

Europe 2020: better – but still not good enough

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Key points

Strengths

- Proposals are more concrete and include delivery mechanisms
- Seven flagship initiatives should drive EU-level action
- Education (and social and environmental targets) included within scope of action

Weaknesses

- Unclear rationale for targets
- Too dependent on Member State political will and policies
- Public finance and public sector reform challenges not integrated
- Weak delivery mechanisms

Conclusion: need to be more ambitious and bold to deliver future sustainable growth

On 3 March, the Commission published its Communication on Europe 2020, presenting more concrete proposals for the successor to the Lisbon Strategy, to be discussed at the forthcoming Spring Council. Europe 2020 focuses on smart, sustainable and inclusive growth, with high level targets covering each of these dimensions. The Commission is proposing to add targets on education, poverty reduction and climate change to those already in the Lisbon Agenda: R&D expenditure (with the target unchanged at 3% of GDP) and the employment rate (with a higher target of 75%).

Delivery rests on a two pillar structure: The Commission proposes seven flagship initiatives, intended to spearhead the drive to the smart, green and inclusive economy. This focus on thematic 'flagship' initiatives which combine EU level action with member state action is coupled with a strengthened Lisbon Agenda process of monitoring and benchmarking.

Progress...

The current proposals are an improvement compared to the consultation paper from the end of last year, as some of the obvious flaws, such as the virtual absence of cohesion policy, have been corrected. The proposals have become more concrete, and now clearly cover all three aspects of sustainable development - economic, social and environmental. The inclusion of education is a bold but welcome step. An agenda which aims at improving EU competitiveness (as well as inclusion) must include the education dimension. However, the education targets chosen - on early school leavers and graduates - are not ideal as it is hard to see how they can be effectively influenced at EU level.

The seven flagship initiatives are also an important addition. They integrate concrete EU action much more firmly in the strategy, making sure there is a clear agenda at EU level. But there is still room for improvement: While some of these flagship initiatives contain a clear indication of action needed at EU level - for example creating a Digital Single Market - others are more aspirational, for example the European platform against poverty. It is crucial that significant tools and instruments (including timetables and concrete legislative measures) are committed to each initiative. This will determine how successful these flagships are in delivering the high level objectives.

Picking the right targets

The proposals are not perfect: In some areas, the underlying rationale is missing. It is unclear how the targets - indicators and levels - have been picked. The strategy should spell out a clear rationale for picking a specific EU level: how will, for example, 3% of GDP R&D expenditure impact on Europe's growth rate and competitiveness? Ideally, EU target levels should have been constructed as a sum of

individual country targets as the proposals give each country the leeway to develop their own target levels - but country targets will only be decided after the overall target has already been picked.

To make the strategy more credible and deliverable, the link between policies and targets should be more explicit, spelling out which specific policies will help achieve the target level. This would provide a yardstick to be used to measure success or failure of policies, independent of other influences.

The missing links

The proposals also do not cover all policy areas which are important for sustainable growth. Structural reform of public sectors, and especially public services, should have had a more prominent role. The impact of the public finance crisis coupled with demographic trends make this reform a critical success factor for Europe's economic and social model and for long term sustainability.

Another crucial issue missing from the high level targets is the sustainability of public finances, with the Stability and Growth Pact kept deliberately separate from Europe 2020. This omission means the strategy does not address economic reform comprehensively and also makes it dependent on other successes (or failures). Not only will the public finance situation determine much of the room for manoeuvre on the other targets, integrating both policy fields would have also provided an opportunity to bind Europe 2020 into the wider EU economic governance mechanisms. Some Member States - such as Germany - are reluctant to go in this direction but here the Commission needed to be a bit bolder even if it does not please all member states.

Aspirations or actions?

While questions still remain on the content of the strategy, the real question is whether the EU has the instruments to deliver. Looking at the targets, the tools to deliver are mostly at Member State level so it remains to be seen in how far Member States will match action to aspiration this time around. Aside from the flagship initiatives, which contain a welcome focus on EU-level actions, the proposed governance mechanism is still predominantly 'soft' relying on benchmarking, monitoring and recommendations. Yes, governments can be admonished if they do not take the right actions. But is there really a will by member states to do this consistently and apply it to all member states equally?

Agreeing a vision for Europe 2020 might be difficult enough - but without stronger governance mechanisms to implement it, it will just remain a vision. The Commission should have gone further, integrating structural reform into Europe's economic governance mechanisms, as well as proposing new and innovative delivery mechanisms, including, for example, external review of the performance of member state and EU institutions. True, no one can envisage a new treaty at this stage which would transfer more competence to the EU institutions - but much more can be done within the existing legal framework.

The final reckoning

The fundamental question is whether the proposed Europe 2020 is enough to deliver a higher growth rate for Europe. Europe's growth potential has been badly hit and needs to be lifted. Without higher growth, it will be almost impossible to deal with the crisis in labour markets and public finances and Europe will struggle to guarantee the viability of its economic and social model.

The proposals from the Commission are a start - but we need to go further. The Commission should be more ambitious and not shy away from an open discussion with Member States - but in the end it will be down to Member States to decide whether they are willing to give the EU level the tools needed to fulfill common European aspirations.

Will the Spring Council take the opportunity to strengthen Europe 2020 or, what is probably more likely, water it down? Much can still be done before the details of the Europe 2020 strategy are finalised in June. But if we do not make more ambitious and bold strategic decisions at this stage, Europe 2020 is unlikely to deliver.

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