COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMISSION STAFF WORKING PAPER

Working together for growth and jobs
Next steps in implementing the revised Lisbon strategy

1. INTRODUCTION

The European Council of March 2005 called upon the Commission, the Council and the Member States to **relaunch the Lisbon strategy by refocusing on growth and employment in Europe**, in accordance with the Commission's proposals[1]. As a follow-up, the Commission recently adopted a proposal for the first integrated guidelines for growth and jobs for the period 2005-2008[2]. These guidelines will serve as the basis for Member States to draw up their first National Reform Programmes by this autumn.

This Staff Working Paper follows the announcement made in the integrated guidelines adopted by the Commission last 12 of April and serves the main purpose of providing guidance to Member States in drawing up their respective national reform programmes in particular in terms of structure and content.

As a counterpart to the national reform programmes, the Commission will shortly present a Community Lisbon Programme, covering all actions to be undertaken at European level in support of the goals of growth and employment[3].

2. A NEW CYCLE OF GOVERNANCE

In order to make the refocusing of the Lisbon strategy effective, the European Council called for improved governance at European Union (EU) and national level on the basis of:

- **a new partnership with Member States:** in order to increase the ownership by Member States, clarify the responsibilities and confirm the role of the Commission as facilitator, supporting policy developments in Member States;

- **far reaching simplification:** both in terms of policy priority setting, with the integrated guidelines and in terms of streamlining of procedures and reporting, with a single integrated national reform programme.

The aim is threefold: to facilitate the identification of priorities while maintaining the overall balance of the strategy and the synergies between its various components; to improve the implementation of those priorities on the ground through an increased Member States' involvement; and to streamline the monitoring procedure so as to give a clearer picture of national implementation of the strategy.

This new cycle of governance is based on a three-year cycle starting in 2005 and which will have to be renewed in 2008. The integrated guidelines to be adopted by the Council on the basis of the Commission's proposal[4] will be the starting point of the first cycle. Based on those integrated guidelines, which encompass the economic, social and environmental

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1 COM (2005) 24 of 02.02.2005.

2 COM (2005) 141 of 12.04.2005.

3 This will be drawn up on the basis of the EU Lisbon Programme set out in the SEC (2005) 192.

4 In line with the refocused Lisbon strategy and the European Council conclusions and in accordance with the procedures laid down in Articles 99 and 128 of the Treaty, the Commission adopted on 12.04.05 proposed integrated guidelines consisting of two elements: broad economic policy guidelines (BEPGs) and employment guidelines and comprising a macro-economic, a micro-economic and an employment component (COM (2005) 141).

dimensions, Member States will draw up their national reform programmes, which should be conceived as forward-looking political documents setting out their three year strategy to deliver growth and jobs. These programmes will also allow the Commission to assess the policies and progress identified by Member States. On the basis of the assessment of the national reform programmes, the Commission will adopt in January 2006 its Annual Progress Report and may propose updates to the integrated guidelines and possibly country-specific recommendations as the basis for the continuation of the cycle in 2006.

Annex 1 provides a roadmap of the process surrounding the refocused Lisbon strategy for 2005/2006.

3. NATIONAL REFORM PROGRAMMES

As agreed at the European Council in March 2005, Member States are committed to drawing, under their own responsibility, national reform programmes based on the integrated guidelines. The reform programmes should be geared to their own needs and specific situation, allowing for the diversity of situations and policy priorities at national level.

A degree of coherence is necessary as regards their structure and contents in order to facilitate their use at EU level, also with a view to improving mutual learning. It is thus proposed that Member States draw up their first 2005 national reform programmes taking account of the considerations and common outline suggested below.

3.1. Practical arrangements

To ensure synchronisation and consistency across Member States, the following practical arrangements are proposed for the first national reforms programmes:

- to be presented to the Commission by no later than **15th October 2005,** in line with the proposed timetable of the new Lisbon strategy;
- to consist of a succinct political document (around 30 – 40 pages), plus annexes as appropriate;
- in addition to a version in a national language, a version in one of the Commission's working languages would be very helpful for the Commission in order to ensure a smooth implementation of the cycle.

3.2. Outline and content

The national reform programmes are expected to be forward-looking political documents setting out a comprehensive three year strategy to implement the integrated guidelines to deliver growth and jobs. They would start with an introductory part, reflecting the integrated approach to economic and employment coordination. This introduction would serve a dual purpose:

– firstly, to set the broad political and socio-economic context and to present the overall strategic approach. To this end, Member States are expected, on the basis of a brief examination of each of the integrated guidelines to identify the key priorities for action. In doing this, they should take into account as a reference the country-specific recommendations already agreed at EU level. Where no actions are proposed in relation to

particular guidelines, Member States are expected to justify why no action is needed. They should also show the consistency and synergies between the proposed macro-economic, micro-economic and employment reforms;

– secondly, to explain the role of the national reform programmes in the domestic context and the contributions and responsibilities of the main stakeholders involved, in particular public authorities and social partners at all levels.

The core of the national reform programme would set out the policy responses to the key priorities identified in the introductory part on the basis of the integrated guidelines. This presentation should address each of the three areas**,** the length of which would depend on the particular priorities identified:

(1) **macro-economic priorities**, describing the policy responses to the macro-economic challenges which have been identified by Member States. This part will cover the issues that are discussed in more detail in the stability and convergence programmes which will be submitted in the autumn in parallel with the national Lisbon programmes as a separate document;

(2) **micro-economic priorities** describing the policy responses to the micro-economic challenges which have been identified by Member States. This part will also replace the earlier Cardiff reports;

(3) **employment priorities** describing the policy response under the employment challenges which have been identified by Member States. This part would replace the existing national employment action plan. The integration of the national action plans for employment in the national Lisbon programmes should strengthen the employment focus of the renewed Lisbon strategy.

Each of the three parts would start with a brief overview of the key policy objectives and would present the policy responses to each of the specific challenges and priorities of the Member State identified in the introductory part. It would cover the following elements:

- a brief presentation of the situation and key challenges (reasons for action);
- an outline of policy initiatives and concrete measures taken or planned in response to the challenges identified. The description of the policy initiatives would indicate their status (on-going, adopted or planned), their objectives and their expected impact (including where relevant national objectives and quantified targets in line with relevant existing EU targets) and should include indication of timing and internal allocation of responsibilities (at national and regional/local level);
- where relevant, a description of budgetary resources available, including the structural and cohesion funds, to implement the referred measures together with a link to the stability and convergence programme.

The national reform programmes should also draw on a number of Open Methods of Coordination (OMC) and sectoral processes that have been developed since 2000 (see section 4 for more details).

In their 2005 programmes, Member States should already include a section on the use of the structural and cohesion funds in support of the Lisbon objectives. Once the regulations for the structural funds are adopted, the national strategic frameworks laying down priority

expenditure with regard to the structural and cohesion funds will be included in the main national reform programmes in line with the integrated guidelines for growth and jobs[5].

The national reform programmes can be complemented with annexes which could usefully include for example statistical data based on agreed EU indicators and relevant evaluations[6].

4. FUTURE OF THE OPEN METHOD OF COORDINATION

In some policy areas, the open method of coordination can be a powerful instrument to assist Member States in their efforts to adopt a more strategic and integrated approach and to deliver more efficient policies, as well as involve and mobilize stakeholders and to promote exchange of good practice. In recent years, the open method of coordination has been applied in a number policy areas. Whilst the OMC is recognised as a useful governance method, it has however resulted in a proliferation of national and Community reporting obligations. The new Lisbon governance cycle therefore calls for a simplification and streamlining of the reporting mechanisms.

On the basis of the specific features of the individual OMC's and their degree of inter-linkage with the refocused Lisbon strategy, several solutions have been identified concerning simplification and streamlining of current reporting mechanisms :

- Reporting on sectoral implementation mechanisms for the OMC's in the fields of information society, enterprise policy and research and development[7] as well as the future implementation reports for the Environmental Technologies Action Plans (ETAP) should be merged with future reporting on the national reform programmes (both at national and Community levels). Meanwhile, main elements of those OMC would continue (identification of good practices, mutual learning, benchmarking,..) providing useful input to the preparation of the national reform programmes (in relation to relevant integrated guidelines[8]) and to related reporting mechanisms that will be streamlined within the new Lisbon reporting mechanism;

- separate reporting as part of the OMC on social protection and social inclusion[9] and the OMC on Education and Training 2010[10] should continue but information relevant to the Lisbon strategy goals should also be reflected in the national reform programmes. This would mean that these OMC's would continue in full, including as concerns reporting aspects, but that certain specific elements that

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5 The national strategic frameworks reflect the priorities set out in the Community strategic guidelines (CSG). The Commission intends to put forward a Communication on the CSG before the summer break.

6 This could also include a synthesis of the results, where available, of the on-going evaluation carried in the framework of the BEPGs and the European Employment Strategy.

7 These include inter-alia eEurope and up-coming i2010, European charter for small enterprises, and the 3% investment objective for R&D OMCs.

8 For information society integrated guidelines n° 11 and 13, for R&D integrated guidelines n° 12 and 22, for European Charter integrated guidelines n° 7, 8, 9, 10 and 13.

9 Relevant information from ongoing reporting to be reflected under integrated guidelines n° 2, 13, 16, 17, 18, 22 and 23.

10 Relevant information from ongoing reporting to be reflected under integrated guidelines n° 10, 12, 19, 22 and 23.

make a key contribution to the objectives of growth and employment should feed into Member States' national reform programmes. Similarly, reporting at EU level under those OMC's should feed into the EU annual progress report. Efforts to streamline the activities should continue;

- reports for the OMC in the youth field, which do not include issues covered by the Lisbon strategy, will remain separate and out of the sphere of the Lisbon governance cycle.

5. GOVERNANCE AT NATIONAL LEVEL

The national reform programmes encompass a wide range of policy fields and actions. Mobilisation and partnership will be essential to ensure the legitimacy, transparency and effectiveness of reforms and increase the sense of ownership of the Lisbon strategy. To this end, the European Council invited the Member States to hold consultations on these programmes with all stakeholders at regional and national levels, notably parliamentary bodies in accordance with each Member States' specific procedures.

In developing the national reform programmes, it will therefore be important to mobilise public authorities at national, regional and local level, according to their respective areas of competence, and to promote dialogue and partnership between all relevant bodies. Social partners are in particular expected to be closely involved in recognition of the key contribution they can make to the objective of growth and jobs. Civil society should also be involved, where appropriate.

Appropriate coordination procedures and structures will also be necessary to ensure consistency, delivery and monitoring of the joined-up activities included in the national reform programmes. In this respect, the European Council invited Member States to enhance their internal coordination by appointing, where appropriate, a national Lisbon coordinator.

The preparation of the first national reform programmes is also an important opportunity to create greater public awareness of and support for reforms. Thus, in preparing their reform programmes and consulting with all relevant actors, Member States are encouraged to consider how best they can use this process to foster a public debate on the implementation of the Lisbon strategy. The meeting with the Commission in June/July 2005 could also help to raise stakeholders' awareness about the strategy.

6. MONITORING AND REPORTING AT EU LEVEL

6.1. A partnership for growth and jobs

The renewed Lisbon strategy will only succeed if it is built on a partnership - between the Commission and Member States, and at national level, between the Member State authorities and stakeholders. The new strategy reflects the Commission's role in providing support, monitoring progress and reporting ahead the spring European Council each year. The Commission will work actively to support and offer guidance, where needed, to Member States throughout the Lisbon cycle from the design and delivery of their national reform programmes to assessing with them the progress and challenges ahead. In this first stage, bilateral contacts will be pursued before and after the summer to support Member States in launching this new cycle and in preparing the Commission's annual progress report. Such

contacts could also allow for an exchange of views with other key actors on the preparation of the national reform programmes and, in particular, on priorities areas for action.

6.2. The Commission's annual progress report

Once received, the Commission will analyse the national reform programmes with a view to producing the first annual progress report by the end of January 2006.

In the annual progress report, the Commission will take a view on each of the national reform programmes by assessing the priority selection, policy responses and progress identified by Member States along the three strands of the renewed Lisbon strategy (macroeconomic, microeconomic and employment) in a European and national perspective. This integrated report will also integrate the Treaty-based draft Joint Employment Report.

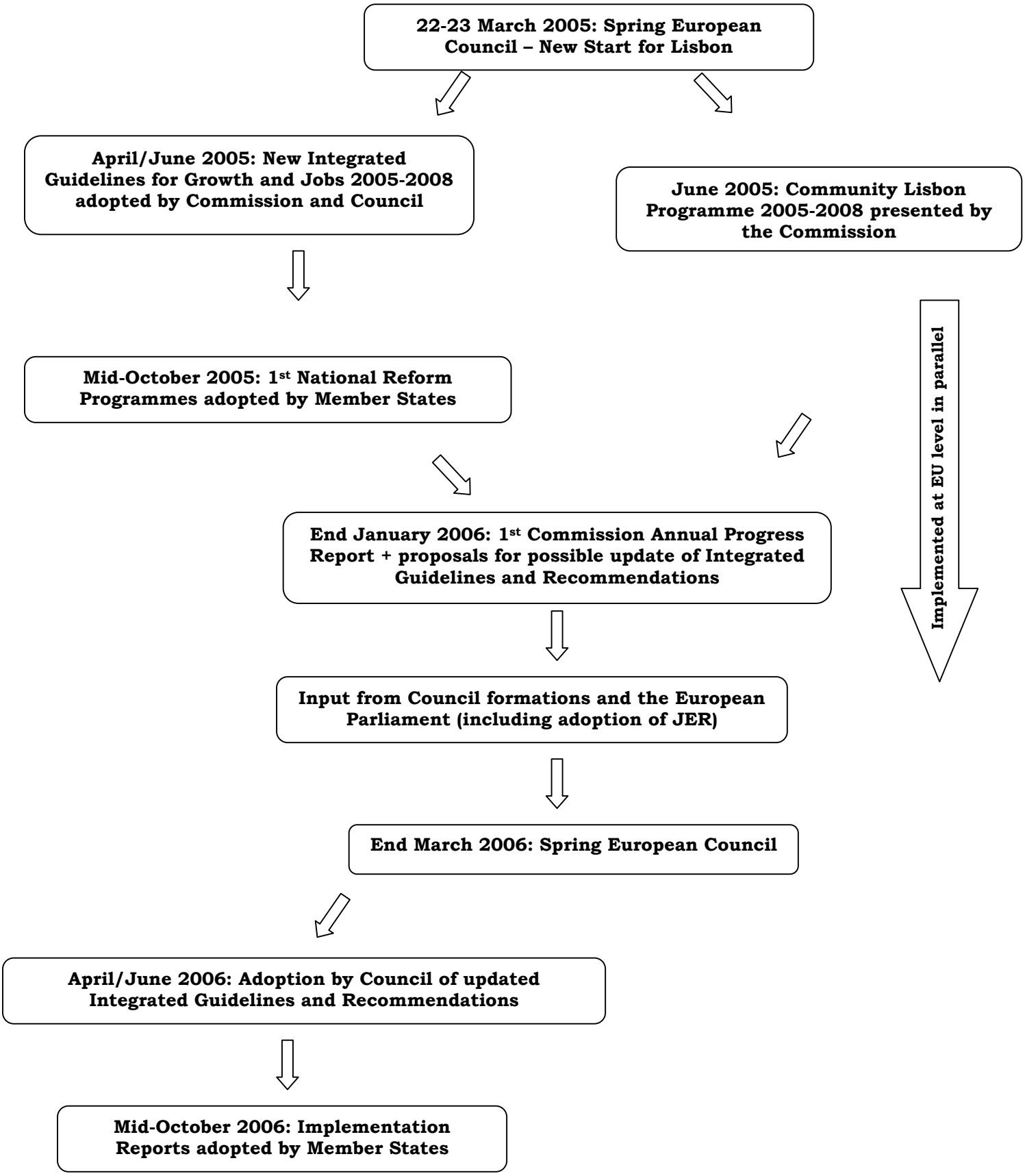
The annual progress report will also provide the basis for effective multilateral surveillance of progress made towards the Lisbon goals as part of the preparation for the spring European Council.

At the same time as it adopts the annual progress report, the Commission may propose to update the integrated guidelines and the recommendations in the light of the first national reform programmes. On the basis of the Commission's assessment, the 2006 Spring European Council will review progress and give policy orientation on the adjustments to the integrated guidelines proposed by the Commission. The European Parliament will play a major role in accordance with the relevant Treaty provisions.

6.3. Use of indicators at EU level

The Commission, together with the Member States, has drawn up a system of structural indicators to monitor the Lisbon strategy. A database is maintained by Eurostat, which covers a short list of key indicators and a long list of background indicators. The Commission does not intend to review the list of structural indicators other than to reflect improvements in data quality. As part of the proposed streamlining, the Commission has recommended in the integrated guidelines that all Member States should fix two sets of targets: a national R&D expenditure target (for 2008 and 2010) and national employment rate targets (for 2008 and 2010). Where Member States intend to go beyond this minimum requirement in their national reform programmes, they are expected to use as systematically as possible the current short-listed structural indicators for setting national targets and progress indicators.

At the same time, advance has been made in developing progress indicators and benchmarks at EU level in the various policy areas covered by the Lisbon strategy which are useful reference tools.

The Commission will carry out its assessment using, wherever possible, harmonised data at EU level including structural and as a reference other relevant indicators and targets.

Annex 1 – Roadmap of the new Lisbon strategy for 2005/2006