council. Although later, in 2002, the Commission stressed the importance of setting quantitative targets in National Action Plans on Social Inclusion (Marlier et al., 2007; 23), the Commission's own emphasis on the gender dimension of social inclusion, on the impacts of policies on immigrants and on people with disabilities, while important, can be seen as rather limited. The last eight of 24 objectives were related to employment, with only the objective "to implement employment policies to achieve full employment, improve quality and productivity at work and strengthen social and territorial cohesion" (European Union, 2005) containing any broader non-employment related goals. At the same time, the targets set here (70% average employment rate; 60% employment rate for women; 50% employment rate for older workers) related only to employment.

At the centre of reporting were new Lisbon National Reform Programmes which were meant to contribute to social inclusion through a process of "feeding in and feeding out" between the Lisbon Strategy and the Social OMC. The social inclusion-objectives were supposed to "feed in" to the achievement of the growth and employment objectives, while, at the same time, growth and employment programmes would "feed out" to advance social cohesion/inclusion goals (Frazer and Marlier,

2010). In reality, "the mutually reinforcing nature of economic, social and employment policy envisaged when the Lisbon process was launched has not been much in evidence" or has existed "more in theory than in practice" (Frazer and Marlier, 2010).

Amongst the fiercest critics of this move was the European Anti-Poverty Network[3] which termed the 2005 integrated guidelines for a revised Lisbon Strategy a "reduced economistic vision of the EU" (EAPN, 2007: 3). It went on:

"The OMC on social protection and social inclusion is vital to defend social inclusion concerns, but runs the risk of being weakened and increasingly marginalized as national governments give priority to responding to the growth and jobs agenda. As a result, the 'revised' Lisbon strategy risks losing its social heart, pursuing a vision which puts the economy first, and people second, instead of an integrated social, economic and employment strategy rooted in a vision of sustainable development. This sustainable development vision would recognize that an EU based on social rights, which succeeds in eradicating poverty and social exclusion provides a crucial dynamic base for the economy to grow, as has been shown by the most successful EU countries, which have succeeded in combining economic growth with greater equality and the reduction of poverty and social exclusion" (EAPN, 2007: 3).

The EAPN stance contributed to something of a rearguard action by DG Employment and Social Affairs (DG EMPL), the Social Protection Committee, influential academics, NGOs and policy lobbyists, to enlarge the scope, competence, accountability, inclusiveness and power of the Social OMC as much as possible, albeit fully aware of the real constraints they faced. The clearest statement of the more socially oriented position came in the July 2008 Commission Communication "A renewed commitment to social Europe: reinforcing the Open Method of Co-ordination for Social Protection and Social Inclusion" (European Commission, 2008). Noting that "delivery on common objectives (...) remains a challenge", the Communication "proposes to strengthen the Social OMC by improving its visibility and working methods, strengthening its interaction with other policies, reinforcing its analytical tools and evidence base, and enhancing ownership in Member States through peer review, mutual learning and involvement of all relevant actors" (ibid: 2). Stressing subsidiarity and even the "voluntary nature" of the OMC, the document offers a mixture of rather old and some new ideas, all couched within a gradualist, consensus-building approach. Among the more innovative and potentially far reaching is the attention paid to the social impacts of other policies and, albeit highly tentatively, the broaching of target setting on poverty reduction (including child poverty, in-work poverty, and poverty of older people); pensions (in terms of minimum pension income regardless of provider); and health and long-term care (relating to access and

3 Formed in 1990, and a key partner to the European institutions on issues of social exclusion, the EAPN is an independent network of non-governmental organisations (NGOs) and groups, involved in a broad range of advocacy, campaigning and information sharing activities. See: http://www.eapn.org.

quality, life expectancy, healthy life years and infant mortality). The report opts for nationally defined targets, albeit with reference to "differentiation along pathways, making it possible for groups of countries with a similar situation or problems, to work together" (ibid: 5).

In a sense, the other key development in the middle of the implementation of the Lisbon Strategy was the integration of new post-communist member states which is dealt with in the next section. At the same time, enlargement fatigue, the rejection of the proposed EU constitution and, above all, the impacts from late 2008 of the economic crisis, should not be underestimated. Indeed, the implications for the European project of the most serious economic and financial crisis to hit the developed world since the Great Depression of the 1930s and still unfolding as we write in terms of the crisis of indebtedness in Greece and the concomitant threat, real and symbolic, to the single European currency itself, may be even more far reaching. Until the Greek crisis development, it could be argued that the greatest social impacts and hence need for a social response from the EU was felt in some of the new member states, with the EU finding itself, for the first time, working in its own member states with the IMF and the World Bank. Again, this story is best left for the next section, other than to state that an early response to the crisis from the Commission, emphasizing the importance of social expenditure as a counter-cyclical measure, may have led, at least partially, to a revised interest in the social dimension going forward from the Lisbon Strategy to Europe 2020. In addition, the report by the Commission on the Measurement of Economic and Social Progress (Stiglitz, Sen and Fitoussi, 2009), commissioned by French President Nicholas Sarkozy, while in many ways simply restating rather old arguments, does appear to have also been influential in strengthening an understanding of the importance of a move from "gross economic progress", measured only in per capita GDP, to a notion of "net social progress".[4]

In its rhetoric at least, the Europe 2020 strategy, adopted on 17 June 2010, appears far more "social" than the Lisbon Strategy, particularly in its revised iteration. Subtitled "A strategy for smart, sustainable and inclusive growth", the dedicated Commission website states unequivocally:

"Europe can succeed if it acts collectively, as a Union. The Europe 2020 strategy put forward by the Commission sets out a vision of Europe's social market economy for the 21st century. It shows how the EU can come out stronger from the crisis and how it can be turned into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion. To deliver rapid and lasting

4 "GDP has also come to be regarded as a proxy indicator for overall societal development and progress in general. However, by design and purpose, it cannot be relied upon to inform policy debates on all issues. Critically, GDP does not measure environmental sustainability or social inclusion and these limitations need to be taken into account when using it in policy analysis and debates" (European Commission, 2009).

results, stronger economic governance will be required" (European Commission, 2010).

The implications of the crisis, rather more than lessons learnt from the Lisbon Strategy, appear to have influenced a dominant script in which, within the three broad objectives, there are actually many more, since "inclusive growth" is defined as "fostering a high-employment economy delivering social and territorial cohesion". Even more ambitiously, five "headline targets" are outlined, to be translated into "national targets and trajectories" on employment; on investment in R&D; on climate and energy; on young people and education; and, crucially, that "20 million less people should be at risk of poverty" (European Commission, 2010: 3). Among seven "flagship initiatives" is a "European platform against poverty to ensure social and territorial cohesion such that the benefits of growth and jobs are widely shared and people experiencing poverty and social exclusion are enabled to live in dignity and take an active part in society" (ibid: 4).

In terms of the social dimension, Europe 2020 can be perceived as an opportunity and a threat. The opportunity is clear, in terms of social cohesion being put, once again, at the centre of the European project, including clear target setting and a Platform Against Poverty building on the 2010 European Year for Combating Poverty and Social Exclusion, outlining shared responsibilities of member states, the need for programmes targeting at-risk groups, and greater use of European Structural Funds for social innovation. At the same time, the threat is that much of the influence of the social forces which helped to bring this change about will be lost, as the social agenda, defined primarily in terms of a fight against poverty not unlike the EU in the 1980s, becomes narrower and remains marginalized within an economistic and employment-driven script. The reference to the social OMC in the text is extremely conservative, suggesting little or no changes in the next period. The debate and dilemmas are clearly visible from an open letter from the European Anti-Poverty Network to EU ministers of employment and social affairs on 4 June 2010 in which the EAPN urged them to: "agree on an ambitious EU poverty reduction target; ensure that Social Guidelines goes beyond employment and that social objectives are mainstreamed through the Europe 2020 strategy; take urgent action to prevent the increase of poverty and social exclusion by defining the role of social protection and social inclusion in the responses to the crisis" (EAPN, 2010: 1). Another point to make is that many of the broader economic assumptions and targets in the text are, themselves, likely to have negative social impacts. Hence, many of the same problems in the initial iteration of the Lisbon Strategy appear to remain in the vision for Europe 2020.

Nevertheless, there is room for optimism, not least since, in the conclusions of the meeting of European Union heads of state on 17 June 2010, fighting poverty and social exclusion remains as one of five headline targets, with the aim to lift at least 20 million people out of the risk of poverty and exclusion. In the end, as noted in a

footnote, the population is defined through three indicators: at risk of poverty (the current EU definition of 60% of median income); material deprivation (defined as persons lacking four or more – not three or more as in the real EU indicator – of a list of nine items) and people living in jobless households (meaning those aged 0-59 in households where nobody works or where there is low work attachment). In the end, using these definitions, those at risk of poverty or social exclusion in the EU number some 120 million, so the target to reduce by 20 million is a reduction of 16.7%, less ambitious than the target in an earlier iteration which referred to a reduction of a quarter from the 80 million considered at risk of poverty using the 60% of median income indicator. Notwithstanding this, the real achievement is the identification of a quantitative target so that reducing poverty and social exclusion should be a greater political priority of the EU in the future. While member states will be free to set their national targets on the basis of the most appropriate indicators these will need Commission approval and so there should be a new balance between national priorities and EU objectives.

EU enlargement and social Europe

The EU has, certainly, been an important actor influencing the social, economic and political contours of the ten post-communist countries in terms of their accession to the European Union and, now, their integration as new member states. It has not been the only significant actor, however, so that discussions have to be widened to cover a range of differently mandated international organizations including, most importantly in general terms, but even more so in the context of the economic and financial crisis, the IMF and the World Bank, who are engaged, in rather complex ways, in a "competition-cooperation binary (Lendvai and Stubbs, 2009: 682) with the EU. In other words, although the "hard" conditionalities of the international financial institutions (IFIs) in the social policy field often clash with the "soft" conditionalities of the EU, and are based on rather different rhetorical prescriptions, there is also some degree of convergence in their approaches. The IFIs are becoming somewhat more socially oriented as the macroeconomic and fiscal strands of EU governance themselves come to share many of the assumptions of the IFIs. In any case, the impact of Lisbon processes (both the original and revised Lisbon Strategy) in the new member states has been rather limited and vague.

Much of the literature on the "Europeanization" of post-communist social policy is rather narrowly focused on questions of convergence or divergence between the new and old member states and with the relative weight of EU as opposed to so-called "domestic" pressures and influences, although the new literature points more to a very complex process of institutional change with rather dense and in many cases unintended consequences (Cerami, 2009). A number of rather crucial arguments have been made fairly consistently, however. The first is that the EU accession process tended to have a rather weak social dimension, unless, as in the

case of Bulgaria and Romania with institutionalized and street children, what are typically seen as social policy issues become translated into human rights concerns, and hence move from "soft acquis" to hard "Copenhagen criteria". On the other hand, on becoming a member, social policy alignments across a range of issues occur, with the key issue being "whether the newcomers take a reactive approach to the EU, with passive adoption of rules and norms, or take a proactive stance in which they aim for an active translation of EU values, norms and policy frameworks and an active search for their own response to the EU" (Lendvai, 2007: 39). A second argument is that there has been a relative lack of influence of the EU over the content of social policy and welfare reforms in the new member states, which tended to either be very limited or to move in a more residualist and neo-liberal direction, closer to a kind of Washington than a Brussels consensus, and perhaps closer to the prescriptions of DG Economics and Finance (ECFIN) than DG Employment, Social Affairs and Equal Opportunities (DG EMPL). Pension and health-care reforms, particularly during the 1990s, are examples of dominant IFI influence (most notably the World Bank) and of the absence of the EU. At the same time, a stronger EU influence can be found in the processes and procedures of social policy, in terms of alignments of institutional capacities, if not actual structures, and the promotion of new policy-making processes (Guillen and Palier, 2004; Ferrera, 2005; Stubbs and Zrinščak, 2009). It is here that the ever more complicated technical architecture of reporting, peer review, networking and communications led by DG EMPL comes into the ascendancy. There is also a sense that the influence of the EU is a slow process but, in the longer term, there is a gradual Europeanization of key policy domains, in content as well as in process. The European Union, essentially, adds one more factor to the complexity of social policy transformation, rather than becoming the dominant factor. As Grabbe has argued (2006), the EU influence over social policy is significant but constrained by diffuseness and uncertainty. In social protection and social inclusion, where the EU agenda is both ambiguous and incomplete, it does not make full use of its potential influence. She also points to other factors which interact in terms of the formulation of domestic policies in all fields: country-specific conditions, political processes and the relative power of domestic forces in negotiations with the EU, the duration of the Europeanization process, and so on. In short, the institutional weaknesses found in the new member states should be analysed together with the institutional weaknesses of EU social policy, discussed above, and confusion over EU goals.

Ideas that a new "welfare regime" has been created in the new member states of central and eastern Europe, different from but containing elements of existing welfare regimes in the old member states, should be treated with caution, not least since welfare regimes take longer to fully emerge and solidify than 20 years of post-communism allows for. Nevertheless, in parts of the region, there is an interesting new arrangement emerging which is a fusion of pre-communist Bismarckian social insurance, communist legacies of universalism and egalitarianism,

and post-communist marketization (Cerami, 2006). Taking into an account the still influential legacy, and the consequences of the social transformation process and Europeanization, central and eastern European welfare systems have become more diverse and mixed than is the case in the west, which contributes to the difficulty of placing them into the categories of "conservative-corporatist", "liberal" and "social democratic" (Szikra and Tomka, 2009: 33). Different reform paths can be detected in different policy fields (such as pensions or health-care systems, or unemployment protection) even inside one country, contributing more to hybridization than to an ordered clustering of welfare in central and eastern European countries (Hacker, 2009). This is a fact visible from Table 1.

Table 1. Economic and social indicators of the central and eastern European countries (%)

	GDP per capita in PPS		Real GDP growth rate		Unemployment rate		Employment rate		At-risk-of-poverty rate after social transfers		Social expenditures as % of GDP	
	2000	2009	2000	2009	2000	2009	2000	2009	2000	2008	2000	2007
EU-27	100	100	3.9	-4.2	8.7	8.9	62.2	64.6	-	17	-	26.2
EU-25	105	103	3.9	-4.2	8.6	9.0	62.4	65.0	16	16	26.5	26.4
EU-15	115	111	3.9	-4.3	7.7	9.0	63.4	65.9	15	16	26.8	26.9
Bulgaria	28	41	5.4	-5.0	16.4	6.8	50.4	62.6	14	21	-	15.1
Czech Republic	68	80	3.6	-4.1	8.7	6.7	65.0	65.4	-	9	19.5	18.6
Estonia	45	67	10.0	-14.1	13.6	13.8	60.4	63.5	18	19	13.9	12.5
Latvia	37	57	6.9	-18.0	13.7	17.1	57.5	60.9	16	26	15.3	11
Lithuania	39	62	3.3	-14.8	16.4	13.7	59.1	60.1	17	20	15.8	14.3
Hungary	55	64	4.9	-6.3	6.4	10.0	56.3	55.4	11	12	19.6	22.3
Poland	48	56	4.3	1.7	16.1	8.2	55.0	59.3	16	17	19.7	18.1
Romania	26	-	2.4	-7.1	7.3	6.9	63.0	58.6	17	23	13	12.8
Slovenia	80	91	4.4	-7.8	6.7	5.9	62.8	67.5	11	12	24.2	21.4
Slovakia	50	72	1.4	-4.7	18.8	12.0	56.8	60.2	-	11	19.4	16
Croatia	49	63	3.0	-5.8	-	9.1	-	56.6	-	18*	-	17.5

Source: Eurostat (for Croatian social expenditures, CBS 2009).

Note: *2007.

There are a number of interesting insights which can be drawn from this data. As noted above, they point to the diversity of post-communist countries, although also, at least partly, to their similarity to the EU-15. According to GDP, it is clear that with a few exceptions (notably Slovenia, the Czech Republic and maybe Slovakia), this region is still economically underdeveloped and was hit severely by the current eco-

nomic crisis. It is interesting also that the economic crisis particularly hit the so-called "Baltic tigers" which were depicted as examples of fast economic growth. While the majority of countries by 2009 had reached the EU comparable level of employment over or around 60% (with the exception of Hungary and Croatia), unemployment in many of them has nevertheless remained pretty high. Concerning poverty there is a gap between those with rather low (Czech Republic, Hungary, Slovenia, Slovakia), and considerably higher poverty levels (Bulgaria, Latvia, Lithuania, Romania). Finally, in respect to social expenditures there is a real gap between the EU-15 and the new member states (with the partial exception of Hungary and Slovenia), as the new member states have very low and even declining social expenditures (Matković, Šućur and Zrinščak, 2007).

Therefore, it can be argued that there is a marked variation in institutionalized efforts to maintain social welfare between the neo-liberal, market-radical Baltic states, the embedded neo-liberal Višegrad countries, and neo-corporatist Slovenia (Bohle and Greskovits, 2007; Lendvai 2009). Lendvai (2009) usefully studies taxation regimes, economic policies, public finances and political discourses, together with more traditional welfare features. She also stresses that welfare regimes are fluid and changing rather than fixed and static. She adds Slovakia to the Baltic states as a neo-liberal welfare regime, based on "radical economic reforms resulting in minimal states, low welfare spending, low taxes, strongly deregulated labour markets and widespread liberalization" (Lendvai, 2009: 12). She adds the Czech Republic to Slovenia in terms of social corporatism and sees Poland and Hungary as "messy and incongruous", or a "complex patchwork" of neo-liberalism and neo-populism. The emergence of the radical neo-liberal regimes is, perhaps, of most importance. It is based, in a sense, on pushing to a logical conclusion some of the neo-liberal experiments found in some old member states, within a policy frame lacking any of the key "institutional complementarities" (Cerami and Stubbs, 2010) which are found in those old member welfare states. Notwithstanding the fact that the new neo-liberal member states fare consistently worse in all indices of human development and, perhaps most crucially, child well-being (Richardson et al, 2008), in the context of the primacy of subsidiarity over the Social OMC, there was no pressure from the EU, at any time, to change policy course, not least as these countries tended to have higher rates of growth than other member states in the "boom" period.

With the onset of the economic and financial crisis, however, it is notable how those amongst the new member states that have built stronger welfare safety nets, notably Slovenia and, to an extent, the Czech Republic, faced more limited economic and social disruption than the more radical neo-liberal states (see also Table 1). In part this relates, also, to the nature of growth and the inter-connectedness of the crisis in terms of the international finance and banking sectors. The return of the IFIs to parts of the region in terms of IMF loans may lead to a new convergence in terms of means testing, targeting and residual social protection policies. The fact

that the EU found itself working very closely with the IMF in a number of new member states as a result of the crisis has changed the parameters of social Europe, although the longer-term impacts of this are far from clear. For example, in the case of Latvia, which saw a fall in GDP of 17.8% in 2009, and where the IMF was predicting an overall fall of some 30%, the EU contributed the largest amount, some €3.1 billion, to an overall emergency loan of €7.5 billion. However, the policy prescriptions which became conditionalities, including cuts in social expenditures overall, though with a strengthening of targeted social assistance, represent a more typical IMF package without a strong emphasis on the importance of wider and deeper social protection and social inclusion (Lace, 2009). Romania received an even larger assistance package again based on EU, IMF and World Bank collaboration, again with harsh conditionalities relating to public expenditure. Here, there was more of a concern to protect the poorest through a counter-cyclical increase in social assistance expenditures.

The late Europeanization of Croatian social policy

Elsewhere (Stubbs and Zrinščak, 2009: 126 et seq), we have argued that the Europeanization of Croatian social policy did not begin until the election of a reform-oriented coalition government in January 2000, after almost a decade, following independence, of war and destruction in which state-building occurred in a context of tendencies towards political authoritarianism, nationalism and a kind of clientelistic "crony capitalism" (Bičanić and Franičević, 2003). The extent of the break with the 1990s should not be overstated, however, other than in the sense that a general political and even societal consensus emerged that the pursuit of EU membership was crucial in the context of consolidating democratization and progressing economically. In terms of the social dimension, we continue to argue that the nature, form and timing of Croatian transition makes for a rather different set of outcomes compared to the new member states discussed above. In the context of a kind of "welfare parallelism" (Stubbs and Zrinščak, 2007), in which there is little co-ordination between either the central and local state or between state and non-state actors, the influence of the European Union has been rather mediated and very complex.

Even the first wave of influence in terms of "cognitive Europeanization" or "the incorporation of the EU discourse on the fight against poverty and social exclusion, gender equality, conciliation of family and working life, and active employment policies into (...) national (...) discourse, preference and aspirations" (Guillen and Alvarez, 2004: 298) was complex and specific. The effects were, initially at least, largely confined to the sphere of new NGOs, particularly those concerned with human rights, gender equality and the rights of national minorities. Skilled in advocacy and lobbying, well networked internationally, and with a strong presence and credibility "on the ground", many of these organizations were able to gain support within

Europe and, crucially, within the EU institutions themselves, and increase pressure on Croatian authorities to address the very considerable problems in these areas. At the same time, many of what might be termed "core" social policy concerns – poverty and social exclusion, employment, pensions and health care – were either largely ignored by the EU or, most notably in the sphere of pensions, seen by Brussels as having been successfully resolved, with reform ideas coming from elsewhere and in no sense bearing any marks of real EU influence.

In terms of the Lisbon Strategy in Croatia, social policy concerns were always marginal to what were seen as core issues of growth and competitiveness, reflecting in a sense a consensus within the EU itself after the mid-term review of the strategy and, crucially, within dominant Croatian politics for much of the last six years. Under the leadership of successive heads of the Governmental Office for Development Strategy, there was little understanding of, or commitment to, social protection and social inclusion as a central pillar of development. Rather, a view of social spending as impeding development was generally stressed, along with an attempt to emphasize the role of all stakeholders, rather more than public provision, in terms of welfare and social cohesion. The Strategic Development Framework for Croatia for 2006-2013 states Croatia's main strategic goal in an interesting formulation, namely "growth and employment in a competitive market economy acting within a European welfare state of the 21st century" (Government of the Republic of Croatia, 2006). Whilst "social cohesion and justice" is one of the ten key pillars of the strategy, the objectives and actions associated with this are vague, rather general, and where they are specific tend to reproduce an orthodox neo-liberal stance on the importance of targeting social protection to the most vulnerable.

A new political and technical process began, however, in late 2005, focusing on poverty and social exclusion, and, in parallel, although beginning somewhat later, on employment and the labour market. In line with the obligations of candidate status, preparation for the signing of a Joint Memorandum on Social Inclusion (JIM) began with a "kick off conference" in Zagreb in September 2005, based on the European Commission DG EMPL's insistence on a wide process of dialogue and consultation with stakeholders. Croatia's JIM process had a symbolic importance both for the Commission and for Croatia itself. For the Commission, stung by criticisms that the JIMs prepared during the accession process for the new member states had been ineffective and very "top down", there was a real determination to engage in a more serious effort this time. This was, no doubt, facilitated by the fact that the time from the launch of the process, through the signing of the JIM, to Croatia's eventual accession, was going to be much longer than had been the case in the previous wave of JIMs. In addition, there was an opportunity to work closely with a government

which, whilst not at all "social" in its orientation, had placed responsibility for social welfare within a new Ministry of Health and Social Welfare (MHSW).[5] The division of social welfare was led by a state secretary from a coalition partner, the Croatian Social Liberal Party,[6] who was keen to show leadership in this process. The key additional element, perhaps, was the establishment of a small team of independent experts who tended to be more progressive in their analysis and policy recommendations, and whose work was facilitated by a dedicated team of civil servants.[7] However, we would insist still that the overall process, and the influence of experts, civil servants and wider stakeholders, has been more of a technical and professional than political nature. Still, the JIM process, viewed as a rather successful part of the whole accession process, was much welcomed by Commission staff both in Zagreb, and, particularly, in DG Employment, Social Affairs and Equal Opportunities in Brussels. Following a long and intensive consultation process, including different ministries and government agencies, NGOs and social partners, as well as some representatives of regional and local governments, the JIM was signed by the Croatian Minister of Health and Welfare and the EU Commissioner for Employment, Social Affairs and Equal Opportunities on 5 March 2007. From then until June 2010, two implementation plans have been adopted (for 2007-2008 and 2009-2010), and two implementation reports submitted (for the periods March 2007-June 2008 and January 2008-March 2009), which were evaluated and commented on in two reports issued by DG EMPL. In parallel, the so-called JAP process (Joint Assessment of Employment Policy Priorities) focusing on employment according to the EU guidelines was also launched and the Joint Assessment Paper of the Employment Policy Priorities in the Republic of Croatia was signed in May 2008. Three conferences on JIM implementation were organized, while a fourth, in February 2010, was organized as a joint JIM and JAP conference.[8] Following commitments taken inside the JIM and JAP as well as other formal obligations, Chapter 19 of the acquis communautaire, relating to social policy and employment, was provisionally closed on 21 December 2009.

Elsewhere (Stubbs and Zrinščak, 2009: 129), we have pointed out a number of positive aspects of the JIM, including, firstly, the articulation of a clear social policy agenda, based on evidence and reflecting the thinking of leading social policy experts, and secondly, the nature of stakeholder dialogue and open consultation, in

5 The goverment which came to power in January 2004 split the former Ministry of Labour and Social Welfare into two ministries and created a new Ministry of the Family, War Veterans and Intergenerational Solidarity. In fact, this move served to delink issues of employment from those of social welfare and placed social welfare within in a health dominated ministry.

6 HSLS (Croatian Social Liberal Party) formally left the coalition in July 2010.

7 One of the authors of this text (Zrinščak) was a member of the expert team whilst the other (Stubbs) was engaged by the European Commission to offer independent advice on the JIM and wider social inclusion processes in Croatia.

8 All information and documents are available on the Ministry of Health and Social Welfare website: http://www.mzss.hr/hr/medunarodna_suradnja/socijalna_skrb/jim_zajednicki_memorandum_o_socijalnom_ukljucivanju_rh/zajednicki_memorandum_o_socijalnom_ukljucivanju_hr.

contrast to previous "closed door" strategy development. In addition, the JIM has been part of a process, albeit rather slow and uneven, through which Croatian social statistics become more harmonized with EU practice and, perhaps, less reliant on the World Bank. It has also stimulated research on a range of social issues, such as youth unemployment vulnerability and the transition from school to work, and indebtedness. Perhaps most crucially, it has built on the earlier wave of "cognitive Europeanization" and strengthened the hand of those advocating on a number of issues. These include not only discrimination against minorities and gender equality, as before, albeit extending these to more "core" social policy and employment themes, but also a number of other themes, notably deinstitutionalization or the reduction of numbers in inappropriate institutional care, decentralization, promotion of lifelong learning and the introduction of a social pension for older people without any income. Still, there is an overemphasis on "process" at the expense of "content" regarding EU social policy influence. The Commission appears more interested in the challenges as evidence of problems of capacity and of horizontal and vertical co-ordination, and hence as further evidence of general problems in meeting EU accession requirements, rather than in terms of recommending any clear policy measures. In addition, some key questions, notably the chronically low spending on basic social assistance and in the general social welfare system is largely ignored in the JIM process, or left to the influence of World Bank-led reform projects which have their origins in a joint World Bank/UK Department for International Development (DFID) welfare reform project beginning in 2001 in which the EU had no role (Stubbs and Zrinščak, 2009: 129). Reforms, including the modernization of social services, the introduction of so-called "one-stop shops" and the rationalization of cash benefits all took place in parallel to the accession process. Moreover, and particularly "encouraged" by the crisis circumstances, the World Bank has continued to lobby against "high and untargeted" social benefits. In fact, through the Europeanization of social statistics, the Croatian Bureau of Statistics, in December 2009, for the first time issued data on social spending based on the methodology of the European system of integrated social protection statistics (ESSPROS) which shows that in 2007 social expenditures were 17.5% of GDP, which is much lower than the EU average (CBS, 2009).

The response to the economic and financial crisis perhaps reveals more starkly than ever the anti-social nature of broad government policies and the inability or unwillingness of the EU to influence this. At the insistence of the European Commission, the most recent JIM Implementation Report and a recent joint JIM/JAP conference have addressed the social impacts of the crisis. However, in the Implementation Report covering the period January 2008 to March 2009, the crisis is discussed only very broadly, noting the difficulties which may lie ahead. In the absence of any more concrete data, scenarios and policy options presented, it has to be concluded that the crisis management capacity of the MHSW to deal with the impacts of the crisis is severely limited. The section reads like a description of the crisis by a detached

commentator rather than a proactive ministry and government seeking to find solutions. At the very least, it calls into question the planning and policy-making capacity of the Social Welfare Department of the MHSW and how far it is actually a party to key governmental decisions regarding the crisis and ways of mitigating its social impacts. At the same time, the crisis, for reasons which are not clearly spelt out, is cited as a reason for the non-implementation of certain commitments, including those of deinstitutionalization and decentralization. Beyond restatements that social assistance will be protected, there has been little proactive move by the government to ensure that the social impacts of the crisis are mediated. At the same time, in the context of rising unemployment and the danger of a new poor being created, many policy measures, such as increasing VAT, abolishing the right to free school text books, cuts in school transport, and a number of tax incentives in the field of housing, health and pension and life insurance, seem to contribute negatively. Indeed, recent analyses suggest significant rises in child poverty in Croatia, as a result of a combination of the crisis conditions and the measures which the government has taken to curb public spending (UNDP/World Bank, 2010).

There have, perhaps, been fewer synergies than might have been expected between the JIM process, the Instrument for Pre-Accession Assistance (IPA) funds which prepare candidate and prospective candidate countries for future European Social Fund (ESF) assistance, and the annual progress reports which offer key messages regarding challenges and gaps. On the whole, the IPA's social dimension is largely employment focused and very much "projectized", so that the impacts on policy direction are still rather weak. In addition, the social dimension, while present in the progress reports, is neither particularly strong nor always coherent and consistent. The full impact of Europeanization is, of course, not limited to the measures in the JIM. For example, EU funds, often in partnership with Croatian bodies such as the National Foundation for Civil Society Development, have supported many valuable projects which, taken together, have strengthened a local welfare mix and established NGOs as credible service providers. At the same time, the lack of participation by the Croatian authorities in the European Year for Combating Poverty and Social Exclusion is, perhaps, continued evidence of a lack of "buy in" to EU social policy concerns at the level of central government as a whole.

Conclusions

Although there is some room for optimism in terms of the setting of specific EU-wide poverty reduction targets in the Europe 2020 programme, the failure to move beyond the Open Method of Co-ordination suggests that there will be little change in Croatia's social policy as a result of joining the European Union, which is widely expected in 2012. Nevertheless, the social impacts of the crisis, and the importance of pensioners' parties and of trades unions, suggest that social policy issues will be important in the parliamentary elections which will precede accession. Hence, a repoliticization of social policy, in the context of debates about welfare in the new Europe, is possible.

Although marked by late Europeanization, there are some similarities between the Croatian story and the experiences of some other central and east European countries, which are likely to become even stronger after Croatia joins the EU, when the JIM becomes a model for future National Action Plans on Social Inclusion (NAPSI). A recent analysis of the Czech NAPSI process suggested that legitimacy is the most important issue as "legitimacy of the social inclusion agenda in the eyes of key actors is a crucial condition for internalization of the corresponding policy discourse by policymakers which facilitates the process of institutional learning (...) and also its usage as a specific instrument (lever) to advance some policy goals and measures. The result of such a process would be a specific kind of domestification of this agenda" (Sirovátka and Rákoczyová, 2009: 201-202). The authors argue that there is a lack of legitimacy in the NAPSI process in the Czech Republic such that the elimination of poverty and social exclusion was not even the main goal. For somewhat different reasons, we would claim the same for Croatia, where official, political and, indeed, public discourse still places too low a priority on eliminating poverty and social exclusion, and sees social spending as a burden.

As in Croatia, the Czech process reveals major implementation gaps in terms of co-ordination, allocation of resources and involvement of NGOs and excluded people. In terms of positives, the authors note the advancement of institutional learning and improvement of competences. It may be that, unless there is a sea-change in the political commitment to social protection in Croatia or, even more unlikely, a radical departure in terms of a move away from subsidiarity towards an EU social agenda with real teeth, this is the best that can be hoped for in terms of the Europeanization of Croatian social policy, in the medium term at least. In terms of being a regional block, the European Union continues to be rather weak on the rights and redistributory aspects of social policy (cf. Deacon et al, 1997), while its regulatory structure is an experimental kind of governance based on strengthening of mutual learning within the Social OMC. As the global economic and financial crisis continues to impact on political economies within the EU, only pressure for change from below and from above is likely to strengthen the EU social dimension in the future.

Sažetak

Socijalna politika u Europskoj uniji doživjela je znatne promjene pokretanjem Lisabonske strategije 2000. jer je socijalna dimenzija postala jednom od okosnica razvoja EU-a. Ipak, socijalna je dimenzija Lisabonske strategije ostala čvrsto određena principom supsidijarnosti temeljem kojeg mjere socijalne politike ulaze u nadležnost zemalja članica, a njihovo se poboljšanje namjeravalo postići postupnim proširenjem procesa otvorene koordinacije na nova područja socijalne zaštite. Metoda otvorene koordinacije rezultirala je dodanom vrijednošću jer je na razini zemalja članica i EU-a ustanovljena infrastruktura sa svrhom redovitog praćenja napretka te međusobnog učenja putem razmjene iskustva i najboljih praksi. No, usporedno s otvorenom metodom koordinacije u Uniji se oblikovao nov koncept socijalne politike određen terminima zapošljivosti i aktivacije radne snage u kojem je socijalna politika postala podređena širim gospodarskim ciljevima. To je i potvrđeno revizijom Lisabonske strategije 2005. godine, kada je izvorni lisabonski cilj socijalne kohezije postao subordiniran ostalim dvama: gospodarskom rastu i zapošljavanju. Revizijom strategije prihvaćene su i integrirane smjernice za rast i zapošljavanje, koje su se u socijalnoj domeni većinom fokusirale na postavljanje ciljeva vezanih uz zaposlenost. Aktualni utjecaj krize kao i proširenje na zemlje Srednje i Istočne Europe pridonijeli su tome da se nova strategija EU-a nazvana Europa 2020, prihvaćena u lipnju 2010., čini barem na retoričkoj razini socijalno mnogo osjetljivijom od svoje prethodnice. U sklopu tog programa EU ističe važnost uključivog rasta, koji podrazumijeva stvaranje gospodarstva s visokom razinom zaposlenosti koje će osigurati socijalnu i teritorijalnu koheziju. EU sada kao jedan od svojih pet glavnih ciljeva ističe izbavljanje 20 milijuna ljudi od rizika siromaštva, a jedna od sedam inicijativa "Europska platforma protiv siromaštva" usmjerena je prema većoj koheziji te osiguranju dostojanstva i socijalne uključenosti ugroženih skupina. Nova strategija ističe odgovornost zemalja članica te potrebu stvaranja ciljanih programa za rizične skupine kao i većeg korištenja strukturnih fondova u svrhu socijalne inovacije. Moguće je međutim uočiti i rizike, koji su ponovno povezani s tendencijom marginalizacije socijalne dimenzije u odnosu na ekonomske ciljeve s negativnim socijalnim posljedicama. Prilog također analizira socijalne politike novih zemalja članica EU-a, osobito koliko su one određene članstvom u Uniji te Lisabonskom strategijom. Analiza pokazuje da je utjecaj strategije na nove članice bio ograničen i neodređen, a ističe se i važnost međunarodnih financijskih institucija (prije svega Svjetske banke i Međunarodnog monetarnog fonda) čije su agende u pogledu socijalnih zahtjeva u određenoj mjeri konvergirale s politikom Unije. Ipak, iako je pristupni proces imao slabu socijalnu dimenziju, nakon ulaska u Uniju došlo je do djelomičnog usklađivanja socijalnih politika novih zemalja članica sa socijalnom politikom EU-a pri čemu je glavna razdjelnica bila jesu li zemlje članice pasivno prihvatile pravila i norme socijalne politike ili su zauzele proaktivno stajalište. Rad također analizira europeizaciju socijalne politike u Hrvatskoj, koja je zbog tranzicije opterećene ratnim naslijeđem imala drugačiju dinamiku od one u novim zemljama članicama. Europeizacija Hrvatske počela je 2000. i u prvom je valu bila obilježena tek

posrednim utjecajem Unije, koja je davala prednost pitanjima ljudskih prava, jednakopravnosti spolova te pravima nacionalnih manjina, dok su neka od središnjih pitanja socijalne politike, poput borbe protiv siromaštva i socijalne isključenosti, nezaposlenosti te pitanja mirovinskog i zdravstvenog osiguranja bila zanemarena. Lisabonska strategija također nije znatnije utjecala na oblikovanje socijalne politike u Hrvatskoj, jer je bila pretpostavljena pitanjima rasta i zapošljavanja. Značajnije promjene dogodile su se 2005. godine, kada Hrvatska počinje pripreme za potpisivanje Zajedničkog memoranduma o socijalnom uključivanju (tzv. JIM proces), koji je potpisan 2007. Tim procesom uključeni su u konzultacije neovisni stručnjaci i oblikovana je moderna platforma na polju socijalne politike te ostvaren dijalog sa širokim krugom različitih dionika. JIM procesom statističko izvješćivanje iz područja socijalne politike postalo je puno bliže praksi EU-a, potaknuta su istraživanja brojnih aspekata socijalne politike, a proširen je i horizont na područja koja se ne nalaze u samom središtu socijalne politike. Ipak, kao mana JIM procesa može se istaknuti da je naglasak stavljen na oblikovanje politika, izvješćivanja i praćenja, a manje na bitne promjene, pa proces stoga ostaje previše "tehnicistički". Osim toga, JIM proces nema utjecaja (kao ni sam EU) na antisocijalni karakter Vladinih protukriznih gospodarskih mjera. Zato se može zaključiti da skorašnje članstvo Hrvatske u EU-u neće donijeti bitne promjene trenutačne socijalne politike ako ne dođe do čvrste političke opredijeljenosti na polju socijalne zaštite ili ako se trenutačno dominantan princip supsidijarnosti ne zamijeni jedinstvenim socijalnim programom EU-a. U međuvremenu, napredak je moguće ostvariti boljom alokacijom resursa te uključivanjem i koordinacijom aktera što bi dovelo do snažnijeg institucionalnog učenja i podiglo razinu kompetencija.

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ENHANCING THE ROLE OF SOCIAL ECONOMY IN ATTAINING THE LISBON AGENDA OBJECTIVES

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Abstract

In the past thirty years the social economy has been a phenomenon of increasing importance since its values and non-profit driven activities tend to correct numerous imbalances created by the open market. A part of the indirect social economy also creates direct economic benefits as its actors contribute to over 4% of the EU's GDP. Although the EU has gradually been working on building up the profile of the social economy since 1989, this was not given greater importance within the Lisbon Strategy, the core EU strategic development programme of the past decade. Consequently today the EU is faced with the pressing need to implement measures that would enable coordinated development of this concept in all of its member states. Such measures include the creation of European statutes for associations, mutual societies and foundations, the creation of national statistical registers for social economy enterprises and enabling credit and tax relief for these actors, among others. The forthcoming Europe 2020 strategy may find itself in a better position to promote these actions because compared with its predecessor it puts much greater emphasis on the social dimension. At the level of the member states, diverging national traditions and insufficient supranational coordination have resulted in very heterogeneous understandings of the social economy as a concept. While the UK puts more focus on the market aspects of the social economy, the continental tradition views it more as an extended arm of social policy. The development of social economy actors is of particular importance in the new member states and the EU candidate countries due to the structural weaknesses of these states, the still fragile state of their democracies, underdeveloped civil society and the often unfavourable social situation of their citizens.

Introduction

The social economy is not an entirely new phenomenon. The first cooperative experiments started up in the UK in the early 19th century as a spontaneous reaction by industrial workers to overcome the difficulties of their hard living conditions. For almost thirty years after the end of the Second World War, however, this term had fallen out of everyday use. In more recent history, the social economy has been rediscovered since it coincides perfectly with intensely debated topics, such as decentralization, participatory democracy and the "bottom-up" approach to governance. Furthermore, the theme also agrees with the concept of sustainable development because it promotes social inclusion, local development and environmental protection, as well as a search for innovative solutions to social needs (Chaves and Monzón, 2007: 16). The goal of this article is to evaluate the development patterns of the social economy in the EU, some of its member states and Croatia as a candidate sate currently going through the final stages of its accession process. Particular focus will be placed on analyses of the social economy's positioning within the EU's Lisbon Strategy and its successor Europe 2020. It will be argued that the post-2005 narrowing of the Lisbon Strategy's focus resulted in a missed opportunity for the rapid, coordinated and EU-wide development of this concept.

Beyond the logic of the free market

Attempts precisely to define the social economy can be reduced to two basic approaches. The first one seeks to identify legal and institutional forms which are part of the social economy, such as associations, mutual societies and cooperatives. The second focuses on the common principles which form these organizations, such as primacy of individuals and communities over profit (Noya and Clarence, 2007: 10). Traditionally the social economy organizations have been defined negatively as non-profit organizations, underlining the exclusion of the profit motivation. However, over time this negative definition has proved too narrow because it excluded entities such as agricultural cooperatives or cooperative banks. In today's view the main difference between social economy organizations and for-profit enterprises is the fact that, unlike for-profit organizations, social economy organizations possess an explicit social dimension because in their actions they are not motivated by the pure pursuit of profit (Borzaga and Tortia, 2007: 30).

From a geographical point of view two traditions can be detected in the development of the social economy. In Europe it was mainly the rediscovery of non-profit organizations as service providers that paved the way for the conceptualization of the social enterprise. The term is often used to describe the way of doing business which encompasses the more entrepreneurial component of the non-profit sector and the innovative component of the cooperative movement (Galera, 2008: 4). In the US, development of the social economy is marked by the tendency to empha-

sise the relation between associations/communities and the corporate world as the engine driving this concept (Hulgard, 2010: 15). Furthermore, in the US tradition the emphasis is not on the institutional arrangement but on the individual dimension of the social entrepreneur as an agent capable of implementing innovative solutions (Galera, 2008: 4).

Two basic approaches to defining the social economy have been combined in the EU definition. According to that definition: "The organisations of the social economy are economic and social actors active in all sectors. They are characterised principally by their aims and by their distinctive form of entrepreneurship. The social economy includes organisations such as cooperatives, mutual societies, associations and foundations. These enterprises are particularly active in certain fields such as social protection, social services, health, banking, insurance, agricultural production, consumer affairs, associative work, craft trades, housing, supply, neighbourhood services, education and training, and the area of culture, sport and leisure activities" (DIESIS,[1] 2008: 7). A similar but perhaps more precise definition of the social economy has been adopted by the French National Liaison Committee for Mutual, Cooperative and Associative Activities. In their view the "social economy represents the set of organisations that do not belong to the public sector, operate democratically with the members having equal rights and duties and practise a particular regime of ownership and distribution of profits, employing the surpluses to expand the organisation and improve its services to its members and to society" (Chaves and Monzón, 2007: 17).

One prominent characteristic of organizations working in the ambit of the social economy is their hybrid nature, since these organizations can have different objectives, which can be partially social-driven and partially market-driven (Alter, 2007). The multi-stakeholder foundation of these organizations should be considered as their strength because it enables more comprehensive viewing of an issue and generally fosters more democratic governance. Unfortunately, the multi-stakeholder foundation of social enterprises remains often at odds with the dynamics of decision-making processes in which decisions usually have to be taken quickly (Travaglini et al., 2009: 14).

The social economy can be an effective mechanism for the empowerment of people, institutions and communities. For individuals it represents the opportunity to reject the position of passive receivers of social transfers and to become independent individuals earning an income from labour. To organizations the social economy gives them the ability to raise funds for their own activities and to avoid the trap of becoming an "extension" of public institutions. Finally, for communities the social economy provides them with the ability to independently formulate growth strategies based on their own resources (Frączak and Wygnański, 2008: 16). In

1 DIESIS is a research and development organisation with European and international networks that provides services for cooperatives and participate enterprises in the social economy sector.

the last two decades, social economy organizations have managed to occupy areas overlooked by the public sector and in that way they have become both creators of services and also creators of jobs. They have proved themselves as effective instruments in combating poverty, unemployment and social exclusion. Moreover, the contribution of the social economy organizations to local development is of great importance because jobs they create tend to be filled by local people who spend much of their income locally (Loyd, 2007: 78).

How EU institutions approach the social economy

In the EU there are two million social economy enterprises, representing 10% of all EU businesses. These organizations employ over 11 million people which is the equivalent to 6% of the working population of the EU (see Table 1.). Out of the people employed in the social economy sector, 70% are employed in non-profit associations, 26% in cooperatives and 3% in mutual societies (European Commission, 2009). In 2007, health and social welfare mutual societies provided assistance and cover to over 120 million people. In the same year member states counted some 240 000 economically active cooperatives which provided direct employment to 4.7 million people and had 143 million members. In 2005, associations in the EU accounted for over 4% of the GDP while their membership included 50% of EU citizens (Chaves and Monzón, 2007: 16).

The European Commission initially recognized the social economy in its 1989 Communication on "Businesses in the social economy sector: Europe's frontier-free market". In the same year the Commission initiated a series of European conferences on the social economy and so far twelve such conferences have been organized throughout Europe. Upon its recognition the social economy become part of the EU enterprise policy. It received a special unit within DG XXIII – the Directorate General for Small and Medium-Sized Enterprises (SMEs). In 2000, after the Commission was reformed, DG XXIII become part of the bigger DG Enterprise and Industry and the social economy become part of the unit Crafts, Small Enterprises, Cooperatives and Mutual Societies. However, since the social economy represents a multidimensional theme, the issues concerning its well-being are not exclusively covered by the DG Enterprise and Industry. While the DG Enterprise and Industry focuses on the business aspects of the social economy, it is the DG Employment, Social Affairs and Equal Opportunities which is concerned with its social aspects.

Table 1. European Union: paid employment in the social economy compared to total paid employment

Country	Employment in social economy	Total employment	Percentage of employment in social economy
Austria	260 145	3 786 969	6.9
Belgium	279 611	4 048 499	6.9
Cyprus	4 491	307 305	1.5
Czech Republic	165 221	4 707 477	3.5
Denmark	160 764	2 684 311	6.0
Estonia	23 250	565 567	4.1
Finland	175 397	2 354 265	7.5
France	1 985 150	23 859 402	8.3
Germany	2 031 837	35 850 878	5.7
Greece	69 834	3 832 994	1.8
Hungary	75 669	3 831 391	2.0
Ireland	155 306	1 730 381	9.0
Italy	1 336 413	21 477 906	6.2
Latvia	300	1 378 900	0.0
Lithuania	7 700	960 304	0.8
Luxembourg	7 248	187 809	3.9
Malta	238	146 500	0.2
Netherlands	772 110	8 089 071	9.5
Poland	529 179	13 470 375	3.9
Portugal	210 950	4 783 988	4.4
Slovakia	98 212	2 118 029	4.6
Slovenia	4 671	888 949	0.5
Spain	872 214	16 155 305	5.4
Sweden	205 697	4 252 211	4.8
United Kingdom	1 711 276	27 960 649	6.1
TOTAL	11 142 883	189 429 435	5.9
EU-15	10 233 952	161 054 638	6.4
EU-10	908 931	28 374 797	3.2

Source: Chaves and Monzón, 2007.

Since there are no specific treaty provisions regulating the field of the social economy, the role of the Commission is limited to horizontal action which is aimed at encouraging a favourable environment for the functioning of the social economy enterprises (DIESIS, 2008: 10). A specific EU budgetary policy for the social economy does not exist. Therefore the activities of social economy enterprises have been financed through multi-annual budget initiatives promoting SMEs and employ-

ment, such as the ADAPT or EQUAL and, more recently, PROGRESS initiatives. The Commission's interlocutor within civil society at the EU level is the organization Social Economy Europe whose main objective is the reinforcement of the political and legal recognition of the social economy in the EU. Social Economy Europe in its membership involves international and European organizations, national organizations and network organizations. It takes positions and submits opinions to EU institutions concerning the development, implementation and evaluation of policies in the area of the social economy.

When discussing how different EU institutions have addressed the topic of the social economy, it is very important to underline the activities of the European Economic and Social Committee (EESC). Although possessing only advisory powers, the EESC out of all EU institutions could be singled out as the social economy's primary promoter. Through its numerous opinions on the issue, the EESC initiated many European Parliament actions which then resulted in improved conditions for the operation of the social economy enterprises. In the 1990s the EESC established a special social economy category within its Group III representing various interests. At the moment the EESC social economy category consists of 39 members representing cooperatives, mutual societies, associations and foundations.

In the European Parliament, ever since 1990 a Social Economy Intergroup has been operative. This in itself represents a success for the social economy because the number of intergroups which can be supported by the parliamentary representatives is strictly limited. Furthermore, each intergroup must be supported by at least three European Parliament political groups which makes it even more difficult for the intergroups to be formed and to work without interruption. The Social Economy Intergroup contributed greatly to the publication of a number of parliamentary opinions and initiatives as well as to the latest report on the social economy issued in January 2009.

The 2009 European Parliament report on the social economy presents a clear and detailed picture of the current state of affairs and asks questions regarding the regulation of the social economy at the EU level (European Parliament, 2009). Firstly, the report asks the Commission to promote the social economy in its new policies and to defend its concept of entrepreneurship that is not driven mainly by profit motives. Secondly, it expresses the view that the EU and its member states should recognize social economy organizations in their legislation through measures such as easy access to credit and tax relief. Thirdly, in order to ensure that social economy enterprises benefit from equal treatment in the internal market, the report calls upon the Commission to recognize European statutes for associations, mutual societies and foundations. Fourthly, the report calls on the Commission and member states to support the creation of national statistical registers for social economy enterprises, to establish national satellite accounts for each sector of the social economy and to allow for this data to be included in Eurostat. Finally, taking

into account multidimensional features of the social economy the report urges the Commission to look at the possibility of setting up a social economy interservice unit linking the relevant DGs.

Although the EU has not yet recognized European statutes for associations, mutual societies and foundations, in 2003 it added to the acquis the Regulation (1435/2003) and Directive (2003/72/EC) on the Statute for a European Cooperative Society. This legislative provision recognized specific characteristics of the cooperatives and facilitated cross-border cooperation between them. The statute permitted the creation of a cooperative with a single legal identity by the residents of different member states or by legal persons from the various member states. Furthermore, it permitted the merger of cooperatives from the different member states. Finally, for a national cooperative operating out of its own member state, the statute permitted an easy conversion into a European cooperative (European Commission, 2004: 10).

In 2006, on behalf of the European Commission, CIRIEC[2] published a manual for drawing up the satellite accounts of companies in the social economy, which represents an important step in recognizing the social economy in the system of national accounts (CIRIEC, 2006). With this manual the Commission showed determination in fighting the institutional invisibility of the social economy in present-day societies, which contrasts with the increasing importance of the organizations that comprise it. The aim is to establish guidelines that will allow the satellite accounts for companies in the social economy within the EU to be drawn up in accordance with the central national accounting framework established within the European System of Accounts ESA 95 concept. It sets out guidelines for the five major groups of enterprises within the social economy: cooperatives, mutual societies, business groups in the social economy, other social economy companies and non-profit institutions serving social economy entities.

The social economy and the EU Lisbon Strategy

The Lisbon Strategy represented a comprehensive action and development plan for the EU, set out in March 2000 by the European Council meeting taking place in Lisbon. In the Lisbon Strategy the EU set itself the strategic goal to become "the most competitive and dynamic knowledge-based economy in the world by 2010, capable of sustainable economic growth with more and better jobs and greater social cohesion". Implementation of the Lisbon Strategy relied on soft law instruments such as the Open Method of Coordination (OMC). In other words implementation of the Lisbon Strategy depended on voluntary cooperation between member states which ultimately resulted in very different success rates among member states in accomplishing its goals.

2 International Centre of Research and Information on the Public, Social and Cooperative Economy.

The 2009 European Parliament social economy report deals with fulfilment of the Lisbon Strategy objectives under a special heading. It stresses that the social economy helps in fighting three major labour market imbalances: unemployment, job instability and the social and labour exclusion of the unemployed. Moreover, it notes that the social economy improves employability and creates jobs that normally do not delocalize, therefore contributing to meeting the goals set out in the Lisbon Strategy. According to the European Parliament report, through its capacity to influence numerous imbalances in the labour market, the social economy has a key role to play in attaining the Lisbon goals of sustainable growth and full employment (European Parliament, 2009: 8-9). The question of recognizing the social economy within the framework of the Lisbon Strategy for growth and jobs has been addressed by the EESC with even greater determination. In its opinion adopted in October 2007 the EESC stated that the specific role of social economy enterprises should be recognized at the European level in the new employment guidelines for 2008-2010. This opinion has been supported by arguments that socially responsible entrepreneurship helps sustainable development, democracy and citizen participation, involvement of workers in enterprises, combating social exclusion and revitalizing local communities. According to the EESC opinion, as a result of their focus on empowerment of the individual through personal responsibility the social economy enterprises obtained a good record in the area of social integration (EESC, 2008: 89).

It is, however, regrettable that the Commission and other EU institutions with legislative powers did not follow up the EESC opinion and that for the second Lisbon three-year cycle (2008-2010) they adopted only minor adjustments to the existing employment guidelines. It should also be noted that ever since the coming into force of the Lisbon Strategy for growth and jobs the wording on the social economy among the employment guidelines has been scaled down. In fact since 2005 the only place among the employment guidelines where the term "social economy" has been mentioned is in the explanatory section attached to Integrated Guideline No. 18 (Promotion of a lifecycle approach to work). There it is stated that: "special attention should be paid to promoting inclusion (...) through the expansion of social services and the social economy" (European Commission, 2007: 29). This kind of wording can be interpreted as watering down the approach towards the social economy among the employment guidelines when compared with the pre-2005 period. Back then, the social economy was stressed in the explanatory section to the specific employment guideline No. 10 (Addressing regional employment disparities) with much stronger determination: "the potential for job creation at the local level, including in the social economy, should be supported and partnership between all relevant actors should be encouraged" (European Council, 2003: 21).

Even though the social economy as a term gets mentioned specifically only within Integrated Guideline No. 18, there are some other guidelines that promote activities

strongly connected with its development. Under the macroeconomic section within Integrated Guideline No. 2 (To safeguard economic and fiscal sustainability as a basis for increased employment), it is stated that "member states should take measures to increase labour market participation and labour supply especially amongst women, young and older workers, and promote a lifecycle approach to work in order to increase hours worked in the economy". Furthermore, under the employment section both Guideline No. 17 (Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion), as well as Guideline No. 19 (Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people, and the inactive), can be viewed as very supportive of the social economy as a concept (European Commission, 2007: 29).

Although curtailed, there are many methodological problems with the integrated guidelines, which makes assessment of the Lisbon Strategy that much more difficult. Firstly, the guidelines are extremely broad and complex in character, producing a large number of policy priorities which always creates the danger of having no real priorities at the end. Secondly, they are universal, providing the same guidelines for the very different member states. Finally, as a consequence of being broad, complex and universal, the integrated guidelines are taken very loosely both by the National Reform Programmes (NRPs) as well as by the Commission documents assessing their implementation (see Mojmir Mrak's contribution in this book). For that reason it comes as no surprise that the NRPs in particular, being the Lisbon Strategy's implementation documents at the national level, avoided specific mentioning of the social economy.

Still, as there are always some exceptions to the rules in some NRPs, the social economy managed to obtain a significant placement. The best example of this positive practice is the Polish NRP 2008-2010 which addresses the social economy in a very concrete way within measure 4 of the first priority area entitled "Active society". This measure is said to contribute to the development of institutions which help to increase civil society activity as well as the development of enterprises and the strengthening of social partner organizations and social dialogue mechanisms. It has been stated that under measure 4, the legal, financial and organizational conditions for the development of social entrepreneurship will be created. To accomplish the objectives set out under measure 4 the NRP proposes the adoption of the following acts: the Act on Public-Private Partnership, the Act on Social Entrepreneurship, the Act on Public Benefit and Voluntary Service and the Act on Development and Operation of Economic Self-Government in Poland (Republic of Poland, Ministry of Economy, 2008: 19).

The general problem with the social economy in the context of the EU's growth and jobs strategy is that it is thematically placed between this strategy and the EU's Social Protection and Social Inclusion Process. Aware of this, the March 2006 Lisbon

European Council called for "effective and mutual interaction between the Lisbon objectives of greater economic growth, more and better jobs and greater social cohesion" (European Council, 2006). However, as noted by an independent social inclusion report published in February 2008, explicit linkages between the NRPs on growth and jobs (and subsequent implementation reports) and the EU's Social Protection and Social Inclusion Process (implemented through an independent reporting system under the Open Method of Coordination (OMC) for Social Protection and Social Inclusion) are very limited or non-existent. Although there is some evidence to the contrary, the contribution that social policies can make to achieving growth and jobs objectives is given only limited attention in most NRPs. Moreover, the weakness in linking the two processes is often said to reflect weaknesses in national governance arrangements for improving connections between economic, employment and social policies and for mainstreaming social protection and social inclusion in economic and employment policy making. The report concludes that linkages between the NRPs and the EU's Social Protection and Social Inclusion Process are most evident in the area of employment policies where in some countries considerable progress is being made in reaching groups facing particular difficulties (Frazer and Marlier, 2008: 5-6).

In contemporary circumstances there is a strong connection between social protection policies on the one hand and employment policies on the other. Social protection policies cannot confine themselves to the mere provision of income protection since income schemes have to be complemented by reintegrative action such as retraining, work mediation and rehabilitation schemes. In other words, the location of social protection within the broader socio-political context makes us aware of the intrinsic connections that exist between social protection, labour demand and labour supply (Berghman, 2009: 169). For that reason it can be concluded that in order for Lisbon really to work in the future the social aspect of the Lisbon triangle must become a fully recognized part of that triangle, alongside its growth and employment aspects (Berghman, 2009: 172). The social economy falls perfectly into such thinking, which is why it should be expected to attract much more attention within implementation of the Europe 2020 strategy.

At the end of April 2010 the European Commission published a new set of guidelines to be used within the Europe 2020 strategy which will serve as a strategic framework for the Lisbon-type reforms from 2011 onwards (European Commission, 2010b). Within these new guidelines the social economy is specifically mentioned in the explanatory section of Guideline No. 10 (Promoting social inclusion and combating poverty). There it states that: "member states should actively promote the social economy and social innovation in support of the most vulnerable". This can be interpreted as strengthening the position of the social economy within the integrated guidelines when compared with the period since 2005. Such development is in line with the EU's newly found interest in themes like education,

sustainable development and poverty eradication which are very much in focus in the new Europe 2020 strategy (European Commission, 2010a). As well as in Guideline No. 10, links with the concept of the social economy can be determined in Guideline No. 7 (Increasing labour market participation and deducing structural unemployment). The space for developing the social economy under this guideline has been created in its explanatory section stating that: "member states should review tax and benefit systems and capacity of public services to provide necessary support to increasing labour market participation".

The social economy in the EU member states

Variety in traditions – diversity of approaches

In the past three decades many national and regional governments within the EU have launched various public policies which showed a substantial connection to the social economy as a concept. Among them employment policies, policies relating to agricultural and local development, and social security policies should be particularly mentioned. In the most recent period the situation has changed with the emergence of policies focusing on the phenomenon of the social economy as such (Chaves and Monzón, 2010: 132). Some of these new policies have been focused on businesses functioning in the market while others have dealt with non-profit organizations functioning outside the market. Still, it could be stated that the launching of social economy policies in the EU member states has been fragmentary and uneven, with some countries putting a lot of effort into development of this concept while others lagged behind.

United Kingdom

The UK model of the social economy is sometimes called a "market approach". For its supporters it represents a great victory for the mainstream recognition of the social economy's "market led but value driven" form of enterprise. For its opponents, however, it observes social enterprises through narrow lenses therefore putting at risk all those elements of the social economy that are not subject to measurement in business terms (Loyd, 2007: 83). In the UK the social economy was officially recognized in 2001 when the special Social Enterprise Unit was created within the Department of Trade and Industry. The Social Enterprise Unit was to act as a coordinator of policies that influence social enterprises and as their promoter. In 2002 the Social Enterprise Unit launched "Social enterprise: a strategy for success" aimed at creating an enabling environment for development of some 55 000 social enterprises operating in the UK and producing about 1% of the GDP (Frączak and Wygnański, 2008: 18). The strategy adopted a definition of a social enterprise which stresses that it is "a business with primarily social objectives whose surpluses

are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners". The strategy set out a programme for the next three years illustrating how, working with other stakeholders, the UK central government was to promote and sustain social enterprise activity.

The 2005 review of the social enterprise strategy identified many examples which corroborate that this strategy has contributed to creating an enabling environment for social enterprises. Firstly, it supported changes in the policy and regulatory environments. Secondly, it resulted in improved public procurement procedures for the social enterprises. Thirdly, it created a framework across government departments in which to examine their role in assisting the sector. Regarding the issue of making social enterprises better businesses, the review stated that the strategy initiated a range of good practice activities for supporting social enterprises. Furthermore, it improved their access to finance by adding new targeted provisions to the existing financial infrastructure (GHK, 2005).

In 2006, the Social Enterprise Unit was moved from the Department of Trade and Industry into the newly formed Office of the Third Sector. The role of this office is to lead work across government to create a supportive environment for a third sector, therefore enabling the sector to campaign for change, deliver public services, promote social enterprise and strengthen communities. Building on "Social enterprise: a strategy for success" the importance of the social economy was re-emphasized in "Social enterprise action plan: scaling new heights" published by the Office of the Third Sector in 2006. This document set out a framework for government support for social enterprises through four strands of action: fostering a culture of social enterprise, ensuring the right information and advice is available to social enterprise, enabling social enterprise to access appropriate finance and enabling social enterprises to work with the government (CO OTS, 2006).

The 2008 report on the Social Enterprise Action Plan highlighted among its most important achievements the agreement between the Office of the Third Sector and the Department for Innovation, Universities and Skills to invest £2.5 million over three years in a third sector skills body that will identify and address skills gaps in the sector. Furthermore, the report noted a £6 million investment in a social enterprise infrastructure support programme (to be carried out by a non-departmental public body) which includes mentoring schemes and increasing the number of accredited advisers. The report also highlighted the implementation of the first national social investment conference in May 2008, attended by over 250 delegates, which presented pioneering market innovations, funds and models (CO OTS, 2008).

France

Identification of the social economy as it is recognized today began in France in the 1970s when the National Liaison Committee for Mutual, Cooperative and Associative Activities was organized to represent associations, cooperatives and mutual societies. Furthermore, France was the first country that gave political and legal recognition to the contemporary concept of the social economy, through its December 1981 decree that created the Inter-ministerial Delegation for the Social Economy. Since then the focus of efforts in developing the social economy has been on the new ways of providing associative services. According to an article recently written by a group of French scholars, following the long French tradition of cooperation between government and associations, the new social economy organizations adopted the legal status of associations, but at the same time they undertook a renewed commitment to associational relations. These organizations adopted the view that the ultimate legitimacy of service delivery by associations depends on their ability to give their users a "voice", to mobilize voluntary commitment from a variety of sources, and to find a new financial equilibrium (Laville, Levesque and Mendell, 2007: 162).

In more recent years the main statutory innovation in the area of social economy has been adoption of a collective interest cooperative society as a new legal form. This kind of society is a private, collective interest organization which brings together employees, users, voluntary workers, local and regional authorities and any other partner wishing to work on a given local development project. The creation of a collective interest cooperative society as a legal form is the outcome of a debate on the need to take into account, in the range of legal forms available to social economy enterprises, the different stakeholders involved in the setting up of local initiatives (Defourny and Nyssens, 2008: 20).

The financial support measures from the French government for social economy organizations have largely materialized through the so-called Contrats d'accompagnement dans l'emploi (CAEs – employment assistance contracts). The measure has been implemented as part of the social cohesion programme ever since 2005. The CAE is to facilitate integration in the labour market of people facing social and professional difficulties by offering them a fixed-term job contract, with 6-24 months duration, aimed at allowing the recipients to define and implement their professional projects. The responsibility for implementation of the CAE is placed at the regional level where every year the categories of unemployed that can benefit from the CAE are revealed based on the recommendations of local actors and the public employment services (Ministère de l'emploi, du travail et de la cohésion sociale, 2004). The statistics show that in 2007, 43% of all contracts approved within the CAE were given to the social enterprises. On average the financial support of the state within the CAE equals 79%, while the average initial duration of contracts is about nine months (KMU: Forschung Austria, 2007: 31).

One of the recurrent issues regarding social entrepreneurship in France is the lack of recognition of their specificity in the public programmes and funds for starting a business or running a small enterprise. One of the main challenges is to manage not to make the support of social entrepreneurship conditional upon the sole goals of job creation and integration of disadvantaged people into the labour market, because job creation and work integration often represent only indirect consequences of the activities undertaken by these entities (Defourny and Nyssens, 2008: 21).

Poland

In Poland the social economy has been accepted as an innovative solution to fighting unemployment. Among Polish NGOs, 17% run an income generating business, most frequently engaging in event organization, publishing and education activities. Since 2006 over 140 social cooperatives have been founded taking the form of worker cooperatives which support the social reintegration of their members. Furthermore, there are around 900 mutual organizations which include lending and saving institutions and insurance companies. On top of these standard social economy organizations Poland also developed some innovative social economy organizations such as social integration centres and employment activation units. Over 50 social integration centres have been established since 2003 with the aim of providing vocational training programmes and employment for people from socially marginalized groups. Social integration centres can offer goods and services on the open market but at the same time they benefit from extensive financial support from the state. The work of these centres has been complemented by 40 employment activation units offering social and employment reintegration programmes to the physically and mentally disabled (Kubin, 2008: 5-9). However, despite its remarkable accomplishments, Poland's social economy sector still needs to grow because it makes up 3.9% of the labour market in Poland, compared to 8.3% in France, 9% in Ireland or 6.1% in the UK (see Figure 1).

Although Poland has developed many aspects of its social economy, the most promising results have been achieved in the area of social cooperatives. According to the 2006 Act on social cooperatives these entities receive financial support from the government's labour fund and from local administrations. They can be organized by the unemployed and other people threatened with social exclusion and they may include 5-50 people. Social cooperatives are relieved from income tax and they provide a possibility to take part in open procedures within public procurement. Furthermore, they can use a workforce of voluntary workers while at the same time carrying out activities on a commercial basis. Finally, an important element of the 2006 Act on social cooperatives is that it offers social cooperatives the opportunity to carry out tasks commissioned by the public administration. In such cases, however, these cooperatives are treated as normal public organizations (KMU: Forschung Austria, 2007: 23-24).

The capacity of associations and foundations to contribute to social cohesion is still accompanied by a much weaker economic dimension, if compared to social cooperatives (Galera, 2008: 24). This reflects the fact that the legal future of associations and foundations in Poland is still uncertain. Some analysts are in favour of expanding the range of legal forms available to these entities by allowing them to adopt the legal form of limited liability company and stock company of public purpose. In parallel, the possibility to legally forbid associations and public benefit organizations to carry out any economic activity has also been debated (Defourny and Nyssens, 2008: 29).

The social economy in Croatia

Towards institutional recognition

There is a long but rather discontinued and fragmented tradition of social economy organizations in Croatia. Ever since the 19th century well-known industrialists have supported the establishment of foundations and cooperatives in various social fields, largely based on similar Austrian-Hungarian models and usually under the auspices of the Catholic Church. However, the continuity of these initiatives was substantially hindered by half a century of communism and totalitarian ideology, which reduced the space for citizens' involvement in developing innovative solutions for local community problems (Bežovan and Zrinščak, 2007).

The concept of the social economy still remains rather unknown by the wider public in Croatia. It is often used as an equivalent to the idea of social entrepreneurship, extensively promoted during the last decade by various international (mostly US and UK funded) donor agencies active in Croatia, as well as by the Organisation for Economic Co-operation and Development (OECD). In recent years, the increasing emphasis put by the EU institutions on the possible contribution of social economy actors to economic growth and social cohesion has had a positive impact on raising the awareness of various stakeholders in the country about the importance of the social economy. In addition, the prospects of Croatia's EU accession and the forthcoming possibility of using the European Social Fund (ESF) in the near future have opened up new pathways for promoting and strengthening the social economy in Croatia. Among these priorities for ESF support is reinforcement of the social inclusion of disadvantaged people with a view to their sustainable integration in employment and the fight against all forms of discrimination in the labour market, in particular by promoting pathways to integration and re-entry into employment for disadvantaged people through employability measures, including in the field of the social economy (ESF Regulation, Article 3).

The existing research into the social economy in Croatia is still very limited and usually focused on the problems of conceptual framework and definitions, presentation

of case studies and best practice examples, detailed guidelines for setting up social enterprises and on the analysis of performance of specific social economy actors (Bežovan, 2006; Škrtić and Mikić, 2007; Nesst, 2007). The lack of recognition of the social economy in the system of national accounts is a substantial obstacle to gathering relevant data on the importance of social economy actors in national economic and social life, and therefore a barrier to a more thorough approach to the analysis of this subject.

Contrary to its increasing importance at the European and international level, the social economy in Croatia is still facing the challenge of a lack of visibility in the overall institutional and legal structure. The first steps in promoting institutional recognition of the social economy were taken by the government in July 2006 with the adoption of the national strategy for the creation of the enabling environment for civil society development (Government Office for Cooperation with NGOs, 2006). The chapter of the strategy entitled "Development of the social economy and non-profit entrepreneurship" points out ten key objectives to be reached by the Croatian Government in this field before 2011, namely:

(1) to build mechanisms for the systematic monitoring of the effects and an assessment of the effectiveness of investments in non-profit entrepreneurship in relation to the economic and social effects;

(2) to propose people or institutions that can be responsible for social employment programmes, and who could achieve some business benefits, subject to certain conditions;

(3) to systematically work on the development of measures for capacity building and infrastructural support for all subjects of social entrepreneurship;

(4) to create support centres and establish regional and national forums for social entrepreneurship;

(5) to consider the possibility of ensuring grants both for initial investments in social entrepreneurship and for sustainability at later stages of the development of the enterprises;

(6) to encourage the profit sector to become more actively engaged in programmes of social employment, both through programmes of co-financing non-profit entrepreneurship programmes and by ensuring access to the market, as well as by providing mentor services to organizations involved in non-profit entrepreneurship;

(7) to encourage joint programmes of social employment by the public, business and non-profit sectors at local levels through public-private partnerships;

(8) to ensure special tax conditions for non-profit entrepreneurship programmes;

(9) to calculate and include economic indicators for the social economy into GDP calculations; and

(10) to encourage networking with similar organizations in Europe and the world.

The Operational Plan for the Implementation of the Strategy sets concrete measures and timelines for achieving the above mentioned objectives.

Over the past few years, there have been some improvements, particularly with regard to the availability of funding for social enterprise initiatives and projects, as well as concerning awareness raising activities. Through the existing funding programmes of the National Foundation for Civil Society Development and several ministries (especially the Ministry of Health and Social Care, the Ministry of Family, War Veterans and Intergenerational Solidarity and the Ministry of Economy, Labour and Entrepreneurship), there have been numerous opportunities for associations, foundations, public benefit companies and cooperatives to develop innovative projects in the field of social service delivery, social employment and other related areas. Yet, it is the sustainability of the programmes that seems to be the weakest point of these funding lines. Many attempts to set up social enterprises that would ensure long-term funding for non-profit, public benefit programmes failed due to the lack of funders' interest in these hybrid initiatives, but also due to the lack of stimulating measures and tax benefits for such public benefit initiatives.

In order to encourage raising the awareness of key stakeholders as to the importance and potential of the social economy, a group of organizations working in this field established a forum of social entrepreneurs at the end of 2009.[3] The forum has set up ad hoc working groups to deal with three particular topics: development of training programmes for social entrepreneurs, creating a more enabling legal basis and defining a more precise conceptual framework. In addition, a set of parallel awareness-raising activities are taking place within the programmes of Nesst (the Nonprofit Enterprise and Self-Sustainability Team) and the British Council, in collaboration with a number of local stakeholders.

Nevertheless, most conditions for the work of social enterprises have not yet changed and the existing sets of policies are still inadequate. One of the major obstacles to strengthening institutional and policy recognition of social economy initiatives is a still prevailing perception of this phenomenon as being inherited from the socialist era. Besides, the hybrid character of these organizations implies various challenges. In other words, the new social business paradigm based on the blend between for-profit and non-profit structures and activities often proves to be difficult to communicate to the wider public, potential donors and decision makers. In addition, an integration of both for-profit and not-for-profit methodologies cannot always be accommodated easily into a legal system.

So far, no particular progress could be noticed regarding the legal framework for the development of the social economy in Croatia. In this context, it is unclear whether the scope of work of social economy organizations in Croatia should be regulated

3 See: http://www.pomakonline.hr

within the existing laws (on associations, foundations, public benefit companies, etc.) or through a new hybrid law on social enterprises. The current economic situation does not seem to be favourable to introducing new legal initiatives that would entail specific tax benefits for social entrepreneurship initiatives and other similar public benefit organizations. However, without harmonizing and improving the system of tax benefits for social economy organizations, there could be no real incentive for potential social entrepreneurs to set up and run community interest businesses. The prevailing attitude of various government bodies has been marked by a reluctance towards setting up any strict new legal basis in this domain, at least until there is a more considerable number of social enterprise initiatives being implemented in the country. In fact, it is often argued that potential over-regulation could be counter-productive at the early stage of the development of social businesses in the country. On the whole, it appears to be more likely to base the development of the social economy on the existing organizational forms, but that will certainly require different strategies tailored specifically for them.

Network of social economy actors

The network of non-profit institutions and potential social economy actors in Croatia, according to the May 2010 data, consists of more than 40 800 registered associations, 152 registered foundations, 10 funds, 130 foreign associations, over 600 public benefit companies with private status, 291 trade unions, 6 employers' associations, 2386 cooperatives, 50 religious communities and 1 976 legal entities of the Catholic Church.

As in many other countries, social economy initiatives in Croatia are predominantly linked to associations, foundations and public benefit companies with the status of non-profit institutions, as representatives of non-market, non-business subsectors of the social economy, and co-operatives, as the most prominent representative of the social economy market or business subsector. The number of associations is constantly increasing in all parts of Croatia and in all areas of activities.

As far as the sectors of activity of associations are concerned, approximately half of associations work in the area of sports and culture. While social, health, youth, environment, agriculture, war veterans and other associations are significantly less numerous, their potential in terms of initiating social entrepreneurship projects is considerably higher. According to the data of the State Bureau for Statistics for 2008, associations provided direct employment to 7 321 people in that year. Associations in Croatia benefit from substantial sources of public funding for their projects. During the past decade (from 1999 to 2009), 27 543 projects of citizens' associations gained financial support from the state budget amounting to more than €320 million.

Table 2. Public funding of associations (1999-2009)

Financial year	Total amount of financial support from public funds at the nation level (HRK)	Number of programmes and projects financed
1999	28 316 522.47	276
2000	20 545 740.86	348
2001	22 188 893.00	481
2002	17 188 893.00	450
2003	17 088 893.00	442
2004	111 096 378.86	2 733
2005	136 504 021.66	3 163
2006	321 636 823.06	2 766
2007	470 192 095.08	4 923
2008	624 170 075.33	6 350
2009	528 232 869.36	5 611
Total	2 297 161 205.68 (ca €319 million)	27 543

Source: Government of the Republic of Croatia, Office for Cooperation with NGOs. April 2010.

The analysis of financial support awarded from public sources, based on the field of activity, demonstrated that in the last two years the field of sports has absorbed one quarter of the total amount awarded. After that follows the field of protection and promotion of culture and cultural heritage and nature preservation. Projects supporting people with disabilities and socially vulnerable groups are being awarded some 12% of the total amount. Projects focusing on youth and children gain about 12%, while war veterans are allocated around 10%.

According to the research conducted among associations that received grants from the state budget in 2008 (National Foundation for Development of Civil Society, 2010), almost 70% of associations rely on the state budget and local/regional governmental budgets as the main source of funding. Only one third of associations covered by that analysis had self-financing activities as part of their budget. Bearing in mind the importance of establishing better links between the business and the non-profit sectors for the future of the social economy in Croatia, it is interesting to notice that one third of associations did not have any kind of cooperation with the business sector in 2008.

In general, there has been a rather limited number of associations engaging in economic activities or setting up social enterprises. In addition to the number of reasons that will be addressed in the section that follows, this might be due to the predominant reliance on the public budget as the main source of funding, and also to the fact that Croatian non-profit organizations have legal restrictions on revenue introduced in order to avoid "grey areas" between profit and non-profit activities.

According to the results of the research conducted by the United Nations Development Programme (UNDP) Croatia, the share of alternative social services provided by associations is very high (57.7%), compared to public benefit companies with private status (17.1%) (Škrbić and Japec, 2008: 28). The 30 categories of direct beneficiaries of alternative social services/programmes identified by this research include predominantly elderly people (23.4%), disabled people (17.3%) and children and young people (16.9%). Although there is still no harmonized methodology of analysis of beneficiaries of associations' social service delivery programmes and projects, the UNDP research provides an indicative number of more than 200 000 direct beneficiaries of these programmes. Despite a growing involvement of associations in providing innovative alternative social services, there is still a prevailing practice of concluding a high number of contracts with associations supported by rather small amounts, which prevents the sustainable strategic contribution of associations to strengthening social inclusion and employment.

According to the data of the Ministry of Health and Social Care there are 106 non-state, public benefit companies with non-profit status providing social and health services for more than 6 300 direct beneficiaries in Croatia. Although there is a commitment to promote de-institutionalization of social services, this process has still proved to be very slow according to the latest report on the implementation of the Joint Inclusion Memorandum (JIM) in Croatia in 2009 (Ministry of Health and Social Care, 2010). One of the areas that requires particular attention is a still rather high percentage of children without adequate parental care accommodated in institutions (49%), despite a growing number of foster care families which hosted 2 037 children in 2009.

In order to enhance the stronger contribution of public benefit companies to social employment and to lobby for the creation of a more enabling environment for their activities, a network of social service providers (Health Care and Rehabilitation and Social Welfare Association) has been established within the Croatian Employers' Association.[4]

Apart from associations and public benefit companies, cooperatives are usually stressed as the most important social economy actors. There are 2386 cooperatives registered at the Court register. The Croatian Union of Cooperatives' membership consists of 1 617 cooperatives, employing more than 4 000 people and

4 See: http://www.hup.hr

having more than 22 000 members. The distribution of cooperatives per sector is as follows: crafts (435), agricultural (964), housing (20), savings and credit (47) and service cooperatives (151).[5]

In recent years, an increasingly important role has been played by the war veterans' cooperatives. According to the data provided by the Ministry of Family, War Veterans and Intergenerational Solidarity, there are more than 400 war veteran cooperatives that have received around 45 million kuna (about €6 million) for their programmes since 2004, employing more than 10 000 war veterans.[6] To promote the networking and training for war veterans cooperatives, three resource centres have been established with the financial support of the ministry.

In addition, the Ministry of Economy, Labour and Entrepreneurship initiated specific programmes for supporting social cooperative entrepreneurship, with particular focus on promoting employment of socially marginalized and disadvantaged groups. According to the operational plan for supporting small and medium-sized entrepreneurship in 2010, the ministry invested 3.5 million kuna (€480 000.00) for supporting social cooperative entrepreneurs in 2010.

Substantial changes have taken place in the sector of savings and credit cooperatives, mostly due to the need to harmonize with EU standards in this field in recent years, but also due to a series of scandals related to the irregularities in the work of the savings and credit cooperatives activities which severely damaged the public trust in these organizations. To prevent similar problems in the future, a new law on banks and a law on credit unions were enacted by the Croatian Parliament, which obliged all savings and credit cooperatives to transform either into savings banks or credit unions by the beginning of March 2008. While in 2006 there were 107 savings and credit cooperatives registered, the Croatian National Bank, according to July 2010 data, mention only 2 savings banks and 23 credit unions that have been registered under the new laws.[7]

In order to further strengthen the role of cooperatives in the Croatian economy and enable their better integration into the European and international processes, the above mentioned operational plan foresees the necessary changes to laws relating to cooperatives in the forthcoming period. In view of European experiences in this field, further support for the work of cooperatives would have a positive impact on sustainable economic growth and employment, social inclusion and rural development. Most of all, a more enabling environment for the development of cooperatives and other social economy organizations could contribute to building confidence, tolerance, mutual support structures and trust-based business interactions as an essential factor in local and regional economic development.

5 See: http://www.zadruge.hr

6 See: http://www.mobms.hr

7 See: http://www.hnb.hr

Challenges for strengthening social economy initiatives

It is often emphasized that the limited civil society tradition and lack of entrepreneurial spirit are the biggest obstacles to the development of the social economy in the transition economies. As in many post-socialist countries, citizens' civil engagement, for solving both individual and community problems, has not been a common practice among the vast majority of citizens in Croatia. Most citizens still consider the government/state to be responsible for solving their problems (Bežovan and Zrinščak, 2007: 39).

Many analysts consider social capital to be a crucial element of successful local and regional economic development. Social and solidarity relationships, norms of reciprocity, confidence-based interactions, and the wide range of civil society institutions and associations that underpin efficient collective action are the very essence of the concept of social capital. Croatia has a considerably low level of mutual trust among its overall population. According to research conducted by Rimac and Štulhofer (2004), generalized trust in Croatia is two times lower than the EU average. Furthermore, the same research results surprisingly indicate that the density of social connectedness in the country is greater than the average of the new EU member states, which may be explained by the fact that Croatia, like Slovenia and unlike the other post-socialist countries, inherited some kind of foundation of civic organization, thanks to the greater openness of the former Yugoslav regime, but also to the rapid development of civic associations due to international and domestic humanitarian initiatives prompted by the war.

The experiences of other countries show that social capital building, as a prerequisite for the long-term development of the social economy, is not policy-responsive in the short term. Instead, it needs many years of patient institution-building and other carefully crafted interventions. In addition to the essential challenge of confidence and mutual trust building, generally speaking, several key obstacles are slowing the development of the social economy in Croatia:

- insufficient diversification of funding sources and strong dependence of social economy actors on public funding and other donors, potentially limiting their autonomy;

- the strategic focus of associations is often not clearly linked to the genuine grass-roots inputs and initiatives, but rather adapts to emerging funding opportunities;

- normative optimism related to the work of social enterprises, resulting in the attitude that no substantial progress in the development of the social economy is possible without a clear and precise legal framework;

- the slow process of de-institutionalization of social and health service delivery due to the lack of readiness to recognize the pluralism of social service delivery

actors as a pre-condition for the development of a welfare mix in Croatia;

- a lack of public awareness about the importance and value of non-market, non-business sectors of the social economy;

- rather negative perception of cooperatives, often seen as a potential threat to the basic principles of capitalism, such as freedom of individual enterprise and the profit motive, but also the public image of cooperatives as organizations with strong links to former socialist regimes;

- a lack of entrepreneurial culture which needs to be continuously nurtured through the education system.

The current global economic crisis represents a great opportunity to strengthen and widely promote the values of the social economy in Croatia, not only as a powerful immediate response to the consequences of the crisis, but also as a new approach to development strategies in general, based on bottom-up empowerment, mobilization and self-improvement of marginalized groups and regions. Given the increasing emphasis of the EU institutions on the importance of the social economy for sustainable economic growth, employment and social cohesion, the EU accession of Croatia may act as a catalyst for introducing new practices and encourage public authorities, enterprises and civil society organizations to work together for a more democratic economy, responsive to citizens' needs.

Conclusion

Statistics indicate that in the EU the social economy employs 6% of the working population. For decades now its strength and growing importance have been recognized by the EU, whose institutions through various schemes supported its values and non-profit driven economic activities. The concept has however, failed to obtain significant placement within the EU's Lisbon Strategy, which in the past decade guided the EU's economic and social development. This situation has worsened particularly after the renewal of the Lisbon Strategy in 2005 when in line with focusing on growth and jobs wording on the social economy was scaled down within the newly adopted set of integrated guidelines. However, developments during the current crisis have resulted in renewed interest by the EU in themes closely related to the concept of the social economy, such as education, sustainable development and reduction of poverty. These topics found themselves much in focus in the Europe 2020 strategy – the successor to the Lisbon Strategy in the forthcoming decade – which leaves room for optimism. Furthermore, today we are faced with a greater level of public knowledge about the social economy which is often viewed as an effective mechanism for fighting market imbalances, finding local solutions to global problems and creating additional synergies between economic and social policy.

In part as a result of inadequate focusing on the social economy within the Lisbon

Strategy today the EU member states significantly differ in their recognition levels of this concept. In member states where the social economy has been recognized as an important development factor we are usually faced with very different approaches. On the one hand, the UK model is often called the "market approach" because it focuses on creating conditions which can enable social economy actors freely to compete on the open market. On the other hand, the French model, based on cooperation between state and associations, puts emphasis on giving users a "voice" and mobilizing voluntary commitment. The middle ground between these two competing approaches can be found in the way the social economy has recently been operating in Poland, where innovative solutions in fighting unemployment have been found through the activities of market-oriented yet state-supported social integration centres and social cooperatives. In an EU which values diversity, all of these different approaches can contribute to the successful modernization of the European model of the social market economy. However, in order to do this they must both remain in line with the Lisbon-type reforms and stay faithful to the main principles of the social economy.

Unlike in most EU member states the concept of the social economy in Croatia is still underdeveloped and relatively unknown to the wider public. Among the many reasons for this, the most pressing are the lack of a clear and precise legal framework, the lack of recognition of the social economy in the system of national accounts and insufficient diversification of funding sources for social economy actors. In the light of the present lack of institutional and public recognition of the social economy in Croatia, it is expected that the EU accession process, as well as the current economic crisis, might inspire the necessary reforms in this area. EU membership for its part will certainly aid the development of the social economy in Croatia because through the various instruments of the Europe 2020 strategy Croatian policy makers will become more exposed to examples of good practice from other member states.

Sažetak

U posljednja tri desetljeća socijalna ekonomija predstavlja fenomen čiji značaj sve više raste jer se njezinim aktivnostima, okrenutim prema vrijednostima a ne prema profitu, uspijevaju ispraviti brojne neuravnoteženosti slobodnog tržišta. Prema široko prihvaćenoj definiciji Francuske komisije za zajednička društva, zadruge i udruge (CNVA), "socijalna ekonomija predstavlja skup organizacija koje ne pripadaju javnom sektoru, funkcioniraju prema demokratskim principima što podrazumijeva jednaka prava i obaveze svih članova te provode poseban režim u pogledu vlasništva i raspodjele dobiti kojim se viškovi koriste za širenje organizacija te poboljšanje njihovih usluga za članove i društvo". Osim indirektnih, socijalna ekonomija donosi i vrlo izravne ekonomske koristi, koje se iskazuju kao 4% BNP-a EU-a. Zbog toga je EU još prije dvadesetak godina prepoznao socijalnu ekonomiju kao važan razvojni faktor i

od tada kontinuirano podupire njene aktivnosti kroz različite proračunske inicijative usmjerene naročito na malo i srednje poduzetništvo i politiku zapošljavanja. U institucionalnom smislu na promoviranju socijalne ekonomije naročito radi Europski ekonomski i socijalni odbor, koji je tijekom 1990-tih uspostavio posebnu kategoriju socijalne ekonomije unutar svoje Grupacije III, u kojoj su predstavljeni različiti interesi. Europski parlament također igra važnu ulogu zato jer u njemu kontinuirano od 1990. djeluje interna grupacija "socijalna ekonomija" što predstavlja veliki uspjeh s obzirom na to da je broj internih grupacija unutar Parlamenta strogo ograničen. Politiku prema socijalnoj ekonomiji institucije EU-a formuliraju primarno kroz dijalog s organizacijom Socijalna ekonomija Europe, koja se s pozicije organiziranog međunarodnog civilnog društva zalaže za političko i pravno prepoznavanje tog fenomena. Ipak, bez obzira na brojne ohrabrujuće pokazatelje u sklopu revidirane Lisabonske strategije socijalna ekonomija nije se uspjela značajnije profilirati. Ona se kao pojam izravno spominjala tek u sklopu jedne od 24 integrirane smjernice (smjernica 18 – Promicati pristup cjeloživotnog rada). Osim toga, iako se uz smjernicu 18 promicanje socijalne ekonomije tematski dobro uklapalo u odrednice još dviju smjernica iz područja zapošljavanja, socijalna ekonomija dobila je tek marginalan položaj u sklopu većine Nacionalnih reformskih programa s pomoću kojih se na razini zemalja članica provodila implementacija lisabonskih ciljeva. Problem je donekle bio u tome što je socijalna ekonomija zapala u "prostor" između revidirane Lisabonske strategije i Procesa socijalne zaštite i socijalne uključenosti čija se implementacija nadzire putem neovisnog sustava izvješćivanja. Nedovoljna profiliranost socijalne ekonomije u sklopu Lisabonske strategije u najnovije vrijeme rezultirala je svojevrsnom stagnacijom razvoja tog koncepta na razini EU-a. Tako još uvijek nisu usvojeni europski statuti zajedničkih društava, udruga i zaklada, nisu poduzete mjere kojima bi se potaknulo stvaranje nacionalnih statističkih upisnika poduzeća socijalne ekonomije, a nedostaju i odredbe koje bi omogućile kreditne i porezne olakšice akterima u tom području. Usvajanje strategije Europa 2020, kojom će se u idućem desetljeću nastaviti program ostvarivanja ciljeva zadanih Lisabonskom strategijom, budi nadu u intenziviranje aktivnosti na jačanju socijalne ekonomije na razini EU-a. To očekivanje temelji se na činjenici da Europa 2020 pridaje mnogo veću važnost temama kao što su obrazovanje, održivi razvoj, socijalna uključenost te borba protiv siromaštva, koje su usko povezane s konceptom socijalne ekonomije. Nadalje, u odnosu na ranije razdoblje u sklopu integriranih smjernica strategije Europa 2020 socijalna ekonomija spominje se na mnogo izravniji način unutar smjernice 10 – Promicanje socijalne uključenosti i borba protiv siromaštva. Slaba profiliranost socijalne ekonomije u sklopu Lisabonske strategije u kombinaciji s različitim tradicijama rezultirala je heterogenošću pristupa tom fenomenu na razini država članica. Dok je u nekim državama socijalna ekonomija relativno dobro razvijena, u drugima to nije slučaj i posao na njenoj afirmaciji tek predstoji. Među državama s dobro razvijenom socijalnom ekonomijom mogu se uočiti vrlo velike razlike. Tako Velika Britanija ističe tržišne aspekte socijalne ekonomije, a kontinentalna Europa (naročito stare države

članice) više teži razumijevanju tog koncepta kao produžene ruke socijalne politike. U posljednjem dijelu priloga razmatra se položaj socijalne ekonomije u Hrvatskoj kao zemlji kandidatkinji u posljednjoj fazi pristupnih pregovora. Slično brojnim zemljama članicama socijalna ekonomija u Hrvatskoj nije prepoznata unutar sustava nacionalnih računa što predstavlja značajnu prepreku za njezin razvoj. Osim toga, usprkos tome što su prvi pomaci učinjeni još 2006. godine usvajanjem Nacionalne strategije za stvaranje podupirućeg okruženja za razvoj civilnog društva, socijalna ekonomija u Hrvatskoj još uvijek pati od nedovoljne vidljivosti te nedovoljno izgrađene institucionalne i pravne strukture. Naposljetku, značajan problem za razvoj socijalne ekonomije u Hrvatskoj predstavlja nedovoljna diverzifikacija izvora financiranja te velika ovisnost aktera socijalne ekonomije o državnom proračunu.

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ENERGY FOR SMART, SUSTAINABLE AND INCLUSIVE GROWTH

Ana-Maria Boromisa

Abstract

Energy is necessary for economic activity. Thus, secure, reliable and affordable energy is a precondition for growth and jobs. The aim of this paper is to investigate the interdependence of energy and development policies within the European Union (EU), in the context of Lisbon and the Europe 2020 strategy. First, it provides an overview of the development of the European energy policy. Second, development of the goals and achievements of the Lisbon Strategy related to energy policies at national and at EU level are presented, followed by a review of the experiences of EU member states. Development of energy policy in Croatia is also presented and evaluated in the context of national development goals and from the perspective of alignment with EU enlargement and external energy policies. The prospects until 2020 are then outlined. Based on the elements of national and European energy and development policies analysed, their common features and challenges are identified. First, competences are divided between the member states and the EU. In both areas key policy domains remain a national competence but are recognized as being of common interest. Second, the goals – competitiveness, sustainability and security – are comparable in both policy areas, but harmonization of the different policy goals is difficult. Furthermore, only a few member states are on track to meet defined measurable goals and, finally, appropriate institutions at EU and national level are lacking.

Development of EU energy policy

Sustainable economic development has been one of the building blocks of the process of European integration from its very beginning (such as the Schuman Declaration and the establishment of the European Coal and Steel Community). Energy is at the core of economic activity. However, the process of creating competitive Europe-wide energy markets began rather late.

Until the 1990s, energy was almost unaffected by common market legislation (c.f. Jones, 2004). The process at the European level started formally in 1992, when the European Commission proposed the first electricity and gas directives (for more, see appendix). In the second half of the 1990s, the reform and liberalization of energy markets was a priority and a first set of common rules for the internal market in electricity and natural gas were created, which can be considered as the first breakthrough (c.f. van der Linde, 2007). Since 2000 increasing attention has been given to security of supply, competitiveness and environmental sustainability. The legal provisions establishing the internal energy market evolved and in 2003 a second liberalization package was adopted. At that time the final draft Treaty establishing a Constitution for Europe was presented, and this included a proposal for an article on energy (Article III-256).[1] The article provided for the adoption of laws or framework laws establishing measures relating to energy policy, without affecting member states' choices between different energy sources and the general structure of their energy supply. It stipulated that such laws or framework laws were without prejudice to the other provisions of the constitution, in particular those on the internal market.

Measures which were primarily of a fiscal nature were to be adopted by a European law or framework law of the Council, acting unanimously, and the European Parliament was merely consulted. All heads of state signed the draft in October 2004 but, following the difficulties in ratification, the European Council (16 and 17 June 2005) decided to launch a "period of reflection" on the future of Europe. This decision also put the energy article on hold, but only a few months later (27 October 2005) heads of state and government decided to launch an initiative to develop the concept of a European energy policy (the European Council at an informal Hampton Court meeting). At the time, the basic concepts of the internal energy market were included in the legal framework and institutional arrangements. However, competition did not exist in many states and the European Commission conducted an inquiry into gas and electricity sectors under competition law. The shortcomings were also discussed in the Green Paper "A European strategy for sustainable, competitive and secure energy" adopted by the Commission in 2006. In January 2007 the Commission presented a Communication on "An energy policy for Europe" to

1 The proposal was the result of the work of the convention, established by the Laeken European Council of December 2001. The convention was charged with the task of making proposals for institutional reform, but its work went beyond this initial task.

the European Parliament and the Council. This Communication, a strategic review of the European energy situation, introduced a complete set of European energy policy measures (the "energy package").

Priority energy objectives involve ensuring the smooth functioning of the internal market in energy, security of supply, reductions in greenhouse gas emissions and the EU's ability to speak with a single voice on the international stage. The proposed energy policy linked internal strategic EU objectives (competitiveness, sustainability, security) and the external dimension. Implementation of the European energy policy should lead to a "post-industrial revolution", that is, the establishment of a low-carbon economy, increased competition in energy markets, increased security of supply and a better employment outlook.

Based on the Commission's proposal the European Council adopted a comprehensive energy Action Plan for the period 2007-2009 at the spring meeting on 9 March 2007.

The goals include the 20-20-20 targets:

- reducing carbon dioxide (CO2) emissions by at least 20% by 2020 (30% provided that an international agreement is reached);

- reducing energy consumption by 20% by 2020;

- increasing the proportion of renewable energies in the energy mix by 20% by 2020.

This last objective requires progress to be made in the three main sectors where renewable energies are used: electricity (increasing the production of electricity from renewable sources and allowing the sustainable production of electricity from fossil fuels, principally through the implementation of CO2 capture and storage systems), biofuels, which should represent 10% of vehicle fuels by 2020 and, finally, heating and cooling systems.

In addition, the package includes:

- developing energy technologies in support of the Seventh Framework Programme for research and technological development, which foresees a 50% increase in spending on research in the energy sector, along with the Intelligent Energy Europe programme;

- the development of an external energy policy through international energy agreements, such as the Energy Community Treaty, the European Energy Charter Treaty and a framework agreement on energy efficiency, as well as through participating actively in the post-Kyoto climate change scheme.

Despite the fact that common targets are set for reducing emissions and energy consumption, the member states should develop appropriate measures.

The EU is developing an external energy policy so that it can speak with one voice in its energy diplomacy with third countries. The instruments are bilateral (e.g. with Russia, Norway, the US) or regional (Baku Initiative, Eastern Partnership, the Union for the Mediterranean), and can take various forms, such as energy partnerships (e.g. Euro-Mediterranean Energy Partnership, Africa-EU Energy Partnership), energy dialogue (EU-Russia Energy Dialogue, EU-OPEC Energy Dialogue), or the Network of Energy Security Correspondents. The Network of Energy Security Correspondents consists of representatives of the European Commission, the Council secretariat and EU member states. The Commission coordinates input from 130 delegations and the DG RELEX Crisis Room, as well as from the Commission's advisory bodies to complement the input from members of the network. The task is to step up the EU's capacity to collect information and provide early warning of potential threats to the security of energy supply (c.f. Euractiv, 2007).

Energy partnerships present a framework for structured political dialogue and cooperation on energy issues of strategic importance to partners. The Africa-EU Energy Partnership combines development and energy policy, and through this partnership the EU promotes the electrification of Africa. On the other hand, the priorities of a Strategic Energy Partnership between the EU and Iraq include energy security issues which take into account the possible role of Iraq as a natural gas supplier for the Southern Corridor.

Despite market integration and the development of EU energy legislation, only a few energy policy decisions are taken at the level of the EU. This is the result of strong conflicts between a common policy on the one hand and divergent national policies on the other. Thus, inclusion of the energy chapter (Chapter XXI, Article 194) in the Treaty of Lisbon can be regarded as an important step in formulating common policy. The article defines the following objectives of the EU policy on energy:

- ensure the functioning of the energy market;
- ensure security of energy supply in the Union;
- promote energy efficiency and energy saving and the development of new and renewable forms of energy; and
- promote the interconnection of energy networks.

The instruments and competences provided are in line with the original proposal from the draft constitution. The difference is that the Treaty of Lisbon empowers the European Parliament and the Council to establish the measures necessary to achieve the objectives, while the draft constitution provided for the establishment of laws and framework laws. The ordinary legislative procedure requires that the European Parliament and the Council adopt the measures following consultation with the Economic and Social Committee and the Committee of the Regions. Such

measures shall not affect a member state's right to determine the conditions for exploiting its energy resources, its choice between different energy sources or the general structure of its energy supply. Under a special legislative procedure the European Council may unanimously establish measures after consulting the European Parliament, provided that they are primarily of a fiscal nature.

A common energy policy emerged because the traditional energy actors were losing their exclusive control over the energy arena. The development of EU energy policy demonstrates how interests in a sector have been overwhelmed by actors invoking different policy contexts within a general framework of EU development. The competency issues have not been resolved yet and the Council continues to take an evolutionary approach (van der Linde, 2007). The impact of national interests remains strong. The governments are guarding their competences to determine national energy policy (Barnes, 2008). The power of the EU to implement internal energy policy is impeded by the divergent approach of the EU member states regarding the question of whether: (1) the energy sector is of such strategic importance that it must be state-controlled rather than directed from a supranational level and by market forces; or (2) it is the full liberalization of the market that will better be able to ensure security of supply at a national level (Schmidt-Felzmann, 2008). The implementation of external energy policy and the EU's ability to conclude agreements on energy cooperation is undermined by the high degree of fragmentation of instruments and objectives which characterizes EU energy policy overall.

Energy-related Lisbon goals and achievements

The original strategy (2000-2005)

In this section we focus on the inter-relationship between the creation of a common EU energy policy and the Lisbon Strategy, as a framework for development policies.

The original Lisbon Strategy launched in 2000 was focused on employment, economic reforms and social cohesion. The environmental dimension was added in 2001 (Göteborg European Council, 2001b) when the European Council stressed the importance of decoupling economic growth from resource use. This is particularly challenging, as the Lisbon Strategy defines the general goal of an annual economic growth rate of 3%. Decoupling economic growth from the use of natural resources and the production of waste and emissions is the key to reconciling environmental protection and economic growth (Gilju et al., 2005).

In the first period (2000-2005) energy was not considered as a key priority. It was regarded as an instrument for reaching the goals. Spring European Councils (dealing primarily with Lisbon Strategy implementation) were discussing energy issues as tools for finalizing the internal market and the transition towards a competitive

and dynamic knowledge-based economy (European Council, 2000), and within the reforms that might increase EU growth potential (European Council, 2003). The second liberalization package, adopted in 2003, provided for an opening-up of the market, and security of supply and the environment. Limited attention was given to the social and environmental impacts of the restructuring of industry or the development of competition. The main shortcomings identified in the energy sector (conflicting goals, delays in implementation, weaknesses in governance structure) are comparable to the general shortcomings of the Lisbon Strategy implementation (Kok, 2004).

The revised Lisbon Strategy – a new start

Rivising the Lisbon Agenda was the Commission's top priority. In its Communication to the 2005 spring European Council "Working together for growth and jobs: a new start for the Lisbon Strategy", the Commission set out a more proactive application of competition policy, in particular by means of sectoral screenings for barriers to competition in the energy sector. The revised Lisbon Strategy also tried to reconcile environment- and growth-related challenges and identified energy and climate policy amongst four priority areas.[2]

The importance of the energy sector has increased since the revision of the Lisbon Strategy in 2005. Under the first governance cycle (2005-2007) energy becomes a standard item of the spring European Councils: in 2005 in the chapter related to sustainable development and climate change (European Council, 2005a). In 2006 a separate part of the European Council conclusions dealt with it within the topic of the relaunched Lisbon Strategy for jobs and growth. The European Council concluded that the creation of an energy policy is one of the priorities for reaching the goals of the revised Lisbon Strategy and the initiative "An energy policy for Europe" (European Council, 23-24 March 2006) was launched. In 2007, the spring European Council discussed integrated climate and energy policy and adopted the Action Plan for Energy Policy for Europe for the period 2007-2009.

Within the revised Lisbon Strategy the new implementing instruments were set up. Competences are divided between the Community and the member states and the process of coordination was also set up. On the level of the Community actions are coordinated and cohesion policy provides for implementation, while the member states present their National Reform Programmes. As a counterpart to the national programmes, a "Community Lisbon Programme" (CLP) was introduced, which covers all actions at Community level. The policy measures provided under this programme fell under three main areas: supporting knowledge and innovation; making Europe a more attractive place to invest and work; and creating more and

2 The other priorities are: business environment; research, development and innovation; and employment.

better jobs.[3] The CLP identifies that major infrastructure investment in energy is necessary in regions that are lagging behind, especially in the new member states, in order to encourage growth and long-term convergence with the rest of the EU. By improving accessibility, efficient infrastructure networks are one of the preconditions for business growth and job creation in these areas. The CLP also recognizes the significant economic, environmental and employment potential of environmental, energy-efficient and renewable energy technologies, and provides for support and promotion of eco-innovations and increased investment. Energy also has a role in making Europe a more attractive place to invest and work, so the CLP calls on member states to deliver on their commitments and to begin work on "quick start" cross-border projects for energy (European Commission, 2005).

During the 2005-2007 cycle of the revised Lisbon Strategy implementation an energy sector inquiry was conducted. The final report was published in January 2007, together with a proposal for a comprehensive package of measures to establish a new energy policy for Europe, including a third liberalization package (see appendix) aimed at tackling the following shortcomings in the electricity and gas markets (European Commission, 2007b: 323-327):

- too much market concentration in most national markets;
- a lack of liquidity, preventing successful new entry;
- too little integration between Member States' markets;
- an absence of transparently available market information, leading to distrust in the pricing mechanisms;
- an inadequate current level of unbundling between network and supply interests which has negative repercussions on market functioning and investment incentives;
- customers being tied to suppliers through long-term downstream contracts;
- current balancing markets and small balancing zones which favour incumbents.

In the second cycle (2008-2010) of the Lisbon Strategy four priority areas have not changed: investment in human resources and modernization of the labour market; business environment; investment into education, research, development and innovation; and energy and climate change. In early 2008 integrated climate and energy policy was launched and climate change and energy became a standard item of the European Council's spring meetings agenda. Three (out of 24) Integrated Guidelines for Growth and Jobs (2008-2010) deal with energy-related issues (European Commission, 2007c):

3 For more about the Community programme see: Boromisa and Samardžija (2006).

Guideline No. 11: To encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth.

Guideline No. 12: To extend and deepen the internal market.

Guideline No. 16: To expend, improve and link up European infrastructure and complete priority cross-border projects

Guideline No. 11 encourages member states to give priority to energy efficiency and co-generation, the development of sustainable, including renewable, energies and the rapid spread of environmentally friendly and energy efficient technologies, inside the internal market and towards the rest of the world. Actions inside the internal market should reduce the vulnerability of the European economy to oil price variations, while external action should increase exports. Member states should also promote the development of means of internalization of external environmental costs and the decoupling of economic growth from environmental degradations. The implementation of these priorities should be in line with Community legislation.

Guideline No. 12 explicitly mentions the instruments provided in the third liberalization package and in the energy policy for Europe, such as market-based instruments, risk funds and R&D funding (see Appendix). It encourages member states to implement the third energy liberalization package. General guidelines provide for the speeding up of the transposition of internal market directives, giving priority to stricter and better enforcement of internal market legislation, eliminating remaining obstacles to cross-border activity, and promoting a fully operational internal market of services, while preserving the European social model.

Guideline No. 16 seeks to expand, improve and link up European infrastructure through the completion of priority cross-border projects with the particular aim of achieving a greater integration of national markets within the enlarged EU. In the field of energy, member states should: (1) develop adequate conditions for resource-efficient energy infrastructures, (2) consider the development of public-private partnerships and (3) consider the case for appropriate infrastructure pricing systems.

Adequate conditions for resource efficient infrastructure means the interconnection of cross-border sections and peripheral regions. This is an essential condition for the achievement of a successful opening-up of the network industries to competition. The European Initiative for Growth supports the completion of the quick-start cross-border projects for (inter alia) renewable energy. Infrastructure bottlenecks within countries also need to be tackled. The third liberalization package defines rules for access to the networks and also supports the development of appropriate infrastructure pricing systems, through exchange among regulators.

The financial and economic crisis had a strong impact on EU priorities and related measures. The European Economic Recovery Plan (EERP), presented by the Com-

mission in November 2008, is the EU's response to the economic and financial market crisis. The EERP encompasses structural reforms (designed within the Lisbon Strategy) at the level of member states and the EU. It balances the EU's longer-term interests with short-term challenges and links the fiscal stimulus with actions in the four priority areas of the Lisbon Strategy (people, business, infrastructure and energy, research and innovation). In the area of infrastructure and energy the EERP focuses on energy efficiency and investment in trans-European energy interconnections which might enhance Europe's longer-term growth potential. Thus, the EERP supports the implementation of energy-related Lisbon policy goals.

The EERP identified that an increase in energy and resource efficiency is necessary for the competitiveness of the European economy (in line with Integrated Guideline No. 16). The measures on the EU level (the climate and energy package, the sustainable consumption and production action plan and the second Strategic European Energy Review) complement the measures taken by the member states, primarily in the area of energy efficiency and renewables. In their national progress reports, the majority of member states have reported progress in energy efficiency. All EU member states have adopted their National Energy Efficiency Action Plan and most have started implementing them. Growth has not been decoupled, however, from the use of natural resources: total energy consumption in the EU-27 grew with an annual rate of just over 0.8 % between 1990 and 2005 (a total of 12%), compared to an average increase of 2.1% in GDP at constant prices during the same period. As a result, total energy intensity[4] in the EU-27 fell at an average rate of -1.3 % per year because of improvements in energy efficiency and structural changes within the economy. Energy intensity in the EU in the period 2000-2007 fell 10% (see Table 1), with significant differences among member states. Structural change in the new member states included a shift from industry to services, which are typically less energy intensive, and a shift within industry from energy intensive to higher value-added, less energy-intensive industries. Furthermore, improvements in power generation (that is, less energy input to produce the same energy output), as well as in the intensity of some end-use sectors (industry and services), contributed to a reduced overall energy intensity (e.g. in Belgium, Denmark, Germany). There are significant differences in total energy intensity within the EU-27, with the highest "economic" intensities (that is, intensities in terms of GDP) in Bulgaria, Estonia and Slovakia and the lowest in Ireland, Italy and Denmark (when compared by purchasing power standards) (European Commission, 2009, see Table 1).

4 Energy intensity is a measure of energy efficiency of a economy. It is calculated as units of energy (usually in kg or tonne of oil equivalent (toe) per unit of GDP (€). High energy intensities indicate a high price or cost of converting energy into GDP, while low energy intensity indicates a lower price or cost of converting energy into GDP. Many factors influence an economy's overall energy intensity. It may reflect requirements for general standards of living and weather conditions in an economy. Particularly cold or hot climates require greater energy consumption for heating or cooling. An advanced standard of living requires higher consumption of energy and energy intensity might be higher than in an economy with a lower standard of living.The International Energy Agency (IEA) and the Organisation for Economic Co-operation and Development (OECD) define one toe to be equal to 41.868 GJ or 11.63 MWh.

Table 1. Energy intensity of economy, kilogram of oil equivalent per €1 000

	2000	2005	2006	2007	% change		
					2007/06	2006/05	2007/00
EU 27	187.39	181.51	176.06	169.39	-3.79	-3.00	-9.61
EU 15	167.64	162.87	157.54	151.66	-3.73	-3.27	-9.53
Belgium	244.14	224.16	215.04	198.76	-7.57	-4.07	-18.59
Bulgaria	1 360.65	1 127.18	1 089.66	1 016.29	-6.73	-3.33	-25.31
Czech Republic	659.13	613.25	587.73	553.16	-5.88	-4.16	-16.08
Denmark	112.47	106.48	109.58	105.7	-3.54	2.91	-6.02
Germany	165.99	163.35	159.44	151.48	-4.99	-2.39	-8.74
Estonia	819.08	624.08	551.25	580.71	5.34	-11.67	-29.10
Ireland	136.98	110.08	106.86	103.13	-3.49	-2.93	-24.71
Greece	204.57	185.02	177.95	181.79	2.16	-3.82	-11.14
Spain	196.19	195.36	187.33	184.19	-1.68	-4.11	-6.12
France	180.04	177	171.18	165.38	-3.39	-3.29	-8.14
Italy	145.21	150.63	146.96	142.78	-2.84	-2.44	-1.67
Cyprus	237.06	208.99	212.14	212.16	0.01	1.51	-10.50
Latvia	440.93	356.71	328.18	306.6	-6.58	-8.00	-30.47
Lithuania	571.22	478.3	434	432.5	-0.35	-9.26	-24.28
Luxembourg	165.31	179.78	168.84	158.53	-6.11	-6.09	-4.10
Hungary	480.82	437.67	416.5	400.76	-3.78	-4.84	-16.65
Malta	191.27	211.86	195.31	198.18	1.47	-7.81	3.61
Netherlands	184.33	184.81	174.59	177.12	1.45	-5.53	-3.91
Austria	140.32	152.19	149.16	140.73	-5.65	-1.99	0.29
Poland	488.96	432.79	427.26	400.1	-6.36	-1.28	-18.17
Portugal	205.1	211.69	195.69	196.85	0.59	-7.56	-4.02
Romania	920.26	736.09	706.23	655.59	-7.17	-4.06	-28.76
Slovenia	299.77	284.56	270.21	253.29	-6.26	-5.04	-15.51
Slovakia	796.21	680.32	619.73	538.64	-13.08	-8.91	-32.35
Finland	246.04	231.4	240.8	229.19	-4.82	4.06	-6.85
Sweden	179.77	171.01	159.77	156.49	-2.05	-6.57	-12.95
U.K.	144.71	128.78	123.29	115.46	-6.35	-4.26	-20.21
Croatia	392.39	354.47	339.41	335.53	-1.14	-4.25	-14.49

Source: Eurostat, 2009.

The EU's economic recovery plan calls on member states to set demanding targets for ensuring that public buildings and both private and social housing meet the highest European energy-efficiency standards and to consider introducing a reduction of property tax for energy-performing buildings.

Renewable energy is important for reducing CO2 emissions, improving sustainability and the security of energy supply as well as creating new job opportunities, in particular in rural areas. A European legislative framework for renewable energy is in place. There are also targets defined for the period until 2010: the share of renewables should reach 15% in 2010 (in 2007 the share was 7.8%), while 21% of electricity should be generated from renewable sources (Directive 2001/77/EC and amendments) Every member state has a national target which should contribute to meeting the EU goal (Table 2).

Several member states have made great strides in removing administrative barriers and introducing microeconomic reforms in the renewable energy sector to encourage its growth. The Commission estimates that almost 20% of Europe's electricity will be generated from renewables by 2010 (European Commission, 2009). However, the continuation of the current trend, an increase of 3.9% per year since 2002, reaching 15.6% in 2007 (Table 2) would lead to a 17.4 % share in 2010. The situation varies significantly between member states: the share of electricity from renewable sources in total electricity consumption stands at 0% in Cyprus and Malta, while it is above 50% in Austria and Sweden (Table 2).

Table 2. Share of renewables in gross inland energy consumption and electricity generated from renewable sources (E), %

	2000	2005	2007	2010*	2020	2000	2005	2007	2010
	Share of energy form renewable sources					Share of electricity			
EU 27	5.8	6.7	7.8	8.03	20	13.8	14	15.6	21
EU 15	5.9	6.7	8			14.6	14.5	16.6	22
Belgium	1.3	2.4	3.1	3.28	13	1.5	2.8	4.2	6
Bulgaria	4.2	5.6	4.7	10.06	16	7.4	11.8	7.5	11
Czech Republic	1.5	4	4.7	6.79	13	3.6	4.5	4.7	8
Denmark	10.9	16.4	17.3	18.3	30	16.7	28.3	29	29
Germany	2.8	5.1	8.3	7.02	18	6.5	10.5	15.1	12.5
Estonia	10.3	10.6	10	18.7	25	0.3	1.1	1.5	5.1
Ireland	1.6	2.4	2.9	4.39	16	4.9	6.8	9.3	13.2
Greece	5	5.2	5	8.01	18	7.7	10	6.8	20.1
Spain	5.7	6	7	9.83	20	15.7	15	20	29.4
France	7	6.3	7	11.57	23	15.1	11.3	13.3	21
Italy	5.2	6.5	6.9	6.38	17	16	14.1	13.7	22.5
Cyprus	1.8	1.9	2.4	3.91	13	0	0	0	6
Latvia	31.8	33	29.7	33.34	40	47.7	48.4	36.4	49.3
Lithuania	9.1	8.8	8.9	15.8	23	3.4	3.9	4.6	7
Luxembourg	1.6	1.6	2.5	1.91	11	2.9	3.2	3.7	5.7
Hungary	2.1	4.4	5.3	5.17	13	0.7	4.6	4.6	3.6
Malta				1	10	0	0	0	5
Netherlands	2.4	3.4	3.6	3.56	14	3.9	7.5	7.6	9
Austria	22.8	21.1	23.8	24.37	34	72.4	57.4	59.8	78.1
Poland	4.2	4.8	5.1	7.98	15	1.7	2.9	3.5	7.5
Portugal	15.3	13.2	17.6	21.55	31	29.4	16	30.1	39
Romania	10.9	12.6	11.9	18.42	24	28.8	35.8	26.9	33
Slovenia	12.3	10.6	10	16.9	25	31.7	24.2	22.1	33.6
Slovakia	2.8	4.3	5.5	7.43	14	16.9	16.7	16.6	31
Finland	23.8	23.1	22.6	29.45	38	28.5	26.9	26	31.5
Sweden	31.4	29.6	30.9	40.72	49		54.3	52.1	60
U.K.	1.1	1.7	2.1	2.67	15		4.3	5.1	10
Croatia	11.2	10.1	7.4				36.2	23	:

Source: Eurostat, 2009, author's calculation.

Note: *2010 targets are calculated as indicative trajectories extrapolated for the period 2008-2010, as S2005+0,1*(S2020-S2005), based on Directive 2009/28/EC, OJ L 140/2009, p.46, where S2005 denotes share of energy from renewables in gross final consumption as presented in the Directive.

The experience of selected member states

The role of reporting

The experience of individual EU member states is examined on the basis of 2009 national reports[5] and statistical data. However, presentation and evaluation of 27 national reports exceeds the scope of this paper. Thus, the national reports of Austria, the UK, Ireland, Bulgaria, Romania and Slovenia are presented. These are chosen because they involve old and new member states with different economic structures, different use of energy and varying energy intensities, as well as different approaches to reporting on the implementation of their National Reform Programmes. The reports have different structures and length, offering various types of information. This can be illustrated by the length of the reports, ranging from roughly 30 pages (Austria, Bulgaria) to more than 200 (Spain). It should be noted that reports are the basis for the Commission's evaluation and peer pressure. Thus, the reports tend to be polished and diplomatic, but the data provided and identification of data missing enables evaluation of progress.

Austria

The efficient management of resources and climate protection are among the Austrian reform priorities. The Austrian report identifies the need to invest in energy efficiency among five economic objectives.[6] The development of a comprehensive energy policy strategy (which was not adopted at the time when the report was submitted), whose goals are enhanced safeguarding of supply, social compatibility and enforced energy efficiency, was presented among relevant measures. The Austrian national report mentions the requirement that energy from renewable sources should amount to a 34% share of gross energy consumption by the year 2020, but not the current level (24% in 2007). There is also no reference to progress towards the 2010 target (78% of electricity to be generated from renewable sources in 2010; the share in 2007 was 60%).

Austria is among states that, measured against economic performance, utilize energy particularly economically. Its total energy consumption per GDP unit (0.14 toe per 1 000 €) is below the average value of the EU (0.17 toe, Figure 1). In the period from 1973 to 2007, relative energy consumption (the amount of total energy nec-

5 Member states' autumn 2009 reports on the implementation of their National Reform Programmes, available from http://ec.europa.eu/growthandjobs/documentation/index_en.htm#national.

6 Objectives are: (1) increasing investments and the willingness of enterprises to invest through more favourable incentives and conditions of financing, among others by raising tax benefits for profits reinvested, advanced deprecation in 2009/2010, improved financing of Austrian Economic Service Agency (aws); (2) improving the public infrastructure by bringing projects forward in time and increasing public funding; (3) strengthening the purchasing power of private households especially through notable income tax relief and by measures included in the anti-inflation package; (4) raising energy efficiency and future technologies; and (5) supporting the labour market.

essary to produce a unit of GDP) in Austria fell by some 32%. For the year 2007 a significant reduction (5%) of relative energy consumption, and consequently a slight uncoupling from economic growth, was recorded.

United Kingdom

The UK report has a chapter on climate change, energy policy and sustainable development outlining the government's response to the challenges of climate change, the need to maintain reliable and affordable energy supplies, and to ensure sustainable development, through measures such as stimulating the development and deployment of low-carbon technologies and improving energy efficiency.

Support measures during the downturn were aimed at encouraging additional investment in energy and resource efficiency in business, public buildings and households as part of an overall £1.4 billion package of extra targeted support in Britain's low-carbon sector. The 2009 budget also announced that a £100 million funding will be available over two years to support the construction of energy efficient social rented homes. The UK Government has also started to build the legal framework and has published a set of strategic plans and papers detailing the shift to a low-carbon economy. These include the Low Carbon Transition Plan, the UK Low Carbon Industrial Strategy, "Low Carbon Transport: a Greener Future" and the Renewable Energy Strategy. The national report underlines that the Renewable Energy Strategy, published in July 2009, sets out the action plan to radically increase (15% by 2020) the use of renewable energy in the UK. This includes providing greater financial support, enabling swifter delivery and giving a stronger push on new technologies and resources. However, neither the obligation to reach 10% by 2010, nor the current level (5.1% in 2007) are mentioned.

In addition, the 2009 implementation report outlines the expected impacts of the adopted strategy by 2020 or 2030 (such as reducing the UK's emissions of carbon dioxide by over 750 million tonnes by 2030, reducing the UK's overall fossil fuel demand by around 10% and gas imports by 20-30% against what they would have been in 2020, the potential to create up to half a million more jobs, and an expected £10 billion or more of investment in offshore renewables leading to some 4 000 new job opportunities). Interestingly enough, the UK's implementation report provides information on planned proposals (e.g. new legislation on social price support, new legislative initiatives regarding the Heat and Energy Saving Strategy and the Community Energy Saving Programme) which indicates that the progress in some policy areas still has to translate into tangible results.

Ireland

The Irish Government has adopted a strategy for medium-term economic recovery – "Building Ireland's Smart Economy: a Framework for Sustainable Economic

Renewal". The strategy is based around the concept of the "smart economy" – strengthening productivity growth, while promoting a high-quality environment, improving energy security and promoting social cohesion. The smart economy framework has five key areas for action and three of them are related to energy: enhancing the environment, securing energy supplies and building the GreenTech sector; investing in critical public infrastructure; ensuring more efficient and effective public services and smarter regulation.[7]

The actions for transition to a low-carbon economy place particular emphasis on low-energy models for communications and infrastructure, such as the Exemplar Smart Communications Network, energy-efficient data centres and cloud computing, and smart electricity networks.

The report presents a number of initiatives and developments during 2009 in both the electricity and gas markets which stem from Irish domestic energy policy goals. The relevant goals are set out in the competitiveness pillar of Ireland's Energy Policy Framework, published in 2007, and in the Programme for Government. During 2009, Ireland completed transposition of the 2003 electricity directive (Directive 2003/54/EC).

The Irish National Progress Report identifies finalization of the EU Renewable Energy Directive (Directive 2009/28/EC) as the most important advance in relation to renewables. It also describes the requirements of the directive: a 10% target for renewables in energy use by 2020, 16% in Ireland's case. Electricity consumed from all renewable energy sources has increased year on year from 5.2% in 2004 to an estimated 12% in 2008. On the basis of the wind energy assets currently under construction and in planning, Ireland is on the road to meet its 2010 target of 15%.

The government's measures to support economic recovery included €100 million for an environmental and clean energy innovation fund. Much of this funding flows to small and medium-sized enterprises (SMEs). Enterprise Ireland has partnered with Allied Irish Banks and the Bank of Ireland to ensure that these funds are used to optimum effect. With a matching commitment of €16 million from Enterprise Ireland, a total of €46 million in additional seed capital investment is now being made available to early-stage Irish companies through this initiative. Amongst the areas with greatest potential are renewable energies; efficient energy use and management, including eco-construction; and environmental consultancy and services.

Bulgaria

Bulgaria, in its relatively short report (30 pages), has a chapter on competition and regulation of energy and communication markets, reports on energy and transport infrastructure and measures aimed at increasing energy efficiency. Bulgaria has by

7 The other two are: securing the enterprise economy and promoting competitiveness, including restoring fiscal stability; building the ideas economy by establishing Ireland as an innovation hub.

far the highest energy intensity of any economy within the EU (1.02 toe/€1 000; second is Romania 0.66; EU average is 0.17 toe/€1 000). Bulgaria has a higher than average ratio of value added to employment (3.6; EU-27 is 2.7). In terms of value added, the energy sector contributes 18% in total industry value. The number of energy enterprises increased 2.5 times in the period 2000-2006. The 2010 target for Bulgaria is 11% of electricity generated from renewable sources. The numbers looked good in 2005 and 2006 (11.8% and 11.2% respectively), but in 2007 the share decreased to 7.5%.

Romania

The Romanian report focuses on strengthening administrative capacity. Under microeconomic policies measures are aimed at improving the business environment by strengthening the administrative capacity of regulatory authorities. There is also a chapter on energy and environmental policies dealing with energy efficiency and the promotion of renewable resources, infrastructure (interconnection with European energy networks) and climate change. There is also a lot of scope for improvement in energy efficiency, as the energy intensity of Romania is 0.66 toe/€1 000. The share of electricity generated from renewable sources is decreasing (35.8% in 2005, 31.4% in 2006 and the latest available data is 26.9% in 2007), so it might be difficult to meet the target set at 33%.

Slovenia

Most of the pre-crisis measures related to energy in Slovenia were short term. They included financing of investment in research, development and innovation in the area of emissions reduction, and energy efficiency in the transport industry. The main instruments are long-term corporate loans to vehicle manufacturers or suppliers of vehicle components. Investments in efficient energy use in public buildings are envisaged in the area of infrastructure investment. For energy efficiency the renovation of publicly owned facilities has been allocated €35.0 million (0.10% GDP). Alongside measures to mitigate the effects of the financial and economic crisis, Slovenia has also introduced structural measures. These are part of the Lisbon Strategy implementation (through development policies), in which the following four priorities are intertwined:

- knowledge and innovation (knowledge triangle);
- unlocking entrepreneurial potential, particularly of SMEs;
- investment in people and modernization of the labour market; and

  energy and climate change.

In the area of energy and climate change attention is given to increasing energy efficiency according to the National Action Plan for Energy Efficiency for the period

2008-2014. Institutional reform was carried out and competences for renewable energy and energy efficiency merged. In 2007, 21.1% of gross electricity consumption was generated from renewable sources, and the target for 2010 is 33.6%.

EU level developments

The national reports show that, in general, the energy sector is relatively more important for new member states, where the energy sector has above-average shares for both value added and employment. In the EU-27 the energy sector employs 3% of the total industrial workforce and generates 9% of the value added (Eurostat, 2009). Slovakia has by far the highest share (25%) of the energy sector in total industry value. It is followed by Bulgaria (18%), and Lithuania and Estonia (17%). At the other end of the scale, the Netherlands has the lowest share (7%) of value added of the energy sector in total industry value. In terms of employment, Latvia has the highest share (7%) of the energy sector in total industry followed by Lithuania (6.5%). The lowest shares of energy sector in total industry employment are in Portugal (1.2%) and Spain (1.5%).

All the member states have identified measures in the energy sector among reform priorities. While big projects are tackled at the EU level (e.g. the Southern Gas Corridor), raising energy efficiency is one of the largest economy stabilization packages in Europe at the national level. Energy efficiency is recognized as the cheapest available option to reduce greenhouse gas emissions. Investments in energy efficiency are generally economical and financially viable. Also, one of the 10 actions in the EU recovery plan is to improve energy efficiency in buildings. All member states are able to get EU regional development funding for energy efficiency and renewable energy investments in housing. Also, in each member state, spending on energy efficiency improvements and the use of renewable energy in housing will be eligible for European Regional Development Fund (ERDF) support, up to a ceiling of 4% of the member state's total ERDF allocation (up to €8 billion in energy efficiency and renewable energies in housing in all the member states).

There is also increasing visibility of interdependence between energy and other policies, mainly for environmental and security of supply reasons. Smart investments are recognized as investments with high growth potential. They include investments in clean technologies, infrastructure and interconnections. Such investments are also supported by special programmes within the recovery plan (Regulation 663/2009). The European Energy Programme for Recovery has allocated €3.98 billion for programmes relating to gas and electricity infrastructure (€2.365 billion); offshore wind energy (€565 million); and carbon capture and storage (CCS) projects (€1.05 billion) for 2009 and 2010. Funds that have not been committed by the end of 2010 could be used for energy efficiency and renewable energy measures.

The energy challenge in Croatia

The energy strategy is the basic act that defines energy policy and plans the development of the energy system over a ten-year period (Government of the Republic of Croatia, 2001c). The first energy strategy was adopted by the Croatian Parliament in 2002. Due to changing circumstances, in 2007 a revision of the strategy was launched, and the updated strategy was adopted by the parliament in 2009 (Government of the Republic of Croatia, 2009).

The reasons for the update were the following:

Croatia became an EU candidate country, thus the priorities related to accession have to be harmonized with national strategy.

Croatia is a member of the Energy Community, which defines some of the short- and mid-term goals. Action plans for implementation of the strategy have to support plans that Croatia submitted to the Energy Community secretariat.

There is now enhanced cooperation in South-eastern Europe, which might in the longer run lead to the integration of energy markets.

New EU initiatives have been launched, including the 20-20-20 strategy requiring a reduction of CO2 emissions and energy consumption by 20% and an increase in the proportion of renewable energies in the energy mix by 20%, including a share of 10% of biofuels in vehicle fuels.

There is a need to evaluate possible costs and benefits of eventual transit routes and to draw up relevant national policy to deal with transit issues.

Croatia has to implement the EU acquis related to electricity and gas markets, oil, energy efficiency, co-generation, renewables and the environment, as well as obligations emerging from the Energy Community.

It is necessary to harmonize energy strategy with other policies in Croatia and develop realistic plans for increasing energy efficiency and the use of renewables.

Croatia has ratified the Kyoto Protocol. The continuation of current trends makes it impossible to meet obligations, thus new development options have to be designed.

The strategy was adopted in 2009, but instruments for its implementation are still lacking. An action plan for strategy implementation has not been formally adopted yet (July 2010), but some of the short-term measures are defined by the pre-accession economic programme.[8] For the period 2010-2012 one goal is set in the

8 The pre-accession economic programme (PEP) is one of the most significant documents that a candidate country for European Union membership prepares within the framework of multilateral fiscal surveillance. The aim of the programme is to determine an appropriate economic policy and structural reforms, as well as to develop institutional and analytical capacities for participating in the multilateral surveillance procedures of the Economic and Monetary Union (EMU).The PEP elaborates in detail the direction of economic and structural policy of a candidate country in the forthcoming medium-term period.

area of energy: the establishment of a system aligned with EU practices. Measures include harmonization with the third liberalization package, alignment with the internal EU energy market, adaptation of infrastructure to needs, increased oil stocks and adoption of EU fuel standards.

The reform of the Croatian energy sector is designed, implemented and evaluated on the basis of international obligations and within the process of alignment with the EU. Measures are defined in the EU alignment plan, PEP and action plans submitted to the Energy Community. Priorities are defined on the basis of EU progress reports and reports of international organizations (IEA, Energy Community). The reforms needed for participation in international organizations and for EU accession are an important part of the Croatian energy strategy. Still, a lack of comprehensive "national" action plans and reports to the parliament indicate that priorities are defined outside the country, that the capacities of the bodies charged to monitor implementation are not sufficient, leading to an unrealistic assessment of the current situation, and that coordination between various institutions should be improved (IEA, 2008b: 11; European Commission, 2007d: 10). Capacity building is necessary for the revision and harmonization of existing policies and their updating. After accession, this capacity should enable active participation in policy making. Thus, some of the main challenges are institution building and the development of adequate capacities for data collection, implementation of energy policy, harmonization with environmental, development and foreign policies, and sustainable development.

The perspective of EU membership represents a framework for the Croatian post-Kyoto negotiating position, and also for negotiations with Russia on gas supply. Until accession, Croatia will be a member of the Energy Community, which requires implementation of the energy acquis and regional cooperation. Following accession, Croatia will participate in European energy policy and leave the Energy Community. This formal change might be relevant for the type and scope of cooperation in South-eastern Europe and with EU member states. Until accession, progress in Croatia is evaluated on the basis of measures actually implemented and subject to conditionality. After accession the progress is monitored and evaluated on the basis of peer pressure. Furthermore, after accession the Croatian negotiating position towards both EU member states and other countries will be strengthened.

This is the reason why, until accession, Croatia might experience stronger economic and political pressures than as an EU member state. Such pressures might influence investment decisions and thus have long-term economic, social and environmental impacts. On the other hand, postponing investment decisions can also have significant (and negative) impacts, primarily on security of supply.

Towards a Europe 2020 strategy

The Lisbon Strategy has guided EU policy since 2000 but, even in its revised form since 2005, it has not attained its stated goals. The crucial question is therefore what will guide EU policy in the post-2010 decade and beyond. Given the manifest lack of political will among member states to implement the core commitments of the Lisbon Strategy, the key question is whether revision is sufficient or whether completely new instruments and types of commitment are needed. The EU will have to devise a strategy and back it up with policies which will tackle its problems in an original, unique way, rather than continue to identify and adapt ideas that underlie its competitors' advantages. Devising such a strategy calls for broad dialogue among European institutions, experts, citizens and stakeholders (c.f. Wyplosz, 2010; European Parliament, 2009). Current analyses indicate that reforms in four policy areas – the removal of cross-border regulatory and tax barriers for venture capital, a 25% reduction in the administrative burden, implementation of the services directive and unbundling electricity markets – could potentially boost EU growth by 10-20% in the medium term (2020) (European Commission, 2010a).

During 2010, strategic guidelines for the next ten-year period should be defined. On 10-11 December 2009, the European Council concluded that issues related to the benefits offered by a greener economy should be considered in the new Europe 2020 strategy. From the perspective of energy-environment policies, where competences are divided between the EU and the member states, it is important to note that the European Council also concluded that further reflection is necessary on "how to improve coordination of economic policies and on the best way of using country recommendations to strengthen the link between national and EU measures, and enhance national ownership through more active involvement of social partners as well as of regional and local authorities" (European Council, 2009b).

In the course of 2010 a number of "quick wins" can also be achieved. These include the completion of a legally binding international climate change agreement, the publication of an "ambitious and realistic" Europe 2020 strategy, and enhanced links between the business and education sectors. The future of a post-Kyoto regime should also be agreed. The challenge is to ensure coherence between short- and long-term objectives and between different sectors and strategies. The European Council invited the Commission to analyse and propose appropriate measures to enhance the links and synergies between the Sustainable Development Strategy and the Europe 2020 strategy. Furthermore, the Commission is invited to integrate sustainability objectives in its five-year work programmes and in future EU budgetary proposals. The political guidelines of the new Commission focus on restarting economic growth, fighting unemployment, reinforcing social cohesion, strengthening the EU's leadership role in international environmental negotiations in areas such as climate change and biodiversity, ensuring the security of Europeans, and reinforcing EU citizenship and participation. These political guidelines also outline the

Europe 2020 strategy. The strategy for Europe 2020 comprises a more convergent and coordinated approach for the reform of Europe's economies through investment in new sources of growth. This means (1) boosting research, development and innovation; (2) upgrading skills as the basis for more employment; (3) more competitiveness and less of an administrative burden to strengthen our industrial base, a modern service sector and a thriving rural economy; (4) closing the "missing links" in the internal market to realize its full potential; (5) action against climate change and for energy security to make EU economies and societies sustainable; (6) deploying the networks of the future, broadband or a new European supergrid for electricity and gas; and (7) securing sound public finances (Barroso, 2009). Europe 2020 priorities – smart, sustainable and inclusive growth – reflect this approach. The fact that priorities are mutually reinforcing is also visible in the implementing guidelines, for example improving resource efficiency and reducing greenhouse gas emissions (Guideline No. 5) require optimizing support for R&D (Guideline No. 4).

The Europe 2020 strategy builds on strategies and instruments the EU has developed in recent years – the Lisbon Strategy for growth and jobs, the renewed social agenda, the Stability and Growth Pact, competition and state aid policy, the Sustainable Development Strategy, climate change and energy strategies, the European Research Area, and The Hague and the Stockholm programmes.

In 2011 the Commission should prepare a review of the Sustainable Development Strategy and propose new indicators, complementing GDP to better reflect social and environmental development (EU Presidency, 2009). Energy and climate policy will be one of the key elements of the new development strategy. Combating climate change and the transition towards a low-carbon economy should create new opportunities and enhance energy security. Investments in new, low-carbon technologies should foster growth and employment. The financial framework for 2014 onwards will show whether (or to what extent) energy and climate are a priority.

In the period until 2020 three periods can be distinguished. By 2012 the post-Kyoto regime has to be defined. In 2014 the five-year term of the office of the main European institutions and the current financial framework expires, and the third is the period up to 2020.

A number of unsustainable trends require urgent action. Significant additional efforts are needed to curb and adapt to climate change, to decrease high energy consumption in the transport sector and to reverse the current loss of biodiversity and natural resources. The shift to a safe and sustainable low-carbon and low-input economy will require a stronger focus in the future. Priority actions should be more clearly specified in future reviews. Governance, including implementation, monitoring and follow-up mechanisms should be reinforced, for example through clearer links to the forthcoming Europe 2020 strategy and other cross-cutting strategies.

Attempts by the EU to become a leader in energy-climate policies could be con-

sidered as streamlining Lisbon Strategy goals, in other words as an attempt to become the most competitive economy capable of sustainable growth up to 2020. The Europe 2020 strategy is also designed as a European globalization strategy. The transition towards sustainability requires the evolution of the economic, social, environmental and institutional (governance) systems. Advances in economic and social activities require the EU to face the multiple challenges of increasingly serious environmental problems, rising prices and an unstable supply of resources.

Conclusions

Energy policy, such as in the Lisbon Strategy, links the EU's internal and external policy goals. Competences are divided between the member states and the EU and in many ways both are problematic.

Firstly, regarding aims, the main goals of the Lisbon Strategy are comparable to the goals of the emerging European energy policy: competitiveness, sustainability and security. The challenge lies in interdependence among the goals, where improvement in one area can lead to deterioration in other areas. For example, the use of coal can increase the security of energy supply, but has a negative impact on environmental sustainability through the impact on climate changes. It means that security of supply is increasing, while acceptability is decreasing. Since the issue of environmental acceptability is differently regulated in the international agreements of individual countries, it is difficult to quantify this interrelation. There are also significant differences among the EU member states which have different CO2 reduction targets. National regulations are relevant to energy mix decisions and have a strong impact on energy prices and the competitiveness of economies. Thus, developing appropriate indicators (taking into account social and environmental factors, not only the GDP) can help in balancing priorities, in order to avoid the mistakes observed in the first phase of the implementation of the Lisbon Strategy (too many goals, overloaded programme, weak coordination, conflicting priorities, unclear division of competences at the EU and national level) which lead to slow and uneven progress.

For the energy sector, as for the future EU, liberalization of the services market is extremely important. Successful implementation could help in creating growth potential and employment possibilities. The estimated medium-term (2020) impact of implementation of the services directive on EU GDP is €63 billion. A recent study carried out by the Netherlands Bureau for Economic Policy Analysis (CPB)[9] found that the EU-wide economic gains due to the Services Directive could range between €60 billion and €140 billion, representing a growth potential of +0.6-1.5% of GDP, using a conservative estimate (European Commission, 2010b). Regulatory

9 The Netherlands Bureau for Economic Policy Analysis is an independent Dutch government agency. It is one of three applied policy research institutes of the Dutch Government, the other two being the Netherlands Environmental Assessment Agency (PBL) and Sociaal en Cultureel Planbureau (SCP).

obstacles and barriers to competition have been removed in the energy market, but the increased focus on energy during the 2005-2010 cycle of Lisbon Strategy implementation does not relate to the intensity of reforms. The pace of reforms was more intense over the period 1998-2003 than over the period 2003-2008 and there is still a significant potential for further reform (Monteagudo and Dierx, 2009).

The European Council recognized relatively low achievements at the 2009 spring summit and underlined the need for continuation of reforms and increased flexibility and competition with a view to completing the internal market (European Council, 2009a). Price dispersion, a high concentration index and a number of antitrust cases indicate the type and scope of challenges in the EU energy markets.

Secondly, regarding competences, the main challenges of the EU energy policy are comparable to those related to the implementation of the Lisbon Strategy: in both areas key policy domains remain a national competence but are recognized as being of common interest. The structural reform in the energy sector hurts private interests (of monopoly suppliers) for the common good. Despite the fact that the governments are in principle in charge of promoting the common good, they face powerful and highly motivated lobbies, while support for the reform is diffuse.

At the EU level, energy policy is becoming increasingly important, especially since 2005. The competences are, as with the Lisbon Strategy implementation, divided between the EU and member states. National interests prevent the creation of a unified energy market and common position towards third countries. Protectionist measures hinder competition in the sector which accounts for 9% of value added of total industry. The action at the EU level has been launched, but tangible results are yet to be achieved. Based on progress up to 2007, it is highly unlikely that the energy-related 2010 goals, such as 21% of gross electricity consumption generated from renewable sources (15.6% in 2007), will be achieved.

At the level of member states, governments implement various policies to achieve their objectives. In the energy sector, policies are being developed. As regards the internal energy market, member states in general have not implemented concrete measures. As regards competition, the measures were general in scope and references were simply made to transposition of the acquis. However, from a growth and jobs perspective, greater efforts (implementing and going beyond existing legal commitments) are needed in terms of unbundling in the gas and electricity sectors. A common challenge in the electricity and gas sectors is the need to ensure independent, clearly mandated and well-resourced regulators (as well as intensified cooperation between the regulators themselves and with the Commission). A particular problem is a tendency for member states to maintain or impose price regulation. Additionally, cross-border issues with an impact on competition, such as the lack of interconnection capacity or important cross-border mergers, remain problematic.

As regards measurable goals, only a few member states are on track to meet national targets on the share of renewables in gross inland consumption or the share of electricity generated from renewable sources, which are defined for the period until 2010. The member states that are not on track did not tackle this issue in their national reports. This undermines the operating principle of the Open Method of Coordination and peer pressure, based on the annual document charting its progress against pre-set objectives.

The main goals and challenges for Croatian energy policy are comparable to those within the EU. Until accession, Croatia will be more vulnerable to political pressures and decisions (not) taken in the next few years and this can have long-term implications on security of supply, the competitiveness of the Croatian economy and its development potential. Also, bearing in mind the different methods for evaluating progress and more effective enforcement instruments before accession, Croatia is likely to be more thoroughly monitored than EU member states. Thus, the development of the EU energy policy is extremely important for Croatia in the pre-accession period.

The implementation of the Lisbon Strategy and the creation of the European energy policy face a common challenge: harmonization of different policy goals and lack of appropriate institutions at the EU and national level. These challenges are comparable to those facing Croatia: harmonization of different national policies and having adequate institutions at national and regional level.

Thus, the following recommendations for Croatia can be formulated:

- Increase institutional capacity for policy making and monitoring implementation.

- In addition to alignment with the EU acquis, domestic needs have to be analysed and priorities identified. Energy policy should complement development, industrial and competition policy.

- Potential transport/transit routes should be evaluated taking into account the perspective of EU membership, but also the long-term commercial, social and environmental impact of planned projects and their relevance for security of supply.

- Cooperation in South-eastern Europe and participation in the Energy Community should be used as a means for strengthening the negotiating position towards the EU (because of the importance of the region for transit) and also towards main suppliers (Russia, North Africa, the Middle East).

- Monitor implementation of energy sector reform and regularly harmonize energy strategy implementation with other strategies (e.g. sustainable development strategy, environmental protection strategy), as well as the baseline projections (e.g. projected energy demand, economic growth, demographic growth).

- Based on identified needs and available resources, decide on voluntary participation in initiatives (that are not part of international obligations, such as the Strategic Energy Technology Plan).

- Provide implementation instruments to safeguard supply in the event of a sudden crisis in the energy market. These require adequate institutional and physical infrastructure.

Sažetak

Kvalitetna, sigurna, dostupna i dostatna opskrba energijom preduvjet je gospodarskog i socijalnog napretka. Ta tvrdnja, sadržana i u Strategiji energetskog razvitka RH, pokazuje da je ostvarivanje ciljeva energetske politike ključan preduvjet za postizanje razvojnih ciljeva. Ciljevi energetske politike EU-a i država članica usporedivi su, a njihovo je ostvarivanje također preduvjet za postizanje ciljeva općih razvojnih strategija, poput Lisabonske strategije ili strategije Europa 2020. U radu se ocrtava međuovisnost ciljeva energetske i razvojne politike u kontekstu tih dviju strategija. Najprije se izlaže razvoj europske energetske politike. Slijedi prikaz ciljeva i postignuća Lisabonske strategije te njihove usklađenosti s energetskim politikama na razini EU-a i nacionalnoj razini država članica. Također se prikazuju iskustva država članica i razvoj energetske politike u Hrvatskoj. Izrada i provedba energetske politike u Hrvatskoj predstavljena je u kontekstu nacionalnih razvojnih ciljeva, politike proširenja EU-a i prilagodbi Hrvatske unutarnjoj europskoj energetskoj politici. Ujedno, identificiran je značaj te uloga vanjske dimenzije energetske politike EU-a za razvoj energetske politike i provedbene prakse u Hrvatskoj. Konačno, ocrtani su obrisi razvoja politika do 2020. uzimajući u obzir Plan gospodarskog oporavka u EU-u i Hrvatskoj, u kojima energetska politika, a osobito mjere energetske učinkovitosti, imaju važno mjesto. Na temelju analiziranih elemenata nacionalnih i europskih energetskih i razvojnih politika u EU-u ustanovljene su njihove zajedničke značajke i izazovi. Prvo, ciljevi su usporedivi: konkurentnost, održivost i sigurnost. Drugo, mjere za postizanje pojedinih ciljeva mogu otežavati ispunjavanje ostalih ciljeva. Zbog toga je nužno pažljivo uskladiti ciljeve i provedbene mjere na većem broju područja, za što su nužne efikasne institucije. Uglavnom ne postoje učinkovite institucije za provedbu energetskih i razvojnih politika na nacionalnoj razini ni na razini EU-a. Rezultati provedbe Lisabonske strategije upućuju da na nacionalnoj razini i na razini EU-a uglavnom ne postoje učinkovite institucije za provedbu energetskih i razvojnih politika. Tome su znatno pridonijele neadekvatne institucije i podjela nadležnosti između EU-a i država članica koja otežava usklađivanje mjera na nacionalnoj i europskoj razini. Ipak, u svim su državama mjere za energetski sektor među prioritetnima. Pri tome se na razini EU-a pokušava stvoriti zajednički pristup za velike infrastrukturne projekte (primjerice za projekte vezane na južni koridor, odnosno Južni tok i/ili Nabucco), a mjere za povećanje energetske učinkovitosti nalaze se u većini stabilizacijskih mjera na europskoj i nacionalnoj razini. Također, energetska je učinkovitost najjeftinija mogućnost

smanjivanja emisije stakleničkih plinova. Mjere energetske učinkovitosti u većini su slučajeva financijski isplative; države članice mogu koristiti i do 4% sredstava iz Europskog regionalnog razvojnog fonda za investicije u energetsku učinkovitost (odnosno do 8 milijarda eura). Ujedno, raste svijest o ovisnosti energetskih i drugih politika, prvenstveno onih vezanih uz okoliš i vanjskih politika vezanih uz sigurnost opskrbe. Pametne (smart) investicije imaju velik potencijal za rast. One uključuju investicije u čiste tehnologije, infrastrukturu i povezivanje mreža, a podržava ih poseban program u sklopu plana obnove (Uredba 633/2009). Europski program oporavka predviđa gotovo 4 milijarda eura (3,98) za investicije u plinsku i elektroenergetsku infrastrukturu (2,365 milijarda eura), off-shore vjetroelektrane (565 milijarda eura) te prihvat i skladištenje ugljika (1,05 milijarda eura) za 2009. i 2010. godinu. Fondovi koji se ne iskoriste do kraja 2010. mogu se nakon toga iskoristiti (prenamijeniti) za energetsku učinkovitosti i obnovljive izvore energije. Nacionalni izvještaji pokazuju da se u novim državama članicama uglavnom pridaje više pažnje energetici za ostvarivanje općih razvojnih ciljeva definiranih Lisabonskom strategijom nego u starim državama članicama. To objašnjavaju podaci koji pokazuju da je energetika relativno važniji segment gospodarstva u novim članicama, jer sudjeluje u gospodarstvu i zaposlenosti s udjelima većima od prosječnih. Na razini EU-a, energetika zapošljava 3% zaposlenih u industriji, a u novim članicama (Latvija, Litva) taj udio doseže 7%. U pogledu dodane vrijednosti u industriji, na razini EU-a to je 9%, ali udio energetike u novim članicama doseže 25% (Slovačka), a u još tri države gotovo je dvostruko veći od prosječne razine EU-a (Bugarska sa 18%, Litva i Estonija sa 17%). U Hrvatskoj je stanje usporedivo s EU-om i jača svijest o potrebi usklađivanja provedbe energetske i drugih politika nužnih za održivi razvoj (kao što je npr. politika zaštite okoliša). Ipak, taj je proces i dalje otežan. Mjere energetske učinkovitosti prepoznate su u Planu oporavka, no provedbeni propisi kasne, pa je i implementacija spora. No, potrebe za harmonizacijom politika i ograničenja koja je nametnula gospodarska kriza mogli bi se promatrati i kao prilika za optimalno i održivo korištenje resursa, energetskih i razvojnih podjednako. Za iskorištavanje te prilike, međutim, nisu dovoljne samo pametne mreže (smart grids), nego ponajprije mudre odluke

Appendix: Liberalization of the EU energy market

1st liberalization package – 1996/1998

Goal: opening of electricity and gas markets, gradual introduction of competition

Key elements: abolition of exclusive rights to sell, import and export and to construct infrastructure; no discrimination for new investment; third party access; accounting unbundling in vertically integrated companies

Legal base:

Directive 96/92/EC concerning common rules of the internal market in electricity
Directive 98/30/EC on common rules for the internal market in natural gas

2nd liberalization package – 2003

Goal: establishment of a level playing field, integration of the market, establishing cross-border rules
Key elements: continuation of unbundling, managerial unbundling, free establishment, authorization procedure for new generation capacity liberalization of markets (until June 2004) and households (until 2007)

Legal base:

Directive 2003/54/EC concerning common rules for the internal market in electricity and repealing Directive 96/92/EC
Directive 2003/55/EC concerning common rules for the internal market in natural gas and repealing Directive 98/30/EC
Regulation (EC) No. 1228/2003 on conditions for access to the network for cross-border exchanges in electricity
Regulation (EC) No. 1775/2005 on conditions for access to the network for access to gas networks

3rd liberalization package – 2007

Goal: consumer choice, fairer prices, cleaner energy and security of supply

Key elements: to separate production and supply from transmission networks, to facilitate cross-border trade in energy, more effective national regulators, to promote cross-border collaboration and investment, greater market transparency on network operation and supply, increased solidarity among the EU countries

Legal base:

Regulation (EC) No. 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators
Regulation (EC) No. 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No. 1228/2003
Regulation (EC) No. 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No. 1775/2005
Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing directives 2001/77/EE and 2003/30/EC
Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC
Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC

Source: compiled by the author.

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ENVIRONMENTAL DIMENSION OF THE LISBON STRATEGY AND EUROPE 2020

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Abstract

This paper gives an overview of EU environmental policy development and presents the main environmental challenges for the new decade in the light of the Lisbon Strategy and its successor, the Europe 2020 strategy. Greater ecological concerns, present in the EU from the 1970s, have led to the creation of the most progressive environmental policy in the world. Since the 1970s, the EU has developed six Environmental Action Programmes (EAPs) that have formed a framework for EU environmental policy. The ongoing Sixth EAP served as the basis for expanding the Lisbon Strategy with its environmental dimension. While, at the beginning, economic and social dimensions were the main focus of the strategy, it was later recognized that the EU's sustainable growth can only be achieved with respect for the environment. Thus, the environmental dimension became a constituent part not only of the Lisbon Strategy but also of its successor, the Europe 2020 strategy. Due to the current severe economic crisis in Europe and after some clear environmental failures of the Lisbon Strategy, the expectations of the new Europe 2020 strategy are high. A part of the paper is also focused on the EU 2004 and 2007 enlargements (EU-12), which imposed new challenges for EU environmental policy, in accordance with the Lisbon Strategy. Thanks to significant efforts in their accession process, the environmental state of the EU-12 has significantly improved. However, the environment is one of the most extensive and financially most demanding chapters of the EU acquis, so the process of full environmental compliance is not over yet. In the forthcoming period, the countries mentioned will have to deal with more stringent implementation of the EU transposed environmental legislation, based on the partnership of all the stakeholders. The last part of the paper deals with the environmental policy in Croatia, as a future EU member state from South-eastern Europe. On its path towards the EU, Croatia has had the privilege of learning from countries from the previous EU enlargements and in this way it can speed up its accession process.

Introduction

Environmental policy appeared initially as a response to local problems, but has, as a consequence of globalization trends and rapid economic growth, become a national and eventually supranational issue. Environmental problems, such as air and water pollution, climate change and the decline in biodiversity, do not respect borders, so major efforts at the overall EU level have led to the creation of the most progressive environmental policy in the world. The result of this increased environmental awareness was also reflected in the Lisbon Strategy, through expansion of its environmental dimension.

Environmental protection is an important part of the Treaty establishing the European Community (Tišma and Maleković, 2009: 7).[10] Moreover, environmental issues are integrated in the ongoing Sixth Environment Action Programme, Cardiff Process, EU Sustainable Development Strategy and White Paper on European Governance. The increasing need of the joint approach in facing environmental issues at the EU level resulted in adding environmental policy objectives to the Lisbon Strategy already in 2001, in the first phase of its implementation. The Integrated Guidelines for Growth and Jobs (IGs), adopted by the European Council in 2005 as well as National Reform Programmes (NRPs), based on these guidelines, have helped to set the direction for the national environmental policies of the EU member states. Out of the 24 economic and employment guidelines, several were aimed to realize EU environmental ambitions. Their analysis will be the subject of the following part of this paper.

The Lisbon Strategy was launched in 2000 at the European Council in Lisbon with the goal of making the European Union "the most dynamic and competitive knowledge-based economy in the world" (European Council, 2000). Well-designed social and employment policies were at the core of the Lisbon Strategy. However, faced with rising environmental deterioration, the EU eventually had to update the strategy with its environmental dimension. This resulted in expanding the strategy at the Göteborg European Council meeting in 2001 by highlighting four environmental priority domains: climate change, sustainable transport, public health and sustainable use of natural resources.

At the beginning of the new decade and with the expiry of the Lisbon Strategy, the results achieved in all the pillars are limited. Environmental targets, such as the rate of the reduction of biodiversity loss or meeting the Kyoto Protocol target, are far from being implemented. Therefore the enthusiasm at the beginning has progressively been replaced by an awareness of the difficulties in meeting the proposed targets. Still, the Commission has high hopes that Europe 2020: a European strategy for smart, sustainable and inclusive growth (the Europe 2020 strategy), that

10 Article 6 of the Treaty establishing the European Community states: "environmental protection requirements must be integrated into the definition and implementation of the Community policies and activities (…) in particular with a view to promoting sustainable development".

replaces the Lisbon Strategy, "holds the key that can unlock Europe's potential and boost recovery from the economic crisis" (Brunsden, 2010).

An overview of environmental policy development in the EU

Environmental action programmes as the basis of the EU environmental policy

During the late 1970s and at the beginning of the 1980s, the EU started adopting a more aggressive ecological approach towards pollution control and promotion of the clean environment. In spite of all the difficulties it had to struggle with, the EU has, in comparison to the rest of the world, made a huge step in environmental policy implementation. The efforts to implement broader and more stringent measures related to environmental protection resulted in the development of the Environmental Action Programmes (EAPs). The European Commission, as the main administrative EU authority, has developed the EAPs to serve as a basis for all future environmental activities. So far the Commission has developed and presented six EAPs:

The First Environmental Action Programme (1973-1976) helped in integrating the individual environmental policies as well as introducing the "polluter pays" principle for the first time.

The Second Environmental Action Programme (1977-1981) served mainly as an extension of the previous one.

The Third Environmental Action Programme (1982-1986) resulted in the development of the joint Environmental Protection Strategy with the purpose of the pollution abatement.

The Fourth Environmental Action Programme (1987-1991) introduced a new approach towards environmental protection. This new approach set strict environmental standards as an imperative, as well as putting greater importance on general public participation in solving environmental issues. During the four-year period of being in force, the fourth EAP led to the establishment of the European Environment Agency (EEA, 1990). The agency supports the promotion of sustainable development through providing relevant and reliable environmental indicators and information to responsible environmental authorities.

The Fifth Environmental Action Programme (1992-2000), known under the title "Towards Sustainability", differed from the previous EAPs because of setting longer-term objectives and focusing on a more global approach. It mainly focused on integration of the environmental dimension in all major policy areas, as well as sharing the responsibility for environmental decisions among governments, industry and the public.

The Sixth Environmental Action Programme (2001-2012) is currently being implemented. The global assessment of the implementation of the Fifth EAP made by the European Commission, together with the discussion with member states, was a major building block for shaping the Sixth EAP. Based on the conducted assessment, the European Commission set two most important environmental objectives: integrating environmental objectives into other policy areas and stronger engagement of all the stakeholders and citizens. The Sixth Environmental Action Programme took into consideration all the shortcomings of the previously endorsed EAPs. In other words, tackling the rising issues of climate change and increasing greenhouse gas emissions, halting the loss of biodiversity, sustainable use of natural resources and more efficient waste management were set as the strategic environmental objectives to be jointly addressed by both policy makers and industry. In this way, the Sixth Environmental Action Programme, along with the Kyoto Protocol and the Lisbon Strategy, became the key tool in EU environmental policy implementation.

In the preparation of the 2006 review of the Sixth EAP, Stavros Dimas, EU Commissioner in charge of Environment highlighted climate change and biodiversity as priority areas of the Sixth EAP. This review was encouraged by the previous Lisbon Strategy review, when the European Commission stated that the strategy's main goal, creating growth and jobs, should go hand in hand with promoting environmental objectives (European Commission, 2005a: 22). Dimas insisted that the EU would not lower its "levels of environmental ambitions (...) at a time when many environmental policies are being attacked with claims that they come at the cost of jobs and growth" (Euractiv.com, 2006). On the contrary, he called for development of the new instruments to complement EU environment legislation, such as "market-based instruments – including environmental fiscal reform". On the other hand, a mid-term report published in April 2006 by the Institute for European Environmental Policy (IEEP) concluded that most objectives of the Sixth EAP will not be reached and that environmental policy has been politically "downgraded" as a result of the 2005 EU Lisbon Strategy renewal (Pallemaerts et al., 2006).

However, despite all difficulties, the importance of the Sixth EAP in the context of the Lisbon Strategy is that it served as a basis for completing the strategy with its environmental dimension back in 2001. Since then, this new dimension has been recognized as crucial in order to ensure the equilibrium between the EU's economic performance and ecological considerations. According to the concept of sustainable development,[11] the focus was set on specific environmental priority domains to protect quality of life for future generations.

11 First introduced by the Amsterdam Treaty in 1997.

The environmental dimension of the Lisbon Strategy

The Sixth EAP was proposed by the European Commission in 2001 and adopted under the co-decision procedure by the Council and the European Parliament in 2002. At the same time, at the Göteborg Summit in June 2001, the environmental dimension was added to the EU Lisbon Strategy, as its third pillar. Greater concerns for environmental issues, introduced by both the Sixth EAP and the Lisbon Strategy, caused some fears that they could give rise to high costs for industry and undermine the EU's ambitions to become the most competitive knowledge economy by 2010. On the positive side, environmental investments were viewed by some as profitable investments which could not only bring financial returns to their investors but also contribute to economic growth and thus meet the targets set by the Lisbon Strategy.

The 2005 renewal of the Lisbon Strategy showed that the EU member states failed to do enough to bring about difficult changes, although the renewal of the strategy helped in clarifying its scope and aims, including those related to environmental concerns. The 2005 renewal of the Lisbon Strategy was not only the chance to adapt the EU's environmental projects to the less favourable economic environment compared to when it was launched, but it also happened at an important moment in the integration of the new member states. The EU enlargement of 2004 meant a change of circumstances for EU environmental policy implementation. Environmental policy had to be adapted to find solutions to the severe environmental issues of the new member states. Therefore the European Council of June 2006 adopted a renewed ambitious and comprehensive Sustainable Development Strategy (SDS) for the enlarged EU. Similar to the way that the Sixth EAP served as a basis for adding the environmental dimension to the Lisbon Strategy, the Lisbon Strategy was used as the basis for creating the SDS. With regard to environmental issues, the SDS set overall objectives and specific actions for seven key environmental challenges to be dealt with by 2010 (climate change, clean energy, sustainable transport, consumption and production, conservation and management of natural resources and promotion of clean technologies). In this way, along with the Kyoto Protocol and the Lisbon Strategy, SDS became the main tool for implementing EU environmental policy. However, in spite of being at the core of the SDS, the link between the Lisbon Strategy and the SDS has not been sufficiently strong (Butković, 2009: 81). Hence one of the challenges in the following decade is to strengthen this link and in this way improve the effectiveness of EU environmental policy (European Commission, 2010d: 5). The effectiveness of the SDS implementation is evaluated by the European Commission's reports every two years. In the context of environmental goals, the 2007 Progress Report on the Sustainable Development Strategy showed that unsustainable trends persist in many areas and that efforts need to be intensified to meet environmental targets within the agreed deadlines. On the positive side, the report highlighted significant progress at both EU and member state levels in climate change and clean energy (European Commission, 2007a: 4). Two years

later, in July 2009, the review of the SDS showed that in recent years the EU has mainstreamed sustainable development into a broad range of its policies and has taken the lead in the fight against climate change and the promotion of low-carbon economies (European Commission, 2009a: 1).

Coming back to the renewed Lisbon Strategy, as a consequence of the 2005 spring European Council request for taking some concrete steps to boost the EU's growth potential, while respecting the objective of sustainable development, the Integrated Guidelines for Growth and Jobs (IGs) for the three-year cycle 2005-2008 were introduced. Rising environmental concerns were integrated into three of them, namely Guideline No. 9, Guideline No. 11 and Guideline No. 14 (European Commission, 2005b). More precisely, to create a more attractive business environment, EU member states should "improve the quality of their regulations through a systematic and rigorous assessment of their environmental impacts", as stated in Guideline No. 9 (European Commission, 2005b: 20). The use of market-based instruments, so that prices better reflect environmental damage, is the subject of two other environmentally related IGs. In that context, Guideline No. 11 states that environmental costs should be internalized to allow appropriate infrastructure pricing systems (European Commission, 2005b: 21). In addition, Guideline No. 14 highlights that, if EU member states wish to increase their energy efficiency and promote environmentally friendly technologies, setting prices so that they reflect environmental damage plays a key role. Guideline No. 14 also calls upon the EU member states to strengthen their environmental protection through the greening of public procurement and removing environmentally harmful subsidies (European Commission, 2005b: 23).

The first three-year cycle of the IGs expired in 2008 and therefore the IGs had to be renewed for the next cycle. Whereas the first three-year IGs helped the member states to address environmental challenges, in the new period 2008-2010 environmental issues have become even more important. This is a consequence of the 2007 EU enlargement when Bulgaria and Romania, who were both suffering from the severe environmental state, became full EU member states. Similarly to the environmentally related IGs of the previous cycle, Guideline No. 9, Guideline No.11 and Guideline No. 14 continued to invite the member states to jointly address already recognized environmental issues – promotion of sustainable production, internalization of external environmental costs and reforms of subsidies with negative environmental effects (European Commission, 2007a). There were, however, some minor changes in the content and scope of the environmentally related IGs of the second cycle. The biggest change was seen in the scope of Guideline No. 11. While it continues to invite member states to internalise environmental costs, the novelty was that it was expanded by recommending concrete actions that should help member states to achieve this goal. What is even more important, Guideline No. 11 of the new Lisbon Strategy cycle stressed the need to halt the loss of biological diversity, as a newly recognized environmental problem (European Commission,

2007b: 17). Another novelty is evident from the content of the Guideline No. 16. Whereas it did not include environmental issues in the first cycle, in the second one it stated that the European infrastructure should be built with respect to its impact on the environment (European Commission, 2007b: 22). Unlike changes in the scope and content of Guideline No. 11 and Guideline No. 16, both Guideline No. 9 and Guideline No. 14 remained focused on similar environmental concerns as in the previous cycle.

In spite of all the efforts to cope with the rising environmental issues, the Lisbon Strategy of the past decade did not match the expectations that it would succeed in finding a balance between economic growth and environmental deterioration. This is partly due to inconsistency in some of its targets, but mainly it is due to the member states' lack of commitment to reform. In order to ensure sustainable future growth, incorporating environmental considerations into other policies remains essential for each individual member state. Failing to do so will not only raise the economic costs of taking action, but will also jeopardize the quality of life of future generations.

Europe 2020 – environmental challenges for the decade ahead

Following calls for the Lisbon Strategy to be updated, a European Council meeting in March 2010 announced that the Europe 2020 strategy will be a successor of the Lisbon Strategy. Due to some criticisms that so far the Commission's proposals are not green enough, not strong enough and overall too lukewarm, building a greener economy remains one of the main focuses of the forthcoming strategy (European Commission, 2010b: 12). This aim should be achieved by reducing greenhouse gas emissions by 20% compared to 1990 levels (or by 30% if the conditions are right), increasing renewable energy use to 20% of total energy consumption and increasing energy efficiency by 20%. To achieve these ambitious reduction targets by the end of this decade, the Europe 2020 strategy will have to urge the member states to accelerate development and full implementation of the planned environmental measures.

At the beginning, the environmental dimension of the Lisbon Strategy was mainly focused on climate change and sustainable use of resources. While recognizing the economic losses caused by these two environmental issues, biodiversity preservation did not become a part of the Lisbon Strategy until the new issue of the IGs (European Commission, 2007b: 17). Since then, many actions taken to limit biodiversity loss have proven to be successful, for instance provision of economic incentives in agriculture, forestry and fisheries. However, a reduction of the overall rate of biodiversity loss is unlikely to be achieved by 2010, so biodiversity loss can be considered as the greatest weakness of the Lisbon Strategy environmental dimension. The Europe 2020 strategy, as the successor to the Lisbon Strategy, will therefore have to strengthen a series of actions that focus primarily on the conservation and

sustainable use of biodiversity and ecosystem services. In March 2010, at the discussion on the Europe 2020 strategy, the European Council agreed that biodiversity conservation remains one of the key environmental challenges of the decade ahead (European Council, 2010: 9). In addition, the public consultation on Europe 2020, organized by the European Commission from November 2009 until January 2010, showed that the European institutions, business community and environmental stakeholders also recognize biodiversity loss as the key environmental issue of the Europe 2020 strategy (European Commission, 2010a: 6).

The need to establish a balance between economic growth and environmental limitations, in times of ongoing and rapid global changes, remains a challenge for the future. At the beginning of the new decade, with some apparent environmental failures of the Lisbon Strategy (e.g. the Kyoto Protocol target, rate of biodiversity loss), Europe 2020 represents a new strategy based on enhanced cooperation and stronger coordination of EU environmental policy. Stronger partnership among all the environmental stakeholders has been recognized as a key tool in turning environmental challenges into growth opportunities. In the same way that the Lisbon Strategy was underpinned by the 24 IGs, the Europe 2020 strategy is followed by 10 more precise and simplified guidelines. With regard to green growth that should boost the EU's economic revival and thus serve as a way out of the current economic crisis, Guideline No. 1 and Guideline No. 5 invite member states to use environmental taxation to achieve public finance stability (European Commission, 2010c: 9, 11). This could particularly be useful for the central and east European states which are all struggling with huge budget deficits and accumulated government debts. In other words, shifting the tax burden onto environmentally harmful activities opens the way to lowering the tax burden on growth enhancing categories (e.g. labour). In this way, taxation becomes a powerful, growth-friendly tool which simultaneously stimulates environmentally acceptable behaviour and boosts green growth, green technologies and green jobs.

EU enlargement and environmental policy

Environmental challenges in Central and Eastern European states

Both the EU enlargements of 2004 and 2007 imposed new challenges for the Lisbon Strategy environmental dimension. These new environmental challenges were related to the appalling environmental state of the new EU member states, caused mainly by the focus on heavy industry during the socialist regime. Due to this severe environmental state, both 2004 and 2007 EU enlargements were expected to slow down or even reverse EU environmental policy. Such pessimistic expectations were connected with the fact that the Lisbon Strategy, with its main implementing mechanism, the Open Method of Coordination (OMC), falls into the domain of soft law. In addition, the Lisbon Strategy environmental goals, set by environmentally related

integrated guidelines, are universal for all the member states, not taking into account the differences in their characteristics and the environmental issues they have to deal with (see Mrak in this book).

The first cycle of the renewed Lisbon Strategy (2005-2008) helped the new member states to make environmental policy a constituent part of their transition process by integrating environmental goals in their National Reform Programmes (NRPs). In this way the first cycle of the Lisbon Strategy encouraged the new member states to push forward reforms that should lead to their achieving set environmental objectives. However, the second cycle of the Lisbon Strategy, more focused on the implementation of the previously determined goals, showed that the set environmental objectives were too ambitious for the majority of the new member states. Wide variances in environmental policy development among them mainly depend on two factors. Firstly, there were differences in how well equipped their environmental sectors were at the beginning of their pre-accession process, making their starting positions with regard to environmental reforms very different. For example, while Slovenia already had a well-developed environmental infrastructure at the beginning of its pre-accession process, Bulgaria and Romania, on the other hand, lack some basic environmental equipment even today. Secondly, variances in the standard of living have also played a significant role in the more or less successful achievement of the Lisbon Strategy environmental goals. In that context, Slovenia, for example, has an approximately 2.5 times higher level of GDP per capita[12] than Romania or Bulgaria, which made its compliance with the EU environmental acquis much easier and faster in institutional, financial and administrative ways.

Environment is one of the areas which posed the biggest challenges for the candidate countries in their run-up to EU accession. Institutionally, the challenge consisted of incorporating over 200 EU environmentally related directives, regulations and decisions into national legislation, making the environment the third most comprehensive chapter of the acquis. This required a complete overhaul of existing legislation and the creation of many new laws and policies. Complying with the EU environmental acquis also required the implementation of many huge – and extremely expensive – investment projects, particularly in the sewage and waste sectors. The European Commission estimated in 2001 that the implementation costs for the environmental acquis in the 10 east European former socialist accession countries (EU-10) would total between €78 and €109 billion (European Commission, 2001: 15). It was clear that these far-reaching changes could not be made overnight. Therefore all the new member states negotiated transitional periods in implementing measures in the water, air and waste sectors, expiring in 2017 at the latest. In other words, the process of their environmental harmonization with the EU environmental acquis is not over yet.

12 Expressed in Purchasing Power Standards (PPS).

All in all, partly thanks to a general willingness to reach the ambitious Lisbon Strategy environmental goals, the environmental deterioration in the new member states, inherited from the previous socialist regime, has declined. In comparison to the 1990s, the wastewater treatment plants have been significantly modernized and restructured, most of the illegal waste landfills have been closed and air quality has been improved. Therefore, implementation of the Lisbon Strategy environmental goals in the new member states cannot be defined as a complete failure, but the results achieved so far can be considered as poor. For that reason, the biggest environmental challenge of the Lisbon Strategy's successor, the Europe 2020 strategy, remains proper implementation of the environmental legislation across the new member states. The main weaknesses of the Lisbon Strategy environmental dimension, expected to be corrected by the Europe 2020 strategy, have also been highlighted in the public consultation on the Europe 2020 strategy, launched by the European Commission at the end of 2009. From the perspective of the environmental stakeholders, the main environmental challenges in the following decade will be better integration of environmental issues into other policies, greater stakeholder involvement and exchange of best environmental practices among the EU member states (European Commission, 2010a: 6). Tackling these environmental challenges is particularly important now when the EU, including the new member states, is going through a severe economic recession. In spite of the rapid economic downturn, environmental policy in the new member states should not be seen as simply an additional burden for already strained public budgets. On the contrary, greater promotion of environmentally responsible behaviour and stronger cooperation among all the environmental stakeholders in the new member states should be seen as an important contribution to reaching the Lisbon Strategy goals for growth and jobs. In that context, the Europe 2020 strategy should lead to the implementation of the EU environmental policy as a mechanism for enhancing productivity, stimulating innovation, increasing employment and supporting public finances, in this way enabling it to go beyond its main purpose of simply improving environmental quality.

The following paragraph analyses the state of the key environmental "hotspots", for which the EU-12 member states requested transitional periods. The focus will particularly be on the key environmental domains of Bulgaria, Romania and Slovenia.

Air quality

Air pollution in Central and Eastern Europe was a major environmental problem, particularly due to heavy industry and reliance on brown coal for energy. Human health was so severely affected by heavy air pollution that the breakdown of the socialist regime in Bulgaria started with ecological protests in Sofia in 1989, because Bulgaria had one of the highest ratios of sulphur dioxide (SO2) emissions per GDP and per capita in Europe. During the 1990s a growth in the vehicle fleet almost all

over Central and Eastern Europe has been the main source of air pollution. Even though the introduction of cleaner fuels and the import regulations favouring less polluting vehicles have played an important role in reducing air pollution throughout Central and Eastern Europe, Bulgaria and Romania are still the stragglers in these efforts. In other words, leaded gasoline still dominates their domestic consumption. Bulgaria is also the only ex-socialist country still reporting concentrations of lead and carbon monoxide above the limit values (The European Topic Centre on Air and Climate Change, 2009: 13). On the other hand, Slovenia has higher levels of automobile ownership than would be predicted by its levels of GDP per capita, but the situation regarding air quality has been developing positively during recent years (Hughes and Lovei, 1999: 8). This is related to strict legislation in the field of air protection and the application of tax incentives which stimulate the use of less polluting fuels. For example, there is a tax incentive (deduction) from the tax base of 30% of the market value of cars and buses with hybrid or electrical drive, and trucks meeting Euro V and Euro VI emission requirements, as well as buses meeting Euro VI emission requirements. Furthermore, there is a tax relief which allows a taxpayer to claim a reduction in the taxable base for amounts paid in cash for ecological purposes. Motor vehicles which have official specific emissions of carbon dioxide lower than 110 grams per kilometre are exempt from this tax. Biofuels that come from 100% bio-renewable sources are included in the excise duty system, but excise duty is not payable (the amount of duty is zero) (Ministry of Finance of Slovenia, 2009: 31). Slovenia was also the first transition economy which introduced a carbon dioxide (C02) tax back in 1998. Although it was not very successful in terms of emissions reduction nor did it provide much of a contribution to the budget, it definitely brought attention to the problem (Stariha and Klemenc, 2000). According to the tax provisions the operators were in a position to get partial tax relief without taking any reduction measures in return. When the European Commission expressed its doubts regarding the consistency of the carbon tax, in May 2005 the Slovenian Ministry of Environment introduced a new carbon tax with an important novelty – the partial tax returns are now conditional on signing a voluntary agreement to reduce specific carbon dioxide emissions. Another important novelty in the new carbon tax regulation is that energy intensive installations which are part of the EU emissions trading system (the greenhouse gas emission permit holders) are now fully exempted from the carbon tax payment (Kranjčević, 2007: 61).

Water policy

Because of its damaging health effects, water pollution was identified early in the transition periods of the candidate countries as one of the top three priorities of environmental policy. The level of investment for the improvement of the water sector was an exceptionally demanding challenge for the countries of the 2004 and 2007 EU enlargements (EU-12), especially if taking into account the question of public finance sustainability, an issue all the EU-12 member states struggle with.

Therefore it is not yet clear how this unsustainable level of investment can be realized without placing an unacceptable burden on both state and citizens.

In comparison with the EU-15 member states, the EU-12 are still lagging behind when it comes to EU water policy implementation. Even though they have transposed all the administrative arrangements, in an even more appropriate way than some of the EU-15 member states, which was a part of their accession process, the practical implementation of the transposed water policy legislation has not been an easy task (Kanakoudis et al. 2007: 5). There are significant amounts of wastewater still not being treated adequately (Romania) and many existing wastewater treatment plants do not meet minimum standards under the EU directives (Bulgaria). Even Slovenia, whose real incomes per capita are much higher than those of Romania or Bulgaria, suffers from water sector problems such as run-off of agricultural chemicals and discharge of untreated municipal and industrial wastewater. On the positive side, the EU-12 countries have recognized that privatization of the state-owned water sector and commercialization of utilities opens the door to raising additional revenues for infrastructure projects and provides less strain on their public budgets. In recent years, the Bulgarian Government, for example, has been putting significant efforts into allowing private sector participation in the water sector (Publics.bg, 2010). A Slovenian example, on the other hand, shows that the funds collected through the water taxes and tariffs represent a significant direct source of funding for infrastructure facilities for water protection. In addition, they stimulate more efficient water use. However, there are countries which suffer from an ineffective system of imposing water charges and enforcing obligatory payment, as is the case with Bulgaria. A consequence of this inefficient system is huge water losses and a lack of motivation to lower water consumption. Bulgaria also suffers from organizational problems in collecting the charge (shortage of offices responsible for collecting the charges). Therefore, imposing efficient water and wastewater tariffs in Bulgaria, relying on successful models from other EU-12 member states, could increase motivation for decreasing the overall quantity of water consumption and thus wastewater quantities (Publics.bg, 2010).

Romania, Bulgaria and Slovenia, whose water sectors were the subject of analysis in this paragraph, still have not completely aligned the way they fix their water prices with practice in the EU, although a step away from the former pricing procedures has been made. Subsidies still play an important role in water pricing in all the three countries. The abolition of subsidies and greater efficacy in water taxes implementation would provide an incentive to polluters to invest in wastewater pollution reduction and control (e.g. wastewater tax exemptions).

Waste management

The EU's Sixth EAP identifies waste prevention and management as one of the four top priorities. Persistent efforts to decouple waste generation from economic

activity have started to show positive results. However, this is the case with the EU-15 member states, while, on the other hand, the EU-12 member states still need to build the necessary waste management infrastructure and enhance their waste collection and recovery rates (European Commission, 2007c: 1). In other words, the new member states are still grappling with the legacy of socialist era waste collection and treatment systems. The main problems are lack of consumer education, recycling and the organization of the waste management system. The fact that recycling rates in the EU-12 member states are negligible in comparison to the EU-15 leads to the conclusion that they have not yet recognized recycling as the most preferable way of waste treatment. For comparison, while Austria, Germany and the Netherlands have recycling rates of municipal waste above 60%, Bulgaria and Romania still put almost 100% of their municipal waste into landfill. When it comes to the EU-12 recycling rates, Slovenia is again at the top with a recycling rate for its municipal waste of 31% in 2008, surpassing in this way the majority of the EU-15 countries (Eurostat, 2010). In spite of the improvements in waste management, landfill is still the most popular way of solid waste disposal in the EU-12 countries. A significant number of the existing landfills do not comply with the requirements of EU environmental legislation. At the same time, most of the EU-12 member states have to face the severe problem of illegal dumping. Therefore, the process of closing hundreds of unregulated dumps or old landfills and building new modern ones is under way. Since the availability of new sites is limited, in many countries incineration is being seriously investigated as an optional approach, for instance in Slovenia. Unlike other EU-12 countries, Slovenia shows not only a stable increase in the amount of collected waste (per capita), but also, for example, the hazardous waste amount of 4 kg per inhabitant is far below the EU-27 average amount and has the best conditions in the region (Buday-Malik, 2006). For these reasons, it can be stated that Slovenia is in an advanced stage of working towards sustainable waste management, though there are still challenges in the field of hazardous waste management and in point of disposal solutions.

Most of the population of the EU-12 countries have organized municipal waste collection systems. However, the collection and disposal of waste is frequently inefficient. In Bulgaria, for instance, households, trade centres and enterprises have no incentive at all in waste prevention, separate collection or waste recovery, as they do not pay on the basis of quantity of produced waste, while Slovenian companies are encouraged quite effectively by incentives for eco-design for a wide range of products, from packaging to electric devices. In this way, firms start to be responsible for the whole life-cycle of products they sell. Generally, when it comes to waste management and separate waste collection, households are the most complicated case because of the wide spectrum of waste produced.

Because of all the issues in their waste sectors, as presented in this part of the paper, reaching sustainable waste management will be a particularly important environ-

mental issue to be tackled by the EU-12 environmental authorities in the decade ahead. In the following decade, all the EU-12 member states will have to work on finding alternative disposal methods that will replace currently common, but environmentally most harmful, landfill practice. The introduction of recycling, as the most preferable way of waste treatment, would provide significant environmental benefits, from reducing pollution to solving the problem of a shortage of landfill space. Last, but not least important, recycling would lower the greenhouse gas emissions which arise from landfill. In this way, the EU-12 countries would make a significant contribution to meeting the Europe 2020 targets for reducing greenhouse gas emissions and combating climate change.

The evolution of national environmental policies during EU accession

During the 1990s, at the beginning of their path towards the EU, the candidate countries for accession to the EU had to comply with the EU environmental directives, create entirely new institutions and strengthen existing ones in order to be able to implement new laws and policies. Hundreds of entities needed to be set up. Coordination between institutions needed to be enhanced. The relationship between the government and the public, and, in particular, between companies and NGOs, needed to change considerably. The governments had to earmark huge amounts of money for the investment necessary to meet EU environmental standards. Last but not least, the level of required environmental investment, even with strong political will, was a tremendous challenge for all the candidate countries, so significant financial support provided by both the EU and international financial institutions has played a great role in their compliance with the EU environmental acquis.

Nowadays, the countries from the EU enlargements of 2004 and 2007 (EU-12) are equipped with the tools and skills to address the challenges of meeting all (or at least most) European environmental standards. This is an extraordinary change from the late 1990s and would not have been possible without the combination of incentives, mechanisms and assistance provided by the accession process. In addition, by becoming full EU member states, they gained access to structural and cohesion funds, financial instruments meant to contribute to the reduction of economic and social disparities between the EU member states.

Still, all these countries, today known as the EU-12 member states, continue to suffer from scarce funds for both new environmental investments as well as for the operation and maintenance of completed investment projects. Moreover, tight transition periods set by the European Commission for the implementation of the EU environmentally related directives enhance the pressure to put greater effort into the implementation of the EU environmental acquis. The problem that these countries face in meeting the share of required investment is unlikely to be solved merely by increasing the allocation of the public budget to the environment. On

the contrary, some public investment items should be taken out of the already strained public budgets. Therefore, in filling the financial gap, other solutions should be considered. The earlier mentioned process of privatization would, for example, allow the raising of additional financial resources for large environmental projects. Private-public partnerships (PPP), mainly in the water and wastewater sectors, have already proven to be successful in EU-12 member states such as Slovakia, the Czech Republic and Romania (Publics.bg, 2010). Municipalities in the EU-12 countries, as the key stakeholders in the environmental investment process, have in practice only played a relatively limited role. Their budgets are very small and, what is more, their possibility to take out loans for environmental investment is limited by law. In Slovenia, for example, not even half of the available loans provided by the Environmental Development Fund have been used owing to the borrowing limits for municipalities stipulated by law (maximum borrowing limit is 10% of municipalities' budget) (Petresin and Fridl, 2003: 11). As well as small budgets and restrictions on taking out loans, municipalities in all the countries suffer from a lack of a competent and adequately trained workforce (e.g. Bulgaria). In order to be able to implement an effective environmental policy in the future and in this way fully comply with EU environmental standards, the EU-12 member states will have to put more effort into the process of decentralization and give more financial power to the local and regional authorities who are in charge of managing the main environmental sectors.

To conclude, the environmental authorities, industry and the public in the countries of the previous EU enlargements still need to play a more responsible role in environmental matters in order to abolish the causal relationship between economic growth and environmental deterioration that was present under the former socialist regime. Harmonization with the EU environmental acquis has led to significant improvements in the overall state of the environment and, consequently, human health. However, future environmental policy in the EU-12 member states will be determined by its economic progress, because only continuing growth and convergence can help to successfully meet EU environmental requirements. In the light of the current crisis, boosting the economic growth of the EU-12 member states, as a prerequisite for filling the gap in financing heavy, but necessary, environmental investments, will be a particularly demanding challenge to be tackled by the Europe 2020 strategy in the following decade.

Challenges of environmental protection in Croatia

Croatia has been facing the same environmental challenges as other candidate countries during the last two EU enlargements. Croatia is connected with these countries by the legacy of the socialist past and issues such as public debt sustainability, lack of environmental training and too little environmental investment. However, Croatia has some better starting positions than some new member states, for instance the level of GDP per capita which is higher than that of Bulgaria or Roma-

nia.[13] The higher figure of this macroeconomic indicator can be seen as a Croatian advantage in its alignment with the EU environmental acquis. In other words, the higher level of GDP per capita imposes lower environmental costs per person and allows affordability of environmental services and infrastructure, thus narrowing the financial gap for environmental investments.

As a candidate country, Croatia does not share the same responsibilities for meeting the Lisbon Strategy environmental goals as the EU member states. However, the cases of, for example, Romania and Slovenia, show that convergence with the Lisbon Strategy is already relevant for a country in the pre-accession stage (Samardžija, 2006: 21). Croatia's compliance with the demanding Lisbon Strategy environmental goals is visible from the fiscal policy measures (e.g. taxes, customs, subsidies), legal acts, strategic documents and action plans, which all together reflect the impact of the Lisbon Strategy environmental dimension on Croatia. After the environmental pillar was added to the Lisbon Strategy in 2001, two main strategic documents related to environmental protection were passed in Croatia: the National Environmental Protection Strategy (NEPS, 2002) and the National Environmental Action Plan (NEAP, 2002). The NEPS was the first document aimed at turning Croatian environmental policy into a clear, coherent and long-term concept, while the NEAP, composed of precise action plans covering goals, actions, actors and sources of financing for each respective environmental domain, was created in line with the EU Fifth EAP. In order to comply with the EU environmental acquis, but also to unburden the public budget and secure additional funds for environmental projects, in 2004 the Environmental Protection and Energy Efficiency Fund in Croatia began work. With regard to the harmonization of Croatian environmental legislation to that of the EU, in the period from 2003 to 2007 various special environmental laws were approved, defining the protection of specific environmental domains (water, waste, nature, forests, chemicals, air, etc.). The Environmental Protection Act, the framework law defining environmental policy implementation in Croatia, had already been adopted by the Croatian Parliament in 1994,[14] ten years before Croatia officially became a candidate country for accession to the EU. The latest strategic document, brought in line with the EU environmental acquis, was the Sustainable Development Strategy of the Republic of Croatia, adopted by the Croatian Parliament in 2009. This document integrates key environmental challenges into the final objective of achieving sustainable development, in this way respecting the above-mentioned Article 6 of the Treaty establishing the European Community.

Alignment with the EU environmental acquis has imposed a heavy financial burden on the already strained Croatian public budget. Historical spending from the public

13 For comparison, in 2007 the Croatian level of GDP per capita, expressed in PPP, reached 60, whereas the Romanian GDP was 42 and the Bulgarian was 38, making Bulgaria the least developed EU member state.

14 Last amended in 2007 (OG 110/2007), to fully comply with the EU environmental acquis and the Lisbon Strategy environmental goals.

sector on the environment in Croatia is only 0.65% of GDP, which means that financial resources for environmental purposes cannot be met solely from the public sector. To ease this financial burden, the EU has provided financial and technical assistance. In covering the financial gap, Croatia has also been strongly supported by the international financial institutions, mainly the World Bank and the EBRD. For example, in the last decade the three aforementioned institutions have provided nearly €100 million for restructuring the Croatian water and waste sector (Butković and Tišma, 2008: 187). Nevertheless, environmental investments in Croatia have so far been insufficient to meet all the EU requirements. Therefore the expenses of Croatian environmental harmonization are estimated to rise to €10 billion in the next 15-20 years (Tišma and Maleković, 2009: 29).

The key factors that complicate the ability of Croatia to comply with the Lisbon Strategy environmental objectives remain organizational problems, such as lack of cooperation and networking among the key stakeholders, lack of knowledge of legal and administrative issues, weak institutional capacity for project development and implementation, and insufficient environmental training. These problems are particularly evident at the local level of governance, where local governments, as important actors in the environmental policy, still have a limited role. Changing this will be quite demanding since local units struggle with very weak local budgets. Therefore, in the forthcoming period, Croatian policy makers at all levels will be faced with strengthening and developing the financial capacity of the Croatian regions and counties. By doing this, Croatia would have better access to EU regional policy funds, thus avoiding the situation that occurred in the previous accession countries, where, due to the low absorption capacities of their local units, only about half of the resources were used (Ott, 2005: 23).

The first step towards the new regional policy in Croatia has already been taken through the adoption of the new Regional Development Act (NN 153/09) and the creation of the Regional Development Strategy, yet to be adopted. At the national level, environmental policies have become a constituent part of each respective ministry whose functioning has an impact on the environment, but cooperation, a clear division of competences and coordination of work among them needs to be stronger.[15] Efficient cooperation at regional, local and national levels would result in synergistic effects, making environmental policies effective in practice (Maleković and Puljiz, 2009).

In making the aforementioned improvements, several environmental lessons could be learnt from the Slovenian case, not only for Croatia, but also for other candidate countries. Firstly, environmental protection should be integrated into all policies to comply with the requirements of sustainable development. Secondly, the success of

15 In this context, the Croatia 2009 Progress Report, published by the European Commission, states: "Given the high level of fragmentation of the environment sector across ministries and public bodies, improved coordination mechanisms and decision-making procedures are required" (European Commission, 2009b).

any national strategy is not possible without the involvement and full participation of interested stakeholders. Thirdly, it is necessary to establish the best possible communication with citizens (Samardžija, 2006: 15).

Croatia, like other countries in transition, is undergoing a very fast evolution in environmental policy. The legislative transposition of the environmental acquis is very demanding, but the future brings an even more challenging environmental goal – the implementation of the transposed acts. In other words, legislative transposition is only the first step, meaning that harmonization is successful only if followed by practical application of the new national legislation. In the forthcoming period, practical implementation of the environmental measures will, therefore, represent the key challenge for Croatian policy makers at all levels. The Croatian environmental authorities will also have to seek new solutions to fill the financial gap, since environmental investments are meant to be financed mostly from countries' own resources. As already mentioned, the participation of both public and local budgets in financing environmental projects in Croatia has so far been insufficient, while incentives for attracting private capital into the environmental sector have also been too weak.

In the following decade, environmental investments will surely impose a heavy burden on the Croatian economy, but if the policy makers succeed in securing stable financial resources for environmental investments, this stability would lead not only to improving environmental quality, but also to increasing economic growth (Kordej de Villa and Papafava, 2003). For this reason, complying with the EU environmental acquis and meeting the Lisbon Strategy environmental goals is not only Croatia's obligation as a future EU member state, but it is also in the country's own interest. If environmental policy was promoted as an instrument for increasing productivity and employment, so that people, firms and policy makers could see that it was in their own interest to behave in an environmentally responsible manner, the environmental benefits would not be missed. At the time when the Europe 2020 strategy becomes the main reform framework for the EU, Croatian environmental stakeholders will jointly have to continue to improve environmental policy in Croatia, in order to maintain a clean environment as one of the country's comparative advantages.

Conclusion

Although the Lisbon Strategy environmental dimension was aimed at decoupling environmental impacts from economic growth in order to achieve environmentally sustainable development in Europe, the pace and extent of the implementation of environmental policy has been insufficient. At the beginning of the new decade and with the expiry of the Lisbon Strategy, it is obvious that meeting the set environmental goals will require accelerated implementation of the existing environmental policies as well as development of new ones. Climate change, biodiversity loss, and water and air quality remain the main environmental challenges for future EU environmental policy.

The focus of the Europe 2020 strategy, as the successor to the Lisbon Strategy, is on the implementation of the environmental objectives set by the Lisbon Strategy in the previous decade. One of the main criticisms of the Lisbon Strategy environmental dimension, the lack of quantifiable policy targets, has already been corrected in the new Europe 2020 strategy by setting 20/20/20 climate goals. In the decade ahead, the EU member states will have particular responsibility for stimulating stronger cooperation among all the environmental stakeholders and for further integration of environmental issues into other policies (agriculture, rural development, fisheries, etc.). On the positive side, an increasing environmental awareness, highlighted in the Lisbon Strategy, has additionally contributed to environmental improvements in the EU member states, and this has been particularly evident in the countries that became full EU member states during the two previous enlargements in 2004 and 2007 (EU-12). Thanks to strict EU environmental requirements and with significant help from the EU and the international financial institutions, those countries have fully transposed EU environmental directives, as well as integrated environmental issues into other policies. However, the implementation of the transposed environmental legislation has so far been poor and therefore remains an environmental challenge for the future.

Croatia, as the future 28th EU member state, has the privilege of learning from the experience of the EU member states from the previous enlargements. In the following years, besides the need for more stringent practical implementation of the transposed environmental directives, one of the leading issues in Croatian environmental policy will be finding solutions to cover a financial gap in financing environmental projects. On the other hand, Croatia not only has some better starting positions (e.g. GDP per capita) than some new EU member states, but it has also started to develop environmental policy much earlier in comparison to, for example, Bulgaria or Romania. The state of the environment in Croatia is also much better than it was in Bulgaria or Romania before their accession to the EU. Therefore its compliance with the EU environmental acquis and meeting the environmental goals set in the Lisbon Strategy, combined with the privilege of learning from the experiences of other countries, could ease Croatian integration in the EU.

Sažetak

Paralelno s ubrzanim gospodarskim rastom ekološka svijest u Europskoj uniji počinje se jače razvijati krajem 70-ih godina kada je Europska komisija donijela prvi Akcijski program zaštite okoliša (1973.–1976.). Od tada do danas razvijeno je još pet takvih akcijskih programa, koji su poslužili kao temelj za daljnji razvoj mjera zaštite okoliša na razini EU-a. S vremenom je politika zaštite okoliša postala dijelom svih javnih politika i važan segment institucionalnog i zakonskog okvira EU-a, a njezina dosljedna provedba uzor za ostatak svijeta. U razvoju politike zaštite okoliša EU-a važno je istaknuti šesti Akcijski program zaštite okoliša (2001.–2012.), koji se danas s Protokolom iz Kyota i Lisabonskom strategijom nalazi u osnovi suvremenog europskog poimanja zaštite okoliša. Godine 2001. na temelju tog akcijskog programa odredbom Europskoga vijeća Lisabonska je strategija, izvorno zamišljena samo sa socijalnim i gospodarskim ciljevima, proširena onima iz područja zaštite okoliša. Važnost dimenzije zaštite okoliša u sklopu Lisabonske strategije očituje se u oba ciklusa integriranih smjernica za rast i zapošljavanje. Od ukupno 24 smjernice, koje su prvotno donesene 2005. i obnovljene 2008., tri odnosno četiri izravno naglašavaju važnost zaštite okoliša u ostvarivanju strateških ciljeva EU-a. Ipak, zbog daljnjeg smanjenja stope biološke raznolikosti i neispunjavanja odredbi Protokola iz Kyota, dimenzija zaštite okoliša Lisabonske strategije može se, unatoč velikim naporima kako na razini Unije tako i na nacionalnim razinama, smatrati neuspješnom. Kao glavni uzroci neuspjeha navode se univerzalnost integriranih smjernica za sve članice, bez obzira na razlike u razvijenosti i specifičnosti problema te "meki" karakter strategije (engl. soft law) zbog čega njeno neispunjavanje ne nosi nikakve pravne posljedice. Od 2011. Lisabonska strategija prestaje biti na snazi, no borba s rastućim problemima u području zaštite okoliša te inzistiranje na većoj suradnji svih zainteresiranih skupina nastavit će se i u idućem razdoblju. U uvjetima gospodarske krize koja je teško pogodila sve članice EU-a postoje velika očekivanja od strategije Europa 2020 kao nasljednice Lisabonske strategije. Ona uvodi konkretnije, kvantificirane ciljeve (mjere 20-20-20 za smanjenje klimatskih promjena) te manji broj pojednostavljenih integriranih smjernica. Kriza izaziva otpor prema ulaganjima u zaštitu okoliša, stoga je glavni cilj nove strategije težiti ostvarenju "zelenog rasta", koji okolišne ciljeve integrira u politike poticanja gospodarskog rasta. Tako će napori u sljedećem desetljeću prvenstveno biti usmjereni na korištenje politike zaštite okoliša EU-a kao sredstva za izlazak iz krize putem poticanja zapošljavanja, produktivnosti i inovacija. Prilog daje osvrt i na probleme i izazove pred kojima se našla politika zaštite okoliša EU-a nakon proširenja Unije na deset bivših socijalističkih zemalja Srednje i Istočne Europe. Teška industrija na kojoj se temeljio gospodarski rast tih država prije 1990. izazvala je velika onečišćenja tla, vode i zraka, pa je njihovo usklađivanje s odredbama politike zaštite okoliša Unije bilo iznimno zahtjevno u administrativnom, financijskom i institucionalnom smislu. Riječ je o procesu koji još nije završen jer je Europska komisija novim državama članicama na individualnoj osnovi odobrila prijelazna razdoblja kako bi im olakšala usklađivanje s traženim odredbama okolišnog acquisa. Unatoč problemi-

ma, poput neodrživosti sustava javnih financija i goleme vanjske zaduženosti, niskog životnog standarda i nedostatka obrazovanog kadra, u novim članicama ipak je došlo do znatnog poboljšanja kvalitete okoliša. Od bivših socijalističkih zemalja najviše je za okoliš učinila Slovenija. Za Bugarsku i Rumunjsku, najnerazvijenije članice EU-a, implementacija okolišnog acquisa još uvijek predstavlja velik izazov unatoč vidljivom napretku i znatnoj pomoći Unije. Taj se izazov u prvom redu odnosi na potrebu za čvršćom implementacijom zakonskih akata te strateških i akcijskih planova, čiji uspjeh u konačnici ovisi o suradnji svih zainteresiranih aktera. Posljednji dio priloga daje prikaz dosadašnjeg razvoja politike zaštite okoliša u Hrvatskoj kao budućoj članici EU-a. Hrvatska je u mnogome slična zemljama koje su pristupile u članstvo Unije tijekom posljednjeg proširenja te s njima dijeli slične probleme naslijeđene iz socijalističkog društvenog poretka. Stoga će i u Hrvatskoj u narednom razdoblju glavni izazov biti praktična implementacija usvojenih zakona, strategija i akcijskih planova iz područja zaštite okoliša, a glavni cilj trebalo bi biti očuvanje čistog okoliša kao jedne od ključnih komparativnih prednosti zemlje. Ubrzanju puta prema punopravnom članstvu u Uniji uvelike mogu pridonijeti iskustva novih država članica. Izbjegavanje njihovih pogrešaka te usvajanje pozitivnih praksi vrlo su važni za Hrvatsku, koja kao i nove države članice na svojem putu prema članstvu ima obvezu usklađivanja s odredbama okolišnog acquisa.

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BILINGUAL GLOSSARY LISBON STRATEGY AND EUROPE 2020

DVOJEZIČNI POJMOVNIK LISABONSKA STRATEGIJA I EUROPA 2020

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Annual Growth Survey (AGS)

Within the framework of the Europe 2020 strategy each January the Commission will present its Annual Growth Survey (AGS). This report will be the main input for discussions at the spring meeting of the European Council. The AGS will include both a review and a forward-looking part. The review will focus on fiscal and macroeconomic developments in the EU and the euro area, including macroeconomic imbalances, macro-financial risks and progress made with the implementation of policies to address macro-structural challenges. The review part of the AGS will also focus on thematic developments in the EU (in particular overall progress achieved on the EU headline targets) fiscal stance and overall progress towards fiscal targets and horizontal issues related to developments in imbalances and competitiveness within the eurozone, to be discussed by the Eurogroup. The forward-looking part of the AGS will describe the main challenges for fiscal and macroeconomic policies taking into account indicators of macro-financial vulnerability and competitiveness. It will also describe policies to address fiscal and macroeconomic challenges and priorities for action in the area of structural reforms.

Godišnji pregled rasta

U sklopu strategije Europa 2020, Europska komisija će svake godine u siječnju predstaviti svoj Godišnji pregled rasta. Taj će izvještaj biti glavni materijal za rasprave na proljetnim zasjedanjima Europskog vijeća. Godišnji pregled rasta sastojat će se od preglednog dijela i dijela koji će se odnositi na budući razvoj. Pregledni dio usredotočit će se na fiskalna i makroekonomska kretanja u Europskoj uniji i eurozoni, uključujući makroekonomske neuravnoteženosti, makrofinancijske rizike i napredak zabilježen u provedbi politika u domeni makrostrukturnih izazova. Pregledni dio izvještaja također će se fokusirati na tematska događanja (naročito na opći napredak u ispunjavanju glavnih ciljeva strategije Europa 2020), fiskalni položaj i opći napredak u ispunjavanju fiskalnih ciljeva te na horizontalna pitanja povezana s neuravnoteženošću i konkurentnošću u eurozoni, o čemu će raspravljati Eurogrupa. Dio izvještaja posvećen budućem razvoju predočit će glavne izazove fiskalnih i makroekonomskih politika uzimajući u obzir pokazatelje makroekonomske ranjivosti i konkurentnosti. Također, opisat će politike usmjerene prema rješavanju fiskalnih i makroekonomskih izazova te odrediti prioritete djelovanja u području strukturnih reformi.

Annual Progress Report (APR)

The Annual Progress Report (APR), also known as the European Commission's Annual Progress Report on Growth and Jobs, is part of a monitor-

Godišnje izvješće o napretku

Godišnje izvješće o napretku, poznato i kao Godišnje izvješće Europske komisije o napretku za rast i zapošljavanje, dio je sustava praćenja stvorenog u

ing system created within the framework of the revised Lisbon Strategy. The first APR was issued in January 2006. In the framework of the APR every year starting from autumn 2006, member states had to prepare National Progress Reports (NPRs) on follow-up to the Lisbon Strategy. After submission of NPRs and their analysis by the Council and the Commission, the European Commission issues the APR assessing the National Reform Programmes (NRPs). The APR may contain a country specific recommendation. Based on the Commission's assessment, the European Council reviews progress every spring in order to decide on necessary adjustments to the Integrated Guidelines on Growth and Jobs (IGs). Apart from being based on National Progress Reports (NPRs) the APRs also build upon progress reports on the implementation of the Community Lisbon Programme (CLP).

sklopu revidirane Lisabonske strategije. Prvo izvješće o napretku objavljeno je u siječnju 2006. U sklopu Godišnjeg izvješća o napretku svake godine, počevši od jeseni 2006., zemlje članice dužne su objavljivati Nacionalna izvješća o napretku u provedbi Lisabonske strategije. Nakon podnošenja nacionalnih izvješća i njihove analize koju provode Vijeće i Komisija, Europska komisija objavljuje Godišnje izvješće o napretku kojim se ocjenjuje napredak u provedbi Nacionalnih reformskih programa. Godišnje izvješće o napretku može sadržavati i posebne preporuke za pojedine zemlje članice. Na temelju ocjene Europske komisije, svakog proljeća Europsko vijeće ocjenjuje opći napredak u provedbi strategije kako bi se dalje moglo odlučivati o potrebnim prilagodbama Integriranih smjernica za rast i zapošljavanje. Osim na nacionalnim izvješćima o napretku, Godišnje izvješće o napretku gradi se i na temelju Izvješća o napretku provedbe Lisabonskog programa Zajednice.

Benchmarks, benchmarking

The benchmarks are points of reference, defined as a result of evaluation (benchmarking) in relation to best practices. They are a tool for promoting convergence towards best practice. The term benchmarking is usually used in management and strategic management. Benchmarking provides an understanding of the processes that lead towards superior performance. It first identifies the key areas that need to be benchmarked and the appropriate criteria on which to evaluate that area. It

Mjerila, vrednovanje

Mjerila (engl. benchmarks) su referentne točke definirane kao rezultat vrednovanja u odnosu na najbolju praksu. Ona su instrument za promicanje približavanja najboljoj praksi. Pojam vrednovanja (engl. benchmarking) obično se koristi u menadžmentu i strateškom upravljanju. Ono osigurava razumijevanje procesa koji vode prema boljim rezultatima. U sklopu vrednovanja najprije se ustanovljuju ključna područja koja bi trebalo vrednovati te odgovarajući kriteriji kojima će se ona

then identifies best practice to measure how those results have been achieved. In EU jargon, benchmarking is used to assess the relative performance of a member country in implementation of EU policy against defined targets (e.g. the Lisbon Strategy and Europe 2020 goals) and of a non-member country against meeting various EU standards (e.g. in alignment with the EU acquis for candidate countries). Benchmarking is used as a reference in developing national plans on how to adopt best practice, usually with the aim of increasing some aspect of performance.

procjenjivati. Nakon toga identificira se najbolja praksa kako bi se izmjerilo na koji su način ti rezultati postignuti. U žargonu Europske unije, vrednovanje se koristi za procjenjivanje učinkovitosti zemalja članica u provedbi politika Unije naspram definiranih ciljeva (npr. ciljevi Lisabonske strategije i Europe 2020) te zemalja koje još nisu članice EU-a naspram različitih standarda Europske unije (npr. usklađivanje s pravnom stečevinom EU-a za zemlje kandidatkinje). Vrednovanje se koristi kao preporuka u razvoju nacionalnih planova kojima se nastoji usvojiti najbolja praksa, obično s ciljem poboljšanja nekog aspekta učinkovitosti.

BRIC

The BRIC countries are Brazil, Russia, India and China, with their fast growing economies. The acronym was coined and prominently used by Jim O'Neill, head of global economic research at Goldman Sachs in 2001. The four countries, combined, currently account for more than a quarter of the world's land area and more than 40% of the world's population, with a combined GDP (PPP) of US$15 435 trillion. The only countries comparable to the BRICs are Mexico and South Korea but their economies are excluded from this because they are more developed. The aim of the BRIC countries is not to create a new political alliance such as the European Union, but to increase their political cooperation mainly as a way of influencing the United States position on major trade accords, or, through the implicit threat of political coop-

BRIC

BRIC zemlje pojam je koji se odnosi na srodna gospodarstva Brazila, Rusije, Indije i Kine. Akronim je osmislio i koristio Jim O'Neill, voditelj svjetskih ekonomskih istraživanja pri Goldman Sachsu 2001. godine. Te četiri zemlje zajedno pokrivaju više od četvrtine svjetske površine, u njima živi više od 40 posto svjetskog stanovništva, a njihov je zajednički BDP (paritet kupovne moći) 15.435 bilijuna dolara. Jedine države usporedive s BRIC zemljama jesu Meksiko i Južna Koreja, no njihova su gospodarstva isključena iz te skupine zato što su razvijenija. Cilj BRIC zemalja nije stvaranje novog političkog saveza poput Europske unije, nego jačanje političke suradnje kao oblika utjecaja na pozicioniranje SAD-a prema važnim trgovačkim sporazumima ili implicitna prijetnja političkom suradnjom kako bi se došlo do političkih koncesija od SAD-

eration, as a way of extracting political concessions from the US, such as the proposed nuclear cooperation with India. After their first summit in Yekaterinburg in Russia, the BRICs issued a declaration calling for the establishment of a multi-polar world order.

a, (primjerice predložena nuklearna suradnja s Indijom). Nakon prvog samita u Yekaterinburg u Rusiji, BRIC zemlje objavile su deklaraciju koja poziva na uspostavu višepolarnog svjetskog poretka.

Broad Economic Policy Guidelines (BEPGs)

The BEPGs are the central instruments for coordination of member states' economic policies. They ensure multilateral surveillance of economic trends in the member states and demonstrate a formal commitment to respecting the provisions of the treaty in terms of surveillance and coordination of economic policies. The legal basis for the BEPGs is Article 121 of the Treaty on the Functioning of the European Union. The Council, acting by a qualified majority on a recommendation from the Commission, produces a draft for the BEPGs and reports its findings to the European Council, which adopts a conclusion. On the basis of this conclusion, the Council, acting by a qualified majority, adopts a recommendation setting out these broad guidelines. The European Parliament is informed of this recommendation. Since 2003, the BEPGs have been published for a period of three consecutive years, while earlier they were published annually. The revised Lisbon Strategy in 2005 decided to integrate the BEPGs together with the Employment Guidelines (EGs) forming the Integrated Guidelines for Growth and Jobs (IGs) which are set for a three-year period.

Opće smjernice ekonomske politike

Opće smjernice ekonomske politike središnji su instrumenti za koordinaciju ekonomskih politika zemalja članica Europske unije. Smjernice osiguravaju multilateralni nadzor gospodarskih kretanja u zemljama članicama te pokazuju formalnu predanost poštovanju odredbi osnivačkih ugovora EU-a u smislu nadzora i koordinacije ekonomskih politika. Zakonski temelji tih smjernica nalaze se u članku 121. Ugovora o funkcioniranju Europske unije. Vijeće, koje djeluje odlukom kvalificirane većine prema preporuci Komisije donosi nacrt Općih smjernica ekonomske politike te o svojim uvidima izvještava Europsko vijeće, koje usvaja zaključak. Na temelju tog zaključka Vijeće odlukom kvalificirane većine usvaja preporuku kojom se donose Opće smjernice. Europski parlament obaviješten je o toj preporuci. Od 2003. Opće smjernice ekonomske politike objavljuju se za razdoblje od tri uzastopne godine, a do tada su se objavljivale jedanput godišnje. Revidirana Lisabonska strategija iz 2005. odlučila je integrirati Opće smjernice ekonomske politike sa Smjernicama za zapošljavanje u Integrirane smjernice za rast i zapošljavanje, koje se postavljaju za razdoblje od tri godine.

Community Lisbon Programme (CLP)

The CLP was the major tool for achieving the Lisbon Strategy goals at the EU level. As one of the key instruments in the revised Lisbon Strategy it was introduced in 2005. The CLP set priorities for action at the EU level for three-year periods and complemented the National Reform Programmes (NRPs) for growth and jobs that member states had to finalize for the 2005-2007 as well as for the 2008-2010 Lisbon cycles. The CLP outlined actions to be taken at the EU level under three key policy areas: making Europe a more attractive place to invest and work; knowledge innovation for growth; and creating more and better jobs. The programme consisted of numerous initiatives (regulatory actions, financing actions and policy development) which have been implemented at EU level to refocus the EU's economic reform agenda on growth and jobs. Initiatives in the CLP concentrated on key actions, such as the support of knowledge and innovation in Europe, the reform of the state aid policy, better regulation, the internal market for services, the completion of the Doha round, the removal of obstacles to mobility, economic migration, and the social consequences of economic restructuring.

Lisabonski program Zajednice

Lisabonski program Zajednice bio je glavno sredstvo za ostvarivanje ciljeva Lisabonske strategije na razini Europske unije. Kao jedan od glavnih instrumenata revidirane Lisabonske strategije, predstavljen je 2005. godine. Lisabonski program Zajednice postavio je prioritete za djelovanje na razini EU-a za trogodišnje razdoblje i predstavljao je dopunu Nacionalnim reformskim programima za rast i zapošljavanje, koje su zemlje članice morale finalizirati kako za razdoblje 2005.–2007. tako i za razdoblje 2008.–2010. lisabonskog ciklusa. Lisabonski program Zajednice istaknuo je korake koje treba poduzeti na razini EU-a u sklopu tri ključna područja politika: pretvaranje Europe u mjesto privlačnije za rad i ulaganje; znanje i inovacije za rast; te stvaranje kvalitetnijih i boljih radnih mjesta. Program se sastojao od brojnih inicijativa (regulacijskih mjera, financijskih djelovanja i razvoja politika) koje su poduzete na razini EU-a kako bi se program gospodarskih reformi EU-a preusmjerio na rast i zapošljavanje. Inicijative Lisabonskog programa zajednice koncentrirale su se na neka ključna pitanja poput: podrške znanju i inovacijama u Europi, reforme politike državnih potpora, bolje regulacije unutarnjeg tržišta za usluge, završetka pregovora u sklopu Runde iz Dohe, uklanjanja prepreka za mobilnost, smanjivanja ekonomskog djelovanja koje šteti okolišu te socijalnih posljedica gospodarskog restrukturiranja.

Copenhagen criteria

The Copenhagen criteria are accession criteria defined by the Copenhagen European Council in June 1993. They relate to the candidate countries and the EU. According to the Copenhagen criteria, accession will take place as soon as an associated country is able to assume the obligations of membership by satisfying the economic and political conditions required. Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the EU. Membership presupposes the candidate's ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union. The EU's capacity to absorb new members, while maintaining the momentum of European integration, is also an important consideration in the general interest of both the EU and the candidate countries.

Kriteriji iz Kopenhagena

Kriteriji iz Kopenhagena pristupni su kriteriji koje je definiralo Europsko vijeće održano u Kopenhagenu lipnja 1993. Odnose se na zemlje kandidatkinje i na EU. Prema kriterijima iz Kopenhagena, pristupanje EU-u dogodit će se kada pridružena zemlja bude spremna preuzeti obveze članstva ispunjavanjem postavljenih ekonomskih i političkih uvjeta. Članstvo od zemalja kandidatkinja zahtijeva da postignu stabilnost institucija koje će jamčiti demokraciju, vladavinu prava, poštivanje ljudskih prava, poštovanje i zaštitu manjina, djelotvorno tržišno gospodarstvo te sposobnost nošenja s konkurentskim pritiscima i tržišnim snagama u Uniji. Članstvo pretpostavlja sposobnost zemalja kandidatkinja da na sebe preuzmu obveze članstva koje uključuje pristajanje uz ciljeve političke, ekonomske i monetarne unije. Sposobnost EU-a da apsorbira nove članice, ne gubeći iz vida zamah europskih integracija, također je važna okolnost o kojoj treba voditi računa u općem interesu kako Unije tako i zemalja kandidatkinja.

Employment Guidelines (EGs)

The EGs present common priorities for the member states national employment policies. They are proposed by the Commission and approved by the Council. The EGs were initially introduced in 1997 as part of the European Employment Strategy (EES), and they are among key instruments for realization of goals set down in the Lisbon Strategy. The EGs lay down the

Smjernice za zapošljavanje

Smjernice za zapošljavanje donose zajedničke prioritete za nacionalne politike zapošljavanja zemalja članica. Predlaže ih Komisija, a odobrava Europsko vijeće. Smjernice su predstavljene 1997. kao dio Europske strategije zapošljavanja i ubrajaju se u ključne instrumente za ostvarivanje ciljeva postavljenih Lisabonskom strategijom. Smjernice donose prioritete za struk-

priorities for structural reforms to be implemented in order to achieve the main economic objectives of the European Union. Their legal basis is Article 148 of the Treaty on the Functioning of the European Union. They provide a policy framework to focus action on full employment, productivity, quality at work, and social and territorial cohesion, as principle objectives of the EES. The EGs focus on these priorities by attracting and retaining more people in employment, increasing labour supply and modernizing the social protection system, improving the adaptability of workers and enterprises, and increasing investment in human capital through better education and skills. Since 2003, the EGs have been published for a period of three consecutive years, while earlier they ware published annually. The revised Lisbon Strategy in 2005 decided to integrate the EGs together with the BEPGs forming the Integrated Guidelines for Growth and Jobs (IGs) which are set for a three-year period.

turne reforme koje treba provesti kako bi se postigli glavni ekonomski ciljevi EU-a, a pravna osnova im je članak 148. Ugovora o funkcioniranju Europske unije. Smjernice daju okvir za politike koji omogućava fokusiranje na punu zaposlenost, produktivnost, kvalitetu rada te socijalnu i teritorijalnu koheziju, kao temeljne ciljeve Europske strategije zapošljavanja. Smjernice za zapošljavanje fokusiraju se na te prioritete inzistirajući na privlačenju i zadržavanju većeg broja ljudi u radnom odnosu, povećanju ponude na tržištu rada, modernizaciji sustava socijalne zaštite, povećanju prilagodbenih sposobnosti radnika i poduzeća te povećanju ulaganja u ljudski kapital u obliku boljeg obrazovanja i usavršavanja. Od 2003. Smjernice za zapošljavanje objavljuju se za razdoblje od tri uzastopne godine, a ranijih godina objavljivane su jedanput godišnje. Revidirana Lisabonska strategija je 2005. odlučila integrirati Smjernice za zapošljavanje zajedno s Općim smjernicama ekonomske politike oblikujući Integrirane smjernice za rast i zapošljavanje koje su postavljene za trogodišnjo razdoblje.

European Economic Recovery Plan (EERP)

At the end of 2008, the European Commission launched the economic recovery plan of around €200 billion (1.5% of EU GDP). It includes a fiscal stimulus within both national budgets (around €170 billion, 1.2% of GDP) and EU and European Investment Bank budgets (around €30 billion, 0.3% of GDP). The plan falls within the Stability and Growth Pact (SGP), but uses all of

Europski plan za gospodarski oporavak

Europska komisija objavila je potkraj 2008. godine plan za ekonomski oporavak vrijedan 200 milijardi eura što čini 1,5% BDP-a Europske unije. Plan zahtijeva financijski poticaj, kako unutar nacionalnih proračuna (oko 170 milijardi eura, odnosno 1,2% BDP-a), tako i unutar proračuna EU-a i Europske investicijske banke (oko 30 milijardi eura, odnosno 0,3% BDP-a). Europski plan

its flexibility. The plan was the Commission's response to the financial and economic crisis and it was scheduled over a period of two years. The aim was to stimulate the economy and to get back the trust of investors and consumers. Commission President José Manuel Barroso at that time said that the plan is "timely, temporary and targeted" and that "exceptional times call for exceptional measures". The recovery plan invited member states to increase their spending in order to speed up economic growth and overcome the recession. The plan was based on two mutually reinforcing main elements: first, short-term measures to boost demand, save jobs and help restore confidence; and second, ''smart investments'' to yield higher growth and sustainable prosperity in the longer term. The recovery plan was supposed to reinforce and accelerate reforms already underway under the revised Lisbon Strategy. It included extensive action at national and EU level to help households and industry and to concentrate support on the most vulnerable. It proposed concrete steps to promote entrepreneurship, research and innovation, including support to the car and construction industries. It also aimed to boost efforts to tackle climate change while creating much-needed jobs at the same time, for example through strategic investment in energy efficient buildings and technologies.

za oporavak tržišta uklapa se u parametre Pakta o stabilnosti i rastu, no koristi svu njegovu fleksibilnost. Donesen za dvogodišnje razdoblje, plan je predstavljao odgovor Komisije na financijsku i ekonomsku krizu. Cilj je bio poticanje gospodarstva i vraćanje povjerenja ulagača i potrošača. U povodu objavljivanja tog dokumenta predsjednik Europske komisije José Manuel Barroso izjavio je da je plan ''pravodoban, privremen i ciljan'' te kako ''izvanredno stanje zahtijeva izvanredne mjere''. U planu oporavka EU-a pozivaju se zemlje članice na veću potrošnju kako bi se ubrzao gospodarski rast i prevladala recesija. Temeljio se na dva međusobno podupiruća elementa: na kratkoročnim mjerama kojima bi se potaknula potražnja, sačuvala radna mjesta i pomoglo u vraćanju povjerenja te na ''pametnim investicijama'' kako bi se proizveo veći rast i dugoročno osigurao održivi prosperitet. Europski plan za oporavak tržišta trebao je ojačati i ubrzati reforme koje su već bile u tijeku u sklopu revidirane Lisabonske strategije. Uključivao je opsežna djelovanja kako na nacionalnoj tako i na razini EU-a s ciljem pomaganja kućanstvima i industriji te pružanja konkretnih potpora najranjivijima. Plan je donio konkretne mjere za promoviranje poduzetništva, istraživanja i razvoja, u što su bile uključene i mjere za automobilsku i građevinsku industriju. Europskim planom za oporavak tržišta također se nastojalo ojačati napore na području klimatskih promjena i istodobno stvoriti radna mjesta. Tako je primjerice na poticaj tog plana došlo do strateškog investiranja u energetski učinkovite građevine i tehnologije.

European Employment Strategy (EES) / Luxembourg Process

The EES, also known as the Luxembourg Process, represents an action and development plan launched in 1997 at the Luxembourg Jobs Summit on the basis of the new provisions in the employment title of the Amsterdam Treaty. The EES represents an employment pillar of the Lisbon Strategy. Its ambition was to achieve decisive progress within five years. An extensive evaluation of the first five years was carried out in 2002 emphasizing the need to revamp the EES with a view to aligning it more closely to the Lisbon goals, which occurred with new simpler guidelines in 2003. The EES is an annual programme of planning, monitoring, examination and readjustment of policies put in place by member states to coordinate the instruments they use to tackle unemployment. Until the re-launch of the Lisbon Strategy in 2005, the EES was based on four components: the Employment Guidelines (EGs) (common priorities for member states' employment policies drawn up by the Commission); National Action Plans (NAPs) for employment (implementation of the EGs at national level); a Joint Employment Report (summary of the NAPs for employment to be used as a basis for drawing up the following year's EGs); and recommendations (country-specific recommendations adopted by the Council by a qualified majority). The re-launch of the Lisbon Strategy in 2005 led to a thorough review of the EES. Since then the EES has been based on four components: the Integrated Guidelines for Growth and Jobs (IGs)

Europska strategija zapošljavanja / Luksemburški proces

Europska strategija zapošljavanja, poznata i kao Luksemburški proces, predstavlja akcijski i razvojni plan pokrenut 1997. na samitu o zapošljavanju u Luksemburgu. U pravnom smislu strategija se temelji na novim odredbama o zapošljavanju u sklopu Ugovora iz Amsterdama. Europska je strategija zapošljavanja stup zapošljavanja u sklopu Lisabonske strategije. Ambicija joj je bila postići odlučan napredak u roku od pet godina. Opsežna evaluacija prvih pet godina strategije provedena je 2002. godine, kada je istaknuta potreba za obnavljanjem strategije radi većeg približavanja lisabonskim ciljevima, koji su se 2003. pojavili u sklopu novih pojednostavljenih smjernica. Strategija predstavlja godišnji program planiranja, nadgledanja, ispitivanja i podešavanja politika kojima zemlje članice koordiniraju instrumente koje koriste u borbi protiv nezaposlenosti. Do revizije Lisabonske strategije 2005. Europska strategija zapošljavanja temeljila se na sljedeće četiri komponente: Smjernice za zapošljavanje – zajednički prioriteti politika zapošljavanja zemalja članica, koje je sastavila Komisija; Nacionalni akcijski planovi za zapošljavanje – provedba Smjernica za zapošljavanje na nacionalnoj razini; Zajedničko izvješće za zapošljavanje – sažetak Nacionalnih akcijskih planova za zapošljavanje, koji se koristi kao osnova za skiciranje smjernica za zapošljavanje za iduću godinu; te preporuke – specifične preporuke za pojedinu zemlju članicu koje kvalificiranom većinom donosi Vijeće. Ponovno pokretanje Lisabonske

(the guidelines for employment are now presented jointly with the guidelines for the EU's macroeconomic and microeconomic policies); the National Reform Programmes (NRPs) for each country; the Commission's Annual Progress Report; and any recommendations adopted by the Council.

strategije 2005. dovelo je do temeljitog preispitivanja Europske strategije zapošljavanja. Od tada se temelji na četiri komponente: Integrirane smjernice za rast i zapošljavanje – smjernice za zapošljavanje sada su predstavljene zajedno sa smjernicama za makroekonomske i mikroekonomske politike EU-a; Nacionalni reformski programi za svaku zemlju; Godišnje izvješće o napretku Europske komisije; te preporuke koje je usvojilo Vijeće.

European Systemic Risk Board (ESRB)

The ESRB established in 2009 is an entirely new EU body with no precedent, which is responsible for macro-prudential oversight. The objective of the ESRB is threefold. It develops a European macro-prudential perspective to address the problem of fragmented individual risk analysis at national level. It enhances the effectiveness of early warning mechanisms by improving the interaction between micro- and macro-prudential analysis. Finally, it allows for risk assessments to be translated into action by the relevant authorities. The ESRB has no binding powers to impose measures on member states or national authorities. It has been conceived as a "reputational" body with a high level composition that should influence the actions of policy makers and supervisors by means of its moral authority.An essential role of the ESRB is to identify risks with a systemic dimension and prevent or mitigate their impact on the financial system within the EU. To this end, the ESRB may issue risk warnings. These warnings should prompt

Europski odbor za nadzor rizika

Europski odbor za nadzor rizika osnovan je 2009. godine. Riječ je o novom tijelu Europske unije bez presedana, odgovornom za makroprudencijalni nadzor. Odbor razvija europsku makroprudencijalnu perspektivu sa svrhom suočavanja s problemom fragmentirane analize rizika na nacionalnoj razini. On unaprjeđuje učinkovitost sustava ranog upozoravanja tako što poboljšava interakciju između mikro- i makroprudencijalne analize. Naposljetku, Odbor omogućuje da se ocjene rizika prenesu u aktivnosti odgovarajućih institucija. Europski odbor za nadzor rizika nema obvezujuće ovlasti nametanja mjera prema državama članicama ili nacionalnim vlastima. Zamišljen je kao "ugledno" tijelo sastavljeno od istaknutih pojedinaca koji bi snagom moralnog autoriteta trebali utjecati na kreatore politika i kontrolore. Osnovna je uloga Odbora uočavanje rizika koji imaju sistemske dimenzije kako bi se spriječio ili ublažio njihov utjecaj na financijski sustav EU-a. Kako bi ispunio taj cilj, Odbor može izdati upozorenja o rizicima

early responses to avoid the build-up of wider problems and eventually a future crisis. If necessary, the ESRB may also recommend specific actions to address any identified risks.

koja bi trebala dovesti do pravodobnih odgovora s ciljem izbjegavanja većih problema i eventualnih budućih kriza. U slučaju potrebe, Odbor također može preporučiti određene mjere kao odgovor na ustanovljene rizike.

EU Sustainable Development Strategy (EU SDS)

The EU SDS, also known as the Gothenburg Strategy, is an action and development plan adopted at the Gothenburg Summit in June 2001. This strategy adds a third dimension – the environment – to the twin social and economic pillars that EU leaders identified at the Lisbon European Council Summit in March 2000 as key factors in the creation of an internationally competitive and socially inclusive EU. In line with this, the EU SDS is based on the idea that in the longer run economic growth, social inclusion and environmental protection must go hand in hand. This entails a process in which a wide variety of actors, including European and national policy makers, the business community and civil society, bear a shared responsibility. The EU SDS has important implications for policy making at all levels. It requires a truly integrated, coherent and balanced approach, which maximizes synergies between relevant economic, social and environmental aspects where possible, and mitigates trade-offs where these are unavoidable. Following the review of the EU SDS launched by the Commission in 2004 and on the basis of contributions from the Council, the European Parliament, the European Eco-

Strategija održivog razvoja EU-a

Strategija održivog razvoja Europske unije, poznata i kao Goteburška strategija, akcijski je i razvojni plan usvojen na samitu Europskoga vijeća održanom u Gothenburgu u lipnju 2001. Ta strategija dodaje treću dimenziju – okoliš – dvama stupovima, socijalnom i ekonomskom, koje su kao ključne čimbenike u stvaranju međunarodno konkurentnog i socijalno uključivog EU-a ustanovili čelnici EU-a na sastanku Europskoga vijeća u Lisabonu u ožujku 2000. U skladu s tim, Strategija održivog razvoja temelji se na ideji da dugoročno gledano gospodarski rast, socijalna uključenost i zaštita okoliša moraju ići ruku pod ruku. To pak podrazumijeva proces u kojem različiti sudionici, uključujući europske i nacionalne kreatore politika, poslovnu zajednicu i civilno društvo, zajednički dijele odgovornost. Strategija održivog razvoja značajno utječe na kreiranje politika na svim razinama. Ona zahtijeva doista integriran, koherentan i uravnotežen pristup, koji povećava sinergije između relevantnih ekonomskih, društvenih i okolišnih aspekata gdje je to moguće i olakšava kompromise ondje gdje su neizbježni. Nakon revizije Strategije održivog razvoja, koju je 2004. pokrenula Komisija, a na temelju doprinosa Vijeća, Europskog parlamen-

nomic and Social Committee and others, in June 2006 the European Council adopted an ambitious and comprehensive revised EU SDS for an enlarged European Union. This document reaffirms the need for global solidarity and recognizes the importance of working with partners outside the EU, including those rapidly developing countries which will have a significant impact on global sustainable development. The overall aim of the revised EU SDS is to support and promote actions to enable the EU to achieve continuous improvement of quality of life for both current and future generations, through the creation of sustainable communities able to manage and use resources efficiently and to tap the ecological and social innovation potential of the economy, ensuring prosperity, environmental protection and social cohesion.

ta, Europskog socijalnog i gospodarskog odbora i drugih institucija, u lipnju 2006. Europsko vijeće usvojilo je ambicioznu i sveobuhvatnu revidiranu Strategiju održivog razvoja za proširenu Europsku uniju. Taj dokument potvrđuje potrebu za globalnom solidarnošću i prepoznaje važnost rada s partnerima izvan EU-a, uključujući zemlje koje se ubrzano razvijaju i koje će znatno utjecati na globalni održivi razvoj. Krajnji je cilj revidirane Strategije održivog razvoja pružati podršku i promovirati djelovanja koja Uniji omogućuju kontinuirano poboljšanje kvalitete života za sadašnje i buduće generacije. U tom smislu fokus je na stvaranju održivih zajednica sposobnih za učinkovito upravljanje i korištenje resursa te na povećanju ekoloških i socijalnih inovacijskih potencijala gospodarstva čime se osigurava prosperitet, zaštita okoliša i socijalna kohezija.

European Research Area (ERA)

The ERA is a system of scientific research programmes integrating the scientific resources of the European Union. Since its inception in 2000, the structure has been concentrated on multinational cooperation in the fields of medical, environmental, industrial and socio-economic research. The ERA can be likened to a research and innovation equivalent of the European "common market" for goods and services. Its purpose is to increase the competitiveness of European research institutions by bringing them together and encouraging a more inclusive way of work, similar to what already exists among

Europski istraživački prostor

Europski istraživački prostor sustav je znanstvenih i istraživačkih programa koji integriraju znanstvene resurse Europske unije. Od samog početka 2000. godine njegova je struktura usredotočena na međudržavnu suradnju u području medicinskih, okolišnih, industrijskih i društveno-ekonomskih istraživanja. Za Europski istraživački prostor moglo bi se reći da je u području istraživanja i inovacija ekvivalent onoga što je "zajedničko europsko tržište" za robe i usluge. Njegova je svrha povećanje konkurentnosti europskih istraživačkih institucija njihovim okupljanjem i poticanjem na sveobuhvatniju suradnju,

institutions in North America and Japan. Increased mobility of knowledge workers and deepened multilateral cooperation among research institutions in the member states are central goals of the ERA. At the EU level, according to the Europe 2020 strategy, the Commission's work will be: to complete the ERA, to develop a strategic research agenda focused on challenges such as energy security, transport, climate changes and resource efficiency, health and ageing, environmentally friendly production methods and land management, and to enhance joint programming with member states and regions.

slično onome što već postoji među znanstvenim i istraživačkim institucijama Sjeverne Amerike i Japana. Povećana mobilnost istraživača i produbljena multilateralna suradnja među istraživačkim institucijama zemalja članica središnji su ciljevi Europskoga istraživačkog prostora. Na razini EU-a, u skladu sa strategijom Europa 2020, zadatak Komisije bit će: upotpuniti Europski istraživački prostor, razviti strateški istraživački program usredotočen na izazove poput energetske sigurnosti, prijevoza, klimatskih promjena i učinkovitog korištenja resursa, zdravlja i starenja, proizvodnih metoda koje ne štete okolišu, upravljanja zemljištem te promicanja zajedničkog planiranja s zemljama članicama i regijama.

Europe 2020

Europe 2020 is the European Union's new strategy for smart, sustainable and inclusive growth which will replace the Lisbon Agenda from 2011. The proposal for the EU's new strategy was unveiled in early March 2010 by the European Commission, after a consultation period which was launched in November 2009. The European Council reached an agreement on the new strategy on 25 and 26 of March, and it was formally adopted during the EU summit on 17 June 2010. Europe 2020 represents the EU's response to the global crisis and a preparation tool for the EU's economy for the second decade of the 21st century. Europe 2020 brings three key drivers for growth, to be implemented through concrete actions at EU and national levels: smart

Europa 2020

Europa 2020 nova je strategija Europske unije za pametan, održiv i uključiv rast, koja će od 2011. zamijeniti Lisabonsku strategiju. Prijedlog nove strategije početkom ožujka 2010. objavila je Europska komisija nakon konzultacijskog razdoblja pokrenutog u studenom 2009. Europsko vijeće postiglo je dogovor o novoj strategiji 25. i 26. ožujka, a odluka je službeno usvojena na Europskom samitu 17. lipnja 2010. Europa 2020 predstavlja odgovor EU-a na globalnu krizu i pripremni je instrument za gospodarstvo Unije u drugom desetljeću 21. stoljeća. Dokument navodi tri ključna elementa za pokretanje gospodarskog rasta na kojima će se raditi kroz konkretna djelovanja na razini EU-a i na nacionalnoj razini: pametni rast, koji potiče znanje, inovacije,

growth fostering knowledge, innovation, education and digital society; sustainable growth for more resource efficient production while boosting competitiveness; and inclusive growth raising participation in the labour market, the acquisition of skills and the fight against poverty. Progress towards these objectives is to be measured through the five "headline targets", which include raising the employment rate to 75%; raising investment in R&D to 3% of the EU's GDP; meeting the 20/20/20 objectives for climate and energy; reducing the share of early school leavers to under 10% and reaching the figure of 40% of young people with a tertiary degree; and reducing the number of people at risk of poverty by 20 million. To meet these targets, Europe 2020 introduces seven flagship initiatives in the areas of innovation, youth, the digital agenda, resource efficiency, industrial policy, skills and jobs, and the fight against poverty. The Europe 2020 strategy sets out a vision of Europe's social market economy for the 21st century in the midst of the worst economic crisis that has hit Europe for decades. The new strategy underlines innovation and green growth as key areas for improving Europe's competitiveness and proposes tighter monitoring of National Reform Programmes, which was one of the greatest weaknesses of the Lisbon Strategy. Europe 2020 promotes so-called "country surveillance" schemes which implicate fiscal stabilization programmes and growth-friendly expenditure, taking into consideration national constraints on public finances. Europe 2020 and the Stability and Growth Pact

obrazovanje i digitalno društvo; održivi rast, koji istodobno potiče konkurentnost te proizvodnju koja se efikasnije odnosi prema resursima; te uključivi rast, koji povećava participaciju na tržištu rada, stjecanje vještina i borbu protiv siromaštva. Napredak će se u tom smislu mjeriti putem pet temeljnih ciljeva, koji uključuju: podizanje stope zaposlenosti na 75 posto, podizanje ulaganja u istraživanje i razvoj na 3 posto BDP-a Unije, postizanje tzv. 20/20/20 ciljeva u području klime i energetike, smanjenje udjela djece koja rano napuštaju školu na manje od 10 posto i dostizanje udjela od 40 posto mladih s tercijarnim obrazovanjem te konačno smanjenje broja ljudi izloženih riziku od siromaštva za 20 milijuna. Kako bi se ti ciljevi ispunili, Europa 2020 donosi inicijative u sljedećih sedam područja: inovacije, mladi, digitalna agenda, efikasno korištenje resursa, industrijska politika, vještine i radna mjesta te borba protiv siromaštva. Europa 2020 postavlja viziju europskog socijalnog tržišnog gospodarstva 21. stoljeća usred najteže gospodarske krize koja je unatrag više desetljeća pogodila Europu. Nova strategija naglašava inovacije i zeleni rast kao ključna područja za poboljšanje europske konkurentnosti te predlaže strože praćenje Nacionalnih reformskih programa, što je bila jedna od najvećih slabosti Lisabonske strategije. Europa 2020 promovira tzv. sheme "nadzora zemalja članica", koje impliciraju fiskalne stabilizacijske programe i izdatke usklađene s idejom gospodarskog rasta, uzimajući u obzir nacionalna ograničenja u području javnih financija. Od Europe 2020 i Pakta o stabilnosti i

reporting and evaluation mechanism are expected to work simultaneously to obtain these goals.

rastu očekuje se zajedničko i usklađeno izvještavanje i evaluacija kako bi se zadani ciljevi postigli.

Flexicurity

Flexicurity (originating from flexibility and security) is a welfare state model, a mix of flexibility and social security, combining job security, an active labour market, and the social policies and skills needed for a knowledge economy. The model is a combination of easy hiring and dismissal (flexibility for employers) and high benefits for the unemployed (security for employees). It was first implemented in Denmark by the social democratic Prime Minister, Poul Nyrup Rasmussen, in the 1990s. In the context of the Lisbon Strategy flexicurity is an example of good practice, bearing in mind the fact that social protection must be given high importance. It is a model aiming to enhance flexibility of labour markets, work organization and social security. The EU is investigating flexicurity as a possible future European model, mainly because it has contributed to almost full employment in Denmark with fewer than 4% of the population unemployed, according to the OECD. An unemployed person in Denmark is required to constantly seek employment or further education in order to receive full benefits.

Fleksigurnost

Fleksigurnost model je socijalne države, mješavina fleksibilnosti i socijalne sigurnosti, kojim se kombinira sigurnost radnog mjesta, aktivno tržište rada te socijalne politike i vještine koje su potrebne u gospodarstvu utemeljenom na znanju. Model je kombinacija lakog zapošljavanja i otpuštanja (fleksibilnost za poslodavce) i velikih pogodnosti za nezaposlene (sigurnost za zaposlenike). Model je prvi put implementirao u Danskoj socijaldemokratski premijer Poul Nyrup Rasmussen tijekom 1990-ih. S obzirom da se socijalnoj zaštiti u kontekstu Lisabonske strategije mora pridavati velika pozornost, fleksigurnost je primjer dobre prakse. Riječ je o modelu čiji je cilj poboljšati fleksibilnost tržišta rada, organizacije rada i socijalne sigurnosti. Europska unija razmatra fleksigurnost kao mogući budući europski model, uglavnom zato što je, prema podacima OECD-a, na taj način došlo do gotovo pune zaposlenosti u Danskoj, koja sada ima manje od 4 posto nezaposlenog stanovništva, prema podacima OECD-a. Nezaposlena osoba u Danskoj dužna je konstantno tražiti posao ili dalje se školovati kako bi ostvarila sve pogodnosti.

Integrated Guidelines (IGs)

The Integrated Guidelines for Growth and Jobs (IGs) are the central policy-making instrument for the development and implementation of the renewed Lisbon Strategy and the upcoming Europe 2020 strategy. They simplified the implementation of the renewed Lisbon Strategy by integrating different policy guidelines (Broad Economic Policy Guidelines (BEPGs) and Employment Guidelines (EGs)), targets and reporting processes. In 2005, following the Commission's adoption of the IGs they were later endorsed by the European Council and then formally adopted by the Council. Within the ambit of the renewed Lisbon Strategy the IGs were set up for the three-year governance cycles (firstly 2005-2008, then 2008-2010). They provided a basic structure for presentation of the National Reform Programmes (NRPs) but they also left sufficient space for member states to set national priorities according to their specific situations. The IGs deal with macroeconomic, microeconomic and employment issues and they are mainly based on the priority action areas as identified in the Kok Report. Like the earlier BEPGs and EGs, the IGs represent soft law, that is, they are not legally binding. Peer pressure and financial incentives are therefore their main enforcement instruments. The Europe 2020 strategy will be established institutionally through the ten integrated Europe 2020 guidelines adopted in April 2010 which will replace the existing 24 IGs in January 2011. The

Integrirane smjernice

Integrirane smjernice za rast i zapošljavanje središnji su instrument kreiranja politika za razvoj i provedbu revidirane Lisabonske strategije te nadolazeće strategije Europa 2020. One su pojednostavnile implementaciju revidirane Lisabonske strategije putem integriranja različitih smjernica za politike (općih ekonomskih smjernica i smjernica za zapošljavanje) ciljeva i procesa izvješćivanja. Godine 2005., nakon što je Komisija donijela integrirane smjernice, Europsko vijeće ih je odobrilo i kasnije i formalno usvojilo. U sklopu revidirane Lisabonske strategije, integrirane smjernice usvajane su za trogodišnje upravljačke cikluse (prvi 2005.–2008., drugi 2008.–2010). Integrirane smjernice pružile su temeljnu strukturu za izradu Nacionalnih reformskih programa, ali su zemljama članicama ostavile dovoljno prostora da u skladu sa svojim specifičnim situacijama postave nacionalne prioritete. Smjernice se bave makroekonomskim, mikroekonomskim i pitanjima zapošljavanja i uglavnom se temelje na prioritetnim područjima djelovanja ustanovljenim u Kokovom izvještaju. Isto kao prethodne Opće smjernice ekonomske politike i Smjernice za zapošljavanje, Integrirane smjernice predstavljaju meko pravo, tj. nisu pravno obvezujuće. Zato pritisak drugih ravnopravnih aktera i financijski poticaji predstavljaju glavne instrumente za njihovu provedbu. Strategija Europa 2020 u institucionalnom smislu bit će uspostavljena putem 10 integriranih smjernica Europe 2020 usvojenih

Europe 2020 IGs should remain largely unchanged until 2014 to ensure a focus on implementation.

u travnju 2010., koje će u siječnju 2011. zamijeniti postojeće 24 Integrirane smjernice. Smjernice Europe 2020 trebale bi ostati uglavnom nepromijenjene do 2014. kako bi se osigurala usredotočenost na provedbu.

Joint Assessment Paper (JAP)

The Joint Assessment Papers on employment priorities (JAPs) was the first step of the cooperation process on employment that the European Commission's Directorate-General for Employment and Social Affairs initiated in 1999 with the candidate countries. The objective was to ensure that candidate countries define employment policies that will prepare them for membership and progressively adjust institutions and policies to allow them to fully participate in co-ordination of EU-wide employment policy after accession. It also aimed to ensure that both EU financial support for accession and preparations for the implementation of the European Social Fund would focus on supporting the identified employment policy priorities. Furthermore, JAPs intended to prepare future member states for implementation of the European Employment Strategy. The JAP is organized under four sections. Section 1 presents a brief overview of economic performance. Section 2 examines the labour market situation in terms of the three overarching objectives for employment set out in the Lisbon Strategy or the new Europe 2020 strategy. Section 3 reviews policies which impact on the labour market. Section 4 draws conclusions from the review in terms

Zajednički memorandum o prioritetima zapošljavanja

Zajednički memorandum o prioritetima politike zapošljavanja predstavljao je prvi korak u sklopu procesa suradnje u području zapošljavanja koji je Europska komisija / Opća uprava za zapošljavanje i socijalna pitanja inicirala 1999. sa zemljama kandidatkinjama za članstvo u EU-u. Cilj je bio osigurati da zemlje kandidatkinje definiraju politike zapošljavanja koje će ih pripremiti za članstvo. Te politike trebale su prilagoditi njihove institucije i postojeće politike kako bi se omogućilo da od dana stupanja u članstvo u cijelosti sudjeluju u koordinaciji politika zapošljavanja diljem EU-a. Zajedničkim memorandumom o prioritetima politike zapošljavanja nastojalo se osigurati fokusiranje pretpristupne pomoći EU-a i pripremnih implementacijskih radnji vezano uz Europski socijalni fond na potporu identificiranim prioritetima u području politika zapošljavanja. Osim toga, nastojalo se osposobiti buduće zemlje članice za implementaciju Europske strategije zapošljavanja. Zajednički memorandum kao dokument podijeljen je na četiri dijela. U prvom dijelu daje se kratak pregled ekonomskih rezultata. Drugi dio ispituje situaciju na tržištu rada u kontekstu tri sveobuhvatna cilja za zapošljavanje postavljena Lisabonskom strategijom, sada i Europom 2020.

of challenges, defines concrete priorities for action and sets out the follow-up process aimed at ensuring effective implementation of the agreed priorities. Croatia signed its JAP in 2008.

Treći dio razmatra politike koje utječu na tržište rada. Konačno, četvrti donosi zaključke iz tog pregleda u smislu izazova i definiranja konkretnih prioriteta za pojedina djelovanja te utvrđuje procese praćenja radi osiguranja učinkovite provedbe dogovorenih prioriteta. Hrvatska je Zajednički memorandum o prioritetima politike zapošljavanja potpisala 2008.

Joint Inclusion Memorandum (JIM)

The JIM was founded by the Treaty of Nice in 2000 and it consists of eight chapters. It outlines the principal challenges in relation to tackling poverty and social exclusion, presents the major policy measures taken in the light of agreement to start translating the EU's common objectives into national policies and identifies the key policy issues for monitoring and review. The JIM provided a basis for the new member states to prepare their first National Action Plan after accession. Preparation for the signing of a Croatian JIM began with a "kick-off conference" held in Zagreb in September 2005 as part of activities within the EU Pre-Accession Strategy for Croatia in areas of employment and social inclusion. On the 5 March 2007 the JIM was signed by the Croatian Minister of Health and Welfare and the EU Commissioner for Employment, Social Affairs and Equal Opportunities.

Zajednički memorandum o socijalnom uključivanju

Zajednički memorandum o socijalnom uključivanju usvojen je 2000. Ugovorom iz Nice i ima 8 poglavlja i ocrtava glavne izazove u pogledu borbe protiv siromaštva i socijalne isključenosti. On donosi glavne mjere za politike u tom području koje treba poduzeti u svjetlu sporazuma o početku prenošenja zajedničkih ciljeva EU-a u nacionalne politike te identificira ključna pitanja u području socijalnih politika koja treba razmatrati i nadzirati. Zajednički je memorandum o socijalnom uključivanju novim zemljama članicama nakon pristupanja pružio osnovu za pripremu njihovih prvih Nacionalnih akcijskih planova za socijalno uključivanje. Pripreme za potpisivanje Zajedničkog memoranduma o socijalnom uključivanju s Hrvatskom počele su kao dio aktivnosti u sklopu pretpristupne strategije za Hrvatsku u području zapošljavanja i socijalnog uključivanja. Prva aktivnost bila je početna konferencija održana u Zagrebu rujna 2005. Dana 5. ožujka 2007. Zajednički memorandum potpisali su ministar zdravstva i socijalne skrbi RH i povjerenik komisije za zapošljavanje, socijalna pitanja i jednake mogućnosti.

Kok Report

The Kok Report is the short name for the document "Facing the Challenge – The Lisbon Strategy for Growth and Employment" drawn up between April and November 2004 under the chairmanship of the former Dutch Prime Minister Wim Kok. The report was presented to the European Commission and it suggested how to give new impetus to the Lisbon Process. Wim Kok was head of the review group established by the European Commission which consisted of 12 individuals representing different stakeholder groups. The remit of the report was to identify measures which together form a consistent strategy for the European economies to achieve the Lisbon objectives and targets. The report showed that the indicators used in the Open Method of Coordination (OMC) had caused the Lisbon Strategy objectives to become muddled and that the results achieved had been unconvincing. The scenario for more growth and jobs was envisaged through urgent action across five policy areas: the knowledge society, the internal market, the business climate, the labour market and environmental sustainability. It was concluded that individual member states have made progress in one or more of these policy priority areas, but none has succeeded consistently across a broad front. Therefore, the report recommended developing national policies in each member state, supported by an appropriate European-wide framework. The Kok Report formed the basis for the mid-term review of the Lisbon Strategy which took place at the following year's spring European Council.

Kokov izvještaj

Kokov izvještaj skraćeni je naziv za dokument "Suočavanje s izazovom – Lisabonska strategija za rast i zapošljavanje" sastavljen u razdoblju između travnja i studenog 2004. pod predsjedanjem bivšeg nizozemskog premijera Wima Koka. Izvještaj je predstavljen Europskoj komisiji, sugerirao je na koji način dati nov poticaj Lisabonskom procesu. Wim Kok bio je voditelj grupe koju je osnovala Europska komisija i u kojoj je bilo dvanaest ljudi predstavnika različitih grupa dionika. Zadatak izvještaja bio je predložiti mjere koje zajedno čine konzistentnu strategiju za europsko gospodarstvo kako bi se ostvarili lisabonski ciljevi. Izvještaj je pokazao da su indikatori korišteni u sklopu Otvorene metode koordinacije izazvali zbrku unutar ciljeva Lisabonske strategije i da postignuti rezultati nisu uvjerljivi. Scenarij za rast i zapošljavanje zamišljen je kroz neodgodivo djelovanje u pet područja: društvo znanja, unutarnje tržište, poslovna klima, tržište rada i održivost okoliša. Zaključeno je da su pojedine zemlje članice postigle napredak u jednom ili više prioritetnih područja, ali da nijedna nije uspjela dosljedno provesti strategiju na svim poljima. Stoga je izvještaj preporučio razvoj nacionalnih politika u svakoj zemlji članici koji bi podržao odgovarajući europski okvir. Kokov izvještaj predstavljao je temelj za preispitivanje Lisabonske strategije na polovici njenog implementacijskog razdoblja, što je učinjeno sljedeće godine na proljetnom sastanku Europskog vijeća.

Lisbon Strategy

The Lisbon Strategy, also known as the Lisbon Agenda or the Lisbon Process, was a comprehensive action and development programme for the EU in 2000-2010. The Lisbon Strategy was introduced by the European Council in Lisbon in March 2000 and developed at subsequent meetings of the European Council. It was based on three pillars: an economic pillar preparing the ground for transition to a competitive, dynamic, knowledge-based economy; a social pillar designed to modernize the European social model by investing in human resources and combating social exclusion; and an environmental pillar (added at the Gothenburg European Council meeting in June 2001) which draws attention to the fact that economic growth must be decoupled from the use of natural resources. In the Lisbon Strategy the EU set itself the strategic goal to become "the most competitive and dynamic knowledge-based economy in the world by 2010, capable of sustainable economic growth with more and better jobs and greater social cohesion". A list of targets was drawn up with a view to attaining the goals set in 2000. Given that the policies in question fall almost exclusively within the sphere of competence of the member states, an Open Method of Coordination (OMC) entailing the development of National Action Plans (NAPs) for employment under the European Employment Strategy (EES) was introduced. Between 2000 and 2005 the Lisbon Strategy relied on two principal instruments for the realization of its goals: the Broad Economic Policy

Lisabonska strategija

Lisabonska strategija, također poznata kao Lisabonska agenda ili Lisabonski proces, bila je sveobuhvatan akcijski i razvojni program za Europsku uniju u razdoblju 2000.–2010. Lisabonska strategija, koju je Europsko vijeće postavilo u Lisabonu travnja 2000., dorađena je na idućim sastancima Europskoga vijeća. Strategija se temeljila na tri stupa: ekonomski stup pripremio je teren za tranziciju prema konkurentnom i dinamičnom gospodarstvu utemeljenom na znanju; socijalni stup koncipiran je kao modernizacija europskoga socijalnog modela putem ulaganja u ljudske resurse i borbu protiv socijalne isključenosti; okolišni stup (pridodan na sastanku Europskoga vijeća u Gothenburgu lipnja 2001.) pridavao je važnost činjenici da gospodaski rast treba odvojiti od korištenja prirodnih resursa. U Lisabonskoj strategiji Europska unija postavila je sebi strateški cilj – postati "do 2010. najkonkurentnije i najdinamičnije na znanju utemeljeno gospodarstvo na svijetu sposobno za održiv gospodarski rast s više boljih radnih mjesta i većom socijalnom kohezijom". Kako bi se ostvarilo sve ono što je zacrtano 2000., sastavljen je popis ciljeva. Budući da su politike o kojima je riječ gotovo potpuno u području kompetencija zemalja članica, uvedena je Otvorena metoda koordinacije, koja podrazumijeva razvoj Nacionalnih akcijskih planova za zapošljavanje u sklopu Europske strategije zapošljavanja. Između 2000.–2005. u ostvarivanju svojih ciljeva Lisabonska se strategija oslanjala na dva temeljna instrumenta: Opće smjernice ekonomske politike i

Guidelines (BEPGs) and the Employment Guidelines (EGs). The Lisbon Strategy also provided for the adaptation and strengthening of existing coordination mechanisms: the Luxembourg process for employment, the Cardiff process for the functioning of markets (goods, services and capital) and the Cologne process on macroeconomic dialogue. The thorough revision of the Lisbon Strategy was agreed upon in 2005 at the spring Council meeting (see the revised Lisbon Strategy/mid-term review). The Lisbon Strategy has had a positive impact on the EU even though its main targets (70% employment rate and 3% of GDP spent on R&D) were not reached. The strategy has broken new ground by promoting common actions to address the EU's key long-term challenges. The partnership between the EU and member states has generally been a positive experience but implementation has suffered from variable ownership and weak governance structures.

Smjernice za zapošljavanje. Lisabonska strategija također je omogućila prilagodbu i jačanje postojećih mehanizama koordinacije: Luksemburškog procesa za zapošljavanje, Cardiffskog procesa za funkcioniranje tržišta (roba, usluga i kapitala) te Kelnskog procesa o makroekonomskom dijalogu. Temeljita revizija Lisabonske strategije dogovorena je u proljeće 2005. na sastanku Europskoga vijeća (vidi Revidirana Lisabonska strategija / preispitivanje Lisabonske strategije). Lisabonska strategija imala je pozitivan učinak na EU iako glavni ciljevi (70-postotna stopa zaposlenosti i 3 posto BDP-a za istraživanja i razvoj) nisu postignuti. Inovativni aspekt Strategije sastoji se u tome što je promovirala zajednička djelovanja kako bi se rješavali ključni dugoročni izazovi koji stoje pred EU-om. Partnerstvo između EU-a i zemalja članica u općem smislu predstavljalo je pozitivno iskustvo. Ipak, provedbi Strategije štetila je varijabilnost vlasničkih i upravljačkih struktura.

National Action Plans (NAPs)

The NAPs for employment were the major reporting tools on employment measures for achieving the Lisbon Strategy goals in 2000-2005. They were written annually by the member states to the Commission and they were developed as part of the European Employment Strategy (EES) – the employment pillar of the Lisbon Strategy. The NAPs for employment were detailed plans covering over 20 employment guidelines (EGs) grouped under four pillars: employability, en-

Nacionalni akcijski planovi

Nacionalni akcijski planovi za zapošljavanje bili su glavni instrumenti za izvješćivanje o mjerama u području zapošljavanja koje je trebalo implementirati kako bi se postigli ciljevi Lisabonske strategije u razdoblju 2000.–2005. Planove su zemlje članice pisale Komisiji jednom godišnje, a razvijani su kao dio Europske strategije zapošljavanja – stupa Lisabonske strategije koji se odnosi na zapošljavanje. Nacionalni akcijski planovi za zapošljavanje predstavljali su detaljne planove koji su pokrivali više od 20

trepreneurship, adaptability and equal opportunities. Alongside the NAPs for employment in 2001, member states started publishing the NAPs for inclusion. Unlike the NAPs for employment, the NAPs for inclusion ware based on very broad general objectives. They were published biannually (2001-2003 and 2003-2005) with the intention to develop common indicators. The NAPs for inclusion were very diverse both in form and in degree of compliance with European priorities; they were not formally part of the European Employment Strategy (EES). The relaunch of the Lisbon Strategy in 2005 revoked both the NAPs for employment and the NAPs for inclusion. The NAPs for employment were replaced with National Reform Programmes (NRPs) covering both employment and economic measures (see below). NAPs for inclusion were replaced by the national reports on strategies for social protection and social inclusion.

smjernica za zapošljavanje, koje su bile grupirane u četiri stupa: zapošljivost, poduzetništvo, prilagodljivost te jednake mogućnosti. Pored akcijskih planova za zapošljavanje u 2001. godini zemlje članice počele su objavljivati i akcijske planove za socijalno uključivanje. Za razliku od planova za zapošljavanje, temeljili su se na vrlo općenitim ciljevima. Nacionalni akcijski planovi za socijalno uključivanje objavljivali su se za dvogodišnje razdoblje (2001.–2003; 2003.–2005.) s namjerom razvijanja zajedničkih indikatora. Nacionalni akcijski planovi za socijalno uključivanje bili su vrlo različiti kako prema formi tako i u stupnju udovoljavanja europskim prioritetima (formalno nisu bili dio Europske strategije zapošljavanja). Revizijom Lisabonske strategije 2005. ukinuti su kako planovi za zapošljavanje tako i planovi za socijalno uključivanje. Revizijom Strategije Nacionalni akcijski planovi za zapošljavanje zamijenjeni su Nacionalnim reformskim programima koji pokrivaju zapošljavanje i ekonomske mjere (vidi Nacionali reformski programi). Nacionalni akcijski planovi za socijalno uključivanje zamijenjeni su s Nacionalnim izvještajima o strategijama socijalne zaštite i socijalnog uključivanja.

National Reform Programmes (NRPs)

The NRPs are major reporting tools on economic and employment measures for achievement of the Lisbon Strategy and the upcoming Europe 2020 goals by the member states. Together with the Community Lisbon Programme (CLP) they were introduced as the key instruments of the

Nacionalni reformski programi

Nacionalni reformski programi glavni su alati izvješćivanja zemalja članica o ekonomskim mjerama i mjerama zapošljavanja koje poduzimaju za ostvarivanje ciljeva Lisabonske strategije i nadolazeće strategije Europa 2020. Zajedno s Lisabonskim programom Zajednice predstavljeni su kao ključni

renewed Lisbon Strategy. They are expected to be national reform strategies to be implemented by governments. The NRPs are issued for a three-year time frame and they are based on a partnership between the Commission and the individual member state and between member state authorities and domestic stakeholders. The NRPs are expected to be relatively short political documents having between 30 and 40 pages, plus annexes. The main body of the NRP consists of the policy actions related to the identified domestic challenges, as well as addressing the IGs. The NRPs should principally consist of three major parts related to three kinds of guidelines: macroeconomic policy, microeconomic policy (replacing the earlier Cardiff reports) and employment policy (replacing the National Action Plans (NAPs for employment)). In their NRPs member states identified different challenges and policy responses reflecting their different starting positions and political preferences. Starting positions and the pace of reform are monitored by a number of benchmarks, which should, at a later stage, help identify best practices, and name and shame the laggards.

instrumenti revidirane Lisabonske strategije. Od Nacionalnih reformskih programa očekuje se da predstavljaju nacionalne reformske strategije koje će provoditi vlade. Nacionalni reformski programi objavljuju se za razdoblje od tri godine, a utemeljeni su na partnerstvu između Komisije i zemalja članica pojedinačno, te između vlada zemalja članica i domaćih aktera. Od Nacionalnih reformskih programa očekuje se da budu relativno kratki politički dokumenti (30-40 stranica i dodaci). Glavni dio Nacionalnih reformskih programa čine aktivnosti u području politika koje se odnose na uočene probleme na nacionalnoj razini vezane uz Integrirane smjernice. U osnovi, programi se sastoje od tri glavna dijela, koji se odnose na tri vrste smjernica: makroekonomska politika, mikroekonomska politika (umjesto ranijih izvješća iz Cardiffa) i politika zapošljavanja (umjesto Nacionalnih akcijskih planova za zapošljavanje). Zemlje članice u svojim Nacionalnim reformskim programima identificirale su različite probleme i odgovore koji odražavaju njihove različite početne pozicije i političke preferencije. Početne pozicije i tempo reformi prate se nizom mjerila koja bi u kasnijoj fazi trebala pomoći pri identificiranju najbolje prakse te imenovanju zemalja koje reforme slabo provode.

Open Method of Coordination (OMC)

The OMC is a relatively new and intergovernmental method of governance in the European Union, based on the voluntary cooperation of its member states. The OMC was first applied in EU employment policy, as defined in the Amsterdam Treaty of 1997, although it was not called by this name at the time. It was officially named, defined and endorsed in 2000 at the Lisbon Council as an instrument of the Lisbon Strategy in the realm of social policy and other areas which fall within the competence of the member states. The OMC is based on voluntary cooperation between member states. It rests on soft law mechanisms such as guidelines, indicators, benchmarking, sharing of best practice and peer review and it takes place in areas such as employment, social protection, social inclusion, education, youth and training. The OMC provides a new framework for cooperation between the member states, whose national policies can thus be directed towards certain common objectives. Generally, the OMC works in stages. First, the Council agrees on policy goals and member states then translate guidelines into national and regional policies. Thirdly, specific benchmarks and indicators to measure best practice are agreed upon, and finally, results are monitored and evaluated by the Commission. Under this intergovernmental method, the member states are evaluated by one another (peer pressure), with the Commission's role being limited to surveillance. The European Par-

Otvorena metoda koordinacije

Otvorena metoda koordinacije relativno je nova međuvladina metoda upravljanja u Europskoj uniji, utemeljena na dobrovoljnoj suradnji zemalja članica. Otvorena metoda prvo je primijenjena u politici zapošljavanja EU-a, definiranoj 1997. u Ugovoru iz Amsterdama, iako se tada nije tako zvala. Metoda je službeno dobila ime, definirana je i prihvaćena 2000. na lisabonskom sastanku Europskoga vijeća kao instrument Lisabonske strategije u području socijalne politike i drugim područjima koja su u nadležnosti zemalja članica. Temelji se na dobrovoljnoj suradnji zemalja članica, a počiva na mehanizmima mekog prava kao što su smjernice, indikatori, ravnanje prema mjerilima, razmjena najboljih iskustava i vrednovanje od strane drugih ravnopravnih aktera, a odvija se u područjima kao što su zapošljavanje, socijalna zaštita, socijalna inkluzija, obrazovanje, mladi i usavršavanje. Otvorena metoda pruža nov okvir za suradnju zemalja članica, čije nacionalne politike stoga mogu biti usmjerene prema određenim zajedničkim ciljevima. Otvorena metoda koordinacije djeluje u fazama. Prvo, Vijeće definira političke ciljeve. Zemlje članice potom prevode smjernice u nacionalne i regionalne politike. Treće, dogovaraju se specifična mjerila i indikatori za mjerenje najbolje prakse. Konačno, Komisija prati i ocjenjuje rezultate. Prema toj međuvladinoj metodi zemlje članice procjenjuju se međusobno (pritisak drugih ravnopravnih aktera), a uloga Komisije ograničena je na nadzor. Europski parlament i Sud pravde nemaju pritom gotovo nikakvu ulogu. U kontek-

liament and the Court of Justice play virtually no part in the OMC process. In the context of the Lisbon Strategy and Europe 2020, the OMC requires member states to draw up National Action Plans (NAPs) for employment (since 2005 these have been the National Reform Programmes (NRPs)) and to forward them to the Commission.

stu Lisabonske strategije i Europe 2020, Otvorena metoda zahtijeva od zemalja članica da izrade Nacionalne akcijske planove za zapošljavanje (od 2005. Nacionalne reformske programe) te da ih nakon toga proslijede Komisiji.

Pre-accession Economic Programme (PEP)

The PEPs are drawn up by the candidate countries and evaluated by the European Commission. The PEP is one of the most significant documents that a candidate country for EU membership prepares within the framework of multilateral fiscal surveillance. The aim of the programme is to determine a medium-term framework for the candidate countries' economic policies which includes goals in public finances, priorities in structural reforms and building capacities regarding participation in the European system of economic policy coordination. Furthermore, they develop institutional and analytical capacities for participating in the multilateral surveillance procedures of the Economic and Monetary Union (EMU).

Pretpristupni ekonomski program

Pretpristupne ekonomske programe sastavljaju zemlje kandidatkinje, a ocjenjuje ih Europska komisija. Pretpristupni ekonomski program jedan je od najznačajnijih dokumenata koji zemlja kandidatkinja za članstvo priprema u okviru multilateralnog fiskalnog nadzora. Cilj je programa utvrditi srednjoročni okvir za ekonomske politike zemalja kandidatkinja, koji uključuje ciljeve u području javnih financija, prioritete u strukturnim reformama te izgradnju kapaciteta u pogledu sudjelovanja u Europskom sustavu koordinacije ekonomskih politika. Osim toga, oni razvijaju institucionalne i analitičke kapacitete za sudjelovanje u postupcima multilateralnog nadzora Ekonomske i monetarne unije.

Project Europe 2030 - challenges and opportunities

On 9 May 2010, members of the Reflection Group handed in to the European Council a report called "Project Europe 2030: challenges and opportunities" that explores the European

Projekt Europa 2030 – izazovi i mogućnosti

Članovi grupe za razmatranje predali su Europskom vijeću 9. svibnja 2010. izvješće pod nazivom "Projekt Europa 2030", koje istražuje mogućnosti koji se nalaze pred EU-om u sljedeća dva

Union's choices over the next two decades. It is clear that Europe needs much more than short-term management – it needs a larger sense of the critical choices facing it over the next generation. This is what the Reflection Group seeks to provide. The group, formed in October 2008, consists of twelve Europeans from a variety of disciplines under the leadership of Spain's former Prime Minister, Felipe Gonzalez. The analysis and prescriptions in the report are wide ranging and long term. They seek to rise to the challenges of "horizon 2030" and to move beyond recent frustration and pessimism about Europe's direction. They are exploring how the European Union might be relevant to the concerns and aspirations of its citizens in twenty years' time. They ask themselves if the EU will be able to maintain and increase its level of prosperity in this changing world. Will it be able to promote and defend Europe's values and interests? Their answer is positive. The EU can be an agent of change in the world, a trendsetter, and not just a passive witness. This will only be possible, however, if everyone works together. The challenges ahead are too large for any European country to address on their own. European ability to influence developments beyond its borders will in turn depend on its capacity to secure solid growth and internal cohesion within the European Union. This is the conclusion reached by the Reflection Group, followed by intensive deliberations and consultations with numerous experts and institutions.

desetljeća. Europa treba mnogo više od kratkoročnog upravljanja. Ona treba razviti više osjećaja za važne odluke s kojima će se suočiti buduće generacije, pa su članovi grupe za razmatranje upravo to nastojali pokazati. Grupa, osnovana u listopadu 2008., sastoji se od dvanaest europskih državljana iz različitih disciplina, a predsjeda joj bivši španjolski premijer Felipe Gonzalez. Njihove analize i preporuke odnose se na široko polje djelovanja i na dugoročno razdoblje. Njima se uspjelo dosegnuti "horizont 2030" i pomaknuti se od trenutačnih frustracija i pesimizma vezano u pogledu budućeg pravca razvoja EU-a. Analize istražuju kako bi EU mogao biti relevantan za pitanja i težnje svojih građana u idućih dvadeset godina. Članovi grupe pitaju se hoće li EU biti u stanju održati se i postati prosperitetniji u promjenljivom svijetu koji nas okružuje, te hoće li biti u stanju promicati i braniti europske vrijednosti i interese. Odgovor grupe je potvrdan. Unija može biti zagovornik promjena u svijetu i predvodnik trendova, a ne tek pasivan promatrač. Ipak, to će biti moguće jedino ako svi budu radili zajedno. Izazovi s kojima se Europa danas suočava preveliki su da bi se bilo koja zemlja s njima nosila sama. Sposobnost Europe da utječe na razvoj izvan svojih granica ovisit će o mogućnostima da se osigura solidan rast i kohezija unutar Unije. Do tog zaključka došla je Grupa za razmatranje nakon intenzivnih rasprava i konzultacija s brojnim stručnjacima i institucijama.

Revised Lisbon Strategy/mid-term review

The revised Lisbon Strategy, also known as the mid-term review, refers to the revision of the original Lisbon Strategy that was agreed at the spring Council in 2005. The revision closely followed the conclusions of the Kok Report which suggested how new impetus could be given to the Lisbon Process. It did not change the original intentions of the Lisbon Strategy but it decided that the future orientation of the strategy should be focused on growth and jobs. This revised strategy is no longer based on all the targets set in 2000, and only the figure of 3% of GDP for research and development is being retained. The Commission proposed partnership with member states on growth and jobs and introduced a Community Lisbon Programme (CLP) that outlines actions to be taken at the EU level under three key policy areas: making Europe a more attractive place to invest and work; knowledge innovation for growth; and creating more and better jobs. At the level of the member states, National Reform Programmes (NRPs) have been introduced as a major reporting tool on economic and employment measures for the achievement of the Lisbon Strategy goals by the member states. Furthermore, the spring Council in 2005 decided on a new policy-making instrument for the development and implementation of the revised Lisbon Strategy involving the adoption by the Council of Integrated Guidelines for Growth and Jobs (IGs). These IGs become the basis for member states to produce their NRPs.

Revidirana Lisabonska strategija

Revidirana Lisabonska strategija poznata još i kao preispitivanje Lisabonske strategije, odnosi se na reviziju originalne Lisabonske strategije koja je dogovorena na Europskom vijeću u proljeće 2005. Revizija je slijedila zaključke Kokovog izvještaja koji je predlagao na koji način dati novi poticaj Lisabonskom procesu. Revidirana strategija nije promijenila izvorne intencije Lisabonske strategije, ali je odlučila da će u budućnosti Strategija biti usredotočena na rast i zapošljavanje. Revidirana strategija više se ne temelji na svim ciljevima postavljenim 2000. Zadržana je jedino brojka koja se odnosi na izdvajanja 3% BDP-a za istraživanja i razvoj. Komisija je predložila partnerstvo za rast i zapošljavanje s zemljama članicama te uvela Lisabonski program zajednice, koji ocrtava djelovanja koja treba poduzeti na razini EU-a u tri ključna područja politika: pretvaranje Europe u mjesto koje će biti privlačnije za ulaganja i poslovanje; znanje i inovacije za rast; te otvaranje više boljih radnih mjesta. Na razini zemalja članica uvedeni su Nacionalni reformski programi kao glavni alati za izvješćivanje o ekonomskim mjerama i mjerama zapošljavanja za postizanje ciljeva Lisabonske strategije. Vijeće je u proljeće 2005. odlučilo uvesti Integrirane smjernice za rast i zapošljavanje kao nov instrument za razvoj i provedbu revidirane Lisabonske strategije. Te nove smjernice postale su temelj za stvaranje Nacionalnih reformskih programa zemalja članica.

Sapir Report

The Sapir Report "An Agenda for a Growing Europe – Making the EU Economic System Deliver", is a document drawn up in 2003 by a group of independent experts under the leadership of André Sapir. The Sapir Report examines all facets of the EU economic system: homogenous market and related microeconomic policies, as well as macroeconomic policy (monetary union and EU budget). The report has the status of an agenda-setter. It proposed a six-point agenda with a view to achieving the objectives of the Lisbon Strategy and making enlargement a success: to make a single market more dynamic; to boost investment in knowledge; to improve the macroeconomic policy framework; to redesign policies for convergence and restructuring; to achieve effectiveness in decision-taking and regulation; and to refocus the EU budget.

Sapirov izvještaj

Sapirov izvještaj "Agenda za Europu rasta: stvaranje gospodarskog sustava EU-a koji isporučuje", dokument je koji je 2003. sastavila skupina neovisnih stručnjaka pod predsjedanjem Andréa Sapira. Sapirov izvještaj istražuje sve aspekte gospodarskog sustava EU-a: homogenost tržišta i odnosnih mikroekonomskih politika, kao i makroekonomske politike (monetarna unija i proračun EU-a). Izvještaj ima status predvoditelja agende, te predlaže šest točaka dnevnog reda s obzirom na postizanje ciljeva Lisabonske strategije i uspješno proširenje Unije: uvođenje dodatne dinamike u jedinstveno tržište; veće ulaganje u znanje; poboljšanje okvira za makroekonomsku politiku; preoblikovanje politika u području konvergencije i restrukturiranja; podizanje efikasnosti pri donošenju odluka i propisa; te ponovno fokusiranje proračuna EU-a.

Social OMC

In the area of social policy the key feature of the OMC is joint analysis and assessment by the European Commission and the Council of the national reports on strategies for social protection and social inclusion submitted by the member states. The Joint Reports assess progress made in implementation of the OMC, set key priorities and identify good practice and innovative approaches of common interest to the member states. Two Joint Reports on Social Inclusion have been adopted, in 2002 and 2004, drawing respectively

Socijalna otvorena metoda koordinacije

U području socijalne politike ključna je značajka Otvorene metode koordinacije zajednička analiza i procjena, od strane Komisije i Vijeća, nacionalnih izvještaja o strategijama socijalne zaštite i socijalnog uključivanja koje dostavljaju zemlje članice. Zajednički izvještaj ocjenjuje napredak u provedbi Otvorene metode koordinacije, postavlja ključne prioritete i identificira dobru praksu i inovativne pristupe od zajedničkog interesa za zemlje članice. Dva zajednička izvještaja o socijalnom uključivanju, usvojena 2002. i 2004.,

upon the National Action Plans on Social Inclusion of 2001-2003 and 2003-2005. Since 2005, by drawing together work in the areas of social inclusion, pensions and health care, an annual Joint Report on Social Protection and Social Inclusion has been published. Therefore in the technical sense the Social OMC represents a practice which is somewhat broader then the Lisbon Strategy itself. Its achievements are evaluated through the ARPs (assessing the NRPs and their implementation reports) as well as through the Joint Report on Social Protection and Social Inclusion (assessing national reports on strategies for social protection and social inclusion), which is an independent reporting system.

dosta su se oslanjala na Nacionalne akcijske planove za socijalno uključivanje 2001.–2003. i 2003.–2005. Od 2005. okupljajući aktivnosti u području socijalnog uključivanja, mirovina i zdravstvenog osiguranja, počelo se s godišnjim objavljivanjem Zajedničkog izvještaja o socijalnoj zaštiti i socijalnom uključivanju. Stoga u tehničkom smislu Socijalna otvorena metoda koordinacije predstavlja praksu koja je nešto šira od Lisabonske strategije. Postignuća u tom području vrednuju se kako kroz Godišnji izvještaj o napretku (koji razmatra Nacionalne reformske programe i izvještaje o njihovoj provedbi), tako i kroz Zajedničko izvješće o socijalnoj zaštiti i socijalnom uključivanju (koje razmatra nacionalne izvještaje o strategijama socijalne zaštite i socijalnog uključivanja) kao neovisan sustav izvješćivanja.

Stability and Growth Pact (SGP)

The SGP is an agreement between EU member states related to the conduct of fiscal policy. The SGP belongs to the third stage of Economic and Monetary Union (EMU), which began on 1 January 1999. It strengthened the treaty provisions on fiscal discipline in the EMU foreseen by Articles 121 and 126 of the Treaty on the Functioning of the European Union (TFEU) with the intention to ensure that the member states maintain budgetary discipline after the single currency has been introduced. The SGP fleshes out the provisions of the Treaty on European Union (Maastricht Treaty). Therefore public deficit must remain below 3% of GDP while public debt must be maintained below 60% of GDP. In formal terms, the pact consists

Pakt o stabilnosti i rastu

Pakt o stabilnosti i rastu sporazum je između zemalja članica EU-a koji se odnosi na vođenje fiskalne politike, tj. na treću fazu Ekonomske i monetarne unije, koja je počela 1. siječnja 1999. Pakt je ojačao odredbe osnivačkih ugovora EU-a o fiskalnoj disciplini u sklopu Ekonomske i monetarne unije što je predviđeno čl. 121. i 126. Ugovora o funkcioniranju Europske unije. Namjera je bila da se u zemljama članicama nakon uvođenja jedinstvene valute osigura proračunska disciplina. Pakt o stabilnosti i rastu prenosi odredbe Ugovora iz Maastrichta, pa se kaže da proračunski manjak ne smije premašiti 3% BNP-a, a javni dug ne smije prijeći 60 posto. U formalnom smislu Pakt se sastoji

of a European Council resolution (adopted in Amsterdam on 17 June 1997) and two Council regulations of 7 July 1997 laying down detailed technical arrangements (one on the surveillance of budgetary positions and the coordination of economic policies and the other on implementing the excessive deficit procedure). Following discussions on the operation of the SGP, the two regulations were amended in June 2005. In the medium term, the member states undertook to pursue the goal of a balanced or nearly balanced budget and to provide the Council and Commission with a stability programme by 1 March 1999 (and update it annually thereafter). Similarly, states not taking part in the third stage of EMU are required to submit a convergence programme. The SGP opens the way for the Council to penalize any participating member state that fails to take appropriate measures to end an excessive deficit (the "excessive deficit procedure"). Initially, the penalty would take the form of a non-interest-bearing deposit with the EU, but it could be converted into a fine if the excessive deficit is not corrected within two years. However, so far there is no fixed rule concerning these penalties; they are subject to an assessment of circumstances by the Council. The Stability and Growth Pact provides the right framework to implement fiscal exit strategies and member states draw up these strategies in their stability and convergence programmes. For most countries, the onset of fiscal consolidation should normally occur in 2011. The process of bringing the public deficits to below 3% of GDP should be completed, as a rule, by 2013.

od rezolucije Europskog vijeća (usvojene u Amsterdamu 17. lipnja 1997.) i dviju odredbi Vijeća od 7. srpnja 1997. kojima se utvrđuju detaljna tehnička rješenja (jedna se odnosi na nadzor proračunskih pozicija i koordinaciju ekonomskih politika, druga na implementaciju procedure kod prekomjernog deficita). Nakon rasprave o djelovanju Pakta o stabilnosti i rastu, spomenute odredbe Vijeća dopunjene su u lipnju 2005. U srednjoročnom razdoblju zemlje članice pristale su slijediti cilj uravnoteženog ili gotovo uravnoteženog proračuna, te dostaviti Vijeću i Komisiji stabilizacijski program do 1. ožujka 1999. (koji će se obnavljati na godišnjoj osnovi). Usto, zemlje koje ne sudjeluju u trećoj fazi Ekonomske i monetarne unije morale su dostaviti programe konvergencije. Pakt o stabilnosti i rastu omogućava Vijeću da kazni sve zemlje članice koje u njemu sudjeluju, a koje ne poduzimaju odgovarajuće mjere kako bi okončale prekomjerni deficit (postupak kod prekomjernog deficita). U početku, kazna bi trebala biti u obliku beskamatnog depozita kod EU-a, s time da se može pretvoriti u novčanu kaznu ako se prekomjerni deficit ne ispravi u roku od dvije godine. Ipak, do sada nije postojalo čvrsto pravilo o tim kaznama i ovisile su o tome kako Vijeće procijeni okolnosti. Pakt o stabilnosti i rastu pruža odgovarajući okvir za provedbu fiskalnih izlaznih strategija koje zemlje članice ugrađuju u svoje programe o stabilnosti i konvergenciji. Za većinu zemalja, početak fiskalne konsolidacije trebao bi početi 2011., a proces smanjivanja deficita na ispod 3% BDP-a trebao bi biti završen, u pravilu, do 2013.

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