Looking for a Deliverable Lisbon Strategy on Sustainable Growth and Jobs

Provisional Agenda for Strategy-Focused Public Governance

Ministry of Finance, Finland 2006

LOOKING FOR A DELIVERABLE LISBON STRATEGY ON SUSTAINABLE GROWTH AND JOBS

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FOREWORD

In the coming years the public administrations in the EU face increasing challenges. The ageing populations means in many countries that the demand for public services grows. Thus the upward pressure on expenditure remains and at the same time citizens are less eager to see tax raises, but the call for higher quality services remains. The EU countries try to face these challenges with their national development projects. The Finnish administration for example is putting a lot of effort in its productivity programme.

It is time that we look again how the EUPAN network can best help the member states in meeting these challenges. The OECD co-operation is another forum that has always been important for Finland and the synergy that can be found by taking care that the different forums do not overlap but increasingly compliment each others work is one important goal in the future.

As a part of the EUPAN network's work on the Lisbon strategy, the Finnish Ministry of Finance commissioned the European Institute of Public Administration (EIPA) to conduct a study project concerning the Lisbon strategy and Public Governance. This study has been written by Dr Seppo Määttä. The Ministry of Finance wants to express sincere gratitude to Dr Määttä for his work.

The Lisbon strategy is a theme that in EUPAN network has already brought continuity to the work under the previous presidencies our goal is that will be the case also in the future. This study will form a basis for the work in the EUPAN network both in the meeting of the directors generals of public administration and in the subgroups during the Finnish EU-presidency. The EUPAN public administration co-operation will be focusing on how effective public governance contributes to the implementation of the Lisbon strategy. The following goals set for the working areas for the Finnish presidency reflect the work on Lisbon strategy.

HUMAN RESOURCES

In the HR working area focus will be on effective management and leadership, which is a prerequisite for attaining strategic goals with regard to economic policy, employment policy, science and technology policy etc., as well as for delivering services in a more efficient manner.

Development of pension systems which were last looked into during the Irish and Dutch presidencies, will be revisited as requested by the DGs in December 2004

E–GOVERNMENT

The e-Government Working Group will continue its focus on the analysis of, and exchange of experiences in, the efficiency of public administration and ways of increasing efficiency by utilising ICT. The potential of Business Process Management (BPM) in eGovernment projects will therefore be further discussed as well as the lessons learned and problems encountered. Within this topic, knowledge will be shared between the public administrations and ideas relating to possible benchmarking exercises.

While aiming to contribute towards the Lisbon strategy and increasing efficiency of public management and public service delivery, the quality of public services must always be borne in mind. Therefore, there will also be discussion and analysis, during the Finnish Presidency, on quality indicators for public services and on customer needs and e-services.

INNOVATIVE PUBLIC SERVICES

The IPSG will look at how innovative government can promote Lisbon strategy. Through the 4th Quality conference we aim at raising awareness and contributing to a growing understanding of the challenges facing the public sector across Europe. We will also work for building sustainability to the European public sector quality movement and strengthen contacts to other actors in the international field. During the Finnish presidency IPSG will promote the updated version of the Common Assessment Framework (CAF 2006) and look at ways of increasing knowledge of CAF.

In addition to these goals the Finnish presidency will work towards:

- Strengthening the steering role of the directors generals and
- Integrating the work of the different subgroups closer together

For over a decade international cooperation has been one of the corner stones of Finnish public management reform work. Since our EU-membership the EUPAN network has played a very important part in our work. The public sector of the 21st century faces strong challenges and the EU - co-operation between administrations and sharing of best practices between member states is one important tool to meet these future tasks.

With this publication we want to from our part to ensure the continuity of discussions and common projects in the EUPAN network.

CONTENTS

1. BACKGROUND

Prior to the Dutch EU-presidency, the Netherlands and Finland agreed to work closely together to detail the theme of the Lisbon strategy and public Governance[1]. As a part of that cooperation, the Finnish Ministry of Finance commissioned the European Institute of Public Administration (EIPA) to conduct a study project concerning the Lisbon strategy and Public Governance.

The project has been implemented in two phases. The objective of the first phase was to identify and elaborate the role of public governance in the context of the Lisbon strategy. Moreover, the idea was to increase general awareness of the topic within the European Public Administration Network (EPAN)[2]. The result of the first phase was a discussion paper[3] delivered to the Dutch presidency and used for preparing the ministerial meeting and its conclusions (see conclusions of 3 November 2004) and the Director-General meeting and its conclusions (see conclusions of 15-16 November 2004). One of the decisions was to set up a special group to focus on the Lisbon strategy and EPAN to provide proposals for further cooperation within the network. This group was headed by the Luxembourg presidency (see the final report, 10 May 2005). The author of this report acted as an expert member of the group.

The objective for the second phase was to further elaborate the theme by providing a deeper overview of the Lisbon strategy and its governance mechanisms. Furthermore, the aim was to describe the characteristics of the innovative practices for supporting the delivery of the Lisbon strategy, and also to identify examples of key levers used by the public sector in putting the strategy into practice. This paper is the result of the second phase. It is also the final report of the project.

The structure of the report is as follows. The second chapter sheds light on the definitions in approaching and understanding the Lisbon strategy. This is followed by a brief description of the key challenges and drivers that are influencing and even aligning European reform agendas. The main aim of the third chapter is to shed light on the revised Lisbon strategy and its renewed governance both at European and national level. The question

of the role of the public sector in governing the design and the delivery of the Lisbon strategy is touched upon in the fourth chapter. This chapter also includes some proposals for further inquiries and discussions.

2. EUROPE AT A CROSSROADS

2.1 WHAT IS THE LISBON STRATEGY – AND DOES IT MATTER?

At the Lisbon summit in the spring of 2000, the Member States of the European Union agreed to make their labour markets more flexible, stimulate innovation, encourage entrepreneurs, spend more on research and development and complete the single market. This agreement, called *the Lisbon strategy*, aims at making Europe 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. The strategy has been followed up on a yearly basis and a special mid-term review was carried out in 2004-2005.

Five years after the Lisbon strategy, many people are still asking, what is the Lisbon strategy and does it have a real role to play in making Europe a better place to live, to work and to invest? This report aims to describe and analyse the revised Lisbon strategy and its governance in a way which provides ideas for further work for practitioners and academics. Furthermore, the report sheds light on the role of the public sector, which is to be considered an active player in both designing and implementing strategies like Lisbon. Some concrete proposals are made for including the Lisbon strategy and its governance in the forthcoming presidency agendas within the European Network of Public Administrations (EPAN).

Five Ps for the Lisbon strategy

Strategies may be said to be the phenomena of our time. They are deeply analysed, heavily debated, seriously considered and widely used concepts by all types of organisations, communities and countries. A great deal of time, money and energy are invested in defining and discovering the secret recipe for credible and deliverable strategies. However, despite their importance and their increasing occurrence, the multi-faceted and complex nature of a strategy is too often forgotten or ignored. In the following, we will try to shed some light on the potential views of the Lisbon strategy. It is viewed and described as a perspective, a position, a plan, a pattern and a practice[4].

The Lisbon strategy and its challenging objective of making Europe 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, provides Europe a perspective for the future. In doing so, it sets a difficult objective, but not at any cost. *As a perspective,* the Lisbon strategy argues for a balanced development in terms of economic growth, employment and social cohesion. This perspective was balanced even more by the sustainable environment in 2002 (Göteburg Council).

By stating the objective of becoming the most competitive and dynamic knowledge-based economy in the world, the strategy defines Europe's position in the global economy. *As a position*, the Lisbon strategy openly acknowledges ever-increasing global competition, not only between businesses but also between continents, countries and regions. By doing so, it also declares that the EU is aiming to develop competitiveness by every means at its disposal.

As a plan, the Lisbon strategy and the related documents aim to provide a comprehensive guide or a path to the objective in question. Its strategy includes many intended objectives, targets and measures to be implemented by the respective actors. In order to maintain such a comprehensive strategy in a complicated and multi-dimensional institutional framework, numerous planning, coordination and reporting efforts are continuously being made.

The European Union has evolved during a long period of time. *As a pattern*, the Lisbon strategy and the related procedures represent consistency and continuity in behaviour in EU-related matters. In order to have such a complicated and multi-dimensional institution and a shared pattern of action, a great many formal rules and codes of conduct are needed. In addition to the formal rules, there are many informal ones, too. Most of these rules are considered self-evident. They define a certain way of acting and behaving in EU matters.

Strategies are intended to guide concrete actions taken by different actors. Consequently, in order to have a real influence, any strategy needs to be embedded in the operational practices and the everyday life of the strategy practitioners. *As a practice*, the Lisbon strategy could be defined by the way the strategizing is effected. The practice view raises the question of

how practitioners of strategy really act and interact and what does it take to be an effective Lisbon strategy practitioner[5].

This (final) definition suggests above all that strategy is a concept. This has one important implication, namely, that all strategies are abstractions which exist only in the minds of interested parties. It is important to remember that no one has ever seen a strategy or touched one; every strategy is an invention, a figment of someone's imagination, whether conceived of as intentions to regulate behaviour before it takes place or inferred patterns to describe behaviour that has already occurred. (Mintzberg, 1987)

By approaching the Lisbon strategy from different angles, our understanding of the opportunities and restrictions for designing and implementing such an ambitious strategy is likely to deepen and broaden. As a perspective, the Lisbon strategy provides a possibility for a shared view of the EU and Member States with a certain type of commitment to the European model. As a position, it clearly endorses worldwide competition in which the EU states its intention to be number one. As a pattern, it reflects the ways of acting and behaving when dealing with EU affairs. As a plan, the Lisbon strategy provides a documented, and to some extent, detailed roadmap based on thorough analysis and deliberate calculations on the intended milestones and actions required.

However, not much can be said about the Lisbon strategy as a practice. Its practical value has been criticised for being too broad, too general, invisible and far away from the grassroots level of action. Until now, it has not been considered sufficiently actionable for strategy practitioners in national and regional contexts.

Until now, the main focus has been on the strategy content or the question of what should be done in Europe rather than addressing the question of how the strategy should be implemented and by whom. Accordingly, the highly influential role of governments and public administrations in determining the Lisbon programme strategy has been largely ignored. Consequently, more focus and efforts should be placed on strengthening the capacity of public administrations to strategize and innovate in European, national and regional policy fields.

The Lisbon strategy is a comprehensive, multi-dimensional and multi-

level strategy that is intended to make a difference at different levels of actions: EU, national, regional and local levels. But does it really matter in the European and national contexts[6]? Or to put it more succinctly, can the Lisbon strategy deliver growth and prosperity for Europe[7]?

One could say that it does matter, but in different ways. However, it is important to notice that despite all the planning and alignment efforts and high-level political endorsement for the shared strategy, the Lisbon strategy is not the same for everyone. Strategies always mirror – explicitly or implicitly – the social systems in which they are embedded. Communities, regions and countries vary in their social, cultural, economic and institutional characteristics. These differences may have a substantial impact on national and regional economic performance. Moreover, it is important to note that the biggest problems and reasons for the delivery gap are likely to be found in Member States.

The bigger problems are to be found at the member state level...In particular, the member states' (in)capacities to reform and their lip-service rather than genuine commitment to deep and sustained investment in creating a (leading) knowledge economy are critical impediments to the Union achieving higher long-run economic growth. Long-run growth is a highly complicated process where markets, government policies but also economic institutions interact in so many ways that many national or regional varieties may emerge. (Pelkmans & Casey, 2004)

This has been acknowledged to some extent in the revised model of the strategy governance. Instead of drafting one big plan for everyone, the approach has been geared more towards national and regional conditions. It is worth analysing whether this slight "paradigm shift" has been reflected in the first cycle of the national Lisbon programmes, and whether there might be any change to confirm that the Lisbon strategy does matter after all. However, before getting to grips with the revised Lisbon strategy and its governance model, some crucial starting points and some shared concerns are described for the European Union and its Member States.

2.2 EUROPE GETS GLOBAL – YOU GET WHAT YOU ORDER

From its inception, opening up societies and economies to the world has been the key idea of the European Union. The EU has not only been a political union, but an economic one, too. The establishment of the internal single market has been one of the core European projects since the mid-eighties[8]. The idea of creating well-functioning internal market has been based on increased competition, with free movement of capital, products, services and people. The legislative frameworks have been reformed accordingly. The economic dimension of the EU was further strengthened by the establishment of the European Monetary Union on 1 January 1999[9].

The European project has developed more or less in parallel with globalisation[10]. Both are based on the same principles of fair and open competition on a worldwide basis. Accordingly, international companies are increasingly using the new space for developing and re-arranging their businesses under the most favourable conditions. Emerging opportunities are used rapidly and efficiently.[11]

Governments have more or less actively facilitated, supported, followed and accepted the development. However, is has not always been clear whether they have done so as strategy-makers or strategy-takers. Nevertheless, no decisions for changing European or national legislation and policy-agendas in favour of a more open economy have been made without politically accountable actors.

…realizing the gains from trade requires the move from production factors away from activities in a country is relatively less efficient than its trading partners and towards activities where it is relatively more efficient. This means that job losses in some sectors, along with new job opportunities in other sectors, are an inevitable accompaniment of the process of globalization. The challenge is to ensure that the adjustment process involved in matching available workers with new job openings works as smoothly as possible.[12]

The world has not changed overnight. A great many things had already taken place, e.g. the internal market project and the common currency. Development may perhaps be best described as incremental: no big bangs, but many small, independently and separately taken steps. From time to

time, however, more substantial changes will take place when sufficient steps have been taken in the same direction.

In the light of globalisation, an interesting development in economic activities can be recognised. In high-income and middle-income countries, the rise in the share of services has been achieved at the expense of both agriculture and industry. In low-income countries, too, agriculture's share of GDP has fallen. Therefore, services have increased importance in all country groupings, accounting for very large shares of GDP in high-income OECD countries (71%), middle-income (57%) and low-income countries (45%). Exposing domestic service providers to foreign competition tends to contribute to a deepening of service intensity in the economy. While the growth in activity is clear, there is scope for services to make an even greater contribution[13].

The critical role of services in economic growth and job creation has also been acknowledged within the European Union. However, the Commission has argued, that

(A) decade after the envisaged completion of the internal market, there is a huge gap between the vision of an integrated EU economy and the reality as experienced by European citizens and European service providers.[14]

The study by Copenhagen Economics (2005) shows that significant economic opportunities are expected to arise if the Services Directive proposed by the European Commission[15] is adopted and applied. The study predicts enhanced productivity, higher employment (net employment up to 600,000 jobs), increased wages (average real wages by 0.4%) and lower prices.

Despite widely shared intellectual and political understanding and already existing EU legislation on internal markets, it is still very difficult for a service provider to provide services from its Member State to another Member State, or to establish itself in another Member State in order to provide services. However, services market are likely to open up in the future. This will happen either proactively (the EU and its Member States acting as strategy makers), or passively, where change is determined by external forces or non-EU actors, leaving the EU with a role as strategy-taker.

A separate issue is the question of the scope for the services of general interest and the services of economic interest. This has been one of the major concerns in the debate, although the Commission has continuously tried to make clear that services of non-economic nature are not covered by the proposal. These are services provided by the national, regional or local authorities in fulfilment of their public mission, e.g. public administration and public education. However, some traditional public services (healthcare, care for the elderly) could be covered by the proposal if they are provided as an economic activity. According to the proposal, it is up to Member States to define services of general and economic interest and how they are organised and financed. This means that Member States are not required to liberalise or privatise, for example, health and social services, which are currently provided at national, regional or local level by the public sector.

Despite the various efforts made by the Commission, the difficulties of creating clear-cut definitions with regard to services of general interest and services of economic interest clearly remain. This is mostly due the different political and administrative arrangements in determining, deciding and providing these services. Cultural backgrounds and people's perceptions play their role here, too. However, the development of the services market is extremely important and interesting, also from the public sector point of view.

It is fair to say, that you get what you order. Opening-up means better and more open access to the market, not only within a region or a country but within Europe, and increasingly within the whole world. Adjusting to new conditions of living and working as a result of a more open, worldwide economy will neither be automatic nor painless. New opportunities, but also new types of threats, will arise along the way, but a great deal will depend on how and by whom these opportunities are interpreted, explained and finally turned into the action. Governments and civil servants working in the public sector are also directly faced with options for future development. Like all major crossroads, this one also calls for structural and mental changes.

2.3 CHALLENGES FOR STRUCTURAL CHANGES

"Structural change" has become a widely used phrase and a general policy measure for defining and implementing major transformations in economic systems. Structural reforms are called for to improve an economy's capacity to tackle increasing international competition and to sustain a solid basis for public finances. In the reforming process, some components of economic systems are reformed, replaced or partially substituted. This is a continuous process of adjustments and transformations throughout society, which affects institutions, groups and individuals.

Many of the published policy papers are urging the European Union and its Member States to reform their present structures with regard to labour markets, financial markets, the energy sector, product and services markets, pension systems, healthcare, education and public administration (for more, see, for example, OECD, IMF, European Commission). The arguments for urging economic structure reforms can be traced to some key challenges: demographic change, employment, productivity, learning, sustainable development and governance. These are summarised below.

The *demographic challenge* is a widely debated and acknowledged issue, but the societal structures have not yet been adjusted accordingly. Fact-based information reveals that Europe is getting older and the working-age population decreasing. By 2030, there will be 110 million people over the age 65 in the EU 25, which is 40 million people more than in 2000. Due to ageing and decreasing birthrates, the working age population will shrink from 303 million in 2000 to 280 million by 2030 in the EU 25. This will definitely challenge the sustainability of our welfare systems as well as aims to increase the overall employment rates.

The *employment challenge* covers both employment and unemployment. In 2004, 194.5 million people or 63.3% aged 15-64 were employed in the EU 25. However, the range from country to country varied significantly from 51.7 % (Poland) to 75.7% (Sweden). The employment rate for women was 55.7% and 41.0% for people aged 55-64, again with considerable differences between the Member States. According to the estimates Eurostat in July 2005, 18.7 million men and women were without work in the EU 25 (8.6% unemployment rate). As these figures clearly indicate, many people

are still without job, but even more people (approx. 85 million) do not actively pursue the labour market at all[16]. A large number of these people are women and elder people. The challenge is to improve the overall attractiveness of the labour market, both in quantity and quality.
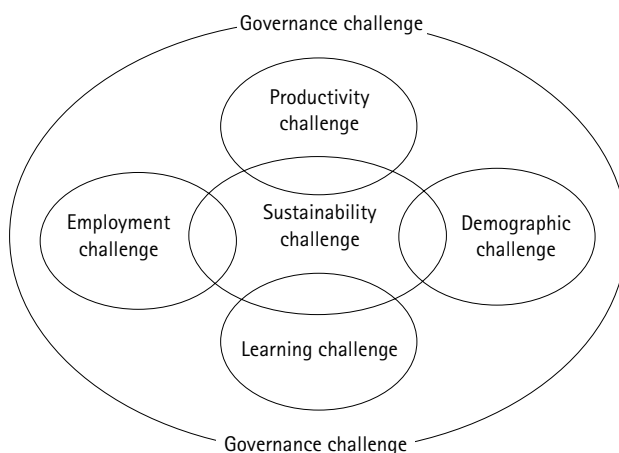
Demographic change and better employment call for earlier entry to and later exit from the labour market. Furthermore, a different type of learning experience is required between the two in order improve capacities continuously. Open economies and ever faster technology development raise the importance of *the learning challenge*, which is now a life-long journey. Life-long learning includes different types of learning activities (formal and informal) intended to improve knowledge, skills and competences within a personal, civic, social and employment-related dimension. More investments in learning and knowledge (human capital) are required both at institutional and individual level. This challenge includes both structural and mental dimensions. The former refers to existing institutional arrangements for providing opportunities for learning. The latter refers to attitudes to and opportunities for education and training among individuals.

The recipe for an economy's success is very complicated, but at least three things, in particular, are important: how many people are working (employment), how skilled and innovative are they (knowledge) and how productive are they (productivity). The *productivity challenge* urges Europe and its businesses and public administrations to do more, and do so in a better and smarter manner. Michael Porter (1990) has argued that the only meaningful concept of competitiveness at national level is productivity: any nation's living standards depend on the capacity of its institutions to continually upgrade themselves. For the EU, the overall productivity contribution from labour has been driven by employment growth rather than by an increase in working hours or by an increase in innovations. Consequently, the EU is now in the historically unusual position of having an employment growth rate that compares favourably with that of the US, but which has not contributed sufficiently to a growth in productivity[17]. Van Ark and Bartelsman (2004) argue that the lagging productivity growth in Europe is due to a lack of excellence, or in other words, a lack of outstanding productivity performance of international standards by innovative firms and industries. The challenge for improving

productivity and achieving excellence is a key issue on the reform agenda both for businesses and the public sector.

By putting the previously described challenges together, a bigger picture emerges in which each of the interrelated parts should make a contribution to the whole. The *sustainability challenge* forms the overall mission for future prosperity and well-being. It combines dimensions for economic growth, social cohesion and sustainable environment. The challenge for sustainable development is defined with respect to the future, because it urges "...a development that satisfies the present needs without compromising the ability of future generations to meet their needs[18]".

Having acknowledged the key challenges, we still need to ask ourselves whether our present institutional and mental structures are capable of tackling these challenges. We need to address the question of the capacity and commitment needed to tackle these challenges in order to turn them into measurable or at least verifiably objectives, and then into concrete actions. In this case, high quality-governance with visible and accountable actors accompanied by effective delivery mechanisms is the key element.

Governance challenge

Productivity challenge

Employment challenge

Sustainability challenge

Demographic challenge

Learning challenge

Governance challenge

Picture: Challenges for Structural Changes

The *governance challenge* is mostly about combining people, technology, processes and institutional structures for enabling effective, productive and innovative policy-making. It is about turning high-level intellectual

debates into the grassroots actions. The moment of truth is not when something is decided, but when something is done.

The governance structure is seldom clear cut. It is a multi-dimensional and over-lapping system with many arenas, actors and mechanisms. The dynamics of any governance system relies on a delicate balance between order and chaos, between imposed and autonomous behaviour and between centrally imposed and locally emerging actions. Public governance refers to the role and tasks of public administrations in legislating, policy-making and managing public organisations. The respective actors at central, regional and local level administrations are responsible for developing processes, structures and mechanisms for effective strategy delivery. A particular emphasis should be placed on modes of vertical and horizontal interaction between actors.

The European Union and its member states are facing numerous interrelated structural challenges. All have different types of impacts on society, the economy and the environment. Each one is a subject for intensive debate with no single truth or commonly agreed solution. The only thing that seems to be widely acknowledged is "if we want things to stay as they are, things will have to change[19]".

3. SUSTAINABLE GROWTH AND JOBS: THE LISBON STRATEGY AS THE EUROPEAN AND NATIONAL REFORM AGENDA

The Lisbon strategy can be said to be the European answer to global competition and future prosperity. It aims to tackle the challenges described earlier: *demographic change, productivity, learning, employment, sustainable development and governance*. It is a comprehensive strategy that touches on almost all of the EU's and the Member States´ economic, social and environmental activities. The Lisbon strategy transcends sectors and institutional border lines. Consequently, it challenges the traditional structures and divisions of labour by stating that no single policy area or institutional actor can deliver the strategy by itself.

In March 2005, midway through the strategy period, the European Council called upon the Commission, the Council and Member States to re-launch the Lisbon strategy by refocusing on sustainable growth and employment in Europe, supported by the more effective and transparent governance. This message was repeated by the Council in June with more detailed key policy guidelines.

3.1 THE LISBON STRATEGY AND ITS GOVERNANCE

The Lisbon European Council of March 2000 adopted a ten-year strategy intended to make the European Union the most competitive and dynamic economy in the world, with stronger growth, job creation and favouring social and environmental policies leading to sustainable development. The Lisbon European Council conclusions of March 2000 set out a broad range of objectives. The initial focus was on sustainable economic growth, employment, and greater social cohesion. The Göteborg European Council of June 2001 added an environmental pillar.

Due to the expansion of the objectives, targets and procedures, the Lisbon agenda somewhat missed its core focus during the first five years by becoming more like an "anything goes strategy" without clear management and accountable strategy-makers. With only five years to 2010, a great many ambitious intentions have been stated, without any corresponding actions and accountable actors.

A widely shared view at the strategy midpoint is that the growth performance of the European Union has lagged far behind expectations since the launch of the Lisbon Strategy. The Lisbon strategy was intended to deliver an average growth rate of approx. 3% in the years following 2000, and an increased employment rate of 70% by 2010. However, the average growth rate during the period 2001-2003 has been far below the target of 3%, at 1.2% a year. Employment in the EU 15 was also far below the 70% target for 2010, at 63.3 % in 2004.
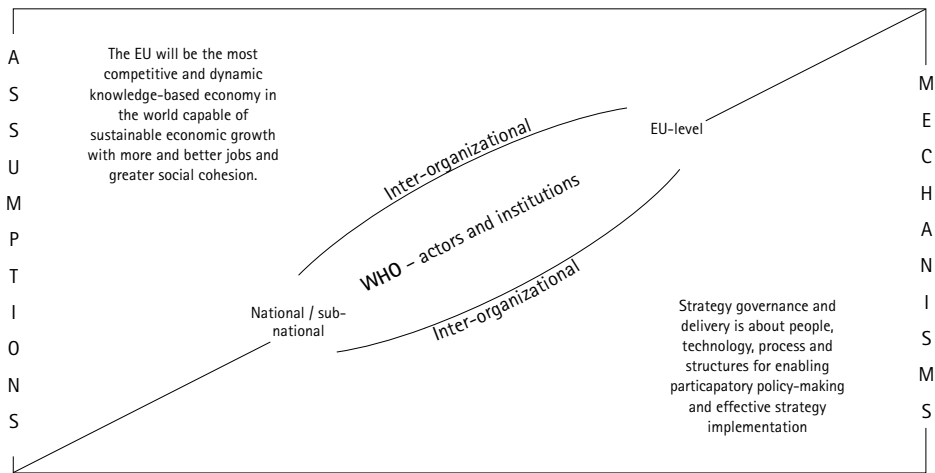
Despite the disappointments, it is not fair to put all the blame on the Lisbon strategy. Neither would it be fair to heap all the credit on it if the situation was the reverse. Like all grand strategies, this one, too, has its potential, but also its limitations. The Lisbon strategy requires support. More than one country, region, government or company needs to come forward, take the initiative, act and to deliver in order to make a difference.

The Lisbon strategy may be said to have a generally valid and widely agreed content. Consequently, it provides both general and detailed answers to the what question. However, the problem has not been so much analysing and agreeing on intended objectives and targets on "what should be done". The real challenge has for some time been on the implementation side, and therefore the how question in combination with the who question.

Delivery mechanisms exist, but they have not been used intensively enough for the Lisbon strategy. People and organisations exist, but they have not stood up for the Lisbon strategy. Talking heads are of no use without hands-on acting groups and individuals committed to make a difference. An important vision (strategy content) is of no use without effective actions (strategy implementation). Both are needed, but effective actions make the difference. Consequently, more attention must be focused on the practical application of the Lisbon strategy by various actors in their own particular surroundings.

Many institutions and many people have talked and written a great deal about the Lisbon strategy. So far, the result has been new analyses and more talk rather than effective action. This very much reflects the "leave it to others" approach in which different European institutions, governments, organisations, groups and individuals argue that somebody should do

something with respect to the Lisbon strategy. Institutions and individuals are looking at others rather than themselves. This needs to change if the costs of not implementing the Lisbon strategy are to be avoided [20].

The EU will 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.

Inter-organizational

WHO – actors and institutions

EU-level

Inter-organizational

National / sub-national

Strategy governance and delivery is about people, technology, process and structures for enabling particapatory policy-making and effective strategy implementation

ASSUMPTIONS

MECHANISMS

Picture: Delivering the Lisbon Strategy – What, Who and How (taken from Määttä, 2005)

The key question concerns European and national actors' strategic and operative capacity and commitment to deliver the Lisbon strategy. It is therefore vital to call for better quality and greater innovativeness in European, national and subnational policy-making in a world of complexity (not simplicity), ambiguity (not clarity) and inconsistency (not consistency).

3.2 REVISED STRATEGY CONTENT – KEY FOCUS AND PRIORITIES

At the mid-point stage of the Lisbon Strategy implementation period, the European Commission proposed a revised Lisbon Strategy to the Luxembourg European Council in March 2005, focusing mainly on economic growth and employment[21]. Most of the proposals were already presented by the High Level Group in November 2004[22.] In addition to the revised focus on the strategy content, the proposals emphasised the importance of improved governance and the delivery of the Lisbon Strategy at both European and national level.

The High Level Group stated that parallel actions were needed in five areas of policy:

• the knowledge society: increasing Europe's attractiveness for researchers and scientists, making R & D a top priority and promoting the use of information and communication technologies;

• the internal market: completion of the internal market for the free movement of goods and capital, and urgent action to create a single market for services;

• the business climate: reducing the total administrative burden, improving the quality of legislation, facilitating the rapid start-up of new enterprises, and creating an environment more supportive to businesses;

• the labour market: rapid delivery on the recommendations of the European Employment Taskforce, developing strategies for lifelong learning and active ageing, and underpinning partnerships for growth and employment;

• environmental sustainability: spreading eco-innovations and building leadership in eco-industry, pursuing policies that lead to long-term and sustained improvements in productivity through eco-efficiency.[23]

Critical questions have been raised. Are the EU and Member States capable of coping with all the three key policy dimensions and objectives: economic growth, social cohesion and sustainable environment? Up to the mid-term review in spring 2005, the objective of economic growth in the European Union was conditional on the Lisbon strategy: economic growth should not come at the expense of social cohesion and should not damage the environment[24]. The revised Lisbon strategy clearly indicates the top priority of economic growth for facilitating and ensuring "softer" objectives like social cohesion and sustainable environment.

Illustration: The revised Lisbon strategy

The European Council's conclusions in March 2005[25] states that the re-launch of the Lisbon strategy is based on three core pillars:

1) making knowledge and innovation the real engines to drive lasting growth,

2) making Europe more attractive for investment and employment, and

3) creating better and more jobs and placing growth and employment at the service of social cohesion.

Integrated policy guidelines (Presidency conclusions, Brussels, 16.1-7.6.2005)		
Knowledge and innovation for growth	A more attractive place to invest and work	Creating more and better works
7. Increase and improve investments in R&D, in particular in the private sector 8. Facilitate all forms of innovation 9. Facilitate the spread and effective use of ICT and build a fully inclusive information society	10. Strengthen the competitive advantages of its industrial base 11. Encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth 12. Extend and deepen the Internal Market 13. Ensure open and competitive markets inside and outside Europe, reap the rewards of globalisation; 14. Create a more competitive business environment and encourage private initiative by improving regulations 15. Promote a more entrepreneurial culture and create a supportive environment for SMEs 16. Expand, improve and connect European infrastructure and complete priority cross-border projects	17. Implement employment policies aimed at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion 18. Promote a lifecycle approach to work 19. Ensure inclusive labour markets, enhance work attractiveness and make work pay for job-seekers 20. Improve matching of labour market needs 21. Promote flexibility combined with employment security and reduce labour market segmentation 22. Ensure employment-friendly labour cost developments and wage-setting mechanisms 23. Expand and improve investment in human capital 24. Adapt education and training systems in response to new competence requirements.
Macroeconomic basis for growth and jobs		
1. Guarantee the economic stability for sustainable growth 2. Safeguard economic and budgetary 3. Promote an efficient allocation of resources, which is geared to growth and jobs	4. Ensure that the salary development contributes to macroeconomic stability and growth 5. Strengthen the consistency of macroeconomic, structural and employment policies 6. Contribute to the dynamism and smooth operation of EMU	

The core pillars and priorities of the revised Lisbon strategy have been further specified by the 24 integrated guidelines for 2005-2008[26] (see above). Six of the guidelines refer to the macroeconomic issues and ten to the microeconomic issues. The remaining eight guidelines set general objectives for employment. It is noteworthy that only one of the guidelines (no. 11) refers directly to the environmental dimension.

As a part of the renewed governance model, the integrated policy guidelines form the common basis for the European and national level programming and implementation[27].

Good quality public finances and public administration as a part of the revised strategy content

"The link between innovation and modernisation of the public sector requires a comprehensive understanding of the relationship between public sector performance and the overall performance of the economy. This linkage represents a new perspective on the role of the public sector in the economy, which considers the public sector as an integrated part of the whole system, and an important element of its functional development. (The Publin Post Newsletter, 2/3, 2003)[28]

The importance of a sound macroeconomic foundation has been emphasised as a key framework factor in supporting a well-balanced economic expansion. The notion of good-quality public finances refers to the improvement of public finances as an important prerequisite for promoting growth and employment. Good-quality public finances should be based on well-designed tax and expenditure systems that promote an efficient allocation of resources by reallocating expenditure to growth-enhancing policy measures, e.g. research and development, education, environmentally friendly technologies. In order to achieve this, proper mechanisms to assess the relationship between expenditure and policy objectives are needed.

In addition to sound public finances, the managerial and administrative capacity of public administration also needs to be of good quality. This means that the public administrations' capacity and know-how in policy-making, legislation and management is essential both for public finances and sustainable growth. High-quality public administration includes issues like innovativeness, productivity and efficiency, ethics and integrity,

research and development, e-government, strategic leadership, strategic programming, life-cycle view on learning and employment, performance management and knowledge creation.

Sound public finances and high-quality public governance are both highly important for coping with the future challenges by 1) investing more in research and knowledge, 2) increasing productivity and innovativeness within the public sector, and 3) adapting service levels with the available resources.

The role of companies in creating competitiveness is not in doubt. However, in many points of the Lisbon priorities, it is up to a combination of people, processes and technology used in universities and other educational and research institutions, employment offices, ministries and agencies, social institutions and healthcare providers, to provide high-quality societal infrastructure for companies and citizens to succeed. Moreover, we should keep in mind that the Lisbon strategy itself is designed by governments and public administrations at different levels.

The role of public administration

According to the UK Government, the added value of public administration[29] is based on its supporting role in

- developing creative and strategic policies;
- designing and delivering services directly, or in partnership, which focus on the needs of the public;
- using public money efficiently;
- improving our ability to deliver programmes and projects.

For anyone working in the civil service this means

- stronger and more visible leadership at the top of the service;
- better professional skills;
- bringing in and developing talent;
- fair rewards for real achievement; and
- upholding our core respected values of integrity, impartiality, honesty, objectivity and reflecting the diversity of the society.

3.3 REVISED STRATEGY GOVERNANCE – KEY MECHANISMS AND ACTORS

The design and implementation of economic and employment policies is mainly the responsibility of Member States. This has been always the case, but it was further underlined by the Lisbon strategy mid-term review. The new governance structure aims to define more clearly the respective responsibilities at national and Community level in order to better align competences, ownership and accountability. Consequently, different policy measures at Community and Member State level have been split into separate programmes, the Community Lisbon programme and national Lisbon programmes.

This could be considered as a considerable change in the overall governance model and also in the way the EU has operated and developed during the past years. The establishment of the national Lisbon programmes indicates a more nationally-oriented approach towards European cooperation[30]. On the other hand, the new division of labour can also be seen as a reminder both to the European Union and to Member States of the responsibilities for delivering the intended objectives and actions. It is argued that the new governance model with greater transparency ownership and accountability will lead to better implementation of the structural reforms. However, it remains to be seen whether these changes will have real consequences or not.

3.3.1 KEY EUROPEAN–LEVEL LEVERS FOR DELIVERING THE STRATEGY

European-level governance includes the key principles of EU policy-making and the mechanisms to be used in policy implementation. These include rules, processes and behaviour that affect the way in which powers are exercised at European level[31]. The key levers for strategy delivery include the Community Lisbon programme, legislation, financing and programming. Furthermore, the open method of coordination (OMC) is used as an EU-level mechanism for policy development and learning. These levers are addressed in some detail below.

The Community Lisbon programme

The spring European Council asked the Commission to draw up a Community Lisbon Programme covering all actions to be undertaken at the Community level. In July 15th the Commission published its proposal for the Community programme[32]. It forms together with the national Lisbon programmes the new Lisbon platform.

The Community Lisbon programme includes policy measures where Community mechanisms (legislation, funding and programming) are expected to support economic growth and the creation of employment. Most of the actions included in the programme already exist. The Commission grouped them together under eight key measures:

• supporting knowledge and innovation;
• reform of state aid policy;
• simplification of the regulatory framework;
• completion of the internal market for services;
• global agreement on the Doha round negotiations;
• removal of obstacles to physical, labour and academic mobility;
• developing a common approach to economic integration;
• supporting efforts to deal with the social effects of economic restructuring.

The idea of having a separate Community programme is intended to emphasise the division of labour and the respective responsibilities between the European Union and Member States. It includes mainly measures that are based on the EU's competence. However, many of the key measures overlap with national and regional competences and priorities, e.g. supporting knowledge and innovation and dealing with the social effects of economic restructuring.

The question of what would be the most appropriate and most effective level in taking decisions and actions for implementing the strategy is also an issue in the Lisbon context. However, no changes have been made with respect to the formal competences between the Community and Member States, i.e. these are fixed and no changes are expected in the near future.

The division of labour is not a clear-cut issue and neither should it be, as no single policy measure adopted either at European or national level can

implement the Lisbon strategy. Instead, several actions must be taken in parallel and the sense of direction should be shared.

It is interesting to note that in the case of the Community programme, too, the main actors for implementing the measures are the Member States. All concrete actions are taken by national, regional and local actors. Based on the Community programme, some actions are imposed by EU legislation, e.g. internal market legislation, and some are supported by EU funding and programming, e.g. research, innovations and mobility. In addition, the open method of coordination plays a role in the areas of non-formal EU policy-making. It does so by supporting policy learning and facilitating the process for shared understanding and commitment with respect to European level priorities, objectives and indicators to be further integrated and implemented at national and subnational levels.

The Community-level delivery mechanisms: legislating, financing & programming and coordinating

The Community method[33] and legislation in particular[34] as a Community delivery mechanism is based on the formal competences given to the European Union in legislating and adopting legally binding acts. The European Commission alone makes legislative and policy proposals. Legislative and budgetary acts are adopted by the Council of Ministers (representing Member States) and the European Parliament (representing citizens). Execution of policy is entrusted to the Commission and national authorities.

Referring to the three main priorities of the revised Lisbon strategy, the Community legislation mechanism is mainly available for "making Europe more attractive for investment and employment" and related objectives and measures. The key policy area here is the Internal Market which is implemented by EU legislation for creating the legislative framework for the free movements of goods and services throughout the EU.

One of the key objectives of the Lisbon strategy is to ensure that the regulatory environment in Europe is simple and of high quality. This can be assessed, for instance, by the transposition rate and the amount of complaints made by the citizens and companies. By June 2005, the EU had adopted over 80 directives under the Lisbon strategy aimed at achieving

greater harmonisation and a shared regulatory framework to reinforce the internal market and European competitiveness. The transposition rate of directives linked to the Lisbon strategy and to the internal market, in particular, has not been good enough. Only 20 out of 63 directives have been transposed by all Member States[35]. The reasons are many and include political and managerial difficulties as well as technical difficulties. However, having a regulatory environment that is both simple and of high quality presents a very challenging and complicated formula.

Better regulation initiatives includes a careful analysis of the appropriate regulatory approach, in particular whether legislation is preferable for the relevant sector and problem, or whether alternatives such as co-regulation or self-regulation should be considered. In order to develop the quality of the legislation mechanisms, the Commission and several Member States have already established different measures for delivering better regulation both at European and national level36. These measures are based on three main issues: simplification, administrative burden and impact assessment.

Simplification aims to focus on legislation which careful assessment shows to be disproportionately burdensome and complex for EU citizens and businesses in relation to the public interests that the legislation aims to safeguard. The screening will involve consulting lawmakers, regulatory enforcers, businesses, citizens and stakeholders in general as to which pieces of legislation should be the prime targets for simplification. Impact assessment is based on an analysis of the potential economic, social and environmental impacts of new legislation. A key idea is that the depth and scope of an impact assessment, and hence the resources allocated to it, are proportionate to the expected nature of the proposal and its likely impacts.

Administrative burden has been defined as "costs to enterprises for drawing up, storing or transferring information or data stemming from requirements in laws, government ordinances and public authority regulations or instructions contained in general advice (defined by the Swedish government). The Commission has proposed that "Better Regulation" becomes part of the national "Lisbon" programmes and recommends that Member States report on their current activities, and those actions that they intend to take.

The Community *financial and programming system* is based on medium-term programming of expenditure (financial framework) deriving from an agreement between the European Parliament, the Council and the Commission. The current agreement defines ceilings for the period 2000-2006 for the various categories of Community expenditure: agriculture, cohesion policy, internal European Union policies, e.g. education and research, external policy and preparation for enlargement, administrative expenditure.

For the forthcoming programming period 2007-2013, the Commission has proposed that the EU concentrate its action over the next seven-year period on three main priorities:

• Integrating the single market into the broader objective of sustainable development, mobilising economic, social, and environmental policies to that end. The goals under this priority are competitiveness, cohesion and the preservation and management of natural resources.

• Giving a real meaning to the concept of European citizenship by completing the areas of freedom, justice, security and access to basic public goods and services

• Establishing a coherent role for Europe as a global partner – inspired by its core values – in assuming its regional responsibilities, promoting sustainable development and contributing to civilian and strategic security.

Expenditure under the new Financial Perspective are grouped under 5 headings designed to reflect the Union's political priorities. Heading Competitiveness and Employment is aimed to include financing for initiatives taken at the European level in support of and in synergy with action by the Member States to contribute to the goals of the Lisbon Strategy. These are grouped under the following five broad objectives: research and technological development, connecting Europe through EU networks, education and training, promoting competitiveness in a fully-integrated single market, and the social policy agenda. Based on the Council decision on 16th of December 2005 special priority should be given to delivering a substantial and progressive enhancement of the EU's research effort. According to the European Council, the EU funding

for research should be increased such that by 2013 the resources available are around 75% higher in real terms than in 2006.

Heading Cohesion for Growth and Employment is also very relevant for the Lisbon strategy implementation. Targets will be set for expenditure under both the convergence and regional competitiveness and employment objectives for policies which contribute directly to the Lisbon strategy. [37]

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1. Sustainable growth
1a Competitiveness for growth and employment, e.g. research and innovation, education and training, the internal market
1b Cohesion for growth and employment (for enhancing convergence of the least developed Member States and regions, to complement the EU strategy for sustainable development outside the less prosperous regions and to support inter-regional cooperation)

2. Preservation and management of natural resources (common agricultural and fisheries policies, rural development and environmental measures)

3. Freedom, security and justice and other internal policies, e.g. justice and home affairs, border protection, immigration and asylum policy, public health and consumer protection, culture, youth

4. The European Union as a global partner

5. Administration (Commission administrative expenditure will be included directly under the relevant operational headings, as part of a new approach in line with the rationale of activity-based management)

Picture: Structure of the financial framework 2007–2013

The present Community programme period will be completed by the end of year 2006. The Commission has made its proposals both as regards contents (including legislation) and funding for the new period. The most important Community programmes for the delivery of the Lisbon strategy are the Structural Funds and the related programmes, the 7th research programme, the innovation and competitiveness programme and the i2010 programme.

In principle, the financial framework and all revised programme drafts have been aligned and restructured in accordance with the Lisbon strategy priorities. Consequently, the content and the structure of the structural funds, for example, have been modified to be more closely linked to the Lisbon strategy[38]. Actions supported by cohesion policy will be focused on investments in a limited number of priorities based on three core objectives: Convergence, Regional competitiveness and employment and Territorial cooperation. The strategic guidelines for the Community cohesion policy[39] set out a framework for new programmes which will be supported by the European Regional Development Funds (ERDF), the European Social Fund (ESF) and the Cohesion Fund.

The cohesion policy guidelines provide indicative Community priorities for cohesion policy programmes. They emphasise the need to strengthen synergies between cohesion policy, national and regional priorities and the Lisbon strategy, and they reinforce the ownership of cohesion policy by regional and local authorities, social partners and other stakeholders. The priorities are the same as in the Lisbon strategy: 1) making Europe a more attractive place to invest and work (expanding and improving infrastructures, improving the environmental contribution to growth and jobs, addressing Europe's intensive use of traditional energy sources and supporting renewable and alternative technologies), 2) knowledge and innovation for growth (increasing and improving investment in RTD, facilitating innovation and promoting entrepreneurship, developing an information society for all, facilitating access to finance) and 3) more and better jobs (attracting and retaining more people in employment and modernising social protection systems, improving the adaptability of workers and businesses and the flexibility of the labour market, increasing investment in human capital through better education and

skills, enhancing administrative capacity, maintaining a healthy labour force).

The above guidelines emphasise the importance of allocating limited resources to areas where they can deliver the best results in terms of growth and employment. In addition, the guidelines are not 'one-size-fits-all', but each Member State or region has to find the suitable policy mix for its own development path in the light of its particular economic, social, institutional and cultural conditions. Again, this statement clearly indicates a paradigm shift towards a more bottom-up approach in the European governance system.[40]

Numerous operative programs and measures are funded by the EU budget. The various Directorates-General and services in the Commission are responsible for implementing the EU budget and Community programmes in their respective areas and for managing the budgets earmarked to finance them. The programming is translated into an annual budget[41] which sets the amount of expenditure to be allocated to each policy area in which the European Union is involved.

The Commission plays a major role in planning and designing the Community budget and programmes. It has developed its internal strategic programming and resource planning by adopting an interesting governance or management framework called Activity-Based Management (ABM). This ambitious framework aims to put the resources and the activities on to the same loop. By doing so, it addresses the critical question on the linkages between the level of action and the level of resourcing. This has been and still is one of the key challenges for all governments and public administrations that apply different types of performance-oriented budgeting and management systems. The Commission-wide ABM application is an interesting practice and a modern governance mechanism that might also be useful for "governance learning" among Member States.

Activity-based management (ABM) is a managerial framework that has been used by the Commission since 2000. It is an integrated performance management, in which the 'activities' are the central element of management. It is with respect to these activities that priorities are set, objectives defined, resources allocated and managed and performance monitored and reported on. The Commission has developed a set of about 220 politically meaningful activities, which have been grouped into policy areas. They do not necessarily correspond to the administrative structure of the Commission. Besides being responsible for one main policy area, a Directorate-General (DG) will ask other DGs to contribute to the development of an interdisciplinary policy. The essential elements of the ABM are Commission priorities and resource allocation by core activities, systematic performance measurements and assessments. Followed by the ABM principles, the administrative expenditure of the Commission will be included directly under the relevant operational headings. Thus, the ABM framework forms the basis for establishing the annual budget. The new presentation allows the budgetary authority to discuss and vote on the operational and administrative appropriations for each policy area simultaneously[42].

When drawing up programming, the Commission drafted tens of proposals which in turn have been discussed, debated and challenged in several working groups and committees many times. Several studies, evaluations and benchmarks have been conducted. A great deal of information has been provided, stakeholders have been consulted and heard.

It would be interesting to study how the programming actually took place, who were the programming actors and to what extent the principles of European governance – openness, participation, accountability, effectiveness and coherence – were applied and fulfilled[43]. Furthermore, a lot could be learned by assessing the modes and added value of participatory policy-making by engaging stakeholders and citizens in the programming and implementation of the Lisbon strategy.

In acknowledging the Community financing and programming, it is still important to note that given the relatively limited size of the Community

budget and the related programmes, the Lisbon strategy cannot be delivered by these mechanisms alone. National governments and administrations could do much more to integrate, align and reallocate their priorities, expenditures and programmes with Lisbon priorities.

Open method of coordination (OMC)

The OMC was introduced officially at the 2000 Lisbon European Council as a new method intended to facilitate the implementation of the Lisbon strategy. Its legitimacy is based on the fact that most of the Lisbon strategy objectives fall into policy areas where the competence lies largely with Member States.

"Open Method of Coordination (OMC) is a method of supporting EU Member States as they tackle common challenges. It provides a structure to make exchange of best practice more meaningful but is a flexible method that can be adapted to have different variations for different policy areas. In the area of social protection and inclusion, variants are based around the setting of common objectives, common indicators and national reports feeding into a EU report, with an element of peer review."

(The UK Department of Work and Pensions, http://www.dwp.gov.uk/consultations/2005/omc/)

Despite its non-regulative basis, the OMC has gained an important role in the context of the Lisbon strategy. This is mainly due to those policy areas that do not traditionally belong to Community competence, but which are regarded as having an important role in delivering the Lisbon strategy. These include, for example, research and development, innovation and industrial policy, education, employment and social policy and information society.

Through OMC, Member States can discuss and sometimes even agree on common objectives with specific goals and targets to be included in the national and regional action plans. In many policy areas, Member States have to present regular reports to the Commission.

The nature and the content of the OMC

The OMC could be said to present a new mode of governance by emphasising features like participation, problem-solving, learning, etc.

(Radaelli, 2003). The Commission has highlighted the pros and cons of OMC use[44]. The fact that the voluntary approach of the OMC is said to result in a lack of commitment by Member States could be considered a negative aspect. The same applies to how Member States incorporate agreed EU objectives into concrete national measures. The non-obligatory nature of EU objectives and the voluntary nature of national targets are alleged to weaken the capacity of the OMC to drive structural changes. One of the positive aspects emphasises the importance of exchanging good practices and policy learning. Radaelli (2003) argues that the lack of imposing or sanctioning mechanisms is not a problem in governance architecture based on incentives for learning.

It has been argued that public services (or services of general interest) do not belong at European level and remain totally within national competence. This is true in a formal sense. However, under the OMC arrangements, Member States have been discussing priorities and objectives for some years, as well as indicators relating to employment, education, research, pensions, social inclusion, e-government, etc. In some cases, European level policies are evolving through the court rooms, as the following reference to healthcare policy implies.

It is acknowledged that healthcare services are not, under the most recent treaty agreements, included among the responsibilities contemplated for the EU institutions. …what we cannot escape from, though, is the continuous convergence of these health systems. Nevertheless, in the absence of an explicit common policy and strategy, the European Court of Justice has, through numerous rulings, filled the empty policy niche and, by default rather than by intent, has been creating a de facto emergent healthcare policy.[45]

The OMC is playing a role in converging national policies, structures and practices. Real changes and actual results are difficult to measure. However, given a perfect match of ideas, time and people, the converging process might take place rapidly and efficiently, leading to major or minor policy changes with little resistance. Policies still evolve gradually and on a voluntary basis, so decisions are always made by Member States. In this sense, the OMC is not beyond democratic reach as no decision to change institutional or legislative arrangements is made without political involvement and approval.

OMC evolvement stages

The OMC includes various stages, each of them calling for a certain level of ambition, capacity and commitment. It has been argued that the OMC types vary considerably in their modalities and procedures, depending on the policy area in question and the willingness of Member States to commit themselves to the different stages of the OMC. In this paper, the OMC modes are divided into 1) information sharing, 2) benchmarking, 3) determining and following up objectives at European level, 4) adapting and integrating European objectives into national and subnational objectives, and 5) implementing joint actions for delivering shared objectives and measures on a cross-border, transnational, or/and cross-institutional basis[46].

The first stage of the OMC, sharing information, does not need to be particularly ambitious. By sharing information, Member States are playing their role in an international cooperation without any immediate commitment to screening, benchmarking or policy development.

The second stage of evolvement is a more systemic stage in which actors commit themselves to a systemic learning process, including benchmarking, peer reviews, analysis and diffusion of interesting cases and practices. This type of cooperation is more ambitious than simply sharing information. In addition to being more systematic and goal-oriented, it also has more focus in terms of aspirations, capacity and commitment. However, it is still based on results and situations that have already taken place (backward looking approach). Consequently, no serious performance pressure or formal (or even political) accountability exist due to absence of ex ante objectives.

The third stage is focused more on the future and is more performance-oriented. This stage includes the establishment of European-level guidelines and objectives for a shared determining of goals. Consequently, a new step is taken in the direction of intentions, decisions and actions, which have not taken place yet (forward looking approach). Despite the fact that none of these objectives are legally binding or enforceable, the increasing political and "market" pressure might make this a more serious OMC stage. Due to the regular follow-ups, evaluations and multi-lateral surveillance of the results, the pressure is even more evident.

Various scoreboards and indicators indicate directly who has not achieved the commonly set objectives and targets. Therefore, public naming, shaming and faming are always present when the Commission (or some international ranking institution) publishes the follow-up reports. In some policy areas, the follow-up precedes general or strict recommendations addressed to those countries that have not done their homework.

The fourth stage calls for Member States to integrate the agreed European-level objectives into national and subnational objectives. Furthermore, the alignment between the level of ambition (content) and the level of capacity (resources) should also be integrated. This is no different from the existing requirement in the national administrations to allocate (and to re-allocate) available resources to the intended activities. At this stage, European-level objectives should no longer be issues discussed in Brussels separate from national agendas. Various agendas are interrelated and mixed and, to some extent, even tailor-made to the specific national and subnational circumstances. The recent decision to establish the national Lisbon programmes is likely to increase pressure to advance to this stage of the OMC.

The fifth stage of the OMC (which does not yet exist) is likely to include various joint ventures for implementing agreed objectives and measures. This would result in joint financing, joint human resources, joint investments, either as a project or in programme form or as institutional arrangements, e.g. centres of excellence, service centres. These types of joint actions are already taking place with legislative and financial support provided by the EU. The differences with OMC-based arrangements would be two-fold: firstly, they would be based on inter-governmental agreements either on a bilateral or a multilateral basis, secondly the private companies and NGOs could be a part of the arrangements. Consequently, these joint actions would be financed directly by the respective countries, regions, local authorities and/or private partners. The arrangements would be based on the bottom-up approach, and thus driven mainly by emerging demand. Due to the direct interests and investments of the actors, the quality and the efficiency control of the joint action arrangements would be taken care of automatically by the actors themselves.
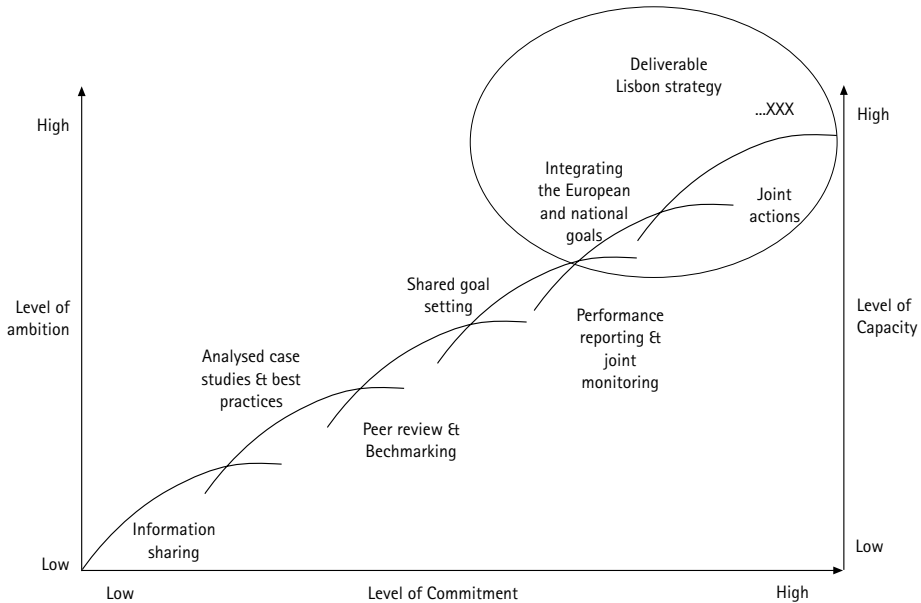
Picture: Open Method of Coordination – Stages of Evolvement

Although some positive or at least promising effects are provided by the OMC, the overall view of its contribution is a mixed one. However, it is fair to ask whether the fame or the blame can be put on the tool itself or on the actors who use or misuse the tool. While the Lisbon strategy represents a very high level of ambition, the level of capacity developed and allocated to its implementation seems modest. Therefore, the overall level of commitment is somewhat ambiguous.

In order to have a truly deliverable Lisbon strategy, the levels of capacity and commitment need to be matched with the level of ambition. Another option – if there is no action – is to adjust the level of ambition to capacity and commitment.

Despite the critical remarks, the emphasis on the national responsibility in strategy delivery means that the open method of coordination (OMC) continues to be the key mechanism for the Lisbon strategy implementation. OMC enables the sharing of good practices, a transparent system of accountability and convergence towards the main EU objectives without losing room for local adjustments. However, the OMC, too, needs to be focused and developed by the demands of the strategy delivery.

3.3.2 Key national–level levers for strategy delivery

The ultimate implementation of the Lisbon strategy and the related actions rely on national-level governance mechanisms. National-level governance includes processes, structures, regulations and management mechanisms used by the national, regional and local governments in strategy formation.

It is worth noting that the new emphasis on the national and subnational dimension is also an explicit call to the public sector (ministries, agencies, regional authorities and municipalities) to play a more active role in the context of the Lisbon strategy.

National Lisbon programmes

Most of the reforms and measures needed to implement the Lisbon strategy are the responsibility of Member States. Establishment of the national Lisbon programmes, was one of the key proposals for renewed governance in more effective strategy delivery. By the mid December in 2005, all Member States had provided their first national Lisbon programmes[47].

The national programmes were aimed at presenting a comprehensive three-year strategy to implement the integrated policy guidelines. Member States were expected to identify the key priorities for action, based on the country-specific recommendations already agreed at EU level[48]. They were requested to provide national policy responses by the structure used in the integrated policy guidelines: 1) macro-economic priorities, 2) micro-economic priorities and 3) employment priorities[49]. A description of budgetary resources available was also asked to be included in the programme, including the structural and cohesion funds, to implement the policy measures.

Due to the major economic and social differences among Member States, the established programmes are different as regards both contents and priorities. Also the ways of preparing the programmes vary considerable. This was evident already from the beginning since the intention was to emphasise Member States' own needs and specific situation. However, some common challenges and priorities can be identified in the programme contents:

• Increasing employment and functioning of the labour market;

• Improving research, development and innovation;

• Improving framework conditions for businesses (Internal market, better regulation);

• Improving education and strengthening life-long learning;

• Ensuring sustainability and quality of public finances.

Most of the Member States have set clear and quantitative targets for overall employment and R&D share of the annual GDP. Some other specific targets are also presented, like the UK for public sector efficiency:

Macroeconomic policies for jobs and growth by ... establishing world-class public services by setting targets for all government departments to ensure e.g. over 20 billion of annual efficiency gains by 2007-2008 to be retained by departments for reinvestment into front line services. (UK National Reform Programme, 2005, 3)

The intention to provide a description of budgetary resources available to implement the policy measures was met only in couple of cases. It is a well-known challenge to match the policy intentions and performance objectives with the resources needed. However, at the end of the day the credibility of any strategy or policy is measured by the level of reflection and attention it gets in the budget. The missing link to the budget allocations clearly weakens the role of the national Lisbon programmes.

If someone was expecting that the new procedure would produce radically new openings in policies and measures, the result is a disappointment. In most of the cases no real new policies or measures were introduced. This was hardly any surprise, because all Member States already knew in beforehand what should be done. Key challenges, priorities and measures have been already identified in other occasions and described in other strategy papers.

Electoral cycles are an issue when assessing "the level of radicalism" in the national reform agendas. Many of the governments presenting their national Lisbon programmes will not necessarily be in a position to implement them. Due to the different political cycles it is unlikely that any governments in power would to present radical new reforms and objectives in their programmes. This is challenging enough even in situations where a new government is established. However, the fact is

that elections and governments come and go. This fact only highlights the importance to have an ongoing "strategy process" with different actors and stakeholders in order to maintain and renew the relevance of the national reform agenda. Initiated reforms should be supported by continuity.

For many of the cases the national Lisbon programme is a summary of the already existing reform agendas. However, initiating new policies and measures an sich can not be the main goal. As a truly innovated and participatory negotiated national reform agenda, the national Lisbon programme might have a relevant role in providing a joint framework for different national actors and stakeholders to align their actions according to the Lisbon programme. In order to make this happen, the government and its ministers and top civil servants must show their true commitment, not in speeches but in acts. Otherwise the national Lisbon programme might end up to be one of those many papers that are written and forgotten. This is an obvious and a highly realistic risk also in this time. In order to avoid this happen, someone needs to make a difference. In this context, the following framework might provide some food for thoughts to create more operational governance system.
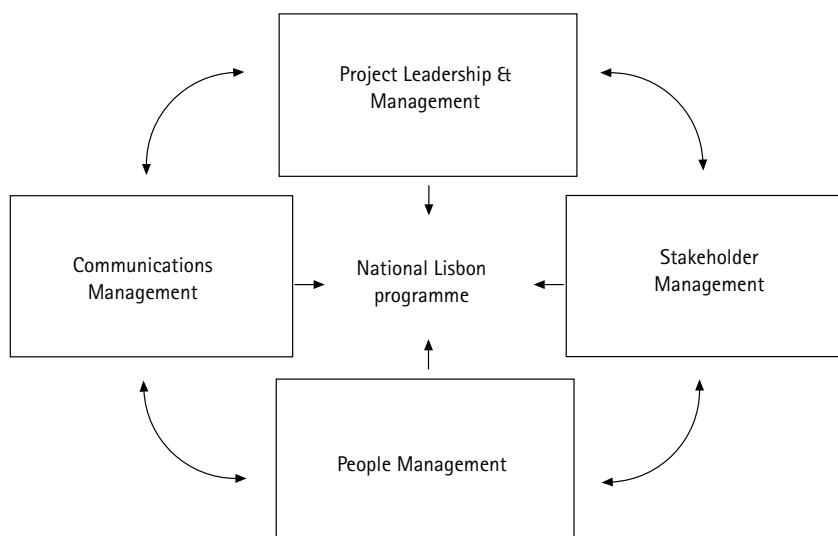
Picture: Operational governance system[50]

Country-specific recommendations[51] followed by multilateral surveillance (peer reviews) might recreate the pressure to deliver and also be in help for maintaining sense of urgent. Ranking only leading to naming, shaming and faming alone is too simple, too narrow and too short-sighted. These kinds of mechanisms would at least out some pressure for the implementation and also support the principles of good governance like openess, accountability and effectiveness. However, all these mechanisms need to be used for the sake of high-quality policy learning and innovation resulting to effective and efficient implementation.

As it has been stated many times, already the existing reform agendas are difficult to implement. Hence, instead of only looking at the new things on the content side, one should look at the new things on the delivery side: by how and by whom the already identified and decided actions will be implemented.

When the Lisbon strategy was re-launched, a big emphasis was put on the governance model, mainly by providing opportunities to different stakeholders, in particular public authorities and social partners at all levels, to give their views on priorities and actions needed. In general, this intention was also reflected by Member States, although in various depth and width. However, the survey made by the Committee of the Regions indicates that the formal communication and feedback processes were used in large but the more content wise and genuine interaction was still limited[52]. This was assessed to be mainly due to very strict timetable.

However, although the deadlines were too tight, the level of innovativeness and even radicalism in processing and managing the national programming can still be questioned. In many cases, the complex and unconventional policy issues were handled with traditional structures and policy-making processes based on formalized discussions and feedback mechanisms. Therefore both the quality and the contribution of the stakeholder involvement and also innovations on governance should be one of the most debated topics in discussions and assessments following the first governance circle.

It is very challenging for any of the countries and regions to truly facilitate an interactive and dynamic process with stakeholders. But if it is true, that European Union and its Member States are facing exceptional challenges,

this should be matched with exceptional and unconventional ways for designing and delivering policies. No government can do miracles in few years with the issues that are on the reform agenda. Countries and governments might achieve a true "competitive advantage" if they were are able to create and utilize dynamic structures and processes for continuous strategizing both in intentions and delivery.

The national-level delivery mechanisms: policy-making and public service provision[53]

Member States differ very much in their cultural, legislative and institutional arrangements. Some countries have a strong central administration with broad and deep competences with respect to making policies and imposing their implementation on regional and local authorities. On the other hand, countries like Germany, Spain and Belgium have strong and highly independent regions equipped with own personnel, and financial and legislative competences with respect to taxation, education, healthcare and industrial policies. Therefore, it would be impossible to provide any generic modes of delivery mechanisms. Instead, some indicative descriptions and vignettes are given in order to underline that the implementation gap of the Lisbon strategy is not due to missing mechanisms, but more to separate and non-integrated agendas.

Citizens, businesses and communities occupy different roles as consumers of public services and objects of public-sector policy measures. The starting points of political leadership lie in the content-related and economic alternatives and choices of social policy. In this regard, the main perspectives and criteria relate to effectiveness and resource management and allocations. It is the responsibility of professional leadership (executive civil servants) to ensure the functioning and performance of processes and structures as well as the improvement of competencies and well-being of personnel, taking into account the viewpoints of effectiveness and resource management. Political decision-makers together with civil servants are responsible for the implementation of social policy.

Formally speaking, a strategy can be said to be the translation of the government's political priorities and principles into programmes and courses of action to deliver desired change. Therefore, strategy-making
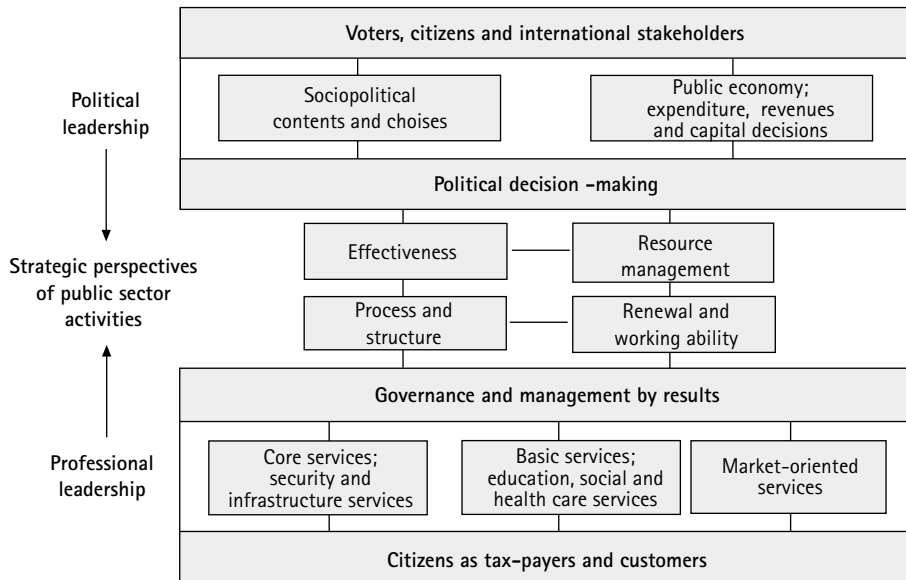
Picture: Challenge of Balanced Success (Määttä & Ojala, 1999)

refers to the process in which both the political priorities are established and the operative measures determined. However, this description of policy-making that takes place in administrations is too straight forward. In real life, decisions are prepared and taken under conditions of constant complexity and uncertainty. Moreover, the mismatch between established administrative structures and substantive policy areas is commonly present in national and subnational administrations. Consequently, policy practitioners need to cope with present and future challenges by using yesterday's institutions and policy mechanisms. Many governments have prioritised cross-cutting policy-making practices, which aim to be more issue-oriented rather than institutionally oriented.

Horizontal policy programming, the case of Finland[54]

Programme management is a new policy-making mechanism, which aim to overcome difficulties in identifying and dealing with cross-cutting policy issues. The government takes the decision to establish strategic policy programmes which are issue-based, not institutionally-based. The present government has launched four policy programmes on: employment, entrepreneurship, information society, and civil participation. Each programme is equipped with a clear political leadership (coordinating minister, horizontal group of ministers and a full-time programme manager) and a systemic follow-up taken by the Prime Minister's office. One of the core ideas in this concept is the systemic follow-up process, which is tightly connected to the budgetary process.

Policy-making processes include stages like agenda-setting, horizontal and vertical coherence in formulation and implementation, stakeholder involvement, accountability and policy learning[55]. The less matters are predictable, the more focus should be placed on the policy-making process, on how policies are constructed, communicated, understood and implemented.

Innovative and modern policy-making – nine key characteristics

1. Policy should be forward looking
2. It should be outward looking
3. Policy should be innovative and creative
4. It should use evidence
5. Policy should be inclusive
6. It should be joined up
7. Policy should evaluate
8. Policy should review
9. Policy-making should include learning dimension

Source: National Audit Office, the UK (2001) Modern Policy-Making.

Challenges for national and sub-national strategy-making

The basic assumptions and daily practices guiding the national and the sub-national strategy-making can be said to be based mainly on the rational and instrumental view. This view assumes clear and well-structured problem-setting, supported by formal planning procedures and massive information processing in the form of analyses and reports. The nature of a strategy is regarded as a thoroughly analysed and argued set of policy objectives and key measures to be efficiently implemented (strategy as a conscious plan)[56]. Different arenas for meetings and discussions are led by an implicit assumption of a single-voice approach with hardly any room for surprises, critical remarks or real out-of-the-box thinking. Consequently, the speeches are usually well prepared in advance, often leading to a gathering of a group of speaking heads ratifying the views already known. The participation of different stakeholders from the private sector, non-governmental organisations and regional and local levels are dealt with by formal hearing processes.

The problem – or the challenge – with the Lisbon strategy and the real life issues reflected in it are not always well structured. Many, if not most of them, are "ill-structured"[57] and "wicked" problems[58] with no clear-cut solutions. Therefore, a different type of approach for strategy-making is required. It is based on the view that we are dealing with unseen and interconnected problems and issues, which are multi-dimensional in nature. At present, we do not yet have much fact-based information in this respect. We also lack theories that could provide us advice and explanations.

Consequently, we need to rely on experiences and individually and socially created knowledge of local actors who are nearest to the grassroots. This approach puts more emphasis on the dynamic processes before and after the strategy content is formulated and decided. This approach calls for genuine strategic leadership with convincing capacity to think and act innovatively. The process should be based on a multi-voice approach leading, at best, to a single-voice view or shared understanding of the direction and key policy measures. Key stakeholders are invited to play their role and make their contributions to the strategy formulation, not only as institutional gate-keepers but also, and foremost, as innovative and accountable actors.
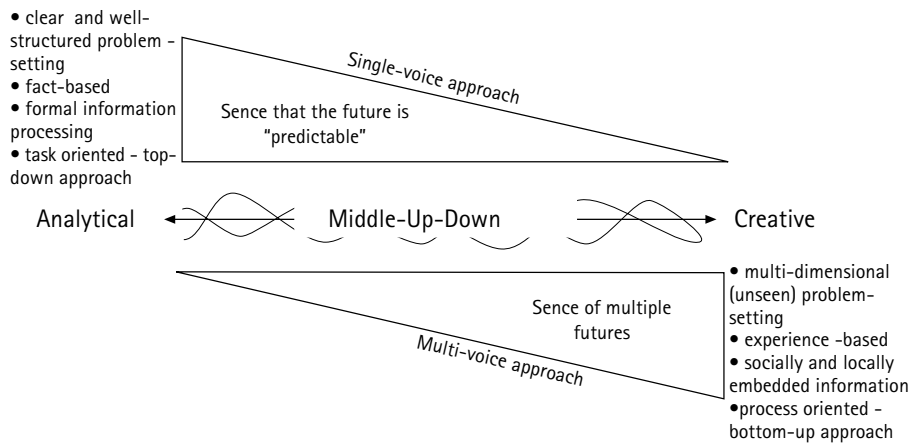
Picture: A Middle–Up–Down Strategy–Making Approach[59]

It is not relevant to argue which of these approaches is best. The implementation of the Lisbon strategy needs them both. It also requires the key stakeholders and their true contribution and commitment. However, this cannot be achieved by forcing them to become involved. There should be room enough for autonomous behaviour and out-of-the-box thinking.

The main reasons for a poor record in strategy implementation are often considered to be external, determined by the nature of the strategy by some invisible hand: economic slow-down, increases in oil prices, globalisation, terrorist attacks, etc. These are certainly valid reasons, but only partly so. There should be more self-reflection and a willingness to look in the mirror and ask "what is our capacity and commitment to deliver ambitious strategies like the Lisbon strategy"[60.] Furthermore, it should be made clear that the Lisbon strategy does not promise direct benefits or happiness to European citizens. It sets challenging demands, e.g. earlier entry into and later exit from labour market, accompanied by continuous efforts for skills development and real changes in attitudes and structures in employment, educational systems, healthcare, etc. In other words, it calls for people to decide their own future with support from a well-equipped and high-quality societal infrastructure and public services. The main message should be that the Lisbon strategy does not happen by itself.

Provision of public services by ICT and partnerships

Efforts to reform and redesign public services have raised many questions regarding the existing institutional structures of government. This is mainly due to information and communication technology (ICT), which has already provided a great many new opportunities to organise the provision of public services. During recent years, a host of different e-services have been introduced. Ranging from e-inclusion to e-rulemaking, e-welfare, e-health and e-education, the e-public sector has emerged in every Member State. A study on the situation in Europe argues that societies are undergoing revolution and evolution in basic government structures[61]. However, vast differences do exist in government competencies across Europe.

> **eHealth** describes the application of information and communications technologies (ICT) across the whole range of functions that affect health. It is the means to deliver responsive healthcare tailored to the needs of the citizen. The Electronic Health Record (EHR) is a fundamental building block of all of these applications. The EHR allows the sharing of medical records between care providers across disciplines, institutions and geographic boundaries. If we consider eHealth in reference to the settings in which healthcare services can be dispensed, a lot of opportunities arises:
>
> 1. The citizen/patient uses eHealth when he seeks information online, uses self-management tools, participates in electronic communities, and requests a second opinion.
> 2. Primary Care includes the use of ICT by the Primary Health Care Team (PHCT) for patient management, medical records and electronic prescribing. Healthcare professionals can also call upon eHealth for their Continuing Medical Education.
> 3. Home Care includes care delivered by home care professionals telecommunications to a patient in the Hospitals may call upon logistics, patient administration, information, radiology, electronic messaging between healthcare actors for communication administrative data, and telemedicine opinions, in any speciality.
>
> eHealth's contribution to the quality of care is clear, but insufficiently known. The following factors favour the adoption of eHealth programs: growing concern regarding medical error, advance of patient-centric healthcare systems, need to improve cost benefit ratios and to rationalise healthcare, citizen mobility across Europe.[62]

Due to demographic change and increasing financial pressures and customer demands, business services are said to have a growing role in the modernisation of public administrations. Even more so, their role is increasing in the everyday provision of public services relating to healthcare, social care, education and infrastructure.

One of the expanding service provision arrangements is public private partnerships (PPP). A PPP arrangement is basically a different method of procuring public services and infrastructure by combining the best of the public and private sectors with an emphasis on value for money and delivering quality public services. It is an arrangement between the public and private sectors with clear agreement on shared objectives for the delivery of public infrastructure and public services by the private sector.

PPP may be seen as a complementary mechanism for in-sourcing (self-production), out-sourcing (public procurement) and privatisation. The use of PPP arrangements covers areas such has transport, water supply and wastewater management, financial management, urban development and education. The arguments for PPP arrangements are said to be reduced development risks and public capital investments, improved efficiency in completion and service delivery. Although the proposal for the Community Services directive does not impose any rules for placing public services on the market, the pressure for modernisation and opening up of the public services market is likely to increase.

7 major functions in public administration suitable to be modernised by services 7	Examples of business services
1. Political strategy, evaluation of users needs and resources. Development ofnew policies.	• Management consultancy • Polling opinion and Market research • Social research and development
2. Administration and control	• Billing, accountancy and auditing • Legal services • Quality control and quality standards
3. ICT management	• Computer services • Internet and intranet services • Telecommunication services
4. Personnel	• Selection and provision of personnel • Professional training
5. Marketing and communication withusers	• Advertising • Direct marketing • Web pages services and e-governance services
6. Transport and logistics	• Logistics and transport services • Express courier • Renting, leasing and Real Estate
7. Facility management services	• Security services • Building cleaning services • Catering • Environmental services / waste disposal • Maintenance and repair of equipment • Energy services and consumption of

Picture: Business services and the public service provision (see www.step. no/publin/)

4. THE LISBON STRATEGY AND THE PUBLIC SECTOR

The public sector can be viewed in two different perspectives, external and internal. From the external perspective, the public sector is influencing society and its actors, directly and indirectly, by making and implementing policies, imposing regulations and control, collecting taxes and providing services. Consequently, its role and influence on growth and employment is based on multiple interventions in the everyday life of people and companies.

From the internal perspective, the public sector's ability to provide good quality and efficient administration and services depends on their internal structures and processes (including horizontal co-operation, co-ordination and coherence) and competences (know-how) relating to expertise, management and leadership.

The public sector is continuously facing the following challenges:

• nurturing good-quality public finances aiming to support sustainable economic growth;

• orchestrating vertical and horizontal policymaking in various policy areas;

• imposing good-quality regulation that is a prerequisite for a transparent, predictable and competitive (regulatory) business environment;

• providing high-quality services and value for money to citizens and customers;

• taking care of its management's strategic capacity and competences to establish direction and deliver results;

• developing personnel's competences and abilities to deliver and perform;

• utilising modern ICT as a vehicle for timeless, interactive and transparent policymaking and service delivery.

The contribution of the public sector to the delivery of the Lisbon strategy is based on the assumption that a good quality public sector is a critical catalyst, facilitator and partner for well-functioning society, competitive

regulatory and innovative environment, good quality service provision and solid public finances.

Looking for knowledgeable and accountable strategy-makers

At the mid-point of the Lisbon strategy, it is difficult to recognise active and accountable actors truly having their hands on the wheel in applying the "inquiry from inside approach" to the strategy implementation. The strategists seem to be missing. Therefore, there is an urgent need to find them in order to put the Lisbon strategy into practice. Strategy is not only about thinking, but very much about acting as well. Intellectually formulated strategies are no good without real actions and actual effects on the grassroots level.

In order to make the Lisbon strategy deliverable and actionable, each Member State has drawn up its 3-year national Lisbon programme. Together with the Community Lisbon programme, the design and the implementation of the national Lisbon programmes will form the core of the revised Lisbon package. The national emphasis will also require the public sector to play a more active and participative role in the strategy delivery. A quality public administration is a critical catalyst, facilitator and partner for a well-functioning society, a competitive regulatory and innovative environment, a quality service provision and solid public finances. Therefore, it is very important to demand the public administration capacity to identify, develop and implement innovative practices in policymaking, regulation, management and service delivery[63].

4.1 MAKING THE CASE – WHY PUBLIC SECTOR AND THE LISBON STRATEGY?

The capacity to innovate is the key lever for any organisation. The need and the demand for becoming and being innovative is also highly relevant for the public sector. The rationale for putting the public sector into the context of the Lisbon strategy is based mainly on the following four arguments:

1. As an employer, an investor and a purchaser, the public sector is the largest single actor in Europe.

2. By innovating and implementing policies and imposing regulations, public administration defines the rules and framework conditions for citizens and companies.

3. By providing and arranging core services on education, healthcare and social protection, the public sector makes both direct and indirect contributions to the delivery of the Lisbon strategy.

4. Last, but definitely not least, the Lisbon strategy is drafted and designed by governments and public administrations. Politicians and civil servants cannot exclude themselves from being an active and visible part of the Lisbon strategy and directly and indirectly accountable for its implementation.

Public sector as an accountable policy-maker in societal agenda-setting

It is the role and responsibility of public administration to set up the development agenda for society. There is no single mode of policy-making in Europe. Administrations' role in policy-making differs by the intensity and the details of the interventions. It also makes a difference whether a country has a highly-regionalised or less-regionalised structure, or whether the interventions and the division of labour between administrative layers are based on decentralised or centralised model. The modes may even vary from one policy area to another.

As regards their own national strategies, governments are facing the same basic questions as the Lisbon strategy: how to implement our strategy? How to communicate it to the stakeholders? What are the key mechanisms in delivering our strategy? How to cope with the cross-cutting policy issues and to ensure that nothing important is missed? What is our capacity to innovate and what is the added value provided by our policies?[64]

As policy-makers, public administration actors have full responsibility when designing and delivering the national Lisbon programmes. Consequently, the implementation of the Lisbon strategy in its various policy areas is highly dependent on public administration's capacity and competence to orchestrate policy-making in a real-life context.

Public sector as an accountable service provider

It is worth emphasising that, particularly in the area of public service delivery, the role of regional and local public actors is most crucial. Areas such as

vocational, higher and adult education, life-long learning, social inclusion, employment services, research and development and child care (enabling increases in female employment) are all included in the Lisbon strategy.

> **PanEuropean services** are cross-border electronic public services, informational or interactive, supplied by either national public administrations or European public administrations and provided to European businesses or citizens by means of interoperable trans-European telematic networks. (Study on stakeholder requirements for pan-European eGovernment services, IDABC Conference 2005.)

The above issues are included in the policy documents. However, for making a real difference, these policies acquire their true form through the respective collective and individual services directly addressed to citizens, companies and communities. Therefore, another question is how closely are the policies and the services connected? For the Lisbon strategy to be regarded as a practical strategy, national actors need to fill the gaps between words (policy objectives) and actions, e.g. services.

Public sector as a target industry for the Lisbon strategy: as an employer, an investor and a purchaser

Defined by its absolute and relative size, public administration is one of the largest sectors in society. With a share of approximately 45% (EU average) of the annual GDP, it employs millions of people in Europe. It makes significant annual investments in physical and societal infrastructure. It purchases large amounts of goods and services.

As an employer, the public sector is directly involved in issues such as ageing, quality of working life, pension reforms and incentives to work. As an investor, the public sector is investing a great deal of money in R&D, ICT, human capital development and infrastructure in various forms. As a purchaser, the public sector can have a considerable influence on green procurement and enhancement of eco-innovations. Furthermore, solid and efficient public-private partnership arrangements provide opportunities for a better focus on core tasks and more efficiency and productivity through increased competition. All these themes are included in the Lisbon strategy.

Total public procurement in the EU (the purchases of goods, services and public works by governments and public entities) is estimated at about 16% of the Union's GDP or EUR 1,500 billion in 2002. Its importance varies significantly between Member States ranging between 11% and 20% of GDP. The opening up of public procurement within the Internal Market has increased cross-border competition and improved prices paid by public authorities. According to the Commission, public authorities applying the EU's procurement rules paid prices approximately 34% less than authorities that did not. Saving 10% of current public procurement expenditure would bring all eurozone Member States under the fiscal deficit limits set by the Stability and Growth Pact[65].

4.2 LOOKING FOR INTERESTING PRACTICES ON STRATEGY DESIGN AND DELIVERY

Success ultimately depends on the knowledge, skills and creativity of people at work. National and local governments have an important role to play in creating the best possible conditions for innovations, developing and providing high-quality public services that are essential for a dynamic and innovative knowledge economy. In order to do this, governments themselves need to be highly innovative as well.

Having public administrations able to design and deliver effective policies and services

Every government has a challenging task to balance different interests and agendas for developing and running a society. It is widely shared view that companies and not governments have the main responsibility for improving their competitiveness. However, governments are playing a key role in defining the critical framework conditions for any company to foster. Moreover, governments and public administrations have a key role to play in designing and delivering policies and services, which provide a solid and credible basis for both companies and people.

Very often, the institutional characteristics of a country are argued to be the key factor in explaining the differences in public-sector performance[66].

Although various types of institutional characteristics (socio-economic, demographic, system and cultural) have explanatory power, this assumption may be challenged by arguing that the performance mystery is more nuanced and multi-dimensional.
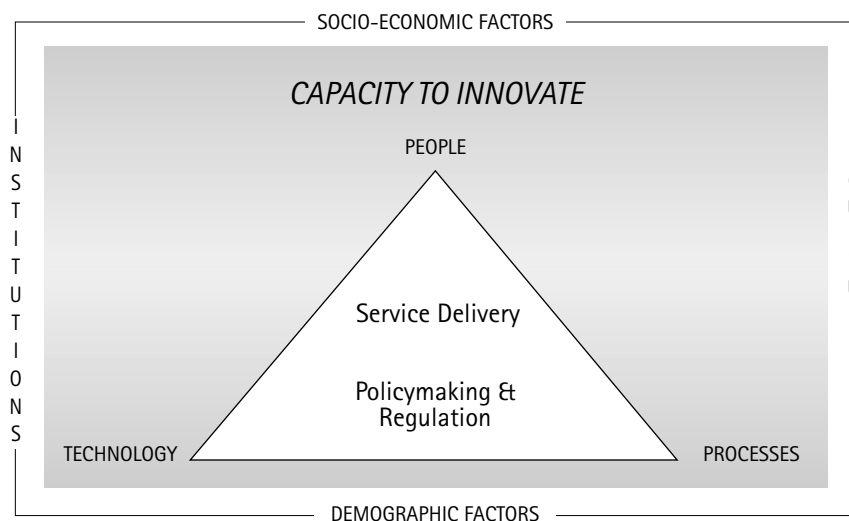
Picture: Ingredients in high–performing public administrations

In addition to the institutionally-based macro-view, the institutionally based micro-view should also be included in our analyses. Therefore, in order to really understand the dynamics of a well-performing public sector, we need to jump into the "black box" that is often (due to its difficult and multifaceted, even chaotic nature) is excluded from the analyses.

The importance of the "black box" is highlighted by the two key conclusions in the Dutch report on public sector performance (SCP, 2004): 1) some countries combine a relatively limited expenditure level (% of GDP) with high levels of performance, 2) the same cluster of countries repeatedly emerge in analyses regardless of the policy areas reviewed or the level of analysis (Northern European, Western European, Southern European, Central European and Anglo-Saxon). These conclusions can be explained by the institutional characteristics, but only partly so.

The ingredients of public sector performance should also include those hidden in the "black box". These include culture-related characteristics,

people-related characteristics, process-related characteristics and technology-related characteristics. It is clear that these types of factors are even more difficult to measure or to get to grips with. In addition to an outside approach (macro view), an inside approach (micro-view) is also required. However, it is worth emphasising that both the macro level and micro level analyses are needed for broadening and deepening our understanding.

Public sector in the National Lisbon programmes

In a world of intense competition and continuous change, European public administrations are faced with the challenge of providing more innovative, value-added policies, regulations and services for its citizens and businesses. This requires inspirational and strategic leadership, stronger and improved management and leadership skills, highly skilled people and high performance working places.

The key levers for strategy design and delivery can be classified by the basic tasks of the public sector: policy-making, legislation, service delivery and managing change. Managing change does not belong in the same category as the other tasks, although it has become a common feature for all Member States. Its role is highly relevant in the context of the Lisbon strategy in particular.

When defining the role of the public sector in the Lisbon strategy delivery, it is noteworthy, that only some of the Member States have included public sector into their national Lisbon programmes. The following table provides an overview of the themes and topics that are included in the some of the programmes.

Denmark	• Implementation of the structural reform at the municipal, regional and central government level • Extension of citizens'free choice of provider of welfare services and improvement of the actual use hereof • Implementation the new concept of performance management
Finland	• Improving productivity within the public sector by transforming civil service departments and agencies into unincorporated state enterprises and private companies; purchasing services from the private and third sector; improving and upgrading structures and strategies of service provision; improving the efficiency of purchasing. • Municipal and service structure reform aims at securing the basic services that are the responsibility of local municipalities (health care, nursing, social welfare and basic education).
Greece	• Rebuilding public administration by improving productivity and quality of public services • Administrative transparency –fighting corruption • Establishing a framework for life-long learning of public servants • Improving inter-regional collaboration
Portugal	Aiming to modernisethe public administration so • that it is demand-oriented and ensures a participative society, • that it supports a favourableclimate for economic development, competitiveness and employment • that it promotes the development of its human capital, • that it supports citizenship, equality of opportunities and social cohesion
The UK	The UK aims is to deliver world-class public services through sustained investment and ongoing reform. A second Comprehensive Spending Review will • take a zero based approach to assessing the effectiveness of departments'existing spending in delivering the outputs to which they are committed; • examine the key long-term trends and challenges that will shape the next decade and assess how public services will need to respond; and • look at how the public expenditure framework can best embed and extend • ongoing efficiency improvements and support the long-term investments needed to meet the challenges.

Table: Public sector in national Lisbon programmes (DK, FIN, GR, POR, UK National Lisbon programmes)

Nowadays it is popular to speak about best practices. However, instead of looking for all the best cases, interesting practices would be perhaps more appropriate when looking for examples and cases to be used in learning and further development. The following list of interesting examples is not based on thorough case analyses. For the time being, only the names of the practices are mentioned. However, the names of the cases (a limited sample of potential cases) suggest that these kind of practices would also be interesting in the context of the Lisbon strategy.

∞ POLICY-MAKING
- o Innovative policy-making – Governance of the Innovation Policy System (e.g. NL)
- o Issue-based management – horizontal policy programmes (e.g FIN)
- o Interactive policy-making – the Polish Lisbon Strategy forum (POL), interactive policymaking (e.g. IPM feedback and consultation at the EC; Hear the Citizens, FIN)
- o Modernising policymaking (e.g. UK, Estonia)
- o Network-based policymaking (Lisbon Regions Network)
- o Reactivating and integrating the policy agenda at regional level (e.g. Västra Götaland, SWE; Regio Randstad, NL; Valencia region, SPAIN)

∞ REGULATION
- o Impact assessment (EC, Member States)
- o Administrative burden (e.g. NL, UK, DK)
- o E-rulemaking – (US Kennedy School)
- o Self-regulation – "outsourcing" regulation to the market (EC, financial market, energy sector)
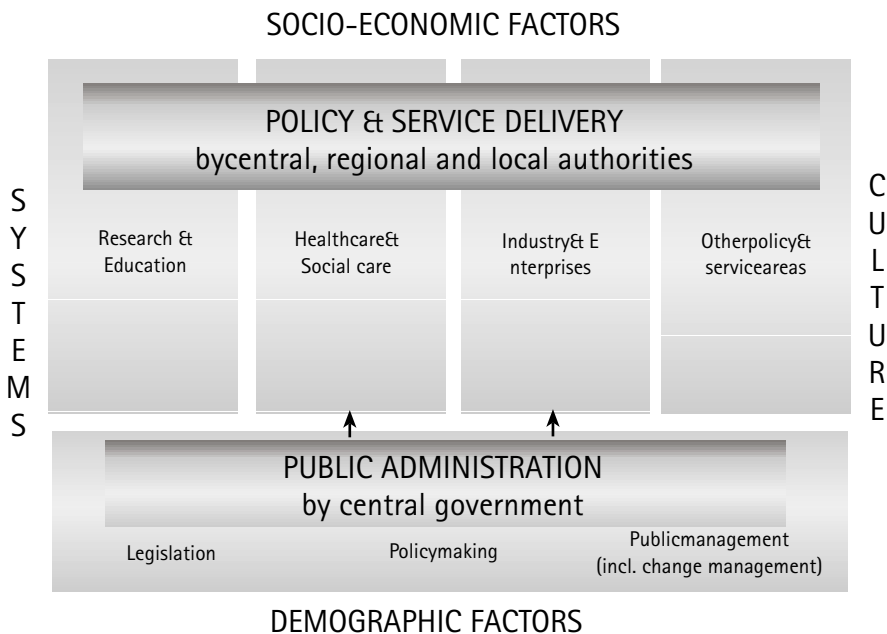
∞ SERVICE DELIVERY
- o Aligning structure with strategy – restructuring local administration (e.g. DK)
- o Public-private partnerships (e.g. UK, IRL, HUN)
- o Creating Public Value – framework for public service reform (e.g. UK)
- o Quality assurance in public services (CAF, EFQM, Quality assurance in vocational and higher education)
- o Pan-European public services through state-of-the-art E-Government
- o The case for e-health
- o The case for e-learning

∞ MANAGING CHANGE
- o Productivity and Efficiency - releasing resources to the front line (e.g. UK; FIN)
- o Strategic leadership capacity – identifying and enhancing senior management competences (e.g. EST, UK)
- o Strategic human resources management (US, UK)

o Performance measurement – (e.g. participative, transparent and balanced approach in Swedish police forces, SWE) (Centre for the Measurement of Government Activity, UK)
o Ethics and values in public administrations (work made by the OECD, the EPAN)
o Competing for talents – improving the image and the competitiveness of public sector employer (e.g. UK, FIN)

The challenges for reforming structures, fostering innovation and learning for increasing productivity regard also public sectors. The quality of the Lisbon strategy implementation depends on the quality of the capacity of the public sector to innovate in policymaking, regulation, service provision and managing change. All the mentioned examples should be put into the content based context of the national Lisbon strategy priorities and policy measures. Most of them act as critical enablers which form the core of an efficient and effective governance system. Questions like how the national R&D policies or educational services are designed and delivered are highly relevant in this context.

SOCIO-ECONOMIC FACTORS

POLICY & SERVICE DELIVERY
bycentral, regional and local authorities

S Y S T E M S

C U L T U R E

| Research & Education | Healthcare& Social care | Industry& E nterprises | Otherpolicy& serviceareas |

PUBLIC ADMINISTRATION
by central government

| Legislation | Policymaking | Publicmanagement (incl. change management) |

DEMOGRAPHIC FACTORS

Picture: Public Sector as an Integrated part of the Lisbon strategy

5. PROVISIONAL AGENDA FOR STRATEGY FOCUSED PUBLIC SECTOR

The "Wassenaar Memorandum of Understanding" of the EPAN (European Public Administration Network) Troika Ministers (4 November 2004) and the "Maastricht Resolutions" of the EPAN Directors-General (22-23 November 2004) emphasised the importance of public administrations in the implementation of the Lisbon objectives. These conclusions led to further elaboration of the contributions that could be made by administrations in general and by the EPAN in particular

The EPAN Lisbon ad hoc group was set up by the Directors-General (31 January 2005 in Luxembourg). The objective of the Lisbon ad hoc group was to "to prepare an integrated plan of activities that can be carried out within the working groups of EPAN, the contents of which will be integrated in the MTP, and that will help to foster and improve the efficiency and coherence of the EPAN network (Luxembourg Protocol of Agreement, 31 January 2005). The group provided its report to the Presidency. The main content of the report was incorporated into the mid-programme of the EPAN network. The MTP 2006-2007 was further determined by the ministers responsible for public administration (8 June 2005).
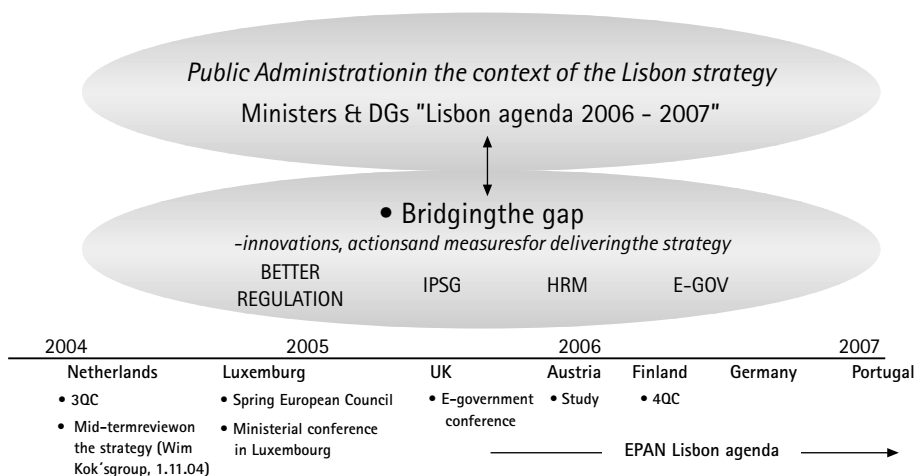
Picture: The EPAN and the Lisbon strategy

Analytical work has been carried out and the agenda (MTP 2005-2007) has been drawn up. It provides ideas for at least the forthcoming 3-4 presidencies. It is now a question of actionable measures for delivering the Lisbon-related issues

The following ideas and proposals are based mainly on previous work and the EPAN Lisbon agenda[67]. However, some additional remarks are presented in the light of the forthcoming presidency agendas.

The scope of public administration in the context of the Lisbon strategy

An important starting point for agenda-setting is the definition of the public sector or public administration, which can be based on a narrow or broad definition. The Lisbon strategy calls for the latter. In terms of the existing EPAN definition, public administration is seen as a policy area of its own, covering mainly the roles and tasks of central government. However, the governance and policy-making task, in particular, are not actively included in the definition, although this is one of the key tasks of every central and regional government. In addition to public administration as a central government function, service delivery level should be included in the definition of the public sector.

By applying a broader definition, more views and options are available for assessing roles and contributions that are or could be made by the public sector. In the context of the Lisbon strategy, the overall approach to policy-making, regulation, service delivery and change management is based on the public management view instead of the respective policy content. Consequently, by examining policy fields such as education and research, the key question to be asked and analysed could be the modes and practices for managing the policy-making process, the use of ICT in engaging stakeholders and the overall strategic leadership in managing the process and delivering results.

Effective public governance

The emphasis of the governance theme should be placed on interesting practices regarding participatory policy-making and managerial capacity seeking to design, implement and monitor a coherent set of European and national policies.

Analysis of interesting practices and critical factors for successful formulation and implementation of national Lisbon programmes. The momentum for this type of project and contribution is gathering pace. Therefore, this type of project should be conducted within the forthcoming 12 months.

Strategic leadership and management

The ability to think and act strategically is often mentioned as one of the key skills of senior management. Several Member States are investing in their management and their ability to formulate and deliver strategies. The Lisbon strategy and the related national reform/structural strategies provide relevant contexts to assess and define managerial competences and profiles needed to deliver those strategies.

Analysis of practices and competences with respect to strategic management and leadership is a topical theme in many Member States. It may provide new insights if the topic was put into the context of the Lisbon strategy. What are the present and future demands and requirements for politicians and senior civil servants in designing and delivering major strategies? Assuming that the debate on effective and efficient governance, delivery capacities and accountable ownership is not yet over, this type of analysis would provide an analytical basis for further elaboration. The theme itself is highly topical both at national level and in the context of the Lisbon strategy.

ICT enabled policy-making

The emergence of e-government, e-health, e-learning, e-inclusion, etc. represents a strong, though differentiated evolvement of the "e-thing". However, not much attention has been paid to the ICT enabled governmental policy-making or regulation[68]. The key point here would be to examine ICT in a real-life context – how and by whom is it used (if it is). One could assume that a more integrated use of ICT may provide new avenues for more efficient, effective and transparent horizontal policy-making (including tailor-made assessment and exploitation of the role of ICT in propelling change in policy-making).

Analysis of ICT enabled policy-making ideas and practices for designing and delivering European, national and regional level strategies. This type of study may provide new insights and opportunities to respond to the challenges of multi-

level governance by providing a web-based forum for connecting, opening and facilitating the policy-making process, e.g. in an on-line format.
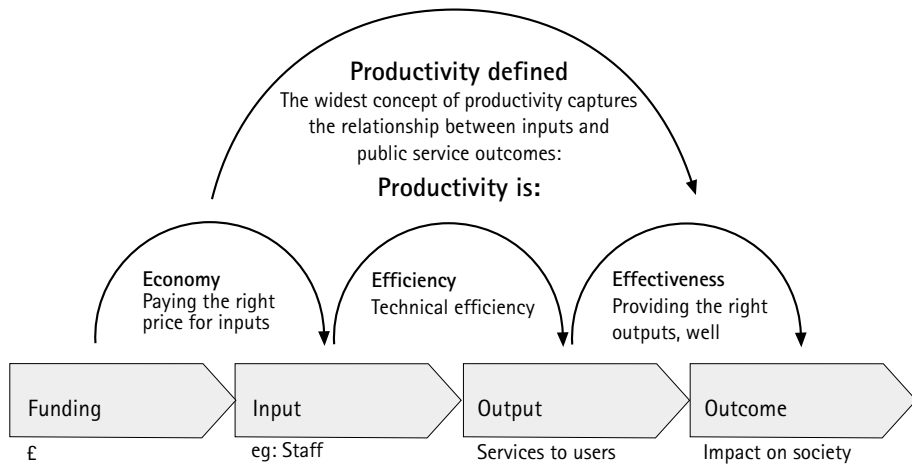
Open method of coordination: the emerging and merging patterns of European policies and public governance

OMC is used in several policy areas for identifying and changing experiences and good practices. Moreover, it is also used for identifying European objectives and governance structures to be applied by Member States. The OMC may be seen as an interesting and innovative management practice that shares many common features with new public management. In the light of "Europeanisation"[69], what type of emerging trends can be seen as a result of the extended use of open method coordination? Moreover, are there any signs of more intensive and integrated European administrative space? Are there any signs of closer public governance cooperation and integration that might take place outside the legislative framework, beyond formal and legally-based integration?

An analysis of present practices and future prospects for informal OMC-related integration of public policy and governance structures may be valuable. This is a highly political topic which will most likely emerge within a couple of years. Moreover, an analysis of both the principles and practices relating to the use of the OMC as a public management mechanism would be interesting.

Measuring performance of the established public administration reform programmes

Several Member States have establish special programmes (e.g. UK Efficiency programme, FIN Productivity Programme, AUS Innovation Programme) and various specific targets for cutting costs for improving efficiency and productivity in the public sector. Despite obvious similarities with regard to the general approach, these programmes may differ considerably in more precise target setting and programme implementation. The dimensions for target setting range from narrow to broad.

Productivity defined
The widest concept of productivity captures
the relationship between inputs and
public service outcomes:

Productivity is:

Economy
Paying the right
price for inputs

Efficiency
Technical efficiency

Effectiveness
Providing the right
outputs, well

Funding

Input

Output

Outcome

£

eg: Staff

Services to users

Impact on society

Picture: Framework for public sector reform programmes (Public Services Productivity: Meeting the Challenge. Public Services Productivity Panel, UK)

A comparative analysis of the frameworks and practices for setting targets and delivering sustainable changes and verifiable results for improved efficiency and productivity. The analysis could focus on interesting practices, models and indicators relating to performance measurement in the context of the established measures for efficiency and productivity.

FOOTNOTES

[1] *This was agreed at the meeting of the Director-Generals (DG) of the EPAN in Dublin, May 2004.*

[2] *See more www.eupan.org/index.asp*

[3] *See Määttä S., 15.10.2005.*

[4] *These concepts on strategy has been developed by Mintzberg (Five Ps for Strategy, 1987) and Whittington (Strategy as practice, 1996).*

[5] *Whittington (1996) writes, that practice is concerned with the work of strategizing, all the meeting, the talking, the form-filling and the number-crunching by which strategy actually gets formulated and implemented.*

[6] *The Commission has made an analysis of the costs of not having the Lisbon strategy, see Commission (2005).*

[7] *Pelkmans & Casey (2004) present the question of Europe's ability to deliver growth while analysing conclusions and recommendations made by the Sapir report (Sapir et. al.: An Agenda for a Growing Europe: Making the EU System Deliver, 2003).*

[8] *On 14th of June 1985, Jacques Delors, President of the European Commission, submitted a draft agreement to the Council on the completion of the Single Market. The agreement took the form of a White Paper presented by the Commission to the European Council in Milan on 29-30 June 1985, which endorsed its proposals. The 310 measures listed were designed to stimulate economic recovery, to guarantee the free movement of persons, goods, services and capital, and to merge the national markets into a single market by 31 December 1992 at the latest.*

[9] *From this date, the European Currency Unit became a currency in its own right, renamed as the euro. For the first three years, the currency was used as a book currency on the financial markets. The final act of the story concerning the creation of a common currency in Europe was played out on 1 January 2002, when euro banknotes and coins were introduced in twelve Member States of the European Union. However, the history of the EMU project dates back to the 1950s.*

[10] *The most common sense of economic globalization refers to the observation that in recent years a rapidly rising share of economic activity in the world seems to be taking place between people who live in different countries rather than in the same country. In general, "globalisation" refers to the increasing integration of societies and economies around the world, particularly through trade and financial flows. It also*

refers to the movement of people (labour) and knowledge (technology) across international borders. (See An IMF Issues Brief, 12.4.2004; http://www.imf.org/external/np/exr/ib/2000/041200.htm and World Bank, http://www1.worldbank.org/economicpolicy/globalization). In addition to the growth of international trade, globalisation also includes the expansion of many other things, including foreign direct investment (FDI), multinational corporations (MNCs), integration of world capital markets and resulting financial capital flows, extraterritorial reach of government policies, attention by NGOs to problems that span the globe, and the constraints on government policies imposed by international institutions of which they are members (see Deardoff & Stern, 2000 at http://www1.worldbank.org/economicpolicy/globalization/documents/r460.pdf).

[11] The pace of international economic integration accelerated in the 1980s and 1990s, as governments everywhere reduced policy barriers that hampered international trade and investments. Opening to the outside world has been part of a more general shift towards greater reliance on markets and private enterprise.

[12] OECD, 2005a.

[13] OECD has analysed data for Canada, USA and 14 EU countries. The analysis indicates that annual displacement rates (the number of workers experiencing permanent layoffs during a year as a share of average employment) are significantly higher in manufacturing than in the services sector. The rate is even higher among manufacturing industries where international competition is most intense. (OECD, 2005a and 2005d)

[14] See Commission, 2002. This argument was endorsed by the Council in November 2002 (see the conclusions of the Council meeting on Competitiveness, 14 November 2002).

[15] Proposal for a Directive of The European Parliament and of the Council on services in the internal market. Brussels, 5 March 2004, COM(2004) 2 final/3, 2004/0001 (COD).

[16] See the Eurostat News releases (1 September 2005 and 8 September 2005).

[17] See, for example, the analysis made by the Commission (2004) relating to EU and US productivity developments.

[18] World Commission for Environment and Development (1987).

[19] Giuseppe Tomasi di Lampedusa (1958/1991) The Leopard.

[20] See Commission of the European Communities (2005) The economic costs of non-Lisbon. A survey of the literature on the economic impact of Lisbon-type reforms. Directorate-General for Economic and Financial Affairs. March 2005.

[21] *See Commission of the European Communities (2005) Working together for growth and jobs. A new start for the Lisbon strategy. Communication to the Spring European Council. COM (2005) 24.*

[22] *High Level Group (2004) Facing the Challenge. The Lisbon strategy for growth and employment. Report from the High Level Group chaired by Wim Kok.*

[23] *Ibid.*

[24] *Ederveen, van der Horst, Tang (2005)*

[25] *Council of the European Union. Presidency Conclusions, 22-23 March 2005.*

[26] *See Commission communication, 12 April 2005 and Presidency conclusions, 16-17 June 2005.*

[27] *See Commission (2005) Delivering on Growth and Jobs: A New and Integrated Economic and Employment Co-ordination Cycle in the EU. Companion document to the Communication to the Spring European Council, COM (2005) 24. Brussels, 3 February 2005. SEC (2005) 193. See also Commission (2005) Lisbon Action Plan Incorporating EU Lisbon Programme and Recommendations for Actions to Member States for Inclusion in their National Lisbon Programmes. Companion document to the Communication to the Spring European Council, COM (2005) 24. Brussels, 3 February 2005. SEC (2005) 192.*

[28] *See more about the Public research project on http://www.step.no/publin/*

[29] *The UK Cabinet Office (2005) Civil Service Reform: Delivery and Values.*

[30] *The same is true of the developments of the Stability and Growth Pact. In June 2005, the European Council approved the proposals made by the ECOFIN Council (20 March 2005) on "Improving the implementation of the Stability and Growth Pact".*

[31] *See, for example, the white paper on Governance. COM (2001) 428 final, 25 July 2001.*

[32] *See Commission of the European Communities (2005). Common Actions for Growth and Employment: The Community Lisbon Programme. Communication from the Commission to the Council and the European Parliament. COM (2005) 330 final.*

[33] *The "Community method" is the expression used for the institutional operating mode for the first pillar of the European Union. It proceeds from an integration logic and has the following salient features: a) Commission monopoly of the right of initiative; b) general use of qualified majority voting in the Council; c) an active role for the European Parliament in co-legislating frequently with the Council; d) uniformity in the interpretation of Community law ensured by the Court of Justice. However, it is clear*

that even in its most strict form, the Community method leaves considerable influence with the Council and to Member States.

(http://european-convention.eu.int/glossary.asp?lang=EN&content=C)

[34] *The term "Community legal instruments" refers to the instruments available to the Community institutions to carry out their tasks. The principal instruments are 1) regulations, which are binding in their entirety and directly applicable in all Member States; 2) directives, which bind the Member States as to the results to be achieved and which have to be transposed into the national legal framework and thus leave a margin for manoeuvre as to the form and means of implementation; 3) decisions which are fully binding on those to whom they are addressed. (see http://european-convention.eu.int/glossary.asp?lang=EN&content=C)*

[35] *Transposition of Lisbon Directives (State of play 1 June 2005), see http://europa.eu.int/growthandjobs/pdf/transposition_directives_en.pdf .*

[36] *Following the work of the Mandelkern group on better regulation, in 2002 the European Commission drew up its Better Regulation Action Plan. In 2003, the European Parliament and Council also made commitments to better law making in an ambitious Inter-Institutional Agreement. In January 2004, the Finance Ministers of Ireland, the Netherlands, Luxembourg and the UK set out joint plans to place regulatory reform at the heart of their consecutive EU Presidencies during 2004 and 2005, and presented proposals for reforming the EU regulatory framework. This joint initiative has been extended to include the forthcoming Austrian and Finnish Presidencies, presenting further opportunities to reform the European regulatory framework in support of the*

Lisbon strategy during 2005 and 2006. For national actions, the UK, for instance, has launched several activities for better regulation (see http://www.cabinetoffice.gov.uk/regulation/index.asp). In addition, the Commission has begun implementation. Ater screening 183 proposals for EU laws pending at the European Parliament and Council, the Commission announced in September 2005 that it will withdraw more than a third (68). These proposals are being withdrawn as some are inconsistent with the objectives of the new "Partnership for Growth and Jobs" or do not meet better regulation standards. Others are not progressing in the legislative process or are simply outdated.

[37] *Proposal from the UK Presidency on 16th December 2005, Brussels.*

[38] *The relative share of the funding that has been allocated to the Lisbon strategy objectives has already been rather high, more than 85% duringthe present programme period (VIITE).*

[39] *These guidelines published by the Commission in July this year, see "Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013" at http://europa.eu.int/comm/regional_policy/sources/docoffic/2007/osc/index_en.htm*

[40] *The Commission has called different stakeholders to participate in a consultation process before proceeding further . The Guidelines will be decided by the Council on the basis of unanimity, after an agreement on the Financial Perspectives 2007-2013 and the adoption of the regulations. They will form the basis for preparing National Strategic Reference Frameworks and the resulting operational programmes to be adopted by the Commission.*

[41] *The EU has a budget of EUR 109 billion for 2004.*

[42] *The author acted as an external expert in providing proposals for developing the ABM-based performance management framework for the Commission. The project was commissioned by the DG XIX (Budget) in 1997 and the final report "Turning the Commission Priorities into Action - Integrating Resources to Activities and Priorities" was delivered by Mr Seppo Määttä and Ms Sirpa Kekkonen from the Finnish Institute of Public Management on 31 December 1997. See more on the ABM in the Commission on http://europa.eu.int/comm/atwork/activitybased/index_en.htm*

[43] *See The Commission White paper on European Governance at http://europa.eu.int/eur-lex/en/com/cnc/2001/com2001_0428en01.pdf*

[44] *The Commission (2005) Staff working document, 28 January 2005, SEC (2005) 160*

[45] *Commission, 2003.*

[46] *For more on definitions of the OMC, see, for example, the Presidency Conclusions of the Lisbon European Council (2000), Radaelli (2003), Rodrigues (2003), Tèlo (in Rodrigues, 2002),*

[47] *The due time was on 15th October. This was followed by less than half of Member States. Due their national elections, Germany and Poland delivered their programmes in December.*

[48] *See, for example, Broad guidelines of the economic policies of the Member States and the Community for the 2003–05 period. Drawn up in conformity with Article 99(2) of the Treaty establishing the European Community. Council recommendation of 25 June 2003.*

[49] *See Commission of the European Communities (2005) Working together for growth and jobs. Next steps in implementing the revised Lisbon strategy. Brussels, 29 April 2005. SEC (2005) 622/2 .*

[50] *The picture was inspired by the presentation of Peter Bachraty on the National Lisbon programme of Slovak Republic at the Polich Lisbon Strategy Forum, 1.12.2005. See material at http://www.strategializbonska.pl/index.php?LNG=EN*

[51] *Based on its analysis, the Economic policy committee (EPC) recommends that*

ECOFIN Council should invite the Commission to present country-specific recommendations for reforms in the context of the Integrated Policy Guidelines. See EPC report on National Lisbon programmes, http://europa.eu.int/comm/economy_finance/epc/epc_structuralreforms_en.htm

[52] *Committee of the Regions (2005) Implementation of the Lisbon Partership for Growth and Jobs. The Contribution of Regions and Cities. A survey on the involvement of Regions and Cities in preparing the Lisbon National Reform Programmes. CoR Unit Policy Analysis services.*

[53] *Although legislation and funding are also very important mechanisms for national and sub-national strategy delivery, these are not touched upon in this paper. However, many of the same themes than in EU-level legislation and funding are also relevant in the national contexts (e.g. better regulation, performance or activity based budgeting etc...).*

[54] *Source: Harrinvirta & Kekkonen (2004) Evaluating Effectiveness of the Horizontal Policy Programmes of the Finnish Government. EGPA Study Group on Productivity and Quality, Ljublijana 2004.*

[55] *See, for example, Dialogic (2004) Governance of the Netherlands' Innovation Policy System.*

[56] *Määttä Seppo (2005) Interpretative Horizons on Strategy and Strategic Information. Case Ministry of Finance. English summary of the PhD thesis (in Finnish). Turku School of Economics and Business Administration. Series A-2:2005.*

[57] *See Brightman, H. J. (1978) Differences in Ill-Structured Problem-Solving Along the Organizational Hierarchy. Decision Sciences, Vo. 9, pp. 1-18.*

[58] *See De Wit, Bob - Meyer, Ron (1998) Strategy – Process, Content, Context. 2nd edition. London: International Thomson Business Press.*

59 *Middle-up-down -concept is applied here from Nonaka (1988). He defines middle-up down approach as a process "that resolves the contradiction between the visionary but abstract concepts of top management and the experience-grounded concepts originating on the shopfloor". See Nonaka Ikujiro (1988) Toward Middle-Up-Down Management: Accelerating Information Creation. Sloan Management Review, no. 9 spring.*

[60] *This was also acknowledged by the High Level Group who wrote, that "External events since 2000 have not helped achieving the objectives, but the European Union and its Members States have clearly themselves contributed to slow progress by failing to act on much of the Lisbon strategy with sufficient urgency." High Level Group*

(2004) Facing the Challenge. The Lisbon strategy for growth and employment. Report from the High Level Group chaired by Wim Kok.

[61] *See Leitner (ed.) (2003) eGovernment in Europe: The State of Affairs.*

[62] *See more on challenges and opportunities in eHealth by Silber Denise (2003) The Case for eHealth.*

[63] *See European Public Administration Network, Lisbon ad hoc group (2005) The EPAN Contribution to the success of the Lisbon Strategy. Draft report, 9 May 2005. The structure of the European Public Administration Network (EPAN) is headed by the ministers responsible for public administration and civil service. The core of the network consists of the directors general of public administration, four working groups on Innovative Public Services Group, Human Resources Working Group, eGovernment Working Group and Directors and Experts for Better Regulation. See more www.eupan.org/index.asp.*

[64] *In July 2004, the Competitiveness Council received a research report on "Fostering excellence: Challenges for productivity growth in Europe" (2004, van Ark & Bartelsman). The report raises several policy questions for governments. The final one of them questions whether there is a further role for policy in strengthening excellence and if so, what this role should involve (ibid., 7).*

[65] *http://europa.eu.int/comm/internal_market/publicprocurement/index_en.htm*

[66] *See the study on public sector performance, Dutch Social and Cultural Planning Office, SCP (2004).*

[67] *Määttä, 15 October 2004 and EIPA, 9 January 2005. See also Report from the Lisbon ad hoc group and the mid-term programme 2005–2007 for the EPAN.*

[68] *John F. Kennedy School in Harvard is doing research on E-rulemaking.*

[69] *"Europeanisation is an emerging field in European studies that looks at the European Union's impact on policies, politics and polity on the national level. This term alludes to the processes of constructing, disseminating and institutionalising formal and informal rules, procedures, public policy paradigms, styles, "ways of doing", shared beliefs and norms that are first defined and consolidated on the European level, then incorporated into the logic of discourse, identities, political structures and public policies on the national level." Claudio Radaelli (2004) in EIPA (2005), A New Space for Public Administrations and Services of General Interest in an Enlarged Union. Study intended for the Ministers responsible for Public Administration of the Member States of the European Union Luxembourg, 8 June 2005.*

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