The Lisbon strategy

This note describes the Lisbon strategy – an EU initiative to improve the competitiveness of the EU economy.

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1 Overview

The Lisbon strategy is an EU programme which aims to improve the productivity and competitiveness of the EU economy. In 2000, the Lisbon European Council committed Europe to a programme of reform with the aim of making the EU "the most competitive and dynamic knowledge-based economy in the world" by 2010. This reflected concerns that the EU economy was performing poorly compared with its competitors and that increases in productivity were necessary to offset the effect of an ageing population on economic growth.

The Lisbon strategy is explained as follows on the European Commission website:

Who does what?

As a "partnership for growth and jobs" between the EU and its member countries, the Lisbon strategy sets out the general thrust for reforms and sets the objectives and priorities for action.

Individual governments then set up national reform programmes that take account of their specific situation. Reforms cover areas such as public finance, education, research and development, the business environment and labour markets. The EU monitors each country’s progress and makes further recommendations if necessary.

EU countries receive €350 bn from the EU structural funds to help them implement these reforms. A further €50 bn is channelled into research and development projects.

Economic recovery

In 2008, the EU adopted a plan to stimulate recovery from the economic and financial crisis. The plan injected €200 bn into the economy – €170 bn from national budgets and €30bn from EU funds and the European Investment Bank. The aim is to stimulate demand and boost confidence in the short term while at the same time making the EU economy greener and more innovative by funding investments in skills, infrastructure, and environment-friendly technologies.

Some commentators have noted that while steps have been taken towards the Lisbon objectives, overall progress has been disappointing and has varied between countries. Furthermore, some have argued that the strategy is designed to address long-term supply-side issues (such as skills and innovation) rather than the problems associated with the current economic and financial crisis. The acceleration of the Lisbon reforms is, however, part of the EU’s response to the crisis.

The strategy is due to be revised for the period after 2010.

2 The development of Lisbon strategy

The Lisbon strategy has evolved since 2000. It was relaunched in 2005 to have a greater focus on economic growth and employment. The EU’s response to the recent economic crisis also included accelerating the Lisbon strategy’s reforms.

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1 Facing the challenge [Kok Report], November 2004 page 6
2 http://ec.europa.eu/growthandjobs/how-does-it-work/index_en.htm
3 Simon Tilford and Philip Whyte, The Lisbon Scorecard IX, Centre for European Reform, February 2009, page 2
2.1 The 2005 relaunch: a focus on jobs and growth

A mid-term review of the Lisbon strategy was carried out by a group chaired by Wim Kok, former Prime Minister of the Netherlands. It reported in November 2004 and made a number of recommendations, including a greater emphasis on jobs and growth.\(^4\) The strategy was relaunched in 2005. The Presidency Conclusions of the Brussels European Council meeting in March 2005 said:

Five years after the launch of the Lisbon Strategy, the results are mixed. Alongside undeniable progress, there are shortcomings and obvious delays. Given the challenges to be met, there is a high price to pay for delayed or incomplete reforms, as is borne out by the gulf between Europe’s growth potential and that of its economic partners. Urgent action is therefore called for.

To that end, it is essential to relaunch the Lisbon Strategy without delay and re-focus priorities on growth and employment. Europe must renew the basis of its competitiveness, increase its growth potential and its productivity and strengthen social cohesion, placing the main emphasis on knowledge, innovation and the optimisation of human capital.\(^5\)

Following the relaunch, reporting on the Lisbon strategy was simplified with a single EU Annual Progress Report. Member States are required to publish National Reform programmes outlining priority areas for economic reform. The UK has published an annual report each year since 2005. The most recent report was published in October 2009.\(^6\)

2.2 Recent developments and the European Economic Recovery Plan

The March 2008 Spring European Council launched the 2008-10 cycle of the Lisbon strategy and re-emphasised four areas:

- Investment in knowledge and innovation
- Improving the business environment
- Increasing employment opportunities for the most disadvantaged
- Defining a European climate and energy policy.\(^7\)

The Lisbon strategy also plays a part in the European Economic Recovery Plan (EERP) – the EU’s response to the economic crisis. The EERP includes a fiscal stimulus but also measures to speed up the Lisbon reforms and improve monitoring of progress.\(^8\) The link between the Recovery Plan and the Lisbon strategy was explained as follows:

The Recovery Plan is an extensive reinforcement of the Lisbon Strategy for Growth and Jobs in both the short and longer-term. It is a comprehensive response to the current crisis, with measures to boost demand and protect citizens from unemployment complemented by measures to step up investment in strategic areas where jobs can be created now and which will also contribute to Europe’s competitiveness and sustainable prosperity in the long-term.

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\(^4\) [Facing the challenge]: Kok Report, November 2004
\(^5\) Presidency Conclusions, 22-23 March 2005
\(^6\) HM Government, Lisbon Strategy for jobs and growth: UK national reform programme, October 2009
\(^7\) HM Government, Lisbon Strategy for jobs and growth: UK national reform programme, October 2009, paragraph 1.3
\(^8\) FAQs on the European Economic Recovery Plan, EU Press Release, 26 November 2008
This investment further reinforces the Lisbon Strategy’s emphasis on increasing investment in research and development and innovation making Europe's economy knowledge-based.

What is more the Recovery Plan builds on the success of the Lisbon Strategy in reinforcing Europe's underlying competitiveness before this crisis. For example, the budgetary room for manoeuvre enjoyed by many Member States is partly a result of having implemented Lisbon measures – in this way, the euro area overall government deficit fell from nearly 3% in 2004 to 0.6% in 2007.

In addition, the instruments available under the Lisbon Strategy for evaluation by the Commission, peer monitoring (multilateral surveillance) by Member States and the adoption and enforcement of country specific recommendations by the Council will be crucial in ensuring that the coordinated national measures under the Recovery Plan are fully delivered, once Heads of State and Government have approved the Plan.

New Lisbon country specific recommendations will be proposed by the Commission on 16 December 2008 and endorsed by the Spring European Council. This, combined with the new Stability and Convergence programmes, means Member States will in effect agree collectively on what each needs to do individually to implement the Recovery Plan and will monitor each other’s progress based on the Commission's input.9

3 Progress towards the Lisbon strategy objectives

3.1 EU level

The Commission reports annually on Member States' national reform programmes.10 The Centre for European Reform (CER), a think-tank, regularly examines the Lisbon strategy’s progress in its “Lisbon Scorecard.” In its February 2009 assessment, the CER said that “most informed observers believe [that the Lisbon Strategy] has proved a disappointment”.11 The report also noted that the EU as a whole will not meet any of the targets it originally set itself in 2000.12 Nevertheless, the CER argue that most countries have made some progress towards most of the targets and that the Lisbon strategy provides “an indispensable guide to the desirable direction of reform”.13

Progress towards the Lisbon targets is also monitored by the Lisbon Council, another think tank, and Allianz [the insurance company].14 In a recent report, they argued that the economic crisis had “dealt a severe blow” to progress towards the Lisbon targets. In particular, economic growth, productivity and the public finances have been badly affected. The Lisbon Council argue that the Lisbon strategy is still relevant. Improving the economy’s productive potential will be important over the next few years both to repair the public finances and to create jobs. However, the Council says that future growth must be sustainable and not over-dependent on the financial sector. It argues that a new Lisbon strategy should avoid the problems associated with the current strategy such as over-ambitious targets. A new strategy should improve the transparency of reporting,

10 European Commission, Annual Progress Reports on Lisbon Strategy
11 Simon Tilford and Philip Whyte, The Lisbon Scorecard IX, Centre for European Reform, February 2009, page 103
12 Page 101
13 Page 104
communicate better with the public and focus more on the “drivers” of growth (such as skills and R&D) rather than outcomes (such as growth or employment).

The recent OECD economic survey of the EU noted that the recession had disrupted the progress that was being made towards the Lisbon strategy objectives. Lisbon reforms undertaken after the 2005 relaunch had improved the resilience of the EU economy, but the extent of reform varied among Member States.\(^{15}\)

### 3.2 UK level

The UK’s most recent National Reform Programme was published in October 2009, as announced in the following written statement:

**The Economic Secretary to the Treasury (Ian Pearson):** I wish to inform the House of the publication on 8 October 2009 of the “UK's National Reform Programme (NRP) 2009”, copies of which have been placed in the Libraries of both Houses.

As part of the EU’s Lisbon Strategy for jobs and growth, the UK must present to the European Commission by 15 October 2009 its National Reform Programme (NRP) 2009, setting out UK progress on economic reform.

The NRP responds to the recommendations the European Council agreed in March 2009 for the UK on fiscal sustainability and skills and employment, and the Council’s points to watch for the UK on housing supply and R and D. The NRP 2009 also reports on UK progress in the areas of the business environment and climate change, energy policy, and sustainable development, which were re-emphasised by the European Council in March 2008 as priority areas over the 2008-10 cycle of the Lisbon Strategy. Reporting is in the context of the current downturn and medium-term reform measures, in line with the European economic recovery plan (EERP). The NRP 2009 does not make any new policy announcements: rather, it reports on the implementation of existing reforms, and looks forward to announced future policies.\(^{16}\)

Keith Vaz asked about the Lisbon strategy in a PQ in November 2008:

**Keith Vaz:** To ask the Chancellor of the Exchequer (1) if he will place in the Library copies of information on each EU member state’s progress towards the economic benchmarks of the Lisbon agenda; [231725]

(2) what assessment he has made of the effect of the global financial turbulence on progress towards the economic benchmarks of the Lisbon agenda by 2010; and if he will make a statement; [231726]

(3) what recent progress has been made at the (a) national and (b) European level towards the goals of the Lisbon Agenda for 2010; what discussions on the Lisbon Agenda took place at the most recent European Council meeting; what plans the European Council has to discuss the Lisbon Agenda at its December meeting; and on what dates further meetings of the Council will take place. [231736]

**Ian Pearson:** Each year the European Commission publishes an Annual Progress Report on the Lisbon Strategy for Jobs and Growth, which normally contains an assessment of progress made under the Lisbon Strategy, both at national and Community level. This includes an assessment of member states’ National Reform Programmes, detailing, inter alia, their progress against the 14 short-listed structural

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\(^{15}\) OECD Economic Survey of the European Union, September 2009, page 11

\(^{16}\) HC Deb 12 October 2009 c3WS
indicators. This year’s report is expected in December. As with previous years, the Government will make copies of the report available to the House.

In September 2008 the UK published its National Reform Programme, setting out the UK’s progress on the Lisbon goals and the wider economic context. Copies have already been placed in the Library. It is also available from the HM Treasury website:


The spring 2008 European Council confirmed that the Integrated Guidelines remained valid and invited the Commission, the European Parliament and the Council to take forward work on the 10 objectives identified in the Community Lisbon Programme.

The October 2008 European Council discussed the wider economic context, and in particular the Council underlined that continued structural reform is more important than ever, to promote growth and employment in Europe. It invited the European Commission to make proposals on the necessary steps to support growth and employment, by the end of the year. It is expected that the December European Council on 11-12 December will discuss these proposals. The presidency will announce further meetings of the Council in the usual way.17

4 A new Lisbon strategy

The current Lisbon strategy reaches the end of its term in 2010. The European Commission has said that a new strategy will soon be devised for the period after 2010:

The EU will soon devise a new strategy for the period beyond 2010. This new strategy should enable the EU to make a full recovery from the crisis, and help speed up the move towards a greener, more sustainable, and more innovative economy.18

The Lisbon strategy was to be discussed at the Council meeting on 16-17 November 2009 and conclusions on future work are expected to be adopted at the EU summit in December. The Commission is then expected to put forward proposals on the new strategy.19

The OECD has suggested that one of the tasks for the revised Lisbon strategy should be to reduce the disparities between Member States in the implementation of Lisbon reforms.20

17 HC Deb 3 November 2008 cc97-8W
18 http://ec.europa.eu/growthandjobs/index_en.htm
19 Swedish Presidency of the EU, Time to take the work on sustainable growth to a new level, News, 10 November 2009
5 Further information
European Commission Lisbon homepage:

http://ec.europa.eu/growthandjobs/index_en.htm

Simon Tilford and Philip Whyte, The Lisbon Scorecard IX, Centre for European Reform, February 2009


Allianz and the Lisbon Council, European Growth and Jobs Monitor 2009: Autumn 2009 Update

http://www.lisboncouncil.net/news-a-events/135-egjmautumnupdate.html

HM Treasury: Lisbon strategy for jobs and growth: UK national reform programme, October 2009

http://www.hm-treasury.gov.uk/d/lisbon_strategy_081009_final.pdf