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**For the mid-term review of the Lisbon strategy**

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## Background Paper

For the mid-term review of the Lisbon strategy

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The mid-term review of the Lisbon Strategy should be understood as a key opportunity to take stock, update and improve this European agenda focusing on clear priorities regarding policies and governance. Many implications can also be drawn for some developments of the research agenda.

## I. REVISITING THE PROBLEMS

### *1. Recalling the point of departure*

Four years later it is important to recall the new strategic goal and an overall strategy defined by Lisbon European Council on 23-24 March 2000. Quoting its own Conclusions:

*'The Union has today set itself a new strategic goal for the next decade: 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'.*

This quotation is important to clarify that, contrary to some vulgarisations, the **strategic goal defined in Lisbon** is not just "to become the most competitive"-even if this remains a crucial objective- but to achieve this **particular combination of strong competitiveness with the other features**. Therefore it is by reference to this combination that the European way should be defined and that Europe can do better than other counterparts, namely the USA. This should have methodological implications for the indicators to be chosen in order to compare relative performances (see III.1.3-6).

Such a complex goal required a **particular strategy**, which was defined in the following terms (end of quotation):

*'Achieving this goal requires an overall strategy aimed at:*

- preparing the transition to a knowledge-based economy and society by better policies for the information society and R&D, as well as by stepping up the process of structural reform for competitiveness and innovation and by completing the internal market;*
- modernising the European social model, investing in people and combating social exclusion;*

- *sustaining the healthy economic outlook and favourable growth prospects by applying an appropriate macro-economic policy mix.*'

*Later on, the Spring European of Stockholm in 2001 emphasized the concern with sustainable development.*

The implementation of the Lisbon strategy should therefore be **comprehensive, balanced, based on the synergies, but also focused on clear priorities and adaptable to the diversity of situations**. The main purpose of this paper is exactly to make some suggestions for an implementation method complying with these principles.

One can argue this seems close to squaring the circle, because there are too many **trade-offs** between these different objectives. There are certainly difficult trade-offs requiring difficult political choices on the short run. Nevertheless, it is important to learn with some success cases. The success often depends on the capacity **to overcome a specific trade-off by developing a specific synergy**. As presented more in-depth in the next pages, to overcome the trade-offs:

- between macroeconomic stability and growth, by creating some fiscal room of manoeuvre for key-public investments to enhance the growth potential;
- between productivity and employment, by fostering innovation in products and services and not only in technological process;
- between growth and cohesion, by shifting cohesion policies for equipping disfavoured people and regions with more capabilities;
- between flexibility and security in the labour market, by negotiating new kinds of "flexsecurity";
- between growth and environment, by turning sustainable development into new opportunities for investment and growth creation.

These examples show that a successful implementation of the Lisbon strategy requires a comprehensive approach with implications for both policies and governance\*. We will elaborate on these issues in Sections II and III.

## ***2. Where are we now?***

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\* For a more general background on these issues, see Rodrigues, Maria João, *The New Knowledge Economy in Europe – A Strategy for International Competitiveness and Social Cohesion* (coord.) with the collaboration of Robert Boyer, Manuel Castells, Gøsta Esping-Andersen, Robert Lindley, Bengt-Åke Lundvall, Luc Soete, Mario Telò and Mark Tomlinson, Cheltenham, Edward Elgar, 2002; and Rodrigues, Maria João, *European Policies for a Knowledge Economy*, Cheltenham, Edward Elgar, 2003.

The Lisbon strategy was also translated into a set of **new general orientations for the following policies**: information society, research and development, innovation, enterprise, single market, education, employment, social protection, social inclusion, environment, transports and telecommunications.

It is important to keep in mind this list of policies because each of them has a specific institutional basis in the European Union, as well as a network of specialised people involved in the public administration and civil society across all Member States. All over the last four years, these general orientations were transformed by these key actors into **operational instruments**: directives, regulations, community programmes, action plans (see Annex 1) which are often designated as the “Lisbon agenda”.

Against the general orientations adopted in 2000, where are we now in the development of the “Lisbon agenda?” We will only mention the main available instruments, without assessing them (for more information, see Annex 2).

a/ *a policy for the information society aimed at improving the citizens' standards of living, with concrete applications in the fields of education, public services, electronic commerce, health and urban management; a new impetus to spread information technologies in companies, namely e-commerce and knowledge management tools; an ambition to deploy advanced telecommunications networks and democratise the access to the Internet, on the one hand, and produce contents that add value to Europe's cultural and scientific heritage, on the other.*

The e-Europe Plan for the information society has achieved a considerable level of implementation at the European and national level. The new edition of this Plan for 2003-2005 has already been launched.

b/ *an R&D policy whereby the existing community programme and the national policies converge into a European research area by networking R&D programmes and institutions.*

The guidelines and instruments for building a European Research Area are underway with the 6<sup>th</sup> Framework Programme of research and development for 2002-2006. The focus on knowledge as a critical factor for the success of the overall strategy was enhanced by and an Action Plan for investing in research (3%)

c/ *a strong priority for an innovation policy and the creation of a Community patent.*

The Innovation 2000 Initiative launched by the European Investment Bank has supported a wide range of projects in the Member States; an Action Plan for

Innovation is being prepared... but the negotiation on the Community Patent is still very blocked.

- d/ *an **enterprise policy** going beyond the existing community programme, combining it with a coordination of national policies in order to create better conditions for entrepreneurship – namely administrative simplification, better regulation, access to venture capital or manager training.*

The Multiannual Programme for Enterprise, approved 2001 and the European Charter for Small Enterprises are the basis of a benchmarking exercise on enterprise policy which is currently under way. A method for pre-assessment of regulation is being tested.

- e/ ***economic reforms** that target the creation of growth and innovation potential, improve financial markets to support new investments, and complete Europe's internal market by liberalising the basic sectors while respecting the public service inherent to the European model.*

Both national reports and the synthesis report on economic reforms and the Working Programme on the Single Market make reference to the accomplishment of the Lisbon strategy. Significant progress has been made with the liberalisation in the telecom and the energy sectors, the approval of the statute of the European company, the communication on services of general interest, the agreement on the single sky and Galileo, the reduction of State aid. The reform and integration of financial markets, based on reports made by the European Commission and the Committee of Wise Men, is currently under way.

- f/ *new priorities defined for national **education policies**, i.e. turning schools into open learning centres, providing support to each and every population group, using the Internet and multimedia; in addition, Europe should adopt a framework of new basic skills and create a European diploma to embattle computer illiteracy.*

In terms of education policy, there is considerable renewal in the approach based on the open method of co-ordination and ambitious common objectives and targets were defined for education and training.

- g/ *active **employment policies** intensified with the aim of making lifelong training generally available and expanding employment in services as a significant source of job creation, improvement of the standards of living and promotion of equal opportunities for women and men. Raising Europe's employment rate was adopted as a key target in order to reduce the unemployment rate and to consolidate the sustainability of the social protection systems.*

The employment package approved in the Luxembourg process includes a significant renewal in the guidelines, based on the Lisbon strategy. After a mid-term review, the employment guidelines were also adapted to the general framework of the Lisbon strategy.

- h/ *an organised process of cooperation between the Member States to modernise **social protection**, identifying reforms to answer to common problems such as matching pension systems with population ageing;*

As to the social protection policy, the Commission, the High-Level Group on Social Protection and the Economic Policy Committee are developing a very relevant joint work on the problems and implementation of reform strategies.

- i/ *national plans to take action against **social exclusion** in each and every dimension of the problem (including education, health, housing) and meeting the requirements of target groups specific to each national situation.*

The policy on the fight against social exclusion has achieved a relevant progress, as the Council-approved list of appropriate objectives was turned into national plans on the fight against social exclusion, in 2001. A second generation of national plans is now being launched.

- j/ The **environmental dimension** was added by the European Council of Stockholm in 2001 to the economic and social dimensions defined in Lisbon, providing the European Union with a comprehensive strategy for sustainable development.

### ***3. The implementation phases***

The implementation of the Lisbon strategy should be envisaged in different phases with the horizon of 2010.

A **1<sup>st</sup> phase** of the implementation of the Lisbon Strategy is now almost completed. This phase was focused on:

- translating the Lisbon European Council conclusions into policy instruments of the European Union adding the environmental dimension and building the approach on sustainable development
- preliminary implementation in the Member States (still very imbalanced among areas and Member States)

- introducing the basic mechanisms for implementation (Spring European Council, reorganization of the Council formations and schedules, involvement of the European Parliament and the other European institutions, the social partners and the organized civil society at European level, development of the open method of coordination tools)
- introducing stronger mechanisms in the new European Constitutional Treaty (e.g. the General Affairs Council, the coordination between economic, employment and social policies, the instrument mix in each policy, the basic tools of the open method of coordination)

A **2<sup>nd</sup> phase** should now begin with the mid-term review, putting the focus on the implementation at national level, including the new Member States. This new focus will require a stronger interface between the European and the national levels of governance, with implications for the behaviour of the main actors (see III.2.2). This phase should also be used to clarify the financial basis of the implementation of the Lisbon Strategy (see II.8).

A **final phase** might also be foreseen in order to make the fine-tuning of the implementation on the ground, to take into account the final outcome concerning the European Constitution, to adapt to the new context and to prepare the post-2010.

#### ***4. Looking forward***

The mid-term review of the Lisbon strategy should also be used in order to **adapt it to the new context** which is being reshaped by the enlargement process, the ageing trends, the increasing concern with sustainable development and the new competitive challenges.

- 4.1. For the new Member States, as well for many the less developed among the EU15, what is at stake is whether the **Lisbon strategy can become a leverage for a catching-up process** able to combine growth, employment and social cohesion. This means basically that their competitive advantages should become more based on new competitive factors than on lower living standards. In more general terms, it is to know whether the implementation of the Lisbon Strategy will lead to more convergences or more divergences within the European Union.
- 4.2. The **demographic ageing trends** underway in Europe are introducing a major limitation in its capacity to renew its human resources by the traditional way of replacing generations. According to the available forecasts (Kok, 2003:13), and putting aside possible effects of external flows, as the old age population grows the

working age population will decrease from 303 million today to 280 million in 2030. This means that, even if the EU meets its target of having an employment rate of 70% by 2010, the fall in the working age population over the subsequent 20 years will lead to a sharp decline in the overall volume of employment. The EU25 total employment would begin to shrink after 2010 and would lose an average of one million workers a year. This has a direct impact on the ability to sustain economic growth in the longer term. More precisely, this means that, **unless employment rates overcomes 70% and productivity is significantly improved, the average GDP per capita growth will slow down after 2010.**

This has many **implications for employment, education and training policies and also for the sustainability of social protection systems and calls for a stronger renewal of the European social model.**

- 4.3. The increasing concern with sustainable development, encompassing the environmental, social and economic dimensions, was highlighted by the World Summit of Johannesburg in 2000, where four possible scenarios were in confrontation:
- a/ a planet which extends the current increasing trends in relative poverty and environmental degradation;
  - b/ another, where environmental degradation increases because of the need to speed up economic growth and fight against poverty;
  - c/ another, where economic growth and the fight against poverty are slowed down by environmental concerns;
  - d/ and finally, a planet where economic growth and the fight against poverty are combined with environmental balance.

**This fourth scenario can only be brought about by a strategy for sustainable development requiring:**

- from developing countries, a growing integration in the global economy, accompanied by programmes aimed at building their national capacity in economic, technological and educational terms, ecological control, fight against poverty and enhancement of working conditions;
- from developed countries, the opening of their markets to developing countries' exports, the correlate redeployment to other activity areas, the strengthening of the cooperation and the financial aid to developing countries, and the change to sustainable consumption and production patterns.

The commitments made by the European Union in Johannesburg are supposed to have **implications for the European choices and for the national strategies of sustainable development in the following years.**

4.4. **Globalisation and the emergence of new competitive players**, such as China, India and Brazil are redesigning the economic landscape. A new momentum for this redeployment of trade and investment can be triggered by the ongoing **WTO negotiations** as well as by the new kind of competitive advantages which are being built by these countries, overcoming their traditional ones. In this context, it will become **critical for Europe, not only to step up its transition to knowledge intensive economy, but also to define what can be its distinctive advantages** in this path which others are already following. **The European way to a knowledge economy should be based:**

- on a broad approach involving all sectors of services, manufacturing and even agriculture, aiming at standards of excellence;
- on high educational levels;
- on the scientific and technological frontier;
- on the European cultural heritage;
- on brand innovation clusters;
- on higher quality of life;
- on social inclusion;
- on economic, social and cultural openness.

## II. WHERE ARE THE BLOCKAGES? HOW TO UNLOCK THE POTENTIAL?

The Lisbon agenda should now be fully mobilised in order to exploit **new areas of growth and job creation**. This should become the **central focus** of its implementation.

### *1. Exploring new opportunities for growth and jobs creation in a globalized economy*

Globalisation is changing very fast the specialisation patterns of investment and jobs creation in each country, bringing about a new map of the international division of labour. The European Union should **reposition itself into new areas** in this map in order to create more and better jobs. For this, it is necessary to **develop a more pro-active strategy to benefit from the opportunities of globalization**.

The Lisbon Strategy aims at giving a positive answer to globalization by **redeploying investment and jobs creation to new areas**. Therefore, it is very important to target these new areas and their opportunities by an enhanced **coordination of the policies concerning trade, competition, industry, innovation, education, training, and employment**.

First of all we have the opportunities created by the **European integration**:

- Enlargement (catching up process, managing real and nominal convergence, inter-sectoral and intra-sectoral specialisation, foreign direct investment, capacity building, the European policies and standards as a leverage);
- Regional development (new priorities for economic and social cohesion policies);
- Internal market (opening the markets for goods and services, integrating the financial markets, managing restructuring process);
- Economic and Monetary Union (coordinating macroeconomic policies to promote sustainable growth and to enhance strategic priorities for public investment);
- European research area (networks for excellence, integrated projects and coordination of national initiatives, creating high skilled jobs).

The **external markets** can also provide a wired range of opportunities:

- the current WTO Round is supposed to create more opportunities for trade and foreign investment, not only among developed countries, but also with the developing countries (i.e. the "Development Round"). The reform of the international financial system can play a key role in order to underpin this process, which will also be shaped by the

European capacity to have a more co-ordinated voice in these arenas. After the failure of the Cancún Conference, it is very important to develop the negotiations in the multilateral framework, overcoming the bottlenecks by negotiating more “win-win” trade-offs. The recently approved framework agreement is a first relevant step in this direction.

- with a good combination of the policies for international trade, cooperation and development aid it is possible to foster new opportunities for investment and jobs creation in Europe by exporting products and services to developing countries. This is already the case, for instance, of European companies specialised in providing these countries with tailor-made technologies, services and consultancy for sustainable development, health or telecommunications.

**Societal changes** can also create new opportunities, where a wide range of combinations between private and public initiatives can be used. All these sectors are labour intensive and tend to be knowledge intensive:

- Adapting to environmental concerns;
- developing of family care services;
- expanding pre-schooling education;
- spreading lifelong learning services;
- diversifying health services;
- diversifying social integration services;
- developing business services;
- regional development services;
- urban management services;
- cultural management services;
- external cooperation services.

Opportunities are also created by a new economic dynamism based on **innovation** in: new products and services, process technologies, business concepts, and management and organisation.

Having in mind this **central focus on growth and jobs creation**, some key-priorities should be emphasized in the implementation of the Lisbon strategy.

## ***2. Regarding the completion of the internal market:***

- enforcing the so-called “Lisbon directives” already adopted;
- moving forward in the implementation of the financial services action plan;
- extending the procedures to provide better regulation;

- developing the single market for services, considering the need to preserve the services of public interest as well as the social dimension of the industrial restructurings.

### ***3. Regarding the external markets:***

a more pro-active initiative is needed to enhance the **external dimension of the Lisbon strategy**, by combining the trade, the cooperation and the foreign affairs policies (see 1.).

### ***4. Regarding the environmental aspects:***

the main challenge seems to turn the concerns with sustainable development into new opportunities for investment and jobs creation. The recently adopted Action Plan for Environmental technologies provides a good basis for this.

Nevertheless, the **European growth potential will depend crucially** on two others components of the Lisbon strategy: knowledge and innovation on the one hand and the renewal of the European social model on the other.

## ***5. Knowledge and innovation***

Behind all current success cases of high and lasting competitiveness we can find:

- the scientific capability to be in the forefront;
- a dynamic of innovation in all its dimensions;
- a strong interaction between the production, the dissemination and the use of knowledge;
- and a responsive and pro-active system of education and training.

5.1. In order to develop its capability **to be in the forefront of scientific research**, the key issue for the European Union is to enhance its critical scientific mass by **opening and coordinating** its national programmes and by improving its international **attractiveness** for both researchers and advanced domestic and foreign investment. The **Framework Programme of RDT**, the 6<sup>th</sup> and even more the 7<sup>th</sup> one, should **become a catalyst** of this broader process and should be designed with this central purpose of **building the European Research Area**.

5.2. **A dynamic of innovation in all its dimensions can lead to productivity gains** which are more based on value adding than on labour saving. This can propel a **growth path where higher levels of competitiveness are easier to combine with more and better jobs**. Jobs creation is increasingly intertwined with innovation

in all its dimensions: innovations not only in process but in products and services, not only in technologies but in organisation, marketing and design. Specific measures to disseminate the new technological and management solution across SMEs can play a key-role in the same direction. That is why the **Action Plan for innovation should become a top priority** in the implementation of the Lisbon agenda.

A stronger interaction between the production, dissemination and the use of knowledge can be enhanced by **networks and partnerships for innovation** gathering companies, education, training, R&D and financial institutions. This process is critical to renew both the competitive factors and the employment structure (see Annex 2).

## ***6. Lifelong learning***

Investing in human capital and renewing skills is a central process for a knowledge economy. The Lisbon European Council and the subsequent Spring European Councils have defined a set of common objectives for education, which should now be better specified by each Member State.

**Two different kinds of skill gaps** should be addressed: the new basic competences to be spread in all qualifications and the new occupational profiles to be targeted by education and training.

**Lifelong learning plays a central role** in order to exploit the full potential of a knowledge intensive economy for competitiveness, growth and jobs creation with social inclusion. The analysis of the present situation in EU shows **very important bottlenecks**, in spite of an increasing public awareness of this issue. Following recent policy developments at European level, all Member States are about to define their national strategies to develop lifelong learning. Some priorities should be taken into account in these national strategies:

- a/ to define the goals for lifelong learning in terms of not only educational levels but also new jobs profiles and competences;
- b/ to develop a new infrastructure for lifelong learning;
- c/ to create a diversified supply of learning opportunities able to provide more customised solutions:

- to develop the new instruments of e-learning and to explore the potential of the digital TV;
  - to turn schools and training centres into open learning centres;
  - to encourage companies to adopt learning organisations;
  - to shape the appropriate learning modes for each target group;
  - to spread new learning solutions for the low skilled workers.
- d/ to foster the various demands for learning and to create a demand-led system:
- to improve the framework conditions for lifelong learning;
  - to develop a dynamic guidance system over the life course;
  - to renew the validation and recognition system;
  - to create compensations for the investment in learning.
- e/ to spread new financial arrangements in order to share the costs of lifelong learning between the various stakeholders and encourage the initiative of companies and individuals.

## ***7. Labour market and social cohesion***

The priorities to **renew the European social model** seem now quite clear if we combine the *Report of the Employment Task Force*, whose recommendations were integrated by the *Joint Report of 2004*, with the *Report of the High Level Group on the Future of Social Policy in an enlarged European Union*. They comprise the following priorities, besides developing lifelong learning:

- increasing adaptability combined with security and addressing economic restructuring;
- attracting more people to the labour market and raising the employment rates;
- reforming the social protections systems in order to set a new pact between generations and to support mobility over the life course between jobs, training and family life;
- fostering social inclusion, keeping a comprehensive approach when dealing with the different target groups;
- creating a new demographic dynamism, including a European immigration policy and creating better conditions for families to choose the number of children.

## ***8. Improving the financial basis of the Lisbon strategy***

The mid-term review should also be used to clarify the financial of the implementation of the Lisbon strategy, notably its relationship with:

- the recently adopted European Growth Initiative;
- the priority actions of the European Investment Bank;
- the current and the next Financial Perspectives;
- the fine-tuning of the Stability and Growth Pact.

### **8.1. The connection between the Lisbon Agenda and the Financial Perspectives should be enhanced by:**

- rebalancing the overall structure of the budget;
- improving the role of the Community programmes as catalysts of the broader policy processes using the open method of coordination;
- improving the role of the Structural Funds as a leverage for catching-up strategies more in line with the Lisbon Strategy;
- supporting actively the networks and the partnerships for innovation and jobs creation already mentioned (see 5.1.)

### **8.2. Finally, the Stability Pact and the Lisbon strategy should be better combined** in order to improve the prospects for growth and jobs creation in a framework of macroeconomic stability. This purpose is already defined in all the main documents adopted by the Ecofin Council but it is possible to **develop a more positive synergy between them**. On the one hand, if the growth rate increases it would be easier to comply with the public deficit and public debt criteria. On the other hand, **macroeconomic policies can give a contribution for growth** in three different ways:

- by creating conditions of macroeconomic stability which facilitate decisions about investment and consumption;
- by providing incentives to positive behaviours such as tax incentives for innovative investment in companies or lifelong learning in adult people;
- by increasing factors accumulation and growth potential when promoting public investment towards education and training, R&D and important infrastructures.

Therefore, and taking into account the recent debate on this issue, some **fine-tuning should be introduced in the Stability and Growth Pact** focusing in the following three main points:

- to put more emphasis on the control of the **long term sustainability of the public debt**, taking notably into account the central problem of the sustainability of the social protection systems;
- to **redirect the public expenditure to key priorities** of public investment aiming at increasing the growth potential, such as education and training, R&D, innovation and advanced infrastructures;
- if the two first conditions are respected, to introduce an **additional margin of flexibility in the control of the public deficit**, notably in periods of economic downturn.

This fine-tuning of the Stability and Growth Pact should be underpinned by further technical and political developments in the definition of indicators concerning the sustainability and the quality of the public finances and in the improvement of the budget management.

### III. IMPROVING GOVERNANCE

#### *1. Assessing the objectives of the strategy*

When taking stock of the implementation of the Lisbon strategy, it seems important to clarify the **way to use the available instruments**:

- 1.1. The **common guidelines** adopted at European level for each policy field should be made more **consistent** among each other.
- 1.2. These common guidelines are supposed to become more **adapted** to each concrete situation and to be **calibrated** with specific priorities when they are **translated into the national level**. This is important to assess the implementation by each Member State.
- 1.3. The structural indicators already adopted in all policy fields (see data base in <http://europa.eu.int/comm/eurostat/Public/datashop/print-product/EN?catalogue=Eurostat&product=struct-EN&mode=download>) should be considered **common indicators**, but the concrete **targets** should be distinguished between **two different types**:
  - those which are **general** for all Member States, such as 70% for the employment rate;
  - and those which should be defined more **specifically by each country**, such as 3% for the ratio between the investment in R&D and the GDP. In this case, it would be important to invite all Member States to define realistically their own targets.
- 1.4. The experience of assessing the Member States in the implementation of the Lisbon strategy shows that, even if the **indicators of relative performance** should remain important, the **emphasis of the comparison should be put on the indicators of progress**. Positive incentives should be given more clearly to those who start with a weak performance but are making relevant efforts to progress. In a benchmarking exercise, if the purpose is convergence, encouragement should be more important than discouragement.
- 1.5. From this view point, the **indicators of input** are more effective than the **indicators of output** because they are more sensitive to the progress. Nevertheless, some key indicators of output should be kept because they provide the key test for success,

even if they remain very often disappointing when they depend on structural reforms which take time to bear fruits.

- 1.6. Last, but not least, when comparing the EU with other countries such as the USA, it would be important to define and to discuss about a **composite indicator of “prosperity”** going beyond the traditional and quite simplistic GDP per capita. This one should be combined with other indicators such as:
- the average working hours, as a proxy of life choices;
  - the average educational levels, as a proxy to social opportunities;
  - the at risk of poverty rate, as a proxy to social cohesion;
  - the energy intensity of economy, as a proxy to sustainable development;
  - the R&D expenditure, as a proxy to knowledge intensity.

## ***2. Assessing the governance instruments***

### 2.1. Combining, improving, and coordinating the instruments

- 2.1.1. The implementation of the Lisbon strategy is being based on a **wide range of policy instruments**: directives, community programmes and action plans using the open method of coordination.

Nevertheless the mix of policy instruments is different according to each policy field (see Annex 4): the single market policy is more based on directives, whereas the research policy on a Community Programme and the social protection policy on the open method of coordination. Now, when most of the instruments are already defined, the priority should go to **improve the consistency and synergy of the instrument mix in each policy field**. For instance, the Programmes Socrates and Leonardo should support the common objectives already defined to develop the open coordination in the education field.

- 2.1.2. The **open method of coordination** has been introduced in 11 policy fields (see Annex 5). In spite of some peculiarities concerning its use in each of them, some **general improvements should be introduced**:

a/ the discussion on the common guidelines and indicators or on the monitoring should be based not only on the institutional meetings, but also on more informal working meetings involving experts and other stakeholders. This leads to a richer exchange of experience and reduces the bureaucratic bias. The European Commission could play a more active role in fostering this process;

b/ the adoption of the national plans should be based not only on reports summing up the national progress but in real plans engaging all the relevant stakeholders. This is a main responsibility of the Governments.

2.1.3. It is also important to **improve the coordination of the policies** included in the Lisbon strategy at both European and national levels.

So far, a **focal point** is being provided by the **Spring European Council** which discuss two documents prepared by European Commission: the annual **Synthesis Report** and the reports for the broad economic guidelines and for the employment guidelines (to be updated each three years). In the European Council of June, these guidelines are adopted and then translated by the Member States into the **national programmes for stability and growth** and the **national action plans for employment**.

In the meantime, other guidelines and **national plans** have been discussed with different calendars in various formations of the Council: Ecofin, Competitiveness, Social Affairs, Education, Environment, Transports and Telecommunications.

One of the main problems of the present situation is that most of the Member States remain **unable to have an overview** of the implementation of the Lisbon agenda at national level and to define its own strategy for this purpose. What is at stake now is to turn the European Lisbon agenda into **national agendas**.

Hence, the coordination of this process should be improved according to the following lines:

- to define a realistic regularity for the **national action plans** in each policy field (1/3 years), to be presented by September;
- to invite each Member State to prepare its own **synthesis plan** for the implementation of the Lisbon Strategy. This should be a very short annual document, building on the sectoral plans, and tailored for political discussion involving the Prime Minister, to be available by December;
- to invite the European Commission to prepare the Synthesis Report building on the available sectoral plans and on the national synthesis plans. It should include Lisbon scoreboard assessing both the relative performances and the progress and a Lisbon roadmap with concrete priorities;
- to keep the Spring European Council in March as the main focal point, but to reorganize the working methods in order to have a discussion on political assessments and choices, based on the Synthesis Report and the National Synthesis Plans.

- 2.1.4. Finally, it seems important to create a **framework of positive incentives** to foster the implementation of the Lisbon Agenda. For that purpose, a specific connection should be set between this implementation and:
- the assessment of the national programmes of stability and growth in the framework of the Stability Pact;
  - the assessment of the Community Support Frameworks, regarding the structural funds;
  - the selection of the applications to the Community programmes.

## 2.2. Improving governance at the European and national level and enhancing their interface

A 2<sup>nd</sup> phase putting the focus on the implementation at national level will require a **stronger interface between the European and the national levels of governance**, with implications for the behaviour of the main actors, notably:

- a/ the **Governments** should be invited to increase the coherence and the **consistency** between the instruments they adopt at European level with the instruments they implement at national level (see Annex 5). In this implementation they should enhance the involvement of the **national Parliaments** and of the **relevant stakeholders** of the civil society at national level. The national implementation of the Lisbon agenda also requires a more effective **coordination** between the relevant public departments;
- b/ the **European Commission** should consider new ways of improving its **internal coordination** and its **direct work with each Member State** (a more comprehensive and holistic approach to each national case is now needed). The national synthesis reports should provide an opportunity for this joint work with a more comprehensive approach. Moreover, the open method of coordination should be better used in order to increase the participation of the relevant stakeholders;
- c/ the **European Parliament** should be more involved in this process and consider new ways to develop its interface with the National Parliaments, by more actively providing the relevant information on the European agenda as well as opportunities for joint discussion about their implications for the national policies;
- d/ the **social partners at European level** should be invited to develop their **joint work** of information, debate, implementation and monitoring with their national counterparts. The current structures of the interprofessional and the sectoral social dialogue can be

improved for this purpose. The annual **Tripartite Social Summit** should be used to present the outcome of this process and to develop a more strategic dialogue between the Council, the Commission and the social partners on the implementation of the Lisbon agenda. **Partnerships for change** should be discussed at both European and national level;

- e/ **in the organized civil society** (social partners, NGOs, other bodies), the European organizations should be invited to develop a **joint work** of information, debate, a implementation and monitoring with its counterparts at national level. The **European Economic and Social Committee** can play a relevant role of catalyst of this process of civil participation, moreover if it develops the European network with its counterparts at national level. The same applies to the Committee of the Regions. Partnerships for reform can be discussed at both European and national level;
- f/ an effective **information campaign** should be launched by the European Commission and with the cooperation of the other already mentioned actors, in order to inform the European citizens about the Lisbon agenda and its repercussions on their every day life (see annex 6). This should be a multimedia campaign with a strong focus on television, comprising general messages and tailored messages for the various target groups. The usual label of "Lisbon strategy" should be completed with a more concrete one involving key words such as "growth" "jobs" "quality of life" "innovation" and a time reference such as "Europe 2010".

# ANNEXES TO THE PAPER 'FOR THE MID-TERM REVIEW OF THE LISBON STRATEGY'

## Annex 1 Lisbon Strategy Progress on the implementation of the Lisbon Strategy Checking against the Lisbon European Council Conclusions

### Information Society

Lisbon European Council Conclusions	Community and national Instruments
The shift to a digital, knowledge-based economy, prompted by new goods and services - a powerful engine for growth, competitiveness and jobs, capable of improving citizens' quality of life and the environment.	<b>eEurope An Information Society for all; eEurope 2002; eEurope2005</b>
Creating the conditions for electronic commerce and the Internet to flourish (legislation on the legal framework for electronic commerce, on copyright and related rights, on e-money, on the distance selling of financial services, on jurisdiction and the enforcement of judgements, and the dual-use export control regime; the Commission and the Council to consider how to promote consumer confidence in electronic commerce; review of the telecoms regulatory framework; unbundling the local loop, ensure that all schools in the Union have access to the Internet and multimedia resources by the end of 2001; generalised electronic access to main basic public services by 2003) (§10) Fully integrated and liberalised telecommunications markets should be completed by the end of 2001	<b>E-commerce and financial services Legal aspects of e-commerce</b>  <b>Regulation of the European Parliament and of the Council on unbundled access to the local loop; eEurope 2005; e-Learning; eEurope Action Plan; eAccessibility; eEurope 2005; eGovernment for Europe's future</b>

## R&D Policy

Lisbon European Council Conclusions	Community and national Instruments
Integrate Research activities at national and Union level	<b>FP6; Making a reality of the European Research Area: Guidelines for EU research activities (2002-2006); Towards 3% of GDP; Action Plan for Research</b>
To develop appropriate mechanisms for networking national and joint research	<b>Towards 3% of GDP; Action Plan for Research</b>
To map by 2001 research and development excellence in all Member States	<b>Mapping of excellence</b>
improve the environment for private research investment, R&D partnerships and high technology start-ups	
encourage the development of an open method of coordination for benchmarking national research and development	<b>Elaboration of an open method of coordination for the benchmarking of national research policies – objectives, methodology and indicators; Progress Report on Benchmarking of National Research Policies</b>
introduce a European innovation scoreboard	<b>Innovation scoreboard</b>
facilitate the creation of a very high-speed transeuropean network for electronic scientific communications	
take steps to remove obstacles to the mobility of researchers in Europe	<b>Investing in Research: An Action Plan for Europe; Researchers in the ERA: one profession, multiple careers; Towards 3% of GDP; Action Plan for Research</b>
ensure that a Community patent is available, including the utility model	<b>Community patent</b>

## Enterprise Policy

Lisbon European Council Conclusions	Community and national Instruments
An open method of coordination should be applied in this area	<b>Benchmarking Enterprise Policy</b>
to launch a benchmarking exercise on issues such as the length of time and the costs involved in setting up a company, the amount of risk capital invested, the numbers of business and scientific graduates and training opportunities	<b>Benchmarking Enterprise Policy;</b>
the Commission to present a communication on an entrepreneurial, innovative and open Europe	<b>Building an entrepreneurial Europe – Activities of the Union in favour of SMEs; Innovation Policy: updating the Union's approach in the context of the Lisbon strategy; Fostering structural change: an industrial policy for an enlarged Europe</b>
the Council and the Commission to draw up a European Charter for small companies	<b>European Charter for Small Enterprises ; Report on the implementation of the European Charter for Small Enterprises</b>

## Internal Market

Lisbon European Council Conclusions	Community and national Instruments
ensure that a Community patent is available	<b>Community Patent</b>
to set out a strategy for the removal of barriers to services	<b>Review of the internal market strategy</b>
to speed up liberalisation in areas such as gas, electricity, postal services and transport	<b>European strategy for safety of energy supply; Realizing the Energy Internal Market; Presidency report to the Laeken European Council on the Internal Market of electricity and gas</b>
Similarly, regarding the use and management of airspace	<b>European single sky; European Space Strategy; A Coherent Framework for Aerospace - a Response to the STAR 21 Report</b>
to update public procurement rules	
Make it possible for Community and government procurement to take place on-line	<b>Delivery of pan-European eGovernment Services to Public Administrations, Businesses and Citizens</b>
a strategy for further coordinated action to simplify the regulatory environment	<b>BEST Task Force reports; European Commission, Communication "Simplifying and enhancing the regulatory environment "</b>
to further their efforts to promote competition and reduce the general level of State aids	
update Commission 1996 communication concerning services of general economic interest	<b>Communication: Services of general interest in Europe; Report to the Laeken European Council on Services of General Interest</b>

## Financial Markets

Lisbon European Council Conclusions	Community and national Instruments
to set a tight timetable so that the Financial Services Action Plan is implemented by 2005	<b>Financial Services Action Plan- Progress reports</b>
to ensure full implementation of the Risk Capital Action Plan by 2003	<b>Progress Report on the Risk Capital Action Plan</b>
to make rapid progress on proposals on takeover bids and on the restructuring and winding-up of credit institutions and insurance companies	<b>Final report on the regulation of European Securities Markets</b>
conclude the tax package	<b>Tax package</b>

## Economic Reform and Cardiff Process

Lisbon European Council Conclusions	Community and national Instruments
to step up work on structural performance indicators and to report by the end of 2000	<b>Structural indicators</b>
The European Council will hold a meeting every Spring devoted to economic and social questions	<b>Spring European Councils</b>
The European Council invites the Commission to draw up an annual synthesis report on progress on the basis of structural indicators	<b>Structural indicators; Synthesis reports</b>

## Education and Training Policy

Lisbon European Council Conclusions	Community and national Instruments
A new approach based on three main components: the development of local learning centres, the promotion of new basic skills, in particular in the information technologies, and increased transparency of qualifications	<b>e-Learning Action Plan</b>
a substantial annual increase in per capita investment in human resources	<b>Report on the future objectives of education systems; European Benchmarks for Education and Training; Council Conclusions on Reference Levels of European Average Performance in Education and Training</b>
the number of 18 to 24 year olds with only lower-secondary level education who are not in further education and training should be halved by 2010;	
schools and training centres, all linked to the Internet, should be developed into multi-purpose local learning centres accessible to all	<b>e-Learning Action Plan; Report on the future objectives of education systems</b>
a European framework should define the new basic skills to be provided through lifelong learning: IT skills, foreign languages, technological culture, entrepreneurship and social skills	<b>Making the European area of lifelong learning a reality</b>
a European diploma for basic IT skills should be established in order to promote digital literacy throughout the Union	
define the means for fostering the mobility of students, teachers and training and research staff	<b>Action Plan for skills and mobility; Researchers in the European Research Area: One Profession, Multiple Careers</b>
a common European format should be developed for curricula vitae	<b>European CV format</b>
The European Council asks the Council (Education) to undertake a general reflection on the concrete future objectives of education systems	<b>Report on the future objectives of education systems; "Education &amp; Training 2010" -The success of the Lisbon strategy hinges on urgent reforms; European Benchmarks for Education and Training</b>

## Employment Policy

Lisbon European Council Conclusions	Community and national Instruments
The mid-term review of the Luxembourg Process should give a new impetus to this process by enriching the guidelines and giving them more concrete targets	<b>European Employment Strategy; Employment guidelines, National Employment Plans</b>
improving employability and reducing skills gaps, in particular by providing employment services with a Europe-wide data base on jobs and learning opportunities	<b>Eures Job Mobility portal</b>
promoting special programmes to enable unemployed people to fill skill gaps	
giving higher priority to lifelong learning as a basic component of the European social model	<b>Employment Guidelines; Making the European area of lifelong learning a reality</b>
increasing employment in services	<b>Employment Guidelines</b>
furthering all aspects of equal opportunities, including reducing occupational segregation, and making it easier to reconcile working life and family life, in particular by setting a new benchmark for improved childcare provision	<b>Employment Guidelines</b>
raise the employment rate from an average of 61% today to as close as possible to 70% by 2010 and to increase the number of women in employment from an average of 51% today to more than 60% by 2010.	<b>Employment Guidelines; Increasing labour force participation and active ageing</b>

## Social Protection Policy

Lisbon European Council Conclusions	Community and national Instruments
strengthen cooperation between Member States by exchanging experiences and best practice	<b>Report of the High Level Party on Social Protection relating to the effort of the co-operation for the modernisation and the enhancement of social protection; Joint report on adequate and sustainable pensions; National reports on social protection</b>
mandate the High Level Working Party on Social Protection, taking into consideration the work being done by the Economic Policy Committee to prepare a study on the future evolution of social protection from a long-term point of view	<b>The future evolution of Social Protection from a Long-Term Point of view: Safe and Sustainable Pensions</b>

## Social Inclusion Policy

Lisbon European Council Conclusions	Community and national Instruments
Policies for combating social exclusion should be based on an open method of coordination combining national action plans and a Commission initiative for cooperation in this field to be presented by June 2000	<b>Social Policy Agenda; Fight against poverty and social exclusion – Definition of objectives for Nice European Council; Scoreboard on Implementing the Social Policy Agenda</b>
promote a better understanding of social exclusion through continued dialogue and exchanges of information and best practice, on the basis of commonly agreed indicators	<b>Social Policy Agenda; Decision establishing a programme of Community action to encourage cooperation between Member States to combat social exclusion; National Action Plans for Inclusion; Scoreboard on implementing the Social Policy Agenda</b>
mainstream the promotion of inclusion in Member States' employment, education and training, health and housing policies, this being complemented at Community level by action under the Structural Funds within the present budgetary framework	<b>Amended Proposal for a Council Decision on the Programme relating to the Community framework strategy on gender equality</b>
develop priority actions addressed to specific target groups (for example minority groups, children, the elderly and the disabled), with Member States choosing amongst those actions according to their particular situations and reporting subsequently on their implementation	<b>Inclusion – exploiting the opportunities of information society for social inclusion</b>
Taking account of the present conclusions, the Council will pursue its reflection on the future direction of social policy on the basis of a Commission communication, with a view to reaching agreement on a European Social Agenda	<b>Social Policy Agenda</b>

## Sustainable Development

Göteborg European Council Conclusions	Community and national Instruments
Member States to draw up their own national sustainable development strategies	<b>National Strategies presented in March 2002</b>
the Commission will present a report assessing how environment technology can promote growth and employment	
supports the Commission's work on a draft on the labelling and traceability of GMOs	
asks the Council to take due account of energy, transport and environment in the 6th Framework Programme for Research and Development	<b>6th FP of R&amp;D</b>
commitment to delivering on Kyoto targets	<b>2010: Our Future, Our Choice – 6th Community Environmental Action Programme - Report 2001 under Council Decision 93/389/EEC for a monitoring mechanism of Community GHG emissions</b>
The European Parliament and the Council to adopt by 2003 revised guidelines for trans-European transport networks on the basis of a forthcoming Commission proposal	
the Commission will propose a framework to ensure that by 2004 the price of using different modes of transport better reflects costs to society	
the Common Agricultural Policy and its future development should, among its objectives, contribute to achieving sustainable development by increasing its emphasis on encouraging healthy, high-quality products, environmentally sustainable production methods, including organic production, renewable raw materials and the protection of biodiversity	<b>Reform of the CAP</b>
the review of the Common Fisheries Policy in 2002 should, on the basis of a broad political debate, address the overall fishing pressure by adapting the EU fishing effort to the level of available resources, taking into account the social impact and the need to avoid over-fishing	<b>Review of the CFP</b>
the EU Integrated Product Policy aimed at reducing resource use and the environmental impact of waste should be implemented in cooperation with business	
biodiversity decline should be halted with the aim of reaching this objective by 2010 as set out in the 6th Environmental Action Programme	<b>2010: Our Future, Our Choice – 6th Community Environmental Action Programme</b>
develop sector strategies for integrating environment into all relevant Community policy areas with a view to implementing them as soon as possible and present the results of this work before the Spring European Council in 2002	

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## Annex 3 Guidelines

### Information Society

The action plan [eEurope 2005] is structured around four lines, which are interlinked:

Firstly, **policy measures** (Modern online public services; A dynamic e-business environment; A secure information infrastructure; Broadband) to review and adapt legislation at national and European level, to strengthen competition and interoperability, to create awareness, and to demonstrate political leadership.

Some key targets are:

- Connecting public administrations, schools, health care to broadband
- Interactive public services, accessible for all, and offered on multiple platforms
- Provide online health services
- Removal of obstacles to the deployment of broadband networks
- Review of legislation affecting e-business
- Creation of a Cyber Security Task Force

Secondly, the implementation of policy measures is supported by the development, analysis and dissemination of **good practices**. Projects will be launched to accelerate the roll-out of leading edge applications and infrastructure.

Thirdly, policy measures will be monitored and better focused by **benchmarking** of the progress made in achieving the objectives and of the policies in support of the objectives.

Fourthly, **an overall co-ordination of existing policies** will bring out synergies between proposed actions. A steering group will provide a better overview of policy developments and ensure a good information exchange between national and European policy makers and the private sector.

#### *In eEurope 2005: An information society for all – Action Plan*

At mid-term of the eEurope 2005 Action Plan important progress has been made. The eEurope 2005 targets remain valid, in the context of the enlargement of the EU to 25 members and the consultation revealed that it has acted as a stimulus to many national and regional efforts.

Achieving the goals of eEurope 2005 requires strong political leadership and commitment at all levels. A concerted effort is needed from all sides if we are to achieve the productivity gains and job creation expected from eEurope. This push to maturity means emphasising the delivery of solutions and on scaling up fast from success stories to critical mass.

Specific areas that require greater focus and will be important in the revision of the action plan are:

- Interoperability, standards and multi-platform access emerged in all areas as requiring greater focus. In many cases the key requirement is not technical solutions but the setting up of multi-party or institutional agreements.
- Reinforcement of the pan-European dimension. Most initiatives remain nationally or regionally focused. The possibilities for cross-border learning and exchange are widely recognised but less often acted upon. Difficulties of interoperability persist or are even multiplied by the profusion of efforts. Opportunities to close the gap between leaders and followers through a more effective exchange of practices are missed.
- A move to a demand-driven approach that emphasises service delivery, end-user value for all and functionality. In e-business, e-government, e-health and e-learning it is clear that there are many good initiatives, but so far the ways to bring really effective services online or their adequacy to the end-user are not fully understood.

- A prerequisite for further development of broadband is a greater availability of attractive content. This requires attention to the protection of copyrighted content and the implementation of interoperable DRM solutions, whilst respecting the legitimate expectations of users.
- Experimentation with new business and service delivery models that get more value out of the shift to e-services. e-Services generally yield more productivity and efficiency gains when embedded in effective re-organisation of processes and service delivery.
- Respond to the need for greater monitoring and quantification of e-inclusion, especially in order to assess the extent of regional imbalances, the potential for and the potential for multiplatform delivery of e-services to widen accessibility.
- Finally, the impact of e-services in terms of efficiency or productivity gains and quality of work and life should be measured, taking into account effects on citizenship and governance. In particular, there is a need for structured analyses of lessons to develop complementary quantitative and qualitative indicators as part of the benchmarking exercise. Common work is required to identify the obstacles to progress and guidance on implementation. Also needed are more evaluations of initiatives so that policy can be guided by evidence.

*In eEurope 2005 Mid-term Review*

European Commission, *eEurope 2005: An information society for all – Action Plan to be presented in view of the Sevilla European Council, Ref. COM (2002) 263 final, 28.05.02*

European Commission, *eEurope 2005 Mid-term Review, COM (2004) 108 final, 18.2.2004.*

## **Research and Development**

- networking of existing centres of excellence in Europe and the creation of virtual centres through new interactive communication tools
- a common approach to creating and financing large research facilities
- a more coherent implementation of national and European research activities
- establishment of a common system of scientific and technical reference for the implementation of policies
- a stronger interface between research and innovation
- more abundant and more mobile human resources
- improving Europe's attraction for researchers from the rest of the world
- enhancing European cohesion in research by fostering the exchange and the transfer of knowledge among regions.

The action plan then covers successively aspects linked to the effectiveness of public support for research, to the level of public resources made available, and to the improvement of framework conditions.

- **Progressing jointly**
  - Fostering the coherent development of national and European policies
  - Shaping a common vision for the development and deployment of key technologies
  - Enabling all regions to benefit from increased investment in research
  - Designing a coherent mix of policy instruments
- **Improving public support to research and innovation**
  - Human resources

- Public research base and its links to industry
- Improving the mix of public financing instruments and their effectiveness: Mix of financing instruments, Direct measures for research and innovation; Fiscal measures for research; Support to guarantee mechanisms for research and innovation in SMEs; Support to risk capital for research-intensive SMEs.
- Redirecting public spending towards research and innovation
  - The stability and growth pact and the broad economic policy guidelines
  - Balance between national and EU public funding until 2010
  - State aid rules
  - Public procurement
- Improving framework conditions for private investment in research
  - Intellectual property
  - Regulation of products and standardisation
  - Competition rules
  - Financial markets
  - Fiscal environment
  - Corporate research strategy, management and financial reporting

*In Communication from the Commission Investing in Research: an Action Plan for Europe*

#### SIX MAJOR OBJECTIVES

- Creating European centres of excellence through collaboration between laboratories
- Launching European technological initiatives
- Stimulating the creativity of basic research through competition between teams at European level
- Making Europe more attractive to the best researchers
- Developing research infrastructures of European interest
- Improving the coordination of national research programmes

#### RAISING RESEARCH PERFORMANCE THROUGHOUT THE UNION

- Realising the potential of a Europe of 25 and more
- Taking full advantage of complementarity with the Structural Funds

#### FOCUSING THE EUROPEAN UNION'S EFFORTS ON KEY TOPICS

- Identifying topics of major European interest
- Supporting the Union's political objectives
- Two new areas for the Union: space and security

*In European Commission, Science and technology, the key to Europe's future - Guidelines for future European Union policy to support research.*

European Commission (2000), *Communication: Making a reality of the European Research Area: Guidelines for EU research activities (2002-2006)*, COM (2000) 612 final, 04.10.2000.

European Commission, *Communication from the Commission Investing in Research: an Action Plan for Europe*, COM (2003) 226 final, 30.04.2003.

European Commission, *Science and technology, the key to Europe's future - Guidelines for future European Union policy to support research*, Ref. COM (2004) 353 final, 16.06.2004.

## **Innovation Policy**

### OBJECTIVES

**Objective 1: Coherence of innovation policies.** The Union should capitalise on measures and schemes at regional and national levels through coordination for the benchmarking of national policies and for spreading good practice. A regularly updated European innovation scoreboard will draw attention to progress towards the goal of improving innovation performance.

**Objective 2: A regulatory framework conducive to innovation.** Regulation is necessary, but over-regulation hinders the development of enterprises, innovative enterprises in particular. There is increasing awareness of the benefits of lowering the costs of doing business and reducing red tape.

**Objective 3: Encourage the creation and growth of innovative enterprises.** Europe needs an improved environment for high technology start-ups and for starting up and developing innovative businesses in general. Such firms invigorate the economy by being the "first movers" who introduce new ideas, and from their number will emerge the expanding businesses of the future. But the obstacles to their creation and growth continue to be more severe in Europe than in Europe's competitors.

**Objective 4: Improving key interfaces in the innovation system.** Every business sector, whether in manufacturing or in services, in traditional or "new economy" sectors, should aim to benefit from innovation. For this to happen, enterprises need access to knowledge, skills, financial backing, sources of advice, and market information. While not losing sight of the "system" view of innovation, the operation of some of the interfaces between enterprises and other innovation players needs to be improved by action targeted at these interfaces. The Lisbon conclusions specifically draw attention to the interfaces between companies and financial markets, R&D and training institutions, advisory services and technological markets. Objective 4 focuses on the effective operation of these interfaces so that innovation may permeate the entire economic and social fabric.

**Objective 5: A society open to innovation.** Innovation is a human activity. Each citizen is a potential creator, implementer and user of innovation. The preceding objectives will not be fully achieved without an open attitude to innovation, based on an awareness of the nature of the opportunities, and the risks. This can only be brought about by a free dialogue between research, enterprise, government, interest groups and the general public.

The five objectives reflect current priorities for enhancing innovation in Europe, and are in line with the consensus on broad policy orientations arrived at by the Lisbon European Council.

*In European Commission, Communication from the Commission: Innovation in a knowledge-driven economy,*

### NEW DIRECTIONS FOR EUROPEAN INNOVATION POLICY DEVELOPMENT

To complement this overall framework, several new directions should be addressed as routes towards improved innovation performance.

- Interaction with other policy areas to improve the environment for innovative enterprises
- Stimulate greater market dynamism and exploit the concept of lead markets
- Promote innovation in the public sector
- Strengthen the regional dimension of innovation policy

*In Communication from the Commission Innovation Policy: Updating the Union's Approach in the Context of the Lisbon Strategy*

European Commission, *Communication from the Commission: Innovation in a knowledge-driven economy*, COM (2000) 567 final, 20.09.2000

European Commission, *Communication from the Commission Innovation Policy: Updating the Union's Approach in the Context of the Lisbon Strategy*, COM (2003) 112 final, 11.03.2003.

## **Enterprise Policy**

Objectives of the Multiannual Programme for Enterprise and Entrepreneurship:

1. Promote entrepreneurship as a valuable and productive life skill, based on customer orientation and a stronger culture of service;
2. Encourage a regulatory and business environment that takes account of sustainable development, and in which research, innovation and entrepreneurship can flourish;
3. Improve the financial environment for SMEs;
4. Enhance the competitiveness of SMEs in the knowledge-based economy;
5. Ensure that business support networks and services to enterprises are provided and co-ordinated.

*In European Commission, Challenges for enterprise policy in the knowledge-driven economy: proposal for a Multiannual programme for Enterprise and Entrepreneurship*

## **Cross-cutting factors underpinning competitiveness and growth**

A stronger policy focus, in line with the Lisbon strategy, should be put on the direct drivers of growth and productivity of European industry. Along with the widespread diffusion of ICT, recent work from the OECD and the Commission has emphasised the core role of innovation and entrepreneurship as the key drivers of growth and productivity. More and more, sustainable development is also becoming a driver of growth and productivity for the EU economy. Industrial policy will have to pay particular attention to nurturing these strengths.

- Promoting innovation, knowledge and research
- Entrepreneurship
- Promoting a sustainable structure of industrial production

## **Revisiting the EU approach to industrial policy**

- The key importance of framework conditions
- ***A more systematic EU approach for improving framework conditions***
- Improving the integration of EU policies with an impact on industrial competitiveness
- Ensure appropriate integration between all EU policies that can contribute to meeting these objectives. This has become even more important in the context of the sustainability strategy, as a proper balance between its three dimensions – economic, social and environmental – must be found.

*In European Commission, Fostering structural change: an industrial policy for an enlarged Europe*

European Commission, *Challenges for enterprise policy in the knowledge-driven economy: proposal for a Multiannual programme for Enterprise and Entrepreneurship*, COM (2000) 256 final, 11.05.2000

European Commission, *Some Key Issues in Europe's Competitiveness – Towards an Integrated Approach*, COM (2003) 704 final, 21.11.2003

European Commission, *Fostering structural change: an industrial policy for an enlarged Europe*, COM(2004) 274 final, 20.4.2004

## Education and Training Policy

Common objectives for education policy

- Increasing the quality and effectiveness of education and training systems in the EU:
  - improving the education and training for teachers and trainers; the definition of the skills, including the minimum ICT skills, that teachers and trainers should have, given their changing roles in the knowledge society; providing an adequate supply of qualified entrants in the profession and making it more attractive;
  - developing skills for the knowledge society. Identifying what the basic skills package should be. Making basic skills genuinely available to everyone, and in particular to those less advantaged in schools, early schools leavers and to adult learners;
  - ensuring access to ICT for everyone. Widening the range of equipment and educational software so that ICT can be best applied in teaching and training practices. Adapting teaching methods so as to make the best uses of "real" and "virtual" teaching techniques based on ICT;
  - increasing recruitment to scientific and technical studies, in particular research careers and scientific disciplines, where there are shortages of qualified personnel. Ensure gender balance among people learning mathematics, science and technology;
  - making the best use of resources. Ensuring an equitable and effective distribution and use of financial resources within the education and training system. Supporting quality evaluation and assurance systems, benchmarking and developing cost-benefit analyses. Exploring the potential of public-private partnerships.
- Facilitating the access of all to education and training systems
  - The development of an open learning environment. Providing education and training so that adults can effectively participate and so that people can combine their participation in learning with other family and professional activities. Ensuring that learning is accessible to the elderly in the population. Enabling the easy transfer of students and trainees between the various parts of the education and training systems;
  - Making learning attractive. Encouraging young people to stay in education or training after the end of obligatory schooling. Motivating adults to stay in touch with education and training through later life. Overcoming the traditional barriers between formal and non formal learning settings, in particular as regards accreditation and the recognition of non formal and informal learning;
  - Supporting active citizenship, equal opportunities and social cohesion. Ensuring that education and training establishments are more effective in promoting solidarity, tolerance, democratic values and interest in other cultures, and in preparing people for active participation in society. Fully integrating equity considerations in the objectives and functioning of education and training systems.
- Opening up education and training systems to the world.
  - Strengthening links with working life and research and society at large. Promoting partnerships between education and training institutions and working life, research, industry and society in general;

- Developing the spirit of enterprise, “entrepreneurship” throughout the education and training system;
- Improving foreign language learning. Encouraging everyone to learn two Community languages in addition to their mother tongue;
- Increasing mobility and exchanges. Ensuring that less privileged establishments and individuals take part in mobility programmes. Certifying the skills acquired through mobility;
- Strengthening the European cooperation. Ensuring that compatible accreditation systems and quality control are developed so that qualifications are equally valued throughout Europe. Increasing the flexibility and diversity of the emerging European learning system by promoting transparency and the recognition of qualifications.

*In Report from the Council (Education) to the European Council on the concrete future objectives of education and learning systems.*

*Report from the Council (Education) to the European Council on the concrete future objectives of education and learning systems (Doc 5680/01 EDUC23), 12 February 2001*

European Commission, *“Education & Training 2010” -The success of the Lisbon strategy hinges on urgent reforms*, (Draft joint interim report on the implementation of the detailed work programme on the follow-up of the objectives of education and training systems in Europe), COM(2003) 685 final, 11.11.2003

European Commission, *Report on the Implementation of the Commission's Action Plan for Skills and Mobility*, COM (2004) 66 final, 06.02.2004.

## **Employment Policy**

### **A NEW GENERATION OF EMPLOYMENT GUIDELINES**

Three overarching objectives

- Full employment
- Quality and productivity at work
- Cohesion and an inclusive labour market

Priorities

- Active and preventive measures for the unemployed and the inactive
- Making work pay
- Fostering entrepreneurship to create more and better jobs
- Transforming undeclared work into regular employment
- Promoting active ageing
- Immigration
- Promoting adaptability in the labour market
- Investment in human capital and strategies for lifelong learning
- Gender equality
- Supporting integration and combating discrimination in the labour market
- for people at a disadvantage
- Addressing regional employment disparities

*European Commission, Proposal for a Council decision on Guidelines for the Employment Policies of the Member States, COM (2003) 176 final, 08.04.2003*

## Social Protection Policy

### *Common Objectives for Future Pension Provision*

- Adequacy of pensions

Objectives:

- To ensure that all older people enjoy a decent standard of living, share in the economic well-being of their country and are able to participate actively in public, social and cultural life.
- To provide access for all to appropriate pension arrangements necessary to maintain the living standard of their choice after retirement due to old age or invalidity and that of their dependants in the event of death.

- ***Financial sustainability of public and private pension schemes***

Objectives:

- In the context of the Employment Strategy, to achieve a high level of employment so that the ratio between the active and the retired remains as favourable as possible.
- to ensure that pension systems, and in particular early retirement and invalidity schemes, and their interaction with tax-benefit systems, offer effective incentives for the participation of older workers; that workers are not encouraged to take up early retirement and are not penalised for staying in the labour market beyond the standard retirement age; and that pension systems facilitate the option of gradual retirement

Objective:

- In the context of the sustainability of public finances as well as of the need to cope with the budgetary impact of ageing populations, to ensure that public spending on pensions is maintained at a level, in terms of percentage of GDP, that is compatible with the Growth and Stability Pact. This may include setting up dedicated reserve funds, if considered appropriate by the authorities.

Higher employment rates and sound public finances can make a major contribution towards absorbing the budgetary impact of ageing. However, in many Member States this will not be sufficient in view of rising old-age dependency ratios. In these cases, measures are required to ensure an equitable distribution of this financial impact both within and between generations.

Objective:

- To strike a fair balance between the active and the retired through appropriate adjustments to the levels of contributions and taxes and of pension benefits.

Pension systems need to rely on the contribution of second and third pillar schemes to achieve their social objectives. This contribution of private pension schemes to the incomes of retired people may need to be increased to the extent that Member States try to contain the burden of rising pension expenditure on public finances.

Objective:

- To ensure that private funded pension schemes will continue to provide the pensions to which scheme members are entitled with increased efficiency and affordability, through appropriate regulatory frameworks at national and European level and through sound management.

- Modernisation of pension systems in response to the changing needs of society and individuals

Objectives:

- To ensure that pension systems are compatible with the requirements of flexibility and security on the labour market, that labour market mobility within Member States and across borders and non-standard employment

forms do not result in undue losses of pension entitlements and that self-employment is not discouraged by pension systems.

- To review pension systems with a view to eliminating discrimination based on sex while addressing the sources of gender-related inequalities in pension entitlements (e.g. career breaks for family reasons, actuarial factors).

- To make pension systems more transparent, predictable, and adaptable to changing circumstances. To provide reliable and easy-to-understand information on the long-term perspectives of pension systems including assessments of the impact of demographic, social and economic change and the impact of envisaged policy measures on the performance of pension systems, notably with regard to the likely evolution of benefit levels and contribution rates. To improve the methodological basis for the efficient monitoring of pension reforms and policies.

*In European Commission, Supporting national strategies for safe and sustainable pensions through an integrated approach*

CREATING THE STRENGTHENED AND SIMPLIFIED COORDINATION PROCESS.

### **Common objectives**

A streamlined approach to policy cooperation should start with the definition of an integrated and consistent set of common objectives, which should, in principle, be structured into three pillars reflecting the scope of policy cooperation in the social protection area – social inclusion, pensions, and health and long-term care. These should replace the existing separate sets of objectives. This set of objectives should be adopted by the Council in 2006, acting on a proposal from the Commission, at the same time as the Guideline package for economic and employment policies. They should remain stable for a period of 3 years, i.e. up to 2009, unless unforeseen circumstances require otherwise.

The set of common objectives will be defined under the Lisbon strategy and should be fully consistent and interconnected with the BEPGs and EGs that will be adopted in 2006.

### **Reporting mechanisms: a new annual joint report on social protection**

The key instrument of the new streamlined process will consist of a Joint Social Protection Report, which will document and assess progress across the full range of common objectives.

### **Preparation of the streamlined Open Method of Coordination on social protection**

The streamlined approach should be introduced in 2006. The period 2003-2006 should be used to prepare the conditions for launching the new process, taking into account the various mandates received from the Brussels Spring Summit as regards pensions, healthcare and the incentive structures of benefit systems.

*In European Commission, Strengthening the social dimension of the Lisbon strategy: Streamlining open coordination in the field of social protection*

European Commission, *Supporting national strategies for safe and sustainable pensions through an integrated approach*, COM (2001) 362 final, 03.07.01

European Commission, *Modernising Social Protection for More and Better Jobs - a comprehensive approach contributing to making work pay*, Ref. COM (2003) 842 final, 30.12.2003.

European Commission, *Strengthening the social dimension of the Lisbon strategy: Streamlining open coordination in the field of social protection*, Ref. COM (2003) 261 final, 27.05.2003.

## **Social Inclusion Policy**

Common Objectives for the Social Exclusion Policy

### **Objective 1: To facilitate participation in employment and access by all to resources, rights, goods and services**

- 1.1 Facilitating participation in employment
- 1.2 Facilitating access to resources, rights, goods and services for all
- 1.3 Social protection systems
- 1.4 Housing
- 1.5 Healthcare
- 1.6 Education, Justice and Culture

### **Objective 2: To prevent the risks of exclusion**

- 2.1 Promoting eInclusion
- 2.2 Preventing over-indebtedness and homelessness
- 2.3 Preserving family solidarity

### **Objective 3: To help the most vulnerable**

- 3.1 Promoting the integration of people facing persistent poverty
- 3.2 Eliminating social exclusion among children
- 3.3 Promoting action in favour of areas marked by exclusion

### **Objective 4: To mobilise all relevant bodies**

Promoting the participation and self-expression of people suffering exclusion

- 4.1 Mainstreaming the fight against exclusion
- 4.2 Promoting dialogue and partnership

*Council of the European Union, Joint Report on Social Inclusion – Part I - the European Union and Part II – the Member States, 15223/01, 12.12.2001*

**Annex 4**  
**The Lisbon Strategy:**  
**The instrument mix of the various policies**

Policies	Types of Instruments		
	Directives	Open Method of Coordination	Community Programmes
<i>Information Society</i>	<ul style="list-style-type: none"> <li>- Directive on a common regulatory framework for electronic communications networks and services</li> <li>- Directive on privacy and electronic communications</li> <li>- Universal Service Directive</li> <li>- Authorisation Directive</li> <li>- Access Directive</li> <li>- Directive on electronic commerce'</li> <li>- Directive on a Community framework for electronic signatures</li> </ul>	eEurope Action Plan	<ul style="list-style-type: none"> <li>- Programme to encourage the development, distribution and promotion of European audiovisual works (MEDIA Plus) (2001-2005)</li> <li>- Multiannual programme to promote the linguistic diversity of the Community in the information society</li> </ul>
<i>Enterprise Policy</i>	Technical harmonization directives	European Charter for Small Enterprises	Multiannual Programme for Enterprise and Entrepreneurship

<i>Innovation Policy</i>		Framework of Common Objectives	
<i>Research Policy</i>		European Research Area Towards 3% of GDP Action Plan for Research	6 <sup>th</sup> Framework Programme
<i>Single Market</i>	Harmonization directives	- Financial Services Action Plan - Risk-Capital Action Plan	
<i>Education</i>	Directive establishing a mechanism for the recognition of qualifications in respect of the professional activities covered by the Directives on liberalisation and transitional measures and supplementing the general systems for the recognition of qualifications	- eLearning - Common objectives and targets - Bologna Process for High Level Education - Copenhagen Declaration for lifelong learning - Action Plan for skills and mobility	
<i>Employment</i>	- Directive on the abolition of restrictions on movement and residence within the Community for nationals of Member States with regard to establishment and the provision of services - Directive on the introduction of measures to encourage improvements in the safety and health of workers at work - Directive on the organisation of the working time of persons performing mobile road transport activities - Directive concerning the framework agreement on fixed-term work concluded by ETUC, UNICE and CEEP - Directive concerning certain aspects of the organization of working time - Directive supplementing the measures to encourage improvements in the safety and health at work of workers with a fixed- duration employment relationship or a temporary employment relationship - Directive on the approximation of the laws of the Member States relating to the application of the principle of equal pay for men and women	European Employment Strategy: Joint Employment Report, Employment guidelines and Recommendations for Members States' employment policies	
<i>Social Protection</i>	Directive on the implementation of the principle of equal treatment for men and women in occupational social security schemes	- Common objectives for pension provision - Integrated approach for safe and sustainable pensions	
<i>Social Inclusion</i>		- Common objectives - Framework strategy on gender equality	Programme of Community action to encourage cooperation between Member States to combat social exclusion
<i>Environment</i>	Directives on the protection and improvement of the environment Directive on the assessment of the effects of certain public and private projects on the environment	- EU strategy for sustainable development - Community Eco-label working plan - Council Resolution on Corporate Social Responsibility	6 <sup>th</sup> Community Action Programme for Environment

**Annex 5**  
**The Lisbon Strategy**  
**Policies, European instruments and concrete measures**

<b>Policies</b>	<b>European Instruments</b>	<b>Some Concrete Measures</b>
Information Society	eEurope Action Plan	<ul style="list-style-type: none"> <li>- Internet access in schools, public services, companies</li> <li>- e-commerce</li> </ul>
Enterprise Policy	Multiannual Programme for Enterprise and Entrepreneurship European Charter for Small Enterprises	<ul style="list-style-type: none"> <li>- Support to start-ups</li> <li>- Cutting red tape</li> </ul>
Innovation Policy	Framework of Common Objectives	<ul style="list-style-type: none"> <li>- Developing the national systems of innovation</li> </ul>
Research Policy	6 <sup>th</sup> Framework Programme European Research Area Towards 3% of GDP Action Plan for Research	<ul style="list-style-type: none"> <li>- Networks of excellence</li> <li>- Integrated projects</li> </ul>
Single Market	Single Market Agenda Financial Services Action Plan Risk-Capital Action Plan	<ul style="list-style-type: none"> <li>- Telecommunications package</li> <li>- Energy</li> <li>- Single sky</li> <li>- Community patent</li> <li>- Galileo</li> </ul>
Education	Common objectives and targets eLearning Bologna Process for High Level Education Copenhagen Declaration for lifelong learning Action Plan for skills and mobility	<ul style="list-style-type: none"> <li>- New tools for lifelong learning</li> <li>- Convergence of degrees and recognition of qualifications</li> </ul>
Employment	European Employment Strategy: Joint Employment Report, Employment guidelines and Recommendations for Members States' employment policies	<ul style="list-style-type: none"> <li>- Better employment services</li> <li>- Adaptability with security</li> <li>- Equal opportunities</li> <li>- Active ageing</li> </ul>
Social Protection	Common objectives for pension provision Integrated approach for safe and sustainable pensions	<ul style="list-style-type: none"> <li>- Coping with ageing</li> </ul>
Social Inclusion	Common objectives Community Action Programme to combat discrimination Framework strategy on gender equality	<ul style="list-style-type: none"> <li>- Targeted measures for the National Action Plans</li> </ul>
Environment	EU strategy for sustainable development 6 <sup>th</sup> Community Action Programme for Environment Community Eco-label working plan	<ul style="list-style-type: none"> <li>- Community Eco-label awards</li> <li>- Environmental inspections</li> </ul>
Macroeconomic Policies	Broad Economic Policy Guidelines Stability and Growth Pact	<ul style="list-style-type: none"> <li>- Redirecting public expenditure for growth and employment</li> </ul>