The (Missing) Regional Dimension to the Lisbon Process

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Paper 27

The (Missing) Regional Dimension to the Lisbon Process

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THE (MISSING) REGIONAL DIMENSION TO THE LISBON PROCESS

> "…*halfway to 2010 the overall picture is very mixed and much needs to be done in order to prevent Lisbon from becoming a synonym for missed objectives and failed promises*". (Kok Report, p10)[1]

1. Introduction

The Lisbon Strategy (LS) represents the central plank in on-going EU efforts to revitalise the economic performance of many of the major Member States. Originating with the Lisbon European Council of March, 2000, the LS sets out a strategic goal for the EU such that by 2010 it would be "...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". To these economic and social objectives set out at the Lisbon Council, a third environmental dimension was added by the Gothenburg Council of June 2001.

The LS called for far-reaching reforms across the economies of the EU to meet the economic and social challenges arising from globalisation, enlargement and an ageing population. At the core of the strategy are economic reforms that will promote sustainable economic growth, an increase in the quantity and quality of jobs, greater social cohesion, and environmental sustainability. Crucial to the success of the entire LS is the goal of increasing the dynamism of the EU economies. Success in the social and environmental elements of the LS ultimately will depend on success in achieving higher rates of economic growth across the EU. Higher rates of economic growth generate higher income and employment levels and greater cohesion. The emphasis given in the LS to increasing EU research and development expenditures, to effect greater diffusion and application of leading-edge technologies, to improving national standards of education and training, and to reforming national labour markets is explained as being requirements for raising the actual and potential rate of economic growth for the EU. As noted in the recently published Kok Report;

> "The more Europe could sustain itself as a high productivity, high value-added, high employment economy, the better able it would be to create the wealth and jobs that would allow it both to sustain its vital commitment to open markets and to social and environmental Europe." (Kok Report, p9)

In the main, the economic reform process was addressed at policies to be implemented by Member States. This reflects the situation in which the principal policies which influence growth and employment levels, and social inclusion and environmental considerations, reside at the Member State rather than at the EU level. At the same time, however, a ´Community´ dimension to achieving the aims of the LS increasingly has come to be recognised and to be viewed as complementary to Member State actions. That the key policies associated with achieving the Lisbon goals were national meant that the implementation of the strategy as a whole required a governance structure which would generate domestic economic and social policy reforms that were designed to achieve a series of objectives that had been designed and agreed upon at the supranational (EU) level. This was the Open Method of Coordination (OMC).

The OMC is an innovative approach to EU policy governance which is based on "soft law" and mutual learning, and whose coverage extends to those policy areas for which responsibility lies with national governments but in which there is also an EU dimension (employment, social policy, the environment). Essentially the OMC involves the sharing of best (policy) practice between Member

[1] *Facing the Challenge: The Lisbon Strategy for Growth and Employment,* Report from the High Level Group Chaired by Wim Kok, November 2004

States with a view to fostering the convergence of national policy practice around approaches that have been shown to be successful. It is policy coordination rather than harmonisation; it is inter-governmental and voluntary as opposed to supranational and mandatory. At its most general, at an operational level the OMC involves agreeing policy guidelines (and timetable for implementation); the qualitative and quantitative benchmarking of national targets consistent with common guidelines; inter-governmental policy sharing and policy learning; mutual surveillance of policy implementation and outcomes; and periodic peer review (naming and shaming). The main players are the Member States, and the role of the European Commission is primarily that of facilitator and coordinator. There is no role for either the European Parliament or the European Court of Justice.

The OMC is, therefore, a device by which national policies might be "Europeanised" and a collective and convergent EU endeavour be engaged *without* the EU formally extending its competences. The scope of the OMC is, by now, considerable and its application is being mooted in an ever rising number of policy areas. Inevitably the intensity of the application of the OMC varies widely over this multiplicity of policy areas. However, it remains central to delivering the Lisbon goals - an enterprise in which it now appears that it is failing lamentably. In November 2004 a Report from the High Level Group chaired by Wim Kok on the extent of progress in achieving the Lisbon goals concluded

> “…halfway to 2010 the overall picture is very mixed and much needs to be done in order to prevent Lisbon from becoming a synonym for missed objectives and failed promises”. (Kok Report, p10)

After rehearsing (again) the underlying economic and social imperatives underpinning the LS, and considering how matters can best be taken forward, the Report considers the reasons for the disappointing progress. The short answer provided is that failure is due to the inadequacy of the governance arrangements for the LS. In particular, member state governments have failed to demonstrate sufficient commitment or political will to ensure that the strategy is implemented:

> “More political ownership [of the Lisbon targets] is the precondition for success.” (p39)

And later this idea of ‘failed governance’ is further elaborated:

> “Up until now national parliaments and citizens have not been sufficiently associated with the process, so that the pressure on governments has been less than it should and could have been. The same applies to social partners and other stakeholders. Closer cooperation between the various stakeholders is needed, who must commit themselves to the process of encouraging and supporting each other.” (p40)

And finally:

> “The open method of coordination has fallen far short of expectations. If Member States do not enter the spirit of mutual benchmarking, little or nothing happens.” (p42)

The Kok Report points to two strands of the Lisbon process (i.e. the delivery of the aims of the Lisbon strategy) which appear to be failing. The first is the apparent failure of the strategy to engage with the publics of the EU either directly or through various representative agencies - most significantly perhaps through national parliaments. The second is the defects of the OMC has as a mechanism for implementing domestically those policy reforms that are required if the various targets associated with the LS are to be reached, particularly those linked to the economic pillar of the strategy. Together these failings point to a fundamental defect in the governance arrangements of the LS as the key explanation of the failure of the strategy to make adequate progress to the 2010 objectives by the mid-way point in the exercise.

The analysis and conclusions in the Kok Report were widely accepted by the EU Heads of State and Government at the Spring Council of 2005, and this resulted in the much vaunted commitment for a "renewal" of the LS. The substance of the re-launch of the LS was set out in a Commission Communication ahead of the Spring Council – a Communication which echoed in every respect the Kok Report's emphasis on the need to improve the governance of the strategy:

> "The governance of the Lisbon Strategy needs radical improvement to make it more effective and more easily understood…There are too many overlapping and bureaucratic reporting procedures and not enough political ownership."[2]

The response by the Council endorsed almost all of the proposals contained in the Commission document, particularly the proposal for greater domestic inclusiveness in delivering the LS. This was the centrepiece of the Presidency Conclusions which committed member states to draw up a National Reform Programme geared to meeting the objectives of the LS, and following consultation "…with all stakeholders at regional and national level, including parliamentary bodies in accordance with each Member State's specific procedures".[3]

In this paper, and following the lead provided by the Kok Report, I want to discuss the governance of the Lisbon process from the perspective of its delivery, as opposed to its substance. That is, the paper will address directly a central issue raised by the Kok Report, and subsequently endorsed by the Commission and European Council, in terms of the failure of the LS to engage sufficiently the relevant stakeholders within Member States, and weaknesses in the OMC as a mechanism for implementing the LS.

The central argument developed in the paper is that the governance of the LS lacks a structured "regional dimension", and that this omission is a major weakness of the entire process. The resulting weakness is twofold. First, as a matter of achieving the substantive Lisbon objectives within the economic pillar, the absence of a structured regional dimension risks excluding from the strategy a range of sub-state governments, administrations and economic stakeholders responsible for devising and delivering those economic policies 'locally' which will shape the overall rate of growth of output and employment across the EU. Socio-economic development actually occurs at the local level, yet there is no EU-wide discussion on the best-practice approach to including local economic players within the Lisbon process generally, or the OMC governance arrangement specifically. Instead, the LS is essentially a "top-down" strategy. Second, the absence of a formal role for local economic governance and stakeholders to be involved in the Lisbon process risks weakening the legitimacy of the venture. The principle of subsidiarity asserts that decisions should be taken as closely to the citizen as possible. This principle is designed not only to ensure that policies are shaped according to differing local circumstances, but also to maximise the involvement of 'local' stakeholders in the setting the objectives and designing the delivery of economic policies. The OMC process which governs the LS makes little or no mention to this principle.

This paper focuses entirely on the economic, or "competitiveness" strand of the Lisbon process. We ignore the social inclusion and environmental strands, although certainly the arguments developed here can be extended to include these other two pillars of the LS. Our critique is presented in two sections. In the first section we consider the implementation of the LS in terms of the substantive economic reforms which it intends to achieve in order to promote the Lisbon objectives. In particular, we examine the role that local economic actors have in the economic development process upon which success in a number of the Lisbon targets depends. In the second section we briefly consider the 'legitimacy' dimension to the LS, and once again focus on the role of regional authorities in legitimating the sometimes problematic economic policy measures that are required if the LS is to succeed.

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[2] European Commission (2005), *Working together for growth and jobs: A new start for the Lisbon Strategy*, COM (2005) 24

[3] For details see Presidency Conclusions, March 2005, especially Section C, 'Improving Governance', pp 11-12

2. Economic Policy, the OMC and National Governments: Limitations of the Process.

In this section we argue that the Lisbon process suffers from two principal weaknesses as it has thus far been applied to the economic dimension of the strategy. Both defects are linked to the dominance to date of national governments in the implementation of the Lisbon economic agenda within Member States and the relative exclusion of regional authorities from this process. The first defect relates to a failure to understand why national governments are willing to alter national policies in pursuit of a common (or coordinated) EU policy approach. The second defect is the presumption that Member State governments are themselves able to deliver on many of the policy reforms that are required to achieve the economic objectives of the Lisbon strategy.

The risk at present is that the potential role for regions *independently* to contribute to achieving the Lisbon objectives will remain untapped. In a recent joint letter to Commissioner Verhuegen, three Ministers of the UK Government noted that "(T)he Lisbon objectives must primarily be delivered through national actions and structural economic reforms."[4] While one could interpret "national actions" to embrace the development of a specific and distinct regional dimension inputting to the LS, our view is that such a dimension has to be explicitly acknowledged and be an integral part of such "national actions" through inclusion in the revised National Action Plans.

2.1 *Member States, OMC and Policy Learning/Transfer*

The Kok Report points to a failure of the OMC as one explanation for the lack of progress thus far recorded in achieving the Lisbon objectives. In this section we argue that a key weakness of the OMC has been that its dominance to date by national governments as this is premised on an incorrect understanding of the incentive for, and process of, trans-national policy coordination. As we then go on to argue, the incentive problem which we argue limits the scope for policy transfer between national governments does not apply with such force when we consider inter-regional policy cooperation and coordination.

2.1.1 *Policy Transfer and National Governments*

As is well known, the OMC system operates through establishing national targets for the LS variables which are consonant with collective EU objectives, and defines staging posts for reviewing progress towards meeting those targets. Moreover, the OMC is intended to operate as a device for propagating "best practice" LS policies between Member States - that is, it is also supposed to encourage policy learning between Member States. As noted in the Kok Report;

> "Under this (OMC) process, Member States agree to voluntarily cooperate in those areas of national competence and to make use of best practice from other Member States, which could be customised to suit their particular national circumstances." (p9)

The OMC involves four elements:

- fixing guidelines for the Union combined with specific timetables for achieving the goals which they set in the short, medium and long terms;
- establishing, where appropriate, quantitative and qualitative indicators and benchmarks against the best in the world and tailored to the needs of different Member States and sectors as a means of comparing best practice;

[4] See at http://europa.eu.int/comm/enterprise/enterprise_policy/cip/docs/contributions/dtiuk.pdf

- translating these European guidelines into national and regional policies by setting specific targets and adopting measures, taking into account national and regional differences;

- periodic monitoring, evaluation and peer review organised as mutual learning processes.[5]

The OMC 'approach' was favoured for achieving the Lisbon targets because it was regarded as building upon previous episodes of successful policy coordination between Member States - that is, voluntary inter-governmental policy coordination quite separate from the Community method as, for instance, in the case of fiscal policy coordination via Broad Economic Policy Guidelines (BEPG) procedure. As Zeitlin (2005) points out, the OMC was generally regarded as an appropriate arrangement for the delivery of the Lisbon goals in that it committed member states to common policy aims while at the same time recognising policy diversity in a circumstance in which the key economic and social policies connected to the LS remained the competence of national, rather than EU, authorities.[6]

The expectation was that the OMC could build upon the apparent success of the BEPG experience, and generalise this to a wide range of national policy agendas other than fiscal policy. The OMC thus evolved as a general arrangement supplanting the 'Community method' for achieving intra-EU *policy convergence* through best-practice policy learning in the range of matters embraced by the LS - particularly growth and employment. The Kok Report itself invites such an interpretation:

> “When the European Union has succeeded in the recent past – such as the launch of the 1992 Single Market, the establishment of the single currency and enlargement – it has been because the European institutions and Member States have worked closely together in what was understood to be a great and necessary project that had to be implemented as it was crucial to Europe’s future. The Lisbon strategy for growth and employment is an equally important project.” (p39)

However, I would argue that whilst there are sound reasons for explaining the enthusiasm of Member States to coordinate national policies relating to the Single Market (and even here we have to acknowledge only imperfectly so - see for example the recent Commission Communication on the Implementation of the Internal Market which points to numerous failures on the part of Member States to transpose relevant internal market Directives[7]), to monetary union, and to fiscal policy under the BEPG procedure, there is considerably less - if indeed any - incentive to achieve any coordination at all on many of the policy issues raised by the LS economic objectives. The reasoning here is quite straightforward.

In the single market programme policy transfer and policy convergence (i.e. the adoption by Member States of 'common' policies are required for the proper functioning of the single internal market) occurred via the classic ‘Community method’ whereby legislation was enacted at the EU level with the agreement of the Member States. Underpinning this policy convergence was the recognition by Member States that the consequent completion of the internal market offered potentially large economic gains which would not otherwise be available - gains that would manifest themselves through faster economic growth and rising prosperity. No Member State could acquire these gains through unilateral action and this created a positive incentive for national governments to adopt the Single Market legislation. The shift to European Monetary Union (EMU) can be similarly explained. The supposedly large economic benefits associated with a single European currency

[5] Presidency Conclusions, Lisbon European Council, June 2000, para 37.
[6] Zeitlin, J. *Social Europe and Experimentalist Governance: Towards a Constitutional Compromise*, European Governance Papers, No. C-05-04 (EUROGOV)
[7] European Commission (2005) *Second Implementation Report of the Internal Market Strategy 2003-2006*, Communication from the Commission.

could not be achieved by any Member State acting independently. It required the participation of a number of Member States, and this provided the incentive for the coordination of national monetary and fiscal policies and the eventual transition to a single currency. The presumption was that any costs of EMU would be more than compensated for by the benefits.

The general proposition is that the voluntary coordination of economic policies between Member State governments will tend to occur where this will deliver net domestic economic gains over the short-to-medium term that are not otherwise available (i.e. any actual or potential domestic "losses" arising from policy coordination are offset by the benefits derived from coordination). In the absence of net economic gains from policy coordination, there will be little - if any - incentive for national governments either to coordinate or otherwise harmonise domestic economic policies. This will be particularly true where the domestic policy shift imposes local costs. In those cases, therefore, we should not expect significant policy convergence or policy transfer. And while the successful implementation of the LS undoubtedly will deliver economic gains, and while that in turn requires economic reforms to be undertaken in Member States, it is clear that, (a) the economic gains are expected to accrue only over the longer term, and (b) the domestic reforms that are necessary at the national level (such as reforms to employment and social welfare laws) in some Member States are likely to be, in political terms at least, extremely 'costly'.

2.1.2 *Policy Transfer and Regional Governments*

Here we suggest that the limitations to the extent to which policy transfer (by OMC-type best practice learning) can be expected to be effective between national governments are likely to be less acute when we consider the potential for policy transfer between regional authorities.

As we discuss below, regional authorities are important actors in the economic development process - they deliver a wide range of economic development services which shape the immediate environment within which day-to-day local economic activity develops. Moreover, regional authorities are directly accountable to a local economic constituency in a way that national government is not: simply they are "closer to the citizen". Regional economic authorities have a strong incentive to deliver locally the best policies available in order to promote locally a robust and sustainable level of economic activity. Moreover, regional authorities inevitably will be better informed than national authorities on the range of economic opportunities and threats confronting the region, and on how to respond to these.

There is also considerable evidence that regional authorities are prepared to "learn" from one another, and where appropriate to adapt local economic policy in the light of lessons learned by other regional authorities. Indeed, one of the more obvious effects of progressive European integration has been the emergence of an energetic regional dimension to the EU. If one looks around the EU there are numerous examples of interest-based coalitions of regions, and in the majority of cases the shared interest in question relates to local economic conditions. And although many of these pan-European regional groupings have an "advocacy" dimension to their activities, it is equally the case that they exist to exchange information and share experiences with a view to drawing economic policy lessons for local application from this pooled knowledge. Indeed, it is precisely on the basis of this pooling of knowledge that these groupings of regional interests can advocate a common position at both national and EU levels.

The implication of this is that EU regional authorities constitute a potentially important network through which best practice local economic policies geared to achieving the aims of the LS can be propagated. To a degree, this has now been recognised by the European Commission in the run-up to the adoption of new Regulation governing the operation of the structural funds 2007-13. However, the opportunity for enhancing the regional dimension to the LS goes considerably beyond this. The beginnings of this type of "regionalisation" of the Lisbon agenda are already evident. Under the aegis of the Network of European Metropolitan Regions and Areas (METREX), an alliance of six representations has established a Lisbon Regions Group in order to examine the delivery of the LS at the regional level.[8] Included in their interests are issues of regional economic data availability and quality, and comparative policy analysis in order to identify best practice.

Accordingly, to the extent that one of the delivery problems associated with the Lisbon Strategy has been the unwillingness on the part of national governments to "learn" from each other, and thereafter to reform domestic policies in the light of practice lessons from other Member States, then re-focusing those aspects of LS-related policy transfer that are relevant to the economic development competences of regional authorities may be a partial answer.

[8] This Lisbon Group comprises Stuttgart, Bratislavsky, Budapest, Emilia-Romagna, Regio Randstad, and West Midlands.

2.2 *Economic Policy and Delivering the Lisbon Strategy*

The economic pillar of the LS is driven by the objective of raising EU-wide rates of economic growth, and increasing the level of employment. The key to securing these aims is an improvement in the global performance of the European economy which in turn requires the implementation of a raft of competitiveness-related economic policy reforms to be implemented across the EU. In this section we argue that the tendency of the Lisbon process to focus exclusively on national governments lessens the prospects that the range of reforms required will be implemented.

The environment within which EU economic activity operates is subject to three levels of regulatory and policy input - supranational, national and sub-national (i.e. 'regional'). A key problem with the LS is that the OMC method continues to focus on policy coordination at the national level, and does not within its own terms of reference provide for the involvement of regional authorities in the Lisbon process. Instead, the involvement of regional authorities in the OMC only occurs to the extent that individual national governments invite them to participate. In particular, there is no provision within the Lisbon process for regional authorities themselves to engage independently in cross-country coordination of Lisbon-related economic policy instruments over which they, rather than national governments, have competence.

It is by now generally accepted that regional authorities are well placed to devise and implement a range of policy instruments designed to enhance the economic growth and employment prospects within the region. While setting out the nature of the economic policy advantages of regions in this regard is beyond the scope of this paper, any list would include the following: knowledge of local labour market conditions; delivery of local education and training facilities; responsibility for quality of transport links and other communications facilities; stimulating local and 'inward' investment; enhancing local amenities; provision of dedicated business services; and a raft of measures which can help attract, or encourage the creation of, dynamic knowledge-based industries. Arguably, the significance of a regional dimension to the economic pillar of the LS is increasing. This is not only because of the greater familiarity of regional economic development authorities with local economic development problems and opportunities, but also because the scope for national government to influence economic activity through macroeconomic policy changes is greatly diminished. It is clear that the transition to monetary union has considerably reduced the scope for national governments to apply counter-cyclical policy with the view to generating higher economic growth and employment. Under EMU, Member States no longer have access to monetary policy instruments (interest rates and the exchange rate) to influence the level national economic activity while the scope for fiscal policy to be applied is considerably curtailed under the terms of the Stability and Growth Pact. Accordingly, the scope for what are described as 'demand-side' stimuli in the context of an under-performing economy is limited, and the emphasis instead has come to be placed on 'supply-side' measures which are intended to improve the opportunities for growing prosperity at the level of the individual firm. And while there are a range of such policies for which competence resides at the level of the nation state (e.g. national labour market laws and social security regulations) or indeed the EU level (e.g. the single market programme, competition law), it is also the case that local and regional authorities play key roles in designing and delivering aspects of supply-side, economic development, policies.

The economic pillar of the LS touches upon a wide range of economic policies, each of which involves each of the three different levels of EU governance in their design and delivery. Indeed, a possible criticism of the LS is that while it is fairly precise on ultimate objectives, it is much less clear on the nature of the policy reforms that are required to achieve these objectives. But, as is made clear in a recent Commission paper,[9] achieving the Lisbon economic objectives will require changes in policies for which, in practice, competence cuts across the three levels of EU governance albeit to

[9] European Economy (2005) "The Economic Costs of Non-Lisbon", European Economy Occasional Papers, D-G Economic and Financial Affairs, March 2005.

different degrees in different Member States. We now consider how regions might play a greater role in developing Lisbon targets and achieving the LS objectives.

2.2.1 *EU Level*

There are two clear EU-level competences which will have a direct bearing on the success of the LS - the internal market programme, and the Better Regulation Strategy. The internal market programme is generally recognised as an on-going source of economic and employment growth for the EU as a whole. The European Commission continues to stress the economic benefits which will arise if progress is made in two areas: first, extending the scope of the internal market by enacting the legislation necessary to open those markets which remain closed to intra-EU competition, especially the services and financial services sectors; second, increasing the rate of transposition of existing single market legislation across the EU. The internal market programme in large part is a matter involving national and EU-level authorities with little direct part to be played by sub-state authorities other than, possibly, implementation. It remains the case that sub-state levels of government can input to EU level internal market discussions, including those shaping prospective legislation (e.g. in the area of Services of General Economic Interest) both via internal Member State arrangements for consultation with regions (especially those with legislative competence) and, where the Treaty so provides, through the Committee of the Regions. It clearly is important that regions continue to use both avenues of influence.

However when we turn to the role of the Better Regulation Strategy (BRS) in delivering the LS then a potential exists for regions to play possibly a greater (albeit indirect) role in the EU-level legislative process. Underpinning the BRS is a concern that the EU as a regulatory body either is over-regulating, by enacting unnecessary regulation, or is enacting 'poor quality' regulations. In either case the outcome is to burden businesses excessively with 'red tape' to a degree that, arguably, inhibits their competitiveness. Indeed one of the main planks of the UK Presidency of the EU is delivery of the Commission's Better Regulation Agenda of March 2005. That agenda includes strengthening the impact assessments procedures for prospective EU legislation, increased stakeholder input into the legislative process, and simplification/withdrawal of some existing legislation. Impact assessment is the central plank in the search for better regulation at the EU level. This involves both an opportunity for stakeholders to be involved in the development of a regulatory legislative proposal by contributing to the cost-benefit assessment of the impact of the prospective regulation undertaken by the Commission (Extended Impact Assessment). The Commission now invites submissions by stakeholders commenting on key legislative proposals ahead of the proposal being issued as a legislative proposal proper. It is at that stage in the development of EU legislation that actors outside the EU decision making process proper have an important opportunity to influence EU regulatory policy. Thus far the Commission has opted to undertake an Extended Impact Assessment on a selection of legislative proposals - those which it considered sufficiently important to warrant stakeholder consultation. From 2005, however, all items included in the Commission's Legislative and Work Programme will be subject to an extended impact assessment.

This extended impact assessment procedure offers regional authorities an important opportunity to influence EU legislative proposals that will directly (e.g. sectoral legislation) or indirectly (e.g. framework programme for competitiveness and innovation) impact on regional economic conditions, particularly legislative measures that are likely to affect local economic growth prospects - for instance via the implications of prospective EU measures for the 'local' SME sector. The problem at present seems to be that regional authorities are not systematically taking advantage of the opportunity which the EIA approach offers to comment on, and possibly influence, EU legislative proposals. A review of the responses which the Commission receives under the EIA arrangement reveals considerable variation in the response by regional economic authorities to draft EU proposals.[10] If the BRS is to contribute to achieving the objectives of the LS, then it is necessary for regional authorities to make significantly more use of the EIA facility than seems to be the case at the moment. As already argued, it is the regional rather than national economic authorities who are best placed to assess prospective legislation against the background of local economic conditions.

Beyond these specific policy domains, it is of course the case that almost all policy areas for which the Commission discharges competence on behalf of the EU now are informed by the Lisbon agenda. For example, in recent months the Lisbon Strategy has informed the Commission's approach to the review of State Aid guidelines, the content of the new Regulation governing eligibility and expenditures under the Structural Funds, and Community competitiveness and innovation programmes.

It is evident from this section that opportunities exist - and are further developing - for regions to play a greater role in furthering the LS than previously has been the case. The extent to which the regions can and will avail themselves of these opportunities depend not only on the readiness of national governments to "admit" then into national LS policy processes, but equally upon the extent to which regional authorities are willing to take advantage of the opportunities to influence LS matters that exist at present.

2.2.2 *The National Level*

The success of the LS clearly is inextricably linked to the extent to which national governments commit themselves to undertaking those domestic reforms necessary to ensure that the many and varied economic goals of the strategy are achieved. And as is stressed in virtually every Commission document since the 2005 Spring Council, *delivery* of the LS is the main problem that has to be addressed both at the EU and national levels, and must lie at the heart of the renewed Lisbon strategy. The EU has already provided clear indication of its intention in that regard.[11] In addition, it has been agreed that national governments will prepare National Action Programmes (NAP) for growth and jobs and, ideally, will identify a government member who will have specific responsibility for the domestic implementation of the NAP. In February, 2005 the Commission also presented a paper giving details of the proposed new implementation structure under which national action programmes for delivering Lisbon would be agreed between national governments and the Commission.[12]

It is clear that the principal range of LS competitiveness-related reforms lie within the sole competence of national governments to deliver - e.g. the broad macroeconomic framework as determined by national fiscal and (outside the eurozone) monetary policies; labour market and social security policies and regulations; the research and development environment; education and training; taxation policy; internal market related reforms, etc.. At the same time, in a number of (federal) Member States competence - in part of whole - for some of these policy areas reside at the level of sub-state legislatures. And even in Member States which remain highly centralised, and in which a sub-state level of governance is absent, more often than not implementation of many of the policies that touch upon the Lisbon objectives will be devolved to regional or local administrative levels. Notwithstanding this, as the LS presently is structured it is (and understandably will remain) at the national level that LS benchmarking and OMC processes are engaged regardless of the domestic arrangements of policy competence or policy implementation.

[10] One difficulty with the EIA as implemented is that different Directorates-General use different reporting methods and it is not possible to find systematic information on responses to consultation exercises..
[11] European Commission (2005) Lisbon Action Plan, SEC(2005) 192
[12] European Commission (2005) Delivering on Growth and Jobs: A New Integrated Economic and Employment Co-ordination Cycle in the EU, SEC(2005) 193

The implication of this is that sub-state authorities - be these purely administrative or fully fledged sub-state governments - should properly be involved in devising and monitoring national Lisbon action plans. For a number of reasons we would expect this to both improve the quality of NAPs and the likelihood of their succeeding;

i. regional actors have better knowledge of many Lisbon target variables and are better able to set local goals (i.e. benchmarking);
ii. large number of Lisbon policy objectives overlap - regional actors can adjust priorities to reflect local conditions;
iii. opportunity of shaping and prioritising the delivery of Lisbon policies to meet specific regional socio-economic conditions;
iv. disaggregating national Lisbon objectives to regional level enhances likelihood of success - regional players have incentive to deliver;
v. regions will utilise EU-wide interregional networks to establish credible goals (benchmarking) and "learn" best practice implementation policies;
vi. regions are well placed to monitor progress towards achieving Lisbon targets;
vii. achieving the Lisbon targets will be likely if regional authorities have greater "ownership" over the process as a whole.

The re-launch of the LS focuses squarely on the national delivery of targets that are established domestically and agreed with the Commission. In our view, the "new" type of partnership between the EU and the Member States represents a good beginning. However, the regions continue in large measure to remain outside the Lisbon strategy. There is a strong case for the regions to be brought much closer to national Lisbon planning processes such that agreed national targets reflect (a) the views of those sub-states authorities who have legislative competence over policies which are central to the delivery of the Lisbon targets and without whose cooperation the targets cannot realistically be achieved, and (b) the views of regions authorities in general who are better placed than are national authorities to set realistic targets over a range of the Lisbon policy objectives.

2.2.3 *The Regional Level*

As already noted, there is a wide difference in the role that "regions" play across the EU. This ranges from extremely powerful regions within federal Member States which command extensive policy competences touching on the Lisbon agenda at one end of the spectrum (e.g. Belgium, Germany, UK), to regions that are essentially administrative entities and whose purpose is to oversee the delivery of national policies at the other end of the spectrum (as in many of the new Member States). Accordingly it is impossible to make categorical statements about the appropriate role and responsibilities that regions themselves should take in the context of delivering the Lisbon objectives. However, to the extent that regions are excluded - nationally and within the EU policy domain - from contributing to achieving the Lisbon goals then undoubtedly this will make ultimate success in this venture more difficult.

Many of the strengths of regions in this regard, and positive contributions regions could (and indeed sometimes do) make to the Lisbon process, have already been noted. In essence these revolve around the setting of regional targets for a wide range of Lisbon economic indicators (i.e. being closely involved in the benchmarking exercise which is at the heart of the LS), with national targets being established based on dialogue between the regional authorities and national government. This is the principle of a "bottom-up" view of economic development, in which regional authorities are the key catalysts of growth, and is one that is widely acknowledged as more appropriate given the limitations that national economic policy instruments have in shaping many of the supply-side factors which determine economy-wide levels of employment and growth (innovation, research and development, business development and SME support, financial assistance, education and training, transport and ICT infrastructures, etc.).

Rather than rehearse these arguments again, in this section we confine our comments to three final points with a view to advocating a systematic and transparent involvement of the regions in the Lisbon process.

First, there is a case for regional authorities to follow the Commission recommendation to national governments that a "Mr or Ms Lisbon" be appointed at regional level. The purpose of this would be two-fold. In the first place the individual could take responsibility for ensuring a "Lisbon-coherence" between different relevant economic development policy agendas, and for championing the prioritisation of measures that deliver greatest gains in terms of reaching local Lisbon target outcomes. In the second place, that office could be responsible for ensuring the mainstreaming of Lisbon agenda throughout the various departments whose activities are Lisbon-relevant.

Second, there are clear benefits to flow from inter-regional exchanges of information and collaboration in economic policy matters related to delivering the Lisbon agenda. We have noted already that there already exists a Lisbon group of six regions, and that this group is involved in exchanging information and advice on local measures that can advance the Lisbon process. There may well be a case for many other intra-EU regional groupings to develop exchanges driven by the delivering the Lisbon agenda. A key grouping in this regard is the 73-strong group of EU Regions with Legislative Power (RegLeg). Although initially created to lobby for a strengthened constitutional position for legislative regions in the context of the ill-fated project to deliver a European Constitution, RegLeg is well placed now to play a key role in developing a robust regional dimension to the Lisbon process. As we discuss in the next section, the potential role for legislative regions is not confined solely to policy delivery, but the broader function of 'local' policy engagement and policy legitimation.

Third, the position recently represented by the Committee of the Regions indicates its support for a greater role to be played by regions in delivering the Lisbon objectives.[13] In para 9 of that Opinion the Committee noted that it:

> "...regrets that the Commission's approach focuses on an exclusive relationship between the central authorities and the Member States, and that local and regional authorities cannot participate through direct levels of communication at the European level. The implementation and delivery of the National Action Plans is left almost exclusively to the Member States. Given that the absence of a genuinely decentralised approach is one of the reasons why the Lisbon agenda is behind schedule, the CoR reiterates its call for an intensified, more decentralised implementation of the Lisbon Strategy, as stipulated in the conclusions of the Lisbon European Council: 'A fully decentralised approach will be applied in line with the principle of subsidiarity in which the Union, the Member States, the regional and local levels, as well as the social partners and civil society, will be actively involved, using variable forms of partnership'..."

The analysis contained in this paper would support this view, albeit recognising that as matters stand the Commission has little scope to impose upon Member States any obligation to involve sub-state authorities within their domestic Lisbon strategy arrangements. Nonetheless, there is scope for the Committee of the Regions to develop modalities that encourage inter-regional debate on improving 'local' delivery of the Lisbon strategy.

[13] Resolution of the Committee of the Regions on revitalising the Lisbon strategy, 24th February, 2005 (OJ C 164/91, 5th July, 2005)

3. The Regional Dimension to Legitimising the Lisbon Strategy

In this final section we consider briefly the 'legitimacy' element to the Lisbon strategy, and suggest that the missing regional dimension is weakening the likelihood of the Lisbon reforms being achieved to the required degree across the EU. Once again the caveat must be entered that we cannot readily generalise the arguments here to all Member States. Clearly there are some Member States in which a Lisbon dialogue is proceeding within and between all levels of governance. Indeed, where such a dialogue is taking place important lessons might be drawn from focused research in order to establish some kind of "best practice" approach that may be relevant in other Member States. Nonetheless a major criticism of the Lisbon process made by the Kok committee was that it was simply failing to engage sufficiently with either domestic parliaments or stakeholders. It is the regional dimension of this stakeholder engagement which we consider in this section.

The OMC as LS governance offers a prospect for delivering common EU-wide solutions to deep-seated economic problems afflicting the EU through the trans-national propagation of 'best practice' economic policy (reforms). This route – as opposed to the classic Community method – has the appeal of not intruding in the sovereignty of the Member States with regard to the policies involved. Instead, the strategy is implemented through domestically championed reforms to relevant policies, and these reforms themselves are legitimated via domestic political arrangements. While this is undoubtedly one of the strengths of the Lisbon strategy, ultimate success in delivering the Lisbon objectives requires that national governments are sufficiently committed to the process to prioritise the associated economic reform measures across the domestic policy agenda. As is clear from the Kok Report, and as noted in our Introduction, this has not happened. This is attributed in part to the absence from the OMC method of any element of external pressure for Member States to undertake necessary national reforms, and to the failure of the “learning” element of the OMC to successfully achieve policy transfer between national governments.

We have already identified why the regional level may well be an effective and efficient substantive player in the OMC arrangements which are expected to deliver the national Lisbon targets. However, the regions also have a key role in legitimating the LS with regard to those aspects of economic policy measures (and reforms) where competence resides at the sub-state level. The Kok Report makes much of the need for national parliaments and stakeholders to become more closely involved of the Lisbon process (i.e. to take "ownership" of the process). However little mention is made of the potential for sub-national parliaments and/or other regional representative authorities to engage in Lisbon-related OMC processes at the political level. The political argument for including sub-state legislatures, local economic development agencies and the wider stakeholders in the local economic development process as elements within the national political dimension to the LS is largely self-evident. Disaggregating the Lisbon targets to the regional level, and ensuring that these targets are subsequently mainstreamed in regional economic policy, provides a gateway to initiate a bottom-up political engagement in the Lisbon agenda. In so doing, the principle of subsidiarity will be extended and applied to the Lisbon strategy.

The wide diversity of national practices for including a sub-state level of governance in economic development policies, along with the diversity of arrangements for political accountability at this sub-state level, makes it impossible to offer anything other than general remarks about the potential for a regional legitimation of the LS. However, as most Member States have devolved some degree of economic policy competence to sub-state authorities, the scope for utilising a bottom-up approach to widening the participation in the Lisbon process beyond national level institutions (parliaments, social partners, governments) is considerable. This is most obvious if we look at Member States with highly developed federal structures. In such cases regional parliaments and assemblies offer appropriate venues for animating discussion on the Lisbon strategy and its ‘local’ implementation. It is these venues, rather than national counterparts, that are best laced to engage with stakeholders in the Lisbon process, to define achievable targets, and to secure locally implementation of those measures which are best tailored to local economic (and social) conditions. Moreover, and as already noted, regional parliaments and assemblies are able to engage within a regional network with a view to eliciting best-practice forms of participation in the Lisbon process.

Clearly this local dimension to the Lisbon process will be developed within the context of the constraints and possibilities offered by national policy reforms. However, even (or particularly) where national reforms prove difficult to achieve an important role can be played by sub-state authorities in the overall strategy. Indeed, the extent of the 'local' dimension to the LS will be directly related to the reform of policies where competence lies at the nation state level. The less flexible are those latter policies then the greater will be the degree of flexibility required in local policies. This consideration – local policy flexibility to counter national policy rigidity – takes on increasingly significance within an EU in which national governments find restrictions placed on their scope to adjust specific policies (e.g. monetary and fiscal policy; state aid policy; procurement policy) which whilst national have significant local or regional effects. When viewed in this light, the scope for greater legitimacy in the conduct of regional economic policy takes on a greater urgency.

4. Conclusion

The thrust of this paper is that the Lisbon Strategy as presently construed lacks a coherent and substantive regional dimension. This omission is especially pertinent when one considers the economic pillar of the objectives of the Lisbon process. This omission occurs both at the level of contribution to the framing of a national programme and the setting of national targets. The scope for a regional input to national Lisbon processes – including participation in the relevant OMC committees – is considerable. This is true whether one views the LS as an exercise in implementing or reforming economic policies designed to deliver economic growth and employment (and the essential precursors to higher growth and employment), or as a governance regime which requires the active engagement of a wide range of economic stakeholders (the economic and social partners).

It is clear from many documents that the European Commission is determined to mainstream the Lisbon agenda throughout its economic, social and environmental policies. This is a significant step towards improving the prospects that the ultimate targets of the exercise will be achieved. However, in itself EU policies only play a relatively small part in delivering growth and employment. The burden of responsibility remains with national governments. However, national governments remain unconvincing participants in delivering the strategy. The OMC system is failing, and the proliferation of national targets is threatening to worsen an already confusing picture. While injecting a strong regional element to the Lisbon process cannot remedy all the defects in the current procedures, it can alleviate some. In particular, we suggest (a) sub-state authorities have to be closely involved in national Lisbon programmes as not only have they better knowledge of local economic circumstances, in many instances they are the competent authority with regard to particular Lisbon-related policies: (b) both theory and evidence supports the contention that sub-state authorities are more likely to “learn” from one another through established inter-regional networks, most of which involve policy transfer in relation to economic development: (c) sub-state authorities and their associated parliaments and assemblies offer crucial conduits through which the policy reforms and measures required to deliver Lisbon targets can best be legitimated, and so raise the likelihood that these will be realised: and (d) social-economic development occurs at the level of regions rather than nation states, and sub-state authorities are better placed than national governments to bring into the Lisbon process the various economic and social partners who are the key stakeholders in the Lisbon process and therefore to offer greater prospect of its ultimate success.

In conclusion, the arguments set out here point to the need to energise a regional debate over the Lisbon strategy. The Committee of the Regions, and RegLeg, provide two opportunities for developing and refining the arguments raised in this paper. Undoubtedly there are regions who are already heavily involved in the Lisbon process, and successfully so. It is vital that best-practice lessons are learned from those regions, both in terms of the structures through which their involvement takes place and with regard to the substantive policy measures that these authorities are implementing.

USEFUL LINKS

European Commission, Growth and Jobs:
http://europa.eu.int/growthandjobs/index_en.htm

Common Actions for Growth and Employment:: The Community Lisbon Programme, July 2005
http://europa.eu.int/growthandjobs/pdf/COM2005_330_en.pdf

Working Together for Growth and Jobs - Next steps in implementing the revised Lisbon strategy, April 2005
http://europa.eu.int/growthandjobs/pdf/SEC2005_622_en.pdf

Presidency Conclusions, European Council March 2005
http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/84335.pdf

Working together for growth and jobs - A new start for the Lisbon Strategy, February 2005
http://europa.eu.int/growthandjobs/pdf/COM2005_024_en.pdf

Facing the Challenge: The Lisbon Strategy for Growth and Employment, Report from the High Level Group Chaired by Wim Kok:, November 2004
http://europa.eu.int/growthandjobs/pdf/2004-1866-EN-complet.pdf

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