

Charles University in Prague

Faculty of Social Sciences
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MASTER THESIS

**Europe 2020 Strategy:
Are National Goals Reasonable?**

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Declaration of Authorship

The author hereby declares that she compiled this thesis independently, using only the listed resources and literature.

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Prague, July 31, 2013

Signature

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Abstract

The current economic strategy of the European Union – the Europe 2020 Strategy – has defined five measurable Headline Targets to enhance economic growth and allowed the Member States to set their own national numerical values for these targets. This thesis analyses quality of this target setting process. First, it tries to figure out whether the targets have been set better than in the preceding Lisbon Strategy. Second, it examines whether the National Targets have been defined clearly and unequivocally. Third and the most important, based on original empirical analysis, the thesis evaluates whether the National Targets have been determined reasonably with respect to general capacities of individual European economies. The main results reveal that some learning from the Lisbon Strategy has been made, but the quality of the National Targets is insufficient and should be increased.

JEL Classification

E61, F55, O52

Keywords

Europe 2020, strategy, European Union, national targets, empirical analysis, MULTIMOORA, Ratio System of MOORA, Reference point of MOORA, Full Multiplicative Form, Lisbon Strategy

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Abstrakt

Současná ekonomická strategie Evropské Unie – Strategie Evropa 2020 – definovala pět měřitelných Hlavních cílů pro posílení ekonomického růstu, přičemž umožnila členským státům stanovit si své vlastní, národní číselné hodnoty pro tyto cíle. Tato práce analyzuje kvalitu zmíněného stanovování cílů. Nejprve zjišťuje, zda byly cíle stanoveny lépe než u předchozí, Lisabonské strategie. Poté zkoumá, zda byly Národní cíle definovány jasně a jednoznačně. Především však na základě originální empirické analýzy hodnotí, zda byly Národní cíle určeny přiměřeně s ohledem na obecné možnosti jednotlivých evropských ekonomik. Hlavní závěry zkoumání ukazují, že k určitému poučení se z Lisabonské strategie došlo, nicméně kvalita Národních cílů je nedostatečná a měla by být zvýšena.

Klasifikace	E61, F55, O52
Klíčová slova	Evropa 2020, strategie, Evropská Unie, národní cíle, empirická analýza, MULTIMOORA, Ratio System of MOORA, Reference point of MOORA, Full Multiplicative Form, Lisabonská strategie
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Acronyms

EMU	Economic and Monetary Union
EU	European Union
GDP	Gross domestic product
GNP	Gross national product
ICT	Information and Communications Technology
MOORA	Multi-Objective Optimization by Ratio Analysis
MULTIMOORA	MOORA plus Full Multiplicative Form
NRP	National Reform Programme
PPS	Purchasing Power Standard
R&D	Research and development
SME	Small and medium enterprises

Master Thesis Proposal

Author:	Bc. Pavla Břízová
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Defense Planned:	June 2013

Proposed Topic:

Europe 2020 Strategy: Are National Goals Reasonable

Topic Characteristics:

The European Union is well known for setting various targets, plans and strategies. The current EU strategy for decade 2010-2020 is called Europe 2020: A strategy for smart, sustainable and inclusive growth. It follows quite unsuccessful Lisbon Strategy (2000-2010). The Europe 2020 strategy consists of 5 headline targets expressed as 8 more detailed quantitative goals. Performance is to be evaluated based on a set of pre-determined statistical indicators. As opposed to the Lisbon Strategy, the Europe 2020 allows each Member State to set also its own national target values for each of the 8 goals, in addition to given overall target values appropriate for the whole EU.

The diploma thesis asks three main questions. First, it tries to figure out whether the new headline targets of Europe 2020 were set better based on the failure and known structural shortcomings of the Lisbon Strategy. Second, it examines whether the national targets are set clearly and unequivocally, as there are, on the first sight, some differences concerning concrete values of national targets among various sources. Third and most important question of the thesis then asks whether the national targets are set reasonably, i.e. with respect to general abilities of the countries and taking into account their starting position among other Member States.

This is completely new approach to study and evaluation of European integration policies. Up to now strategies were assessed according to how conducive to development of European Union their targets were and whether the targets were fulfilled. This thesis introduces an innovative point of view to the issue, as it focuses on relative reasonability of target setting itself, instead. This allows partial estimation of future successfulness of the strategy already on the beginning of its reference period, as highly overvalued targets will hardly be met and substantially undervalued ones do not contribute enough to intended aim of the policies.

Analyses will be based mostly on data from Eurostat and European Commission, as these are most relevant for the questions the thesis is dealing with. However, for purposes of the second question, data from diverse sources will be analysed to assess existing differences in published versions of national target values.

Hypotheses:

1. Targets of Europe 2020 strategy were set better than those of Lisbon Strategy.
2. National targets are stated clearly and unequivocally.
3. National targets are set reasonably concerning a relative starting position of individual Member States.

Methodology:

The first two hypotheses will be assessed mainly based on extensive literature review. Regarding the third hypothesis, national targets and starting positions of individual Member States will be evaluated using the MULTIMOORA concept (Multi-Objective Optimization by Ratio Analysis plus Full Multiplicative Form) developed by Brauers and Zavadskas (2010) and then compared with each other. The MULTIMOORA is based on three separate methods – Ratio System of MOORA, Reference point of MOORA and Full Multiplicative Form – results of which are combined together to ensure the highest possible robustness of the final outcome.

Outline:

1. The Europe 2020 Strategy
 - a. Facts
 - b. Targets, Goals and Indicators
 - c. National Target Values
2. Comparison with the Lisbon Strategy
 - a. Facts
 - b. Targets and Evaluation of Performance
 - c. Shortcomings and Consequences for the Europe 2020
3. Reasonability of National Targets
 - a. Methodology
 - b. Data
 - c. Results and Interpretation

Core Bibliography:

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Author

Supervisor

1 Introduction

“The European Union has always been ambitious. It has set for itself demanding goals in order to ensure a peaceful, safe and prosperous life for its citizens. The strategies and policies deployed were perhaps not always fully successful, but they have certainly significantly improved the living conditions of people across the European continent and have served as a sound basis for the further development of EU policies.”

H.E. Paul Vandoren¹

The European Union is well known for setting various targets, plans and strategies. In the field of economic policies, the European Union have introduced a tradition of preparing ten-year complex economic strategies. The first of them was created in 2010 and was called the Lisbon Strategy. The main objective of the Lisbon Strategy was established as considerable improvement of competitiveness of the European Union economy. The structure of the Lisbon Strategy was being gradually extended during the whole period the Lisbon Strategy was in force, with the most considerable revision during the Lisbon Strategy re-launch in 2005. Nevertheless, the objectives of the Lisbon Strategy had not been achieved by the end of the decade despite all the efforts to improve its implementation process.

In 2010 the Lisbon Strategy has been replaced by the current European Union economic strategy called the Europe 2020 Strategy. Despite the fact that the Europe 2020 Strategy has been generally designed as a continuation of the Lisbon Strategy, it has also brought certain innovations. The Europe 2020 Strategy is aimed in the first place at enhancement of economic growth in the European Union, instead of competitiveness emphasised by the Lisbon Strategy. The most considerable novelty of the Europe 2020 Strategy has been determination of a limited number of measurable Headline Targets. In addition to the overall Headline Targets, related to the performance of the European Union as a whole, each Member State has had a possibility to set its own National Target values for each of the Headline Targets.

¹ Butković, et al. (2010a)

The thesis at first provides in its theoretical part a thorough review of the existing knowledge about the Lisbon Strategy formation, development and main shortcomings and the Europe 2020 Strategy establishment and most important improvements. The analytical part then focuses on one of the general preconditions for the success of the Europe 2020 Strategy implementation – quality of the stipulated targets. Regarding this issue the thesis solves three main research questions. First, it compares a target setting process of the two Strategies to establish whether the goals of the latter have been stipulated better compared to known structural shortcomings of the former. Second, it scrutinises publicly available data sources to assess whether the National Targets have been formulated clearly and unequivocally, as there are, at first sight, some differences. Finally, the most interesting question of the thesis wonders to ascertain whether the National Targets have been set reasonably with respect to general economic possibilities and taking into account relative starting positions of the individual Member States. That is: Are there any Member States which have declared for themselves excessively ambitious targets with respect to the Europe 2020 Strategy? And are there, on the other hand, Member States which have set quite undemanding targets in comparison with others?

This is completely new approach to investigation and evaluation of European economic integration policies. Up to now economic strategies have been assessed according to how conducive to development of the European Union their targets were and whether the targets were really fulfilled. This thesis in this point represents an innovative approach, as it concentrates on relative reasonability of target setting process itself, instead. This allows partial estimation of future successfulness of the strategy already at the beginning of its reference period, as too ambitious targets will hardly be met and substantially undervalued abilities do not stimulate desired economic policies enough.

The thesis is structured as follows. Chapter 1 provides an introduction into the topic of European Union economic Strategies. Chapter 2 presents a review of the Lisbon Strategy. Its formation and structure is described in Section 2.1, changes introduced during its re-launch are discussed in Section 2.2 and an extensive literature review of identified structural and governance shortcomings constitutes Section 2.3. Chapter 3 continues with a detailed description of the current Europe 2020 Strategy. Section 3.1 presents main elements of its framework and Section 3.2 assesses the extent to which the Europe 2020 Strategy has improved known drawbacks of the Lisbon Strategy. Chapter 4 draws upon the preceding theoretical reviews and devotes itself to a thorough analysis of several aspects of the target setting process the Europe 2020 Strategy has gone through. Section 4.1 gives a

general comparison of the target setting quality of the Europe 2020 Strategy with that of the Lisbon Strategy, Section 4.2 focuses on an evaluation of clarity and unambiguousness of the stipulated National Targets and Section 4.3 is then devoted to comprehensive empirical analysis of relative reasonability of their specific numerical values. Finally, Chapter 5 concludes the thesis with a summary of main findings and suggestions of possible implications for practice and topics for further research. Bibliography and Appendix are enclosed at the very end.

2 Lisbon Strategy – The Predecessor

2.1 Formation of the Lisbon Strategy

Such a monumental political and economic project, as the European Union indeed is, needs to state and steadily update its intended course of its own development. It has to be known where the project is heading to and what its desired outcomes and possible future stages are. This need led to formation of a new tradition of ten-year economic action and development plans for the European Union in 2000.

2.1.1 The Main Goal, Pillars and Initial Headings

The first plan of this kind was launched by the European Council in March 2000. It was called the Lisbon Strategy and its main goal for the development of the European Union in the decade 2000–2010 was stated as *“to become 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”* (European Council, 2000).

Nevertheless, the content of the Lisbon Strategy developed gradually. In 2000, the Lisbon European Council set the Lisbon Strategy as an economic plan for action and development consisting of two pillars – the economic and the social one (Eurostat, 2013b). The above mentioned motto of the Strategy was further fleshed out into a set of more concrete headings of how to achieve goals in both pillars. The subsequent European Council, held in 2001 in Göteborg, added the third pillar to the Lisbon Strategy – the environmental one (Eurostat, 2013b). The list of the Strategy’s original headings sorted out according to the three pillars is mentioned in the Table 1.

2.1.2 Indicators – Structural and Supportive

Following European Council meetings have continued in contributing to the content of the Strategy. The original main ideas of the Strategy were progressively broken down into much numerous and more detailed objectives. Creel, et al. (2005) state that the Strategy after a short time consisted of 28 main objectives and 120 secondary ones which were in total related to 117 different indicators. Such a number of official objectives and indicators naturally did not contribute to the overall clearness of the Strategy’s goals.

Table 1: Lisbon Strategy – Initial Headings

<i>Pillars</i>	<i>Headings</i>
Economic	An information society for all
	Establishing a European Area of Research and Innovation
	Creating a friendly environment for starting up and developing innovative businesses, especially SMEs
	Economic reforms for a complete and fully operational internal market
	Efficient and integrated financial markets
Social	Coordinating macroeconomic policies: fiscal consolidation, quality and sustainability of public finances
	Education and training for living and working in the knowledge society
	More and better jobs for Europe: developing an active employment policy
	Modernising social protection
Environmental	Promoting social inclusion
	Targeting environmental priorities for sustainability
	Combating climate change
	Ensuring sustainable transport
	Addressing threats to public health
	Managing natural resources more responsibly
	Integrating environment into Community policies

Source: European Council (2000) and (2001)

Notes: Economic and social pillar were devised during the Lisbon European Council in 2000. Environmental pillar was added during the Göteborg European Council in 2001.

Therefore the European Commission proposed a core shortlist of only 14 most important Structural Indicators in November 2003 (Commission of the European Communities, 2003). Its final, slightly modified version was endorsed by the Council of the European Union in December 2003 (Council of the European Union, 2003). These Structural Indicators were meant to serve as main reference points for evaluation of a success or a failure of the Strategy. Thanks to this change the main aims of the Lisbon Strategy could be presented easier both to public and to political representatives. Table 2 presents the content of the final shortlist.

Table 2: Lisbon Strategy – Structural Indicators

<i>Domains</i>	<i>Indicators</i>
General economic background	1 GDP per capita in PPS
	2 Labour productivity
Employment	3 Employment rate
	4 Employment rate of older workers
Innovation and research	5 Education attainment (20–24)
	6 R&D expenditure
Economic reform	7 Relative price level
	8 Business investment
Social cohesion	9 At risk-of-poverty rate
	10 Dispersion of regional employment rates
	11 Long-term unemployment
Environment	12 Greenhouse gases emissions
	13 Energy intensity of the economy
	14 Volume of transport

Source: Council of the European Union (2003)

However, the other indicators, which had been chosen or developed until then, were not fully abandoned. In 2003, a total of 107 indicators² were gathered in a publicly-accessible database on Eurostat website. (Commission of the European Communities, 2003) The purpose of the database was on one hand to serve as a supportive statistical tool for the reporting work of the Commission and on the other hand to ensure that the public would have access to a detailed set of indicators serving for an assessment of the Lisbon Strategy's progress.

2.1.3 Open Method of Coordination

In addition to the main motto and the first draft of more detailed objectives of the Lisbon Strategy, in 2000 the Lisbon European Council (2000) stated that the implementing of the Strategy would be attained, apart from traditional ways, also by introducing a new Open Method of Coordination. This governance method is based on a provision of a framework for cooperation of national policies between the Member States. During regular meetings the Member States evaluate one another on

² Including disaggregation of indicators and sub-indicators

the basis of their performance and exchange the best practices of how to direct national policies towards the common objectives. (Eurostat, 2013c)

The Open Method of Coordination is an alternative to the formerly used European Union modes of governance (Eurofound, 2010). It is classified as a form of a soft law, which indicates that it does not require accepting any legally binding measures such as European Union's directives, regulations or decisions (Eurostat, 2013c). The Method enables decentralised decision-making and thus contributes to compliance with the principle of subsidiarity (Coussens, et al., 2008). Desired targets are to be achieved as a consequence of a peer pressure among the Member States caused by their mutual evaluation and surveillance. Moreover, sharing of the best practice helps to obtain greater convergence towards the main goals of the Lisbon Strategy. (Butković, et al., 2010b) The European Commission has only monitoring role there (Eurostat, 2013c).

2.2 Mid-term Review of the Lisbon Strategy

However, after the first few years of the Lisbon Strategy decade it has become obvious that the goals could not be reached in time. Despite the fact that some progress on the path towards a fulfilment of the objectives was made, the overall achievements were much weaker than was originally planned. (Butković, et al., 2010b) Therefore, in March 2004, the European Council appointed a High Level Group to carry out an independent review of the Strategy (Vilpišauskas, 2011). The Group was chaired by Wim Kok, a former Prime Minister of the Netherlands, therefore the final outcome of the assessment is known as the Kok Report³.

Based on the findings of the Kok Report, the European Commission has worked out so-called Mid-term Review of the Lisbon Strategy. It was endorsed by the European Council in March 2005. (Coussens, et al., 2008) The re-launched Strategy was streamlined on economic growth and employment, while the other objectives of the original Strategy started to be treated as more long-term than the time span of the Lisbon Strategy can range (Butković, et al., 2010b). There were identified three main specific areas for priority action by the European Council (Council of the European Union, 2006). They are to be found in the Table 3.

³ Kok (2004)

Table 3: Lisbon Strategy – Mid-term Review

<i>Specific areas for priority action</i>
Investing more in knowledge and innovation
Unlocking business potential, especially of SMEs
Increasing employment opportunities for priority categories

Source: Council of the European Union (2006)

2.2.1 Integrated Guidelines

The objectives were not the only part of the Lisbon Strategy revised during the Mid-term Review. The second main area of change concerned a governance of the Strategy. In order to promote increased consistency of national plans, reports and assessments the Council of the European Union adopted a set of 24 Integrated Guidelines (Vilpišauskas, 2011). They combined previously separated Broad Economic Policy Guidelines and Employment Guidelines and they were adopted only for the period 2005–2008, (Coussens, et al., 2008).

The main aim of the Integrated Guidelines was to provide a general guidance for a creation and an assessment of country specific plans, called National Reform Programmes. The Guidelines especially determined what the key European Union's priorities regarding macroeconomic, microeconomic and employment reforms are. (European Commission, 2010a) The list of the Integrated Guidelines, as they were set for the period 2005–2008, is provided in the Table 4. For the final period of the Lisbon Strategy term, the Integrated Guidelines changed only slightly. The list of the Guidelines valid for 2008–2010 is in the Table 17 in the Appendix.

2.2.2 National Reform Programmes

Based on the Integrated Guidelines, the Member States prepared three-year National Reform Programmes. The main aim of these specific instruments was to adapt the Lisbon Strategy objectives to national circumstances. (Butković, et al., 2010b) They were intended to improve the ownership of necessary reforms and the Strategy goals in general by the Member States. (Mrak, 2010) The Programmes covered all relevant policy areas and put a strong emphasis on implementation and results. Moreover, they were made publicly available to increase ownership of the Strategy also by the general public. Annual updates of these three-year National Reform Programmes are known as the Implementation Reports. (European Commission, 2010a)

Table 4: Lisbon Strategy – Integrated Guidelines (2005–2008)

Integrated Guidelines

Macroeconomic guidelines

- 1 To secure economic stability for sustainable growth
- 2 To safeguard economic and budgetary sustainability
- 3 To promote a growth- and employment-orientated and efficient allocation of resources
- 4 To ensure that wage developments contribute to economic stability
- 5 To promote greater coherence between macroeconomic, structural and employment policies
- 6 To contribute to a dynamic and well-functioning EMU

Microeconomic guidelines

- 7 To increase and improve investment in R&D, in particular by private business
- 8 To facilitate all forms of innovation
- 9 To facilitate the spread and effective use of ICT and build a fully inclusive information society
- 10 To strengthen the competitive advantages of its industrial base
- 11 To encourage the sustainable use of resources and strengthen environmental protection
- 12 To extend and deepen the internal market
- 13 To ensure open and competitive markets inside and outside Europe and to reap the benefits of globalisation
- 14 To create a more competitive business environment
- 15 To promote a more entrepreneurial culture and create a supportive environment for SMEs
- 16 To improve European infrastructure

Employment guidelines

- 17 Implement employment policies aiming 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, including disadvantaged people, and the inactive
- 20 Improve matching of labour market needs
- 21 Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners
- 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

Source: European Union (2007), Council of the European Union (2005)

2.2.3 Country Specific Recommendations

Despite the previous actions, the major innovation in terms of the Mid-term Review was the introduction of Country Specific Recommendations. For the first time, they were issued by the Council of the European Union in 2007. This was done based on a European Commission's assessment of how well the Member States were doing to achieve the objectives stated in their National Reform Programmes. Thus, politically binding guidelines started to be issued every year, addressed specifically to each of the Member States. (European Commission, 2010a)

2.2.4 Community Lisbon Programme

To mention the remaining innovations in the Lisbon Strategy governance principles, the Community Lisbon Programme was launched in 2005 as a European Union level counterpart of the National Reform Programmes. The Programme was again based on the Integrated Guidelines and its main purpose was to guide Community policies regarding internal market, infrastructure and improvement of business conditions. (Commission of the European Communities, 2005) The progress towards the achievement of the Community Lisbon Programme was then evaluated by the European Commission in the Commission's Annual Progress Report, which incorporated also policy proposals to the European Council. (European Commission, 2010a)

2.2.5 Open Method of Coordination

The last segment of governance mechanisms employed after the Mid-term Review of the Strategy is the already presented Open Method of Coordination. Despite the fact that the Method was repeatedly criticised as malfunctioning, it was not considerably revised at the occasion of the Mid-term Review, even though the Kok Report recommended clear and simple solution consisting in addition of a reinforced "naming, shaming and faming" element among the Open Method of Coordination tools. The "naming, shaming and faming" was proposed to be done through annual league tables with rankings of the Member States on the basis of their performance towards the Lisbon Strategy goals. The tables should have been produced and presented by the European Commission. (Kok, 2004)

2.3 Main Shortcomings of the Lisbon Strategy

In the official Lisbon Strategy evaluation document the European Commission presents the opinion that the Strategy had positive effects for the European Union, even though the objectives of the Strategy were definitely not reached. Among the

achievements of the Strategy the European Commission mentions particularly a formation of a broad consensus on the needed reforms, improvement of a quality of life of European Union citizens through increased employment, improved business environment and more sustainable use of energy, and starting up of the policy learning and exchange of good practices in the context of the Open Method of Coordination. (European Commission, 2010a)

Despite the fact that some progress was truly made, the Strategy is overall judged as a considerable failure. This was concluded by political representatives, such as the Swedish Prime Minister Fredrik Reinfeldt (EurActiv, 2009) and the former Prime Minister of Spain José Luis Rodríguez Zapatero (Deutsche Welle, 2010), as well as by numerous academicians, for example Charles Wyplosz (Wyplosz, 2010). The judgement of the Lisbon Strategy as a failure is to be found not only in general statements and reflections mentioned above. Empirical analysis of the Strategy successfulness was also provided, for example by Treidler (2011). He argues that official evaluations which usually talk about mixed results in connection with the Strategy assessment are not empirically defensible. Based on his analysis, the rate of success of the Lisbon Strategy should be declared as distinctly negative.

2.3.1 Overly Ambitious Goal

The first of the Lisbon Strategy shortcomings is its over-ambitious goal stated in the main motto “*to become 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*” (European Council, 2000). The European Council became partly aware of this fact during the Lisbon Strategy decade and quitted mentioning of the goal in his conclusions (Coussens, et al., 2008).

There are generally two types of action plans. The first category aims at catching the attention of general public towards a serious problem and it usually uses that kind of overloaded targets that bear considerable possibility of a failure to be fulfilled. The great example of such a plan is the Millennium Development Goals initiative by the United Nations⁴. There is a general agreement that the Goals are right in their sense and needed. After the end of 2015, to which they are due, the assessment of their fulfilment will much more incline to be based on what has been achieved than what has not, as every child, who was made healthier, more educated and happier, will count. Distinct from this, the second type of action plans is intended

⁴ United Nations (2013)

to set realistic and much more credible goals which are meant to be really fulfilled. If not, the plan tends to be evaluated as a failure.

By its exaggerated ambitions, the Lisbon Strategy resembles the Millennium Development Goals and it is not a coincidence that both the plans were launched in the same time, in 2000, at the occasion of the Millennium, known as the era of generally optimistic frame of mind and great resolutions. However, the traditional notion of a success substantially differs between the development goals oriented at poor countries and the development strategies for fully developed ones. A development plan of the European Union is not understood, either by the general public or by political representatives or academicians, as something to get only closer to but rather as something to fully accomplish.

Not only the main goal of the Lisbon Strategy was overloaded, but also its elaboration into more concrete targets and initial headings as well as drawn up lists of statistical indicators and Integrated Guidelines suffered from the overloaded architecture (Vilpišauskas, 2011). And, as Mrak (2010) aptly mentions, “*too many priorities may be easily transformed into no priority at all*”. Such an extensive list of objectives can hardly be truly adopted either by politicians or by ordinary citizens.

2.3.2 Awareness and Ownership

The lack of awareness and ownership is the second shortcoming of the Lisbon Strategy. The problem can be seen at three different levels. The first one is the European Union level. Even there the ownership of the Strategy was not appropriate. In the official evaluation document of the Strategy there is acknowledged that the allocation of finances from the European Union budget was not well aligned with the priorities of the Strategy. The launch of the Community Lisbon Programme after the Mid-term Review of the Strategy also did not help to solve this problem, even though the Programme was meant to take patronage over concerns of the Strategy at the European Union level. (European Commission, 2010a)

At the Member State level the political ownership of the Strategy was also weak (Mrak, 2010). Based on the official evaluation, the main cause of this fact was the “one size fits all” character of the Lisbon Strategy targets and unclear commitments of the Member States. The weak ownership at the national level then led to weaker possibility of the peer pressure governance expected under the Open Method of Coordination. (European Commission, 2010a) Coussens, et al. (2008) even describe the problem not only as the lack of ownership but as the lack of political will to meet the agreed commitments.

The last level where the lack of awareness and ownership of the Lisbon Strategy contributed substantially to its overall failure is the general public. First, lack of public communication of the Strategy resulted in a low awareness of its existence and more concrete goals. Incomprehension of the sense and desirability of the Strategy for future development of the European Union by ordinary citizens lowered even further the potential of the peer pressure mechanism of the Strategy governance. Provided that the European electorate was not familiar with the Strategy objectives and did not personally adopt them as relevant, national political representatives lacked the motivation to carry out unpopular structural reforms needed for the fulfilment of the Strategy goals although they had to present their poor progress at common meetings determined by the Open Method of Coordination. (Fritz-Vannahme, et al., 2010)

2.3.3 Unclear and Conflicting Objectives

Despite the fact that main goal of the Lisbon Strategy seems to be set crystal clear through all the official objectives and guidelines, many academicians in fact consider it to be unclear. Among them, Treidler (2011) states that this is one of the main reasons why the implementation of the Strategy became such a failure. Moreover, based on the ambiguity of the objectives also the process of evaluation becomes hardly practicable.

Great number of evaluation papers also classifies the Lisbon Strategy objectives as conflicting. This was firstly mentioned already in the Kok Report (Kok, 2004). The inconsistency of targets and objectives is further mentioned as the Strategy shortcoming in Coussens, et al. (2008) and after the end of the Strategy ten-year period also in Erixon (2010). However, none of them gives more concrete notion of in what aspect the inconsistency of the objectives lies.

Based on the fact that the objectives of the Lisbon Strategy were in depth itemized in the initial headings as well as in the Integrated Guidelines, the thesis considers them as clearly stated. However, the fact that their character is rather narrative than quantitative implicates difficulties for the evaluation of successfulness of their fulfillment. Moreover, the structure of main priorities of the Lisbon Strategy and detailed reasons for them given in the initial official documents of the Strategy, for example the European Council (2000) and (2001), signal that the objectives are rather mutually reinforcing than conflicting among each other.

2.3.4 Bureaucracy and Unclear Division of Responsibilities

Other shortcoming of the Lisbon Strategy lies in its excessive bureaucracy. Coussens, et al. (2008) comment on the overabundance and inappropriate quality of the official documentation related to the Strategy. According to them the accessibility of the documentation is inadequate as well as its understandability. Moreover, they also mention a heavy reporting burden which lies on the Member States. These facts definitely contribute to a low effectiveness of the Strategy implementation.

Another obstacle to effective functioning of the Lisbon Strategy process is an unclear division of responsibilities. This is again one of the shortcomings that were mentioned already in the Kok Report. However, it was not overcome all the way to the end of the Lisbon Strategy term, even though the Report offered concrete and appropriate solutions. Among them, there were also launching of the Lisbon Community Programme and creation of National Reform Plans. Despite the fact that both these proposals were realized within the Mid-term Review of the Strategy, their contribution to resolution of the problem was only weak. (Notre Europe, 2010)

The official evaluation document of the Strategy concludes that the unclear division of competences, responsibilities and tasks was the most problematic between the European Union and the national level. However, further in the evaluation document it is also mentioned that precise roles of European Union institutions – the European Commission, the European Parliament and the European Council – should have been defined better. (European Commission, 2010a)

2.3.5 Open Method of Coordination

According to Mrak (2010), the main shortcoming of the Lisbon Strategy is not its overloaded objectives and general principles but the Open Method of Coordination as a governance mechanism. Similar opinion can be found also at other academicians. More concretely, Cohen-Tanugi (2008) mentions the fact that the Method was not established on solid legal basis as one of its weaknesses. Second, the Method suffered from a weak decision-making capacity as it was based on a soft law mechanism requiring the decisions to be made by consensus.

Some of the systematically inbuilt shortcomings of the Open Method of Coordination were once again known already in the first half of the Lisbon Strategy term. They should have been solved mainly by introduction of National Reform Programmes and appointment of national Lisbon Coordinators within the Mid-term Review of the Strategy. However, these reforms did not bring recognizable improvement of the situation. This can be subscribed particularly to weaknesses in

the implementation of new governance mechanisms within the re-launched Open Method of Coordination, those in the methodology and design of the National Reform Programmes not excepting. Regarding the national Lisbon Coordinators, they had no official decision-making capacity on the ground of the Council of the European Union. (Mrak, 2010) Thus, their function as agents of enhancement of the Open Method of Coordination was also quite limited.

Wyplosz (2010) criticises the principle of the Open Method of Coordination in his article much more concretely. He identifies two main failings concerning the issue. The first one is related to a monitoring of implementation progress and is assigned to the European Commission. Wyplosz declares that initially the Commission's reports on the progress made by the Member States were quite precise and resolute. However, very soon the documents have lost their sharpness and have become more diplomatically formulated, as they were seen by main political representatives of the Member States as publicly embarrassing.

Similarly, regarding the main instrument of the Open Method of Coordination – the peer pressure – Wyplosz argues that meetings of the Member States' representatives organised within the Method framework were based on mutual congratulations rather than on the peer pressure. As the political leaders are accountable only to their domestic electorate and the meetings attracted strong attention of media, there was no motivation to raise critical comments neither on imperfections in the progress of one's own country nor on the implementation of structural reforms in any other Member State.

Thus the concept of the peer pressure proved to be completely non-functional. This was nevertheless a failure predictable and predicted (Wyplosz, 2010). The Open Method of Coordination as a kind of soft law governance mechanism simply cannot work without the interested will of responsible representatives and their personal ownership of the main ideas on which the Lisbon Strategy is based.

2.3.6 Integrated Guidelines

Concerning other governance instruments, the Integrated Guidelines are also considered as one of the shortcomings of the Lisbon Strategy. Despite the fact that they should have constituted a direction indicator for national policies they suffered from numerous methodological problems which forestalled them to fulfil their purpose.

First of all, the Guidelines had too broad and complex character. Their catch-all nature aimed to cover all policy areas where the Member States could carry out structural reforms. (Mrak, 2010) Thus, they suffered primarily from the lack of meaningful prioritization (European Commission, 2010a). They simply encompassed too many objectives to be able to help the Member State to determine in what it should preferentially engage. Second, the Integrated Guidelines were created as a universal template, the same set of guidelines for all the Member States. However, the Member States differed substantially in terms of the level of their socio-economic development, in many other characteristics and especially in structural problems they were confronted with at the moment. (Mrak, 2010)

2.3.7 National Reform Programmes

Both the above mentioned shortcomings (the fact that the Integrated Guidelines consisted of too many priorities and did not sufficiently reflect differences among the Member States) led to ineffectiveness in usage of another governance instrument – National Reform Programmes, as the Member States followed the Integrated Guidelines only loosely when preparing the Programmes. (Mrak, 2010)

As a result, the Programmes differed substantially across the Member States (European Commission, 2010a). This is an unequivocal proof of the failure of the Integrated Guidelines conception, as their main aim was to ensure integration, coordination and convergence of policy areas in which the individual Member States undertook their structural reforms. The National Reforms Programmes of some Member States contained ambitious and coherent aims concerning the plans of structural reforms implementation. On the other hand, some Member States interpreted the purpose of the Programmes differently and wrote them rather in a somehow vague and much more descriptive way than the others. (European Commission, 2010a)

Moreover, the Integrated Guidelines were not followed closely enough not only by some Member States but also by the European Commission itself. When assessing drafts of the National Reform Programmes prepared by the Member States, the Commission, according to Pisani-Ferry, et al. (2006), focussed rather on national priorities than on the exact terms of the Guidelines. This once again did not contribute to a greater unification of the economic policy priorities and undertaken structural reforms.

2.3.8 Non-binding Character and Insufficient Incentives

Continuing in description of shortcomings of the Lisbon Strategy in terms of governance mechanisms, its non-binding character is often mentioned as one of the main problems. The voluntary nature of the Open Method of Coordination is seen as inappropriate for ensuring the attainment of jointly set common goals (Coussens, et al., 2008), as there was no obligation to adopt any coordination or action. According to Fritz-Vannahme, et al. (2010), no coordination of reforms took place in reality as a result.

The problem of non-binding nature of the Lisbon Strategy was seen not only by academicians but also by politicians. For example the former Spanish Prime Minister José Luis Rodríguez Zapatero criticised the mechanism for being based only on voluntary targets (Deutsche Welle, 2010). According to Guy Verhofstadt, a former Prime Minister of Belgium, currently a Member of the European Parliament, national governments resisted all attempts to establish any binding rules in connection with the Lisbon Strategy. Moreover, the strong resistance prevented adoption of any kind of a tougher system such as for example already mentioned “naming, shaming and faming” procedure. Regarding the work of the European Union institutions in context of the Lisbon Strategy, Guy Verhofstadt mentioned that the practice of the European Commission to issue every year a technical report on each Member State put in fact no pressure on national governments at all. (Economist, 2010)

Thus, at the end of the Lisbon Strategy term, some Member States demanded more binding nature of governance mechanisms accompanied by an effective monitoring and a usage of benchmarking for assessment of ongoing progress towards the implementation of future European Union’s development plans (Butković, et al., 2010b). More concretely, José Luis Rodríguez Zapatero said that offending Member States in terms of the implementation of necessary reforms should face “corrective measures” consisting in reduction of the European Union subsidies they receive (Deutsche Welle, 2010). Guy Verhofstadt proposed very similar principle of financial motivation called “sticks and carrots” (Economist, 2010).

Also among academicians, there are voices that without sanctions or rewards the Open Method of Coordination could not work and the Lisbon Strategy was condemned to be only a non-binding agreement, see Fritz-Vannahme, et al. (2010). Introduction of sanctions and/or incentives is advocated also by the Notre Europe (2010). Like the above mentioned political representatives, it also proposes to condition the European Union financial aid to the performance of the Member States in implementation of the development strategy in future.

However, there are also opposite opinions concerning the non-binding character of the Lisbon Strategy. The Notre Europe (2010) admits that such a character is in fact necessary to make at least some progress in policy areas which are not in the competence of the European Union. The Economist (2010) stresses that using the “sticks and carrots” principle could be highly counter-productive as countries which are successful in implementation of reforms are in the same time those which do not need higher financial aid from the European Union. This holds even if the sanctions/incentives would be based on relative progress of the Member States as proposed in Butković, et al. (2010b) and Fritz-Vannahme, et al. (2010).

2.3.9 “One Size Fits All” Approach

Finally, there are some shortcomings in terms of the Lisbon Strategy targets. As opposed to drawbacks connected with the Lisbon Strategy objectives as described in the Section 2.3.3, by the term “targets” the thesis means more concrete and specified goals, commonly quantitative ones however this is not their necessary feature.

First of all, the “one size fits all” character of the Lisbon Strategy targets was frequently criticised. Establishing of a single target for all the Member States is seen as unmeaning for example by Pochet (2010), particularly due to the fact that there were (and still are) tremendous differences among the countries within the European Union. Even the official evaluation document of the Lisbon Strategy the European Commission (2010a) admits that the “one size fits all” approach, which considers neither different starting positions of the Member States, nor their comparative advantages, is wrong by its nature. The document adds that this was one of the causes of a generally low ownership of the Strategy, especially at the operational level.

Universality of the Lisbon Strategy targets and their simple numerical character was mentioned critically also by Mrak (2010). Instead of this he proposes to introduce country specific targets which would allow thorough assessment of the Member States performance and make it possible to benchmark the States based on their own progress. In addition, he also suggests designing a wide range of quantitative and qualitative indicators for this purpose. Nevertheless, these indicators have existed since the first years of the Lisbon Strategy term as stated in the Section 2.1.2. But they were not used for a proper and clear evaluation of the progress owing to the fact that the indicators were not well aligned to the Lisbon Strategy targets and objectives on one hand and the non-binding nature of the Lisbon Strategy agreement in general on the other one.

2.3.10 Too Few Quantitative Targets

Another problem with the Lisbon Strategy targets consists in the fact that not many of them were of quantitative nature. To recapitulate the evolution of this shortcoming, at the beginning of the Lisbon Strategy term there were only some completely general initial headings describing the Strategy goals (see Section 2.1.1 and the Table 1). Soon afterwards numbers of statistical indicators were developed to help monitor progress of the Member States. However, these were not aligned with any concrete numerical targets. In 2003 the shortlist of 14 Structural Indicators was announced (see the Section 2.1.2 and the Table 2), but only for about half of these Indicators there were during the duration of the Lisbon Strategy agreed any numerical values to serve as reliable targets (Troidler, 2011).

The official evaluation document of the Lisbon Strategy mentions two numerical targets due in 2010, calling them the Headline Targets, and one additional target, which was supposed to be met only in case the structural reforms undertaken by the Member States had the desired effect. The Headline Targets were to raise employment rate to 70 percent and the overall European Union spending on research and development to 3 percent of the European Union's GDP. The additional target was stated as an assumption of the average GDP growth of around 3 percent across the whole European Union. (European Commission, 2010a)

During the Mid-term Review in 2005 the Lisbon Strategy was refocused and only the two Headline Targets were retained (Mrak, 2010). On the other hand, the employment target was more particularised in the decision of the Council of the European Union (2005). The decision says within the broader interpretation of the Integrated Guideline number 17 (see the Table 4) that in addition to achievement of the overall average employment rate of 70 percent, more specifically the average employment of women should be at least 60 percent and that of older workers (aged 55 to 64) at least 50 percent across the European Union. Nevertheless, even if there were stipulated only four quantitative Headline Targets none of them was fulfilled by the due date. Overview of the Lisbon Strategy Headline Targets including the state of the monitored indicators at the end of the year 2010 is presented in the Table 5.

The last drawback of the Lisbon Strategy quantitative targets concerns the input character of the research and development Target. Many academicians correctly point out that the amount of expenditures on research and development does not give any evidence whether the European Union is becoming more competitive and dynamic knowledge-based economy, or the economy capable of sustainable economic growth, as is the message of the original Lisbon Strategy motto.

Table 5: Lisbon Strategy – Headline Targets Performance

<i>Headline Targets</i>		<i>Indicators</i>		<i>State in 2010</i>
	Overall	70%	Employment rate by gender, age group 15–64	64.1%
Employment	Woman	60%	Employment rate by gender, age group 15–64	58.2%
	Older workers (55–64 years)	50%	Employment rate of older workers by gender	46.3%
R&D investment	As a fraction of the EU’s GDP	3%	Gross domestic expenditure on R&D	2.0%^a

Source: Eurostat (2011)

Notes: Lisbon Strategy data tables of employment rates were officially frozen by Eurostat on December 20, 2011. Lisbon Strategy data tables of R&D expenditures were officially frozen by Eurostat on December 21, 2011.

^a Eurostat estimate.

Among them, Mrak (2010) clearly states that an input indicator by its nature can hardly be a proper indicator of output performance, continuing with an example that sub-optimally spent financial resources will not, even in large amounts, lead to achievement of the stated goals. Therefore for example Vilpišauskas (2011) calls for establishing of some other indicator for measuring of innovation progress instead of the research and development spending.

2.3.11 Comparison with the “Maastricht Criteria”

Based on the drawbacks of the Lisbon Strategy described in Sections 2.3.1 to 2.3.10, a short comparison with other existing policy approaches suggests itself. Coussens, et al. (2008) draw a comparison in particular between the “Maastricht criteria”, designed as a set of requirements the Member State has to meet to be allowed to enter the Stage Three of the Economic and Monetary Union, and the Lisbon Strategy goals. Whilst the “Maastricht criteria” are seen as a successful policy approach, the Lisbon Strategy failed.

According to Coussens, et al. (2008), there are six main arguments why this is the case. They are presented in the Table 6. These arguments in a nice way summarise where are the main differences between the successful story of the “Maastricht criteria” and the unsuccessful case of the Lisbon Strategy. Furthermore, the list more generally points out appropriate characteristics which any policy ambition of such a type should possess to have a real probability to be accomplished.

Table 6: Lisbon Strategy – Comparison with Maastricht Criteria

Arguments put forward to explain the success of the Maastricht criteria

1	Member States had a strong incentive to comply with these criteria as the cost of non-membership was considered substantial
2	The assessment of the criteria was relatively straightforward as they were few in number and easily measurable
3	The rationale underlying the criteria was (broadly) accepted
4	The governance framework was enshrined in the Treaty and clearly spelled out the roles of each institution and the relevant decision-making procedures
5	The convergence process focused the minds of the public at large, allowing national governments to use the criteria as a justification for implementing necessary reforms
6	Economic actors gradually came to believe in the success of the convergence process, which in turn facilitated the fulfilment of the criteria

Source: Coussens, et al. (2008)

3 Europe 2020 – Currently in Power

3.1 Formation and Structure of the Europe 2020

The second European Union's growth strategy, for the current decade 2010–2020, is formally named the *Europe 2020: A strategy for smart, sustainable and inclusive growth*. It was proposed by the European Commission on March 3, 2010 (European Commission, 2010b) as a successor of the Lisbon Strategy and it was officially adopted by the European Council on June 17, 2010 (European Council, 2010a).

The main purpose of the Strategy is to define where the European Union wants to be by 2020. On that account, the Europe 2020 provides a characterization of main economic priorities for the further development of the European Union and at the same time determines a list of specific growth-enhancing numerical targets which are to be met by the end of the given decade. The Strategy is intended to focus in particular on those policy areas where the cooperation between the European Union and the Member States can be the most effective in tackling current problems, as:

“No single Member State can successfully address these challenges alone. Nor is EU policy simply the addition of 27 national policies. By acting together on a common vision, we can make the whole more than the sum of its parts.”⁵

However, the successfulness of the Strategy implementation depends especially on extent of a real partnership between the Member States and relevant European Union's institutions. At the national level, clear ownership of the Strategy's vision and explicit commitment to act are necessary, even if not sufficient, conditions for the successful delivery of the Europe 2020 Strategy. (Commission of the European Communities, 2009) On the other hand, at the European Union level, the progress relies particularly on existence of a proper focus, clearly defined measurable goals and transparent benchmarks. However, strong and effective governance framework using all the available European Community instruments to provide timely implementation of the Strategy is needed as well. (European Commission, 2010b)

⁵ Commission of the European Communities (2009)

3.1.1 Priorities of the Europe 2020 Strategy

As the official appellation of the current growth plan – the *Europe 2020: A strategy for smart, sustainable and inclusive growth* – indicates, there are three main priorities in the heart of the Strategy. Nonetheless, there is even a superior term roofing all of them. It is an aim of creating a sustainable social market economy viable in the twenty-first century, because the model of the European social market economy, as we are used to it hitherto, is now seriously challenged – not only by the recent financial crisis, but also by a fast changing world bringing up weighty topics such as aging, limitedness of resources and effects of globalisation. (European Commission, 2010b)

The three mutually reinforcing priorities of the Europe 2020 Strategy then offer a pathway towards such a sustainable European social market economy (European Commission, 2010b). A complete listing of all the actions falling under particular priorities is presented in the Table 7. However, a short written summarisation of the main aspects of each Europe 2020 priority is provided in the following paragraph.

First, the smart growth priority is focused on reorienting European economies to be based primarily on knowledge and innovation. This is to be done mainly through more effective investment into areas such as education, research and innovation. The sustainable growth priority concentrates on encouragement of more resource efficient, environmental friendly and competitive economies. Finally, the inclusive growth priority emphasizes the importance of economic, social and territorial cohesion, for which it is necessary to ensure in particular the high employment of European Union's inhabitants, as the job creation is considered to be the most suitable tool for reduction of poverty. (European Commission, 2010b)

3.1.2 Headline Targets

As the official launching document of the Europe 2020 Strategy (European Commission, 2010b) correctly recognizes, for progress towards the goals to be boosted and efforts to be given a concrete direction there is a need for commonly agreed headline targets. These have to be of a limited number to ensure concentration on priorities, which, of course, the targets should be representative of. They need to be measurable and based on reliable enough data to enable proper comparison of achievements. Finally, they have to be able to take into consideration differences among the Member States. (European Commission, 2010b)

Table 7: Europe 2020 – Strategy Priorities

<i>Priorities</i>	<i>Priorities meanings and concrete actions</i>
Smart growth	Education – encouraging people to learn, study and update their skills
	Research/innovation – creating new products/services that generate growth and jobs and help address social challenges
	Digital society – using information and communication technologies
Sustainable growth	Building a more competitive low-carbon economy that makes efficient, sustainable use of resources
	Protecting the environment, reducing emissions and preventing biodiversity loss
	Capitalising on Europe's leadership in developing new green technologies and production methods
	Introducing efficient smart electricity grids
	Harnessing EU-scale networks to give our businesses (especially small manufacturing firms) an additional competitive advantage
	Improving the business environment, in particular for SMEs
Inclusive growth	Helping consumers make well-informed choices
	Raising Europe's employment rate – more and better jobs, especially for women, young people and older workers
	Helping people of all ages anticipate and manage change through investment in skills & training
	Modernising labour markets and welfare systems
	Ensuring the benefits of growth reach all parts of the EU

Source: European Commission (2012a), (2012b) and (2012c)

Based on this knowledge, five quantitative Headline Targets have been formulated and agreed to measure a progress towards goals of the Europe 2020 Strategy. The Targets refer to five main domains of the European Union interests. These are promotion of employment; improvement of conditions for innovation, research and development; climate change and energy sustainability, improvement of education, and fighting poverty and social exclusion (European Council, 2010a).

The exact wording of the Europe 2020 Strategy Headline Targets, as it was established by the European Commission, is to be found in the Table 8. As José Manuel Barroso, the President of the European Commission, says in the preface of the official launching document, the Targets are ambitious, but attainable (European Commission, 2010b).

Table 8: Europe 2020 – Headline Targets

<i>Headline Targets</i>	
Employment	Raise the employment rate of the population aged 20–64 from the current 69% to at least 75%
R&D	Achieve the target of investing 3% of GDP in R&D in particular by improving the conditions for R&D investment by the private sector, and develop a new indicator to track innovation
Climate change and energy sustainability	Reduce greenhouse gas emissions by at least 20% compared to 1990 levels or by 30% if the conditions are right, increase the share of renewable energy in our final energy consumption to 20%, and achieve a 20% increase in energy efficiency
Education	Reduce the share of early school leavers to 10% from the current 15% and increase the share of the population aged 30–34 having completed tertiary education from 31% to at least 40%
Fighting poverty and social exclusion	Reduce the number of Europeans living below national poverty lines by 25%, lifting 20 million people out of poverty

Source: European Commission (2010b)

The Targets are interrelated and by their very own nature also mutually reinforcing, as for example improvements in education are supposed to lead to better employability and thus to reduction of poverty; greater amount of innovations, research and development together with more efficient usage of resources help create new jobs through the higher competitiveness of economies; and investments in cleaner, low carbon technologies not only improve environment and contribute to fight the climate change, but as a side effect once again helps create new business and employment opportunities (European Commission, 2013a).

3.1.3 Statistical Indicators

Concerning the structure of the Headline Targets, they are set in such a way that they can be more concretely expressed by means of eight separate and numerically quantifiable Sub-targets, based on available statistical indicators. Thus, the achievement of each Target is simply, empirically verifiable. This is considerable improvement in comparison with the Lisbon Strategy which contained mainly goals whose fulfilment was not clearly provable (Traidler, 2011). The list of the Sub-targets together with the corresponding Headline Indicators is presented in the Table 9.

Table 9: Europe 2020 – Headline Indicators

<i>Headline Targets</i>		<i>Headline Indicators</i>	
Employment	1	75% of the 20–64 year-olds to be employed	Employment rate by sex, age group 20–64
R&D	2	3% of the EU's GDP to be invested in R&D	Gross domestic expenditure on R&D
Climate change and energy sustainability	3a	Greenhouse gas emissions 20% lower than 1990	Greenhouse gas emissions, base year 1990
	3b	20% of energy from renewables	Share of renewable energy in gross final energy consumption
	3c	20% increase in energy efficiency	Primary energy consumption
Education	4a	Reducing the rates of early school leaving below 10%	Early leavers from education and training by sex
	4b	At least 40% of 30–34-year-olds completing third level education	Tertiary educational attainment by sex, age group 30–34
Fighting poverty and social exclusion	5	At least 20 million fewer people in or at risk of poverty and social exclusion	People at risk of poverty or social exclusion ^a

Source: European Commission (2013a), Eurostat (2013a)

Notes:

a Consists of three sub-indicators: *People living in households with very low work intensity*, *People at risk of poverty after social transfers* and *Severely materially deprived people*. People are counted only once even if they are present in more than one sub-indicator.

3.1.4 National Targets

Another novelty of the Europe 2020 as opposed to the Lisbon Strategy lies in the fact that the Member States subsequently translated the commonly agreed Headline Targets of the Europe 2020 Strategy into their own National Targets. Thus for every Headline Target each Member State has set its own numerical target value it wants to reach. These differentiable National Targets ensure that the Europe 2020 Strategy no longer follows an improper “one size fits all” policy approach, as the Member States are encouraged to tailor the Headline Targets to their particular situation (European Commission, 2010b), reflecting their relative starting positions and specific national circumstances (European Council, 2010b).

By this approach, the Member States, which in reality constitute structurally very heterogeneous group of countries, can opt for different national priorities within

the frame of the Europe 2020 Strategy goals (Butković, et al., 2010b). Moreover, each Member State can even choose its own level of ambition towards the accomplishment of the common Headline Targets through setting of its National Targets (European Commission, 2010b). The complete list of National Targets as they were set by the Member States in their National Reform Programmes in April 2011 is summarised in the Table 18 in the Appendix.

3.1.5 Flagship Initiatives

The Headline Targets are representative of the three priorities of the Europe 2020 Strategy; however, they are not exhaustive. They have to be underpinned by further actions at the national as well as at the European Union level. As a main instrument for the delivery of the Europe 2020 Headline Targets the European Commission designed seven Flagship Initiatives. And at the same time they are also meant to steer the progress towards the accomplishment of the Europe 2020 priority themes. (European Commission, 2010b)

The importance of the seven Flagship Initiatives consists in the fact that they integrate concrete action at the European Union level much better into the Strategy framework (Zuleeg, 2010), and thus enable to interconnect a process of fulfilment of the limited number of representative Headline Targets with the endeavour to accomplish the three much broader priorities of the Europe 2020 Strategy. Basic description of the Flagship Initiatives is provided in the Table 10. The structure of the interconnections between the main growth priorities of the Strategy, the Flagship Initiatives and the Strategy Headline Targets are then summarised in the Table 11.

3.1.6 Integrated Guidelines

Concerning governance aspects of the Europe 2020 Strategy, its governance architecture consists of two pillars. The first is called the *thematic approach* and it covers above mentioned Strategy priorities, Headline Targets and Flagship Initiatives, and in addition to that also Integrated Guidelines. Based on the explanation of the official launching document of the Europe 2020 Strategy, the *thematic approach* represents above all the European Union dimension pointing at an interdependence of Member States economies. On the other hand, the second pillar, named the *country reporting*, concentrates more on the national dimension, as it is in particular meant to help the Member States to restore macroeconomic stability and return their economies on path of sustainable growth. (European Commission, 2010b)

Table 10: Europe 2020 – Flagship Initiatives

<i>Flagship Initiatives</i>	
Innovation Union	To improve framework conditions and access to finance for research and innovation so as to ensure that innovative ideas can be turned into products and services that create growth and jobs
Youth on the move	To enhance the performance of education systems and to facilitate the entry of young people to the labour market
A digital agenda for Europe	To speed up the roll-out of high-speed internet and reap the benefits of a digital single market for households and firms
Resource efficient Europe	To help decouple economic growth from the use of resources, support the shift towards a low carbon economy, increase the use of renewable energy sources, modernise our transport sector and promote energy efficiency
An industrial policy for the globalisation era	To improve the business environment, notably for SMEs, and to support the development of a strong and sustainable industrial base able to compete globally
An agenda for new skills and jobs	To modernise labour markets and empower people by developing of their skills throughout the lifecycle with a view to increase labour participation and better match labour supply and demand, including through labour mobility
European platform against poverty	To ensure social and territorial cohesion such that the benefits of growth and jobs are widely shared and people experiencing poverty and social exclusion are enabled to live in dignity and take an active part in society

Source: European Commission (2010b)

In June 2010, the European Council adopted ten Europe 2020 Integrated Guidelines for economic and employment policies which have replaced former 24 Integrated Guidelines used within the framework of the Lisbon Strategy (European Union, 2013). Despite the fact they are notably limited in number so as to ensure coherence and clarity (European Commission, 2010c) they still diligently reflect all the Headline Targets of the Europe 2020 Strategy (Butković, et al., 2010b).

The main aim of the Integrated Guidelines is to guide the Member States in preparation of their National Reform Programmes and in subsequent implementation of structural reforms. Moreover, the Guidelines serve as a base for Country-specific Recommendations issued by the European Council. And if any Member State does not follow sufficiently the Recommendation, the first six Guidelines on economic policies serve as a base for Policy Warnings issued by the European Commission. (Butković, et al., 2010b) For the Europe 2020 Integrated Guidelines see the Table 12.

Table 11: Europe 2020 – Structural Interconnections

<i>Priorities</i>	<i>Flagship Initiatives</i>	<i>Headline Targets</i>
Smart growth	Innovation Union	Employment
	Youth on the move	R&D
	A digital agenda for Europe	Education
Sustainable growth	Resource efficient Europe	Climate change and energy sustainability
	An industrial policy for the globalisation era	
Inclusive growth	An agenda for new skills and jobs	Employment
		Education
	European platform against poverty	Fighting poverty and social exclusion

Source: European Commission (2012a), (2012b) and (2012c)

Notes: Individual Flagship Initiatives are not aligned with concrete Headline Targets.

3.1.7 European Semester

The *country reporting* pillar of the Europe 2020 Strategy governance structure is administered mainly through the European Semester. This new arrangement for coordination of economic policies has been launched from 2011 (Butković, et al., 2010b) to monitor progress and ensure active involvement of the Member States in the Strategy implementation. The European Semester thus represents a tool for reinforced, systematic and highly integrated surveillance of policy coordination (Vilpišauskas, 2011) functioning on a yearly basis.

The main purpose of the European Semester is to strengthen ex-ante policy coordination between the Member States, during the first part of the year when it is still under construction. As the Semester requires the Member States to make their macroeconomic, structural and employment policy intentions public, possible inconsistencies can be detected early enough to be corrected. (European Commission, 2013b)

Moreover, the European Semester also synchronises reporting and evaluation of the Europe 2020 Strategy with that of the Stability and Growth Pact⁶. This helps to significantly simplify reporting process at the national level. However, instruments and procedures of both the projects remain separate (European Commission, 2010b).

⁶ Framework for coordination of fiscal policies in the European Union (European Commission, 2013c)

Table 12: Europe 2020 – Integrated Guidelines

Integrated Guidelines

- 1 Ensuring the quality and the sustainability of public finances
- 2 Addressing macroeconomic imbalances
- 3 Reducing imbalances in the euro area
- 4 Optimising support for R&D and innovation, strengthening the knowledge triangle and unleashing the potential of the digital economy
- 5 Improving resource efficiency and reducing greenhouse gases emissions
- 6 Improving the business and consumer environment and modernising the industrial base
- 7 Increasing labour market participation and reducing structural unemployment
- 8 Developing a skilled workforce responding to labour market needs, promoting job quality and lifelong learning
- 9 Improving the performance of education and training systems at all levels and increasing participation in tertiary education
- 10 Promoting social inclusion and combating poverty

Source: European Commission (2010c)

The whole cycle of the European Semester is started by publication of the Annual Growth Survey. This report is issued by the European Commission usually before the end of the calendar year (European Commission, 2013d) and it identifies main economic challenges for the European Union in the coming year and presents recommendations how to tackle them (European Commission, 2013e). In March, the European Council issues policy orientations for national policies based on the Annual Growth Survey. This guidance covers topics such as fiscal policies, macroeconomic structural reforms and growth enhancing measures, the linkages among them not excepting. (European Commission, 2013d)

In the next step, the Member States draw up two national documents for submission to the European Commission in April. One of them is the Stability/Convergence Programme⁷ describing multiannual budgetary plans of the Member State. (European Commission, 2013b) This Programme is issued under the Stability and Growth Pact and general aim of this instrument is ensuring budgetary discipline of the Member States (European Commission, 2012d). The second one is the National Reform Programme and its purpose is to present structural reforms and

⁷ Stability Programmes for eurozone countries, Convergence Programmes for other Member States (European Commission, 2012d)

measures planned at the national level to make a progress in achieving the priorities of the Europe 2020 Strategy (European Commission, 2013d).

Based on the analysis of these Programmes, the European Commission issues the Country-specific Recommendation, individually for each Member State in June. The Recommendations cover broad range of topics related to the Stability and Growth Pact agenda as well as to the aims of the Europe 2020 Strategy. Besides, they also reflect the priorities established in the Annual Growth Survey. (European Commission, 2013b) The Country-specific Recommendations are then endorsed by the European Council and finally, at the end of June or in early July, officially adopted by the Council of the European Union (European Commission, 2013d).

Thanks to this timing of the European Semester, the Member States can receive valuable policy advices before drafts of their budgets for next year are completed. Regarding the implementation of the Country-specific Recommendations, there is a possibility to issue the Policy Warnings to Member States not acting within the given time span, as was already mentioned in the Section 3.1.6. Moreover, in case of excessive macroeconomic and budgetary imbalances even incentives and sanctions can be used. (European Commission, 2013d) Detailed graphical representation of the whole European Semester process is attached in the Figure 2 in the Appendix.

3.2 Learning from the Lisbon Strategy

The Lisbon Strategy suffered from a great number of shortcomings in miscellaneous domains, such as structure and determination of main aims, governance mechanisms and target setting, which have been thoroughly described in the Section 2.3. The Europe 2020 Strategy, as its successor, has had a chance to learn from them not only at the beginning of the decade when it was launched but also now and even in the upcoming years, as the Europe 2020 may still evolve and refine even if already in force, as the Lisbon Strategy also did (see the Section 2.2).

Academic writers to a considerable extent agree that some learning from the drawbacks of the Lisbon Strategy has occurred during the formation of the Europe 2020 Strategy. However, Vilpišauskas (2011) finally concludes that the learning has had rather an incremental character, as opposed to the proclaimed *quantum leap* (European Council, 2010c), and that it has concerned above all only instrumental modifications. On the other hand, for example Butković, et al. (2010b) represent more satisfied part of the academicians when advocating that despite being perceived as a mere continuation of the Lisbon Strategy, the Europe 2020 has introduced significant number of innovations and improvements.

3.2.1 Ambitions and Clearness

First of all, the Europe 2020 Strategy has not repeated the mistake of the Lisbon Strategy concerning its over-ambitious and unrealizable main goal “*to become 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*” (European Council, 2000). Nevertheless, the Europe 2020 has retained the main priorities of the Lisbon Strategy, as they were already identified in the original Lisbon Strategy before its Mid-term Review in 2005 (for original pillars of the Lisbon Strategy see the Section 2.1.1). Within the Europe 2020 Strategy, these priorities are newly reformulated as an aim of attaining *smart, sustainable and inclusive growth* (European Commission, 2010b).

However, obvious avoidance of proclaiming an exaggerated motto does not mean the Europe 2020 would lack ambitions. José Manuel Barroso, the President of the European Commission, accentuated in the preface of the Europe 2020 official launching document that: “*We must have confidence in our ability to set an ambitious agenda for ourselves and then gear our efforts to delivering it.*” (European Commission, 2010b)

The main motto was not the only overloaded part of the Lisbon Strategy structure. From its beginning, the Lisbon Strategy has had problems with defining too numerous sets of objectives (for original Lisbon Strategy headings see the Table 1), lists of statistical indicators (see the Section 2.1.2) and later also Integrated Guidelines (see the Table 4). Drawing a lesson from those weaknesses the Europe 2020 has kept in mind desired distinctness and clearness of such listings.

Thus, in the structure of the Europe 2020 Strategy, there are three forceful priorities roofed by the aim of creating sustainable social market economy (see the Section 3.1.1); five clear and measurable Headline Targets (see the Section 3.1.2) instead of a hardly to handle general aim of becoming “*the most competitive and dynamic knowledge-based economy in the world*” (European Council, 2000) and only two numerical Headline Targets (see the Section 2.3.10) in case of the Lisbon Strategy; seven Flagship Initiatives (see the Section 3.1.5) to replace numerous and mostly inactive Lisbon Strategy initial headings (see the Section 2.1.1); and ten concise Integrated Guidelines (see the Table 12) as opposed to a former sum of 24 of them relevant for the Lisbon Strategy (see the Section 2.3.6). Similar conclusions about narrowing down the numbers of aims, objectives and indicators can be found also in Vilpišauskas (2011).

3.2.2 Definition of Competences

The unclear division of responsibilities constituted one of the main problems of the Lisbon Strategy implementation at the European Union level (see the Section 2.3.4). The Europe 2020 Strategy has obviously made a big progress with respect to this issue. Butković, et al. (2010b) point out that the new division of labour introduced within the Europe 2020 Strategy is arguably better than that of the Lisbon Strategy.

First of all, the European Council is newly responsible for the overall guidance of the Europe 2020 Strategy, as its general work consists of an overview and an integration of European Union policies and administering of interdependences between the European Union and its Member States. On the one hand the guidance is to be horizontal, concerning the implementation of the Europe 2020 programme by the European Union as a whole, and on the other hand there is also a possibility of vertical guidance through devoting the European Council meetings each year to specific topic. (European Commission, 2010b) Apart from that, every year, the European Council also issues an overall assessment of progress towards the implementation of Europe 2020 Strategy, at European Union as well as national level (European Council, 2010b). This assessment monitors not only steps towards the fulfilment of the general European Union Headline Targets and the Flagship Initiatives, but also the overall macroeconomic situation of the European Union (European Commission, 2013f).

Likewise, the Council of the European Union also plays bigger role within the framework of the Europe 2020 Strategy than it did under its predecessor (Butković, et al., 2010b). As the main tasks of the Council, there are determined once again the monitoring of the Europe 2020 implementation process and also a peer review (European Commission, 2013f) accompanied by an exchange of good policy practice by national ministers (European Commission, 2010b).

As it was already mentioned in the Section 3.1.7, devoted to the European Semester, the European Commission issues the Annual Growth Survey, assesses the National Reform Programmes and Stability/Convergence Programmes prepared by the Member States, releases the Country-specific Recommendations and possibly also the Policy Warnings. The European Commission monitoring of the progress towards the Headline Targets of the Europe 2020 Strategy is based on the set of statistical Headline Indicators (Eurostat, 2013a) developed by the Eurostat. The role of the former national Lisbon Coordinators (as mentioned in the Section 2.3.5) has been undertaken by the European Semester Officers who have started to be deployed

by the European Commission in the individual Commission's Representations in the Member States. (European Commission, 2013f)

As opposed to the Lisbon Strategy, the Europe 2020 has determined specific tasks concerning the Strategy also to the European Parliament (Butković, et al., 2010b). On one hand the Parliament has a function of a European Union legislator so it issues legislative proposals especially with respect to the Flagship Initiatives. On the other hand it is responsible for mobilisation of the European Union citizens as well as the national parliaments to give the attention to the Europe 2020 Strategy. (European Commission, 2013f)

3.2.3 Broader Support and Assistance

Ownership of any development plan by relevant actors is a necessary precondition for its successful implementation. The Lisbon Strategy lacked the ownership at all three relevant levels – the European Union one, the national one as well as the general public one (see the Section 2.3.2). The Europe 2020 Strategy has introduced some modifications to tackle this issue.

First of all, the European Council proclaimed that all the European Union common policies, the common agricultural one and the cohesion one not excepting, are supposed to assist the Europe 2020 Strategy on its path towards the accomplishment (European Council, 2010b). Moreover, the European Commission emphasised the supporting role of the European budget (Vilpišauskas, 2011), including the use of its regional development, social and cohesion funds (European Commission, 2012e). This is an attempt to answer the criticism of the Lisbon Strategy regarding the not well aligned allocation of the European Union financial resources (see the Section 2.3.2).

3.2.4 Ownership and Incentives

At the national level, the principal innovation intended to increase the ownership of the Europe 2020 Strategy by the Member States was definitely the introduction of the National Targets setting. The “one size fits all” character of the Lisbon Strategy targets was mentioned as the main cause of the lacking ownership (see the Section 2.3.2).

Another frequently mentioned source of generally low ownership of the Lisbon Strategy at the national level was its non-binding character and insufficient incentives (see the Section 2.3.8). Concerning the former, while some of the Europe 2020 Headline Targets are included in the European Union legislation (European

Council, 2010b), the fulfilment of the rest of them still depends on the willingness of the Member States. Regarding the incentives, there is general agreement that they were strengthened compared to the Lisbon Strategy (Vilpišauskas, 2011), even though the often suggested solution to condition access to the European Union subsidies by the progress towards the Europe 2020 Strategy Headline Targets (see the Section 2.3.8) was refused (Butković, et al., 2010b).

Repeated calls for introduction of “naming, shaming and faming” procedure (see the Section 2.3.8) within the Europe 2020 framework were on one hand partly satisfied by considerable simplification of access to individual Member States progress assessment through publicly available database of Headline Indicators (Eurostat, 2013a) and user-friendly overviews of the Europe 2020 Headline Indicators state of fulfilment in individual countries in *Europe 2020 in your country* section of the Strategy’s official webpage (European Commission, 2013g), but on the other hand they remained unheard regarding the regular issuance of league tables with rankings of the Member States based on their performance.

More generally, not only the regular and transparent monitoring of the progress, but also the heavy reporting burden, criticised with respect to the Lisbon Strategy (see the Section 2.3.4), have paradoxically contributed to higher ownership and awareness of the Strategies at the national level. Especially the introduction of the European Semester which has aligned monitoring and reporting schedule of the Europe 2020 Strategy with that of the Stability and Growth Pact (as described in the Section 3.1.7) has had positive effects on the increased ownership of the Europe 2020 Strategy.

3.2.5 Awareness of the General Public

The third level, where the ownership of the European Union strategies has been lacking, is the general public. While, the deficiency in the public communication related to the Lisbon Strategy (see the Section 2.3.2) was substantially improved under the Europe 2020 through the above mentioned publicly available statistical database and country progress overviews (see the Section 3.2.4), the general incomprehension of the sense and desirability of the European Union strategies still prevails.

However, as Rosselli (2013) emphasises, “*without public support and citizen willingness the European project cannot go ahead*”. Thus, the main challenge for upcoming years will be to make European citizens to be aware of the value added of the European Union as a whole (Rosselli, 2013), the Europe 2020 Strategy purpose

not excepting. Within the definition of the Europe 2020 Strategy competences at the European Union level (see the Section 3.2.2) the European Parliament is newly in charge of the promotion of the Europe 2020 Strategy at the level of general public.

3.2.6 Governance Mechanisms

Despite the fact that the Europe 2020 Strategy uses tools and governance mechanisms developed by its predecessor (Bongardt, et al., 2010), considerable learning has been made from the Lisbon Strategy shortcomings concerning this issue. As the Open Method of Coordination, introduced by the Lisbon Strategy as its main governance framework, was highly criticised during the whole Lisbon Strategy decade (see the Sections 2.2.5 and 2.3.5), the Europe 2020 Strategy launched the European Semester concept (see the Section 3.1.7) to replace the Open Method of Coordination's leading role in the Strategy governance. This however does not change anything on the fact that the Europe 2020 Strategy governance procedures are mainly of a soft law character (Butković, et al., 2010b).

The Open Method of Coordination has still remained in force even under the Europe 2020 Strategy (European Commission, 2012f); in particular as a supportive instrument for coordination of such policies where the European Union does not have formal competencies (Vanhercke, 2012). However, its current role is rather of a peripheral importance.

The most important innovations with respect to the Europe 2020 Strategy governance are thus especially the shift of the Strategy leadership to the European Council (see the Section 3.2.2), at the highest European Union political level and much tighter economic coordination through the European Semester framework. The peer pressure, greatly emphasized under the Lisbon Strategy (see the Section 2.1.3), has remained mentioned as a governance tool only with respect to the Council of the European Union meetings (see the Section 3.2.2).

3.2.7 Quality of the Targets

As the main analytical part of the thesis, the Chapter 4, is entirely devoted to comparative as well as empirical analysis of the Europe 2020 Strategy quantitative Headline Targets, the learning from the drawbacks of the Lisbon Strategy in this area will be thoroughly discussed there, see the Section 4.1.

3.3 Brief Summary

In spite of the fact that the current European Union growth and development action plan, the *Europe 2020: A strategy for smart, sustainable and inclusive growth*, is quite often perceived as a pure continuation of its predecessor, the Lisbon Strategy, significant progress has been undertaken on the transition from one strategy to the other. The impression of continuation comes mainly from the fact that the Europe 2020 Strategy advocates the same priorities and it uses tools and methods of governance developed under the Lisbon Strategy.

To summarise the main improvements, the Europe 2020 has particularly defined its central motto more wisely, established more clearly its priorities and whole structure, set the Strategy objectives in terms of measurable quantitative targets, and more generally, it has narrowed down numbers of official goals, initiatives and guidelines. Furthermore, the Europe 2020 has also introduced much better division of labour among the individual European Union institutions to support and increase the Strategy implementation; it has focused much more on regular and transparent monitoring of the progress and presented completely new governance method synchronising the Strategy with another European Union strategic effort, the Stability and Growth Pact.

In conclusion of the whole chapter devoted to the Europe 2020 Strategy there are felicitous words drawing proper attention to challenges the Strategy will have to deal with in its immediate future:

“Ultimately the success of the Europe 2020 strategy will depend on the willingness of member states (...) to enforce it as their own. All member states will have to increase their ownership of the new strategy and accept the fact that a continuation of Lisbon-type reforms is a necessity.”

Hrvoje Butković and Višnja Samardžija⁸

⁸ Butković, et al. (2010b)

4 Reasonability of Current Targets

In general, successfulness of such a complex economic growth plan as the Europe 2020 Strategy depends particularly on a quality of determined targets, clear division of competences among relevant actors, adequateness of chosen implementation tools and last but not least on political will and hard to influence global economic conditions.

In its analytical part, the thesis deals with the first of the aforementioned general preconditions for success – the quality of the target setting process. Based on the fact that the current literature attempting to measure the quality of the target setting is not large, this thesis represents valuable contribution to the research in this field, particularly as it employs the MULTIMOORA method which is of a quantitative character.

Chapter 4 evaluates, one by one, validity of three separate research hypotheses concerning various aspects of target setting reasonability within the Europe 2020 Strategy. Whereas the first hypothesis is dedicated to assessment of the Headline Targets in general, the remaining two are devoted specially to the quality of the target setting process with respect to the National Targets.

4.1 Improvements Compared to the Lisbon Strategy

Generally, what represents any strategy, action plan or initiative outwards are in particular its main objectives. Therefore they primarily have to be capable of communicating the main purpose of a whole project in a brief but clear way. However, the representativeness of such goals is not their only desired characteristics. To contribute as much as possible to a desired aim of the project they are relevant to, targets should be on top of that also unequivocal, easily quantifiable and based on some underpinning empirical or analytical knowledge proving their appropriateness.

In case of an international project, there is one more attribute to be satisfied. Common objectives have to be able to reflect and respect general diversity of participating countries. On the ground of this general characterization of reasonable qualities objectives should possess, the first research hypothesis of the thesis will be evaluated:

Hypothesis 1. *Targets of the Europe 2020 Strategy have been set better than those of the Lisbon Strategy.*

This thesis believes that from all the shortcomings of the Lisbon Strategy described in the Section 2.3 those regarding the “one size fits all” character of targets (see the Section 2.3.9) and too small number of quantitative targets (see the Section 2.3.10) were the most consequential for the final very low rate of success of the Strategy. Therefore the thesis asks in this Section whether the targets of the Europe 2020 Strategy have been defined in a better way based on these known drawbacks.

4.1.1 Quantifiability of Targets and Support by Indicators

In view of the fact that the Lisbon Strategy had too many objectives of a narrative character but only two numerical targets (see the Sections 2.3.3 and 2.3.10) the generally required features of the target setting stated in the introduction of this Section were definitely not met. The Europe 2020 Strategy however represents considerable improvement with respect to this issue as it has defined a short set of clear and measurable quantitative Headline Targets (see the Section 3.1.2).

Moreover, while the Lisbon Strategy developed number of statistical indicators to serve as a tool for monitoring of a progress, only negligible part of them was clearly aligned with particular Strategy goals. The Europe 2020 Strategy has learned from this and each numerical Headline Target is accompanied by a relevant indicator already from the beginning of the decade. Thus, the achievement of each target is simply, empirically verifiable.

4.1.2 Input Character of Targets

Nevertheless, there are also drawbacks of the Lisbon Strategy regarding the target setting process which were not improved by the Europe 2020 Strategy. The good example of them is the input orientation of certain targets. In case of the Lisbon Strategy, the research and development Headline Target was highly criticised in connection with this issue (see the Section 2.3.10) and there were repeated calls for replacement of the inadequate indicator which measures mere investments in research and development rather than really achieved, and desired, innovations. The Europe 2020 Strategy has adopted the Target and kept it completely unchanged (see the Table 8), thus no improvement has been present at all.

4.1.3 Appropriateness of the Targets Variables

The issue of appropriateness of chosen Targets variables, which are then used in the form of more elaborated statistical indicators for the purposes of monitoring of progress, is based on a similar reasoning. As a suitable example of such a debatable choice of the Targets variables, Csaba (2010) mentions the case of the Europe 2020 Strategy education Headline Targets (see the Table 9).

He argues that even a potential fulfilment of the tertiary education Target of the Europe 2020 Strategy (point 4b in the Table 9) does not guarantee any improvement of the labour market performance, as on one hand there are simply needed also workers with different qualities than those obtainable in process of education, and on the other hand the Target alone does not tackle extremely important question of education quality. Similar reasoning holds also for the early school leavers Target of the Europe 2020 Strategy (point 4a in the Table 9). The whole topic of so-called broken promise of education is much more elaborately discussed also in Antonucci, et al. (2013).

However, the issue of the Targets variables appropriateness does not apply only to the education Headline Targets of the Europe 2020 Strategy. The same rationale is relevant as well for the greenhouse gas emissions Target (point 3a in the Table 9) and the already above discussed research and development Target. (Csaba, 2010) On the other hand, this does not mean the named Headline Targets would be determined altogether wrong, as their potential fulfilled would be definitely socially and economically beneficial. But it has to be kept in mind that based on the character of the chosen variables their impact on the accomplishment of the Europe 2020 Strategy priorities can be more indirect.

Concerning the Lisbon Strategy, due to the fact that it formulated only two measurable Headline Targets (see the Table 5), which were later in almost unchanged form taken over by the newly arising Europe 2020 Strategy, the content of the discussion in the Section 4.1.3 is in the same way applicable for the Lisbon Strategy as well.

4.1.4 Arbitrariness of the Targets Values

Last but not least issue of the target setting process dealt with here, within the assessment of the Hypothesis 1, is the appropriateness of concrete numerical targeted values of the European Union wide Headline Targets within the Europe 2020 Strategy (see the Table 9). As Csaba (2010) points out many of the quantitative Europe 2020 Strategy Headline Targets seem to be determined quite arbitrarily, based

rather on political convenience than prevalent academic conventions. Zuleeg (2010) particularises the criticism by stressing the fact that no underlying rationale has been presented by the relevant European Union institutions concerning the concrete choice of the Targets values. However, as Csaba (Csaba, 2010) mentions at the beginning of his paper the question of appropriate determination of the concrete numerical target values is by its very own nature predestined to always be quite a controversial issue:

“Anyone attempting to produce a visionary document in and about the European Union runs the risk of being dismissed by all sides. Some will call him an idealist, others will call it empty talk, still others will miss sectoral or group-specific targets and some will declare that all of the numbers – with the exception of page numbers – are arbitrary, academically unsound and void of any implementation capacity.”

László Csaba

The thesis identifies to a considerable extent with those pertinent thoughts and passes the possibility of a thorough empirical analysis of this question on to other interested researchers, as it concentrates in the first place on the empirical analysis of the Europe 2020 Strategy National Targets, where the gained results tends to be perceived as much less controversial.

4.1.5 Introduction of the National Targets Concept

Despite the fact that all the aforementioned issues related to miscellaneous reflections on possible improvements of the quality of the target setting process with respect to the European Union growth strategies are unquestionably important, the crucial novelty of the Europe 2020 Strategy regarding the target setting in comparison with the Lisbon Strategy is definitely the introduction of the opportunity for the Member States to set their own National Targets.

First of all, this concept adequately answers serious criticism of the Lisbon Strategy regarding its “one size fits all” nature with respect to its objectives, goals and Targets (see the Section 2.3.9). The fact that current group of the European Union Member States is quite heterogeneous regarding their socio-economic as well as other characteristics has to be kept in mind and properly reflected in any European Union strategic efforts.

Furthermore, within the framework of differentiated National Targets the Member States have a possibility to determine their specific set of Targets taking into consideration on one hand their own national priorities and a level of ambition they

have with respect to particular Europe 2020 Strategy priorities. On the other hand they can also much better employ their specific comparative advantages as well as a notion of their relative starting position among the other Member States. All of this has a great potential to have considerable favourable effect on the issue of the Strategy awareness and ownership at the national as well as the general public level (see the Section 3.2.4).

Last but not least, the introduction of the National Targets conception has much facilitated conducting of transparent and, with regard to tremendous differences in economic situation, also much more fair and appropriate assessment of the performance and implementation progress of the Europe 2020 Strategy in the individual Member States. The existence of the National Targets also enables to carry out regular benchmarking of the Member States, as it was mentioned in the Section 2.3.9. Such a comparison, based on independently set National Targets and thus also on relative, rather than absolute, progress of individual Member States, would be certainly more meaningful than that in case of only common European Union wide Targets being available. However, calls for such an official benchmarking of the Member States have not been accommodated yet.

To remaining questions of the quality of the Europe 2020 Strategy target setting process with respect to the National Targets, scilicet to the issue of the unambiguity of concrete National Targets values and their relative reasonability, the following two research hypothesis will be devoted.

4.1.6 Conclusion on the Hypothesis 1 Validity

On the ground of the extensive review of existing literature about the functioning and the main shortcomings of the European Union Lisbon Strategy, presented in the Chapter 2, and about the formation of the currently effective Europe 2020 Strategy and the main modifications it has introduced compared to the Lisbon Strategy, presented in the Chapter 3, the Sections 4.1.1 to 4.1.5 have thoroughly analysed the hypothesis about the quality improvement of the target setting progress of the European Union economic Strategies.

Based on the presented comparison of both the Strategies, the thesis arrives at a conclusion that the targets of the Europe 2020 Strategy were indeed defined better than those of the Lisbon Strategy; mainly as they are of the quantitative character and thus measurable, they are properly supported by statistical indicators and through the National Targets they reflect existing differences among the European Union Member States. The Hypothesis 1 of the thesis thus has been judged as valid.

However, there are still some weaknesses of the Lisbon Strategy that were not addressed by the Europe 2020, for instance an input character of the research and development Headline Target.

4.2 Unequivocalness of the National Targets

The fact that the Member States have been allowed to translate the common, European Union wide values of the Headline Targets into their own National Targets does not ensure itself the quality of such a translation. The same as in the case of the Headline Targets in general, also the National Targets have to be defined clearly and unambiguously to be able to fulfil well their function of the main monitoring and comparative tool of the Europe 2020 Strategy vis-à-vis the individual Member States. The second research hypothesis of this thesis analyses compliance of the National Targets setting with exactly these desired characteristics.

Hypothesis 2. *The National Targets of the Europe 2020 Strategy have been stated clearly and unequivocally.*

4.2.1 Identicalness of the Two Official Sources

Unfortunately, there are two different official sources of the Europe 2020 Strategy National Targets values, co-existing concurrently side by side. The first one is the separate document⁹ of the European Commission, referred to on the official website of the Europe 2020 Strategy¹⁰, containing a clearly arranged table of the agreed National Targets for each Member State and each Europe 2020 Headline Target. The overview of the National Targets values in the Table 18, mentioned in the Section 3.1.4, is based on this source.

The second official source is then the Eurostat webpage devoted to the National Targets¹¹, which is declared to serve as a data source for the monitoring purposes with respect to all the Europe 2020 Strategy Targets. Based on the fact that the Eurostat source offers not only the specified numerical values of the National Targets, but also current and historical data for the relevant statistical Headline Indicators, the empirical part of the thesis draws mainly from this source.

Despite the fact, that both the sources are considered to be equally reliable, the data they contain are far from being identical. This represents serious flaw of the Europe 2020 Strategy National Targets setting process, especially with respect to

⁹ European Commission (2011), hereinafter the European Commission source

¹⁰ European Commission (2012g)

¹¹ Eurostat (2013a), hereinafter the Eurostat source

desired general clearness of the specified Targets. To point out the concrete cases of differences of presented data, the renewable energy National Targets (point 3b in the Table 9) of Hungary and Poland are stated as 14.65 and 15.48 percent respectively in the European Commission source (see the Table 18), while they amount to 13.0 and 15.0 percent in the official Eurostat table (Eurostat, 2013a).

4.2.2 Inconsistency of Variables and Source Incompleteness

The two aforementioned official sources of data about the Europe 2020 Strategy National Targets, the European Commission source and the Eurostat source, are not uniform either in the use of concrete statistical variables for expressing the National Targets. The two concrete cases, related to the climate change and energy sustainability Headline Targets, are discussed below.

While the European Commission source presents the greenhouse gas emissions Target (point 3a in the Table 9) in terms of the carbon dioxide emissions reduction compared to 1990 levels, referring in the footnote to the Decision 2009/406/EC¹², (see the Table 18); the Eurostat source uses the *Greenhouse gas emissions* variable, again with the base year 1990, and in the short description to this indicator it specifies that this approach encounters not only measuring of the carbon dioxide, but also methane, nitrous oxide, and the so-called F-gases (Eurostat, 2013a). Moreover, the short description also refers to the same official Decision as the European Commission source and the look into this official European Union document reveals that the greenhouse gas emissions National Targets are in fact determined as a reduction of greenhouse gas emissions, but with respect to the base year 2005 (Council of the European Union, et al., 2009).

As the Eurostat source does not present concrete values of the National Targets for this Headline Target at all (see below) and thus, it can be blamed only for confusing the experts as well as the general public with the non-corresponding statistical variable presented in connection with the greenhouse gas emissions Target. On the other hand the European Commission source gives indisputably wrong set of information about this National Target, which is inexcusable shortcoming in case of the official data source.

The second inconsistency with respect to statistical variables used by the two main sources of the Europe 2020 Strategy National Targets concerns the energy

¹² Decision No 406/2009/EC of the European Parliament and of the Council of 23 April 2009 on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020

efficiency Target (point 3c in the Table 9). The original wording of this Headline Target is the “20% increase in energy efficiency”, which would correspond to the Eurostat *Primary energy consumption* statistical indicator in the version measured in percents of savings. However, the Eurostat source uses the *Primary energy consumption*, measured in thousand tonnes of oil equivalent, as the main reference variable of the energy efficiency Target. Also the European Commission source presents values of National Targets of this Headline Target in absolute rather than relative units of measurement, yet in million tonnes of oil equivalent.

As was already indicated, the Eurostat source is considerably incomplete regarding the publication of the National Targets values. The thesis consider this to be a demonstrable failing of the Eurostat, as its databases regarding the Europe 2020 Strategy have been meant to ensure general public the possibility to monitor and benchmark progress of individual Member States towards their National Targets. Apart from the greenhouse gas emissions Target, the Eurostat source does not provide any data on the National Targets values also in case of the energy efficiency Target and the poverty and social exclusion Target (point 3c and 5 respectively in the Table 9)

4.2.3 Ambiguousness of the National Targets Values

To be clear and unequivocal, each of the National Targets has to be expressed only by a single numerical value. Despite the fact that this precondition could seem to be satisfied, the opposite is true. First of all, some Member States defined their National Targets not in terms of single values, but ranges. This poses a problem when such a Member State is to be evaluated whether it fulfilled the given Target or not.

To give an example, the employment National Target (point 1 in the Table 18) of Austria is stated as 77–78 percent. This formulation evokes an incorrect impression that the employment rate higher than 78 percent does not mean the accomplishment of the Target. More importantly the National Targets defined in the form of ranges are not suitable for use in a broader empirical analysis, where a concrete threshold numerical value has to be determined.

The fact that these subsequent adjustments can lead to serious analytical oversights is supplied by the evidence of the Eurostat source treatment of the National Targets in the range form. While the pure logic would suggest using the lowest value of the range as the fulfilment threshold in case of the variable that is desired to be increased (for example employment) and the highest value of the range in case of the variable that should be reduced (for example greenhouse gas emissions)

provided that the arbiter wants to be rather indulgent, and vice versa if he intends to be strict; the Eurostat source disregarded this rationality issue and solved the threshold determination problem by using the lower bound value of the range in all cases. This means that in assessment of the employment, research and development, tertiary education and poverty and social exclusion Targets (points 1, 2, 4b and 5 respectively in the Table 18) the Eurostat source tended to behave indulgently, but in case of the early school leavers Target (point 4a in the Table 18), it was inconsistently strict. All the cases of the range type ambiguousness among the National Targets values are mentioned in the Table 13.

Another source of the National Targets ambiguousness is usage of comparison type formulations. For example Sweden has declared that it wants to reach the employment rate “well over 80%” and Germany has expressed its early school leavers National Target as “<10%”. Once again this kind of formulation requires modification of such Targets for purposes of a further empirical usage. In the same way as in the case of the range Targets, these adjustments bring a danger of illogicalities. Whereas the Eurostat source solved the issue of the “less than” formulations by employing the value one tenth of the one lower, that is, it treats the German early school leavers Target as to be equal to 9.9, the “well over” and “more than” cases were inconsistently replaced by the number itself, without any increase. Complete list of the comparison type equivocalness of the Europe 2020 Strategy National Targets is presented in the Table 13.

4.2.4 Missing, Too Low or Incompatible National Target Values

Despite the fact that the introduction of the National Targets concept means significant contribution to the quality of the Europe 2020 Strategy target setting process (see the Section 4.1.5), some Member States have refused to exploit the opportunity to define their own Targets values within the commonly agreed Headline Targets valid for the whole European Union in its entirety.

This is especially case of the United Kingdom, as it has in fact decided not to specify any National Targets values for four out of the total eight Europe 2020 Strategy Sub-targets (see the Table 18). The European Commission’s requests for delivery of the Targets values at least subsequently were declined by the United Kingdom with the assertion that there is no obligation to do so (EurActiv, 2011). However, the United Kingdom is not the only Member State that does not have a complete set of the National Targets. There are in fact five more such countries, see the Table 13.

However, the setting of the National Targets itself does not ensure that the Member States demonstrate some appreciable ambitions towards fulfilment of generally aspiring objectives and priorities of the Europe 2020 Strategy. This is clearly showed by the fact that eight Member States have set their tertiary education National Targets (point 4b in the Table 18) in such a way that they have already fulfilled them, even if the Europe 2020 Strategy decade has only begun (Simon, 2013).

Last but not least, there is an issue of the National Targets comparability. Coussens, et al. (2008) warn that if the Member States express their National Targets using non-uniform statistical indicators of their own choice, the resulting set of Targets will be neither transparent nor comparable. To describe some cases when this has happened, the Czech Republic has set its research and development National Target (point 2 in the Table 18) not in terms of the overall investment, but the public one. Ireland has on the other hand chosen the investment as a percentage of GNP instead of GDP. Similarly, Finland states that its tertiary education National Target (point 4b in the Table 18) is based on the “narrow national definition” rather than the Eurostat *Tertiary educational attainment* indicator. The Targets of Austria and Germany then do not respect the same frontier between the secondary and tertiary education, based on the International Standard Classification of Education¹³, as the Eurostat and other Member States use (EurActiv, 2012).

The worst situation with respect to the National Targets compatibility is definitely within the poverty and social exclusion National Targets (point 5 in the Table 18). There the Member States have the most often used for expressing of the National Targets their own national statistical indicators instead of those developed by the Eurostat. Besides that, some Member States also do not reflect the official time span of the Europe 2020 Strategy. This way, France has defined its poverty and social exclusion National Target only for the period 2007–2012 and Ireland has specified its Target value of 186 000 people to be reached by the year 2016. However, the Ireland’s Minister for Social Protection Department states the Target to amount to 200 000 people by the year 2020 instead (Department of Social Protection, 2013). For the overview of all the Member States with problematic setting of the National Targets with respect to the issue of comparability see the Table 13.

¹³ UNESCO Institute for Statistics (2012)

Table 13: Hypothesis 2 – Equivocality of the National Targets

<i>Range</i>	<i>Comparison</i>	<i>No target</i>	<i>Incompatible</i>
1 Austria Cyprus Ireland Italy	1 Sweden	1 United Kingdom	2 Czech Republic Ireland
2 Luxembourg Portugal	4a Denmark Germany Lithuania Luxembourg Netherlands Sweden	2 Greece United Kingdom	4b Austria Finland Germany
4a Italy ^a		3c Czech Republic Netherlands Slovenia United Kingdom	Czech Republic Denmark Estonia
4b Italy Latvia Sweden	4b Denmark Netherlands ^a	4a United Kingdom	5 France Ireland Sweden United Kingdom
5 Spain		4b United Kingdom	
		5 Luxembourg	

Source: Own processing – based on Eurostat (2013a), European Commission (2011)

Notes: Names of the Member States are stated without proper articles for purposes of table formatting (namely the Czech Republic, the Netherlands and the United Kingdom).

^a Cases of the illogical adjustment of ambiguous National Targets by the Eurostat

4.2.5 Conclusion on the Hypothesis 2 Validity

The Hypothesis 2 of the thesis has been based on the statement that the National Targets of the Europe 2020 Strategy have been defined clearly and unequivocally, as the thesis considers these qualities to be necessary for the role of the National Targets in the accomplishment of the whole Strategy. Also the official launching document of the Europe 2020 Strategy recognises this need by indicating that the National Targets have to be based on sufficiently reliable data to allow proper comparison and benchmarking of the Member States (European Commission, 2010b).

Based on the detailed comparative analysis of the two official sources with respect to the Europe 2020 National Targets values, presented in the Sections 4.2.1 to 4.2.4, the thesis has arrived to a conclusion that the National Targets have not been set distinctly and unambiguously and thus the statement of the Hypothesis 2 is not valid. The main reasons for this judgement are in particular the existence of two non-identical official sources differing in concrete stated National Targets values and used

statistical variables, significant incompleteness of the Eurostat source data with respect to the National Targets values and finally, the inappropriate formulation of certain concrete National Targets values by the Member States comprising of range and comparison type formulations of the Targets instead of single numerical values, certain completely missing Targets values and frequent incompatibility of chosen Targets values due to use of non-uniform statistical indicators.

4.3 Relative Reasonability of the National Targets

Whereas the Hypothesis 2 of the thesis has been devoted to formal aspects regarding the appropriateness of the Europe 2020 National Targets values, the Hypothesis 3 on the contrary analyses the adequacy of the Targets numerical values themselves. As was already explained in the Section 4.1.5, the main asset of the National Targets concept is the fact that compared to the uniform European Union wide Headline Targets, they allow the Member States to express their contribution towards of the Europe 2020 Strategy realization taking into account their specific national policy priorities and peculiarities.

However, the freedom to set the National Targets individually represents the danger that the Member States could opt for setting too ambitious Targets in order to give the impression of being praiseworthy pro-European oriented, or on the other hand to set quite undemanding National Targets which would not be conducive enough to the general aims of the current European Union growth Strategy. This type of relative reasonability of the National Targets setting process constitutes the heart of the third research hypothesis of this thesis.

Hypothesis 3. *The National Targets have been set reasonably concerning relative starting positions of the individual Member States.*

The thesis believes that the issue of reasonability of the National Targets setting is critical for the future successfulness of the Europe 2020 Strategy implementation, especially with respect to fulfilment of the European Union wide Headline Targets. The validity of the Hypothesis 3 will be judged on the basis of own extensive empirical analysis of the relative reasonability of the individual Europe 2020 National Targets values.

The originality of the relative reasonability assessment of the Europe 2020 Strategy National Targets, used for the evaluation of the Hypothesis 3, consists in the fact that it analyses the target setting process instead of conventionally examined targets fulfilment. Whereas the existing empirically oriented literature on the

European Union Strategies, see for example Coussens, et al. (2008), Baležentis, et al. (2011a), Blanke, et al. (2010), Treidler (2011), or Tilford, et al. (2010), is interested solely in the final state of fulfilment of the Strategies Targets and so it has been able up to now to examine only the outcomes of the Lisbon Strategy and based on them to retrospectively evaluate the target setting reasonability. This thesis engages explicitly in the assessment of the quality of the target setting process itself and therefore it is able to provide competent empirical evaluation of the Europe 2020 Strategy National Targets reasonability directly and already at the beginning of the Strategy's decade.

This innovative approach to empirical analysis of the target-based economic policies thus provides the possibility to adjust the National Targets of the Europe 2020 Strategy based on the latest research findings regarding the Targets appropriateness when the Strategy is still in force. This way the Strategy accomplishment chances can be still significantly improved before the end of the current decade.

4.3.1 Methodology

The analysis of the relative reasonability of the National Targets is based on the comparison of their country specific starting positions at the beginning of the Europe 2020 Strategy decade, in 2010, and their individually defined National Targets due in 2020. Due to limited number of existing observations and specific character of the examined issue, the thesis considers a use of the statistical multi-criteria decision making methodology to be the most appropriate.

The particular concept used for the assessment of the Member States National Targets reasonability is the *Multi-Objective Optimization by Ratio Analysis plus Full Multiplicative Form* method (habitually referred to as the MULTIMOORA method). The method was developed by Brauers (2004) and it further consists of three independent sub-methods for formation of rankings, the results of which are finally transformed into one concluding MULTIMOORA ordering.

For research in the field of European Union economic policies, the MULTIMOORA method has been employed for example by Baležentis, et al. (2011a), (2011b), (2011c) or (2012). The method is however frequently used also for examination of other economic issues, for regional development studies see for example Brauers, et al. (2009), (2010a) or (2010b), for research on the field of transition economy see for example Antuchevičienė, et al. (2007) or Brauers, et al. (2006), for theory of socio-economic systems see for example Kaplinski, et al. (2011) and for applications in field of banking see for example Dinçer, et al. (2013) or

Brauers, et al. (2011a). Nonetheless, the MULTIMOORA method has been used successfully also for the research on project management, see for example Brauers, et al. (2010c) or Brauers (2012), and even in the field of biology, see Baležentienė (2013).

4.3.1.1 Ratio System of MOORA

The first MULTIMOORA sub-method of ranking is the *Ratio System of the Multi-Objective Optimization by Ratio Analysis* (hereinafter the *Ratio System of MOORA*). To describe the general application of this technique, the *Ratio System of MOORA* is applied on the data set matrix \mathbb{X} of responses of all alternatives $i = 1, \dots, m$ on all objectives $j = 1, \dots, n$. Elements x_{ij} of the matrix \mathbb{X} then denote the i -th alternative of the j -th objective. (Brauers, et al., 2011b)

In case of the assessment of relative reasonability of the Europe 2020 Strategy National Targets, conducted in this thesis, the alternatives are the European Union Member States ($m = 27$)¹⁴ and the objectives are the Europe 2020 Strategy Headline Sub-targets ($n = 8$). The matrix \mathbb{X} thus represents the data set of the Member States and their starting positions in 2010, or determined National Targets for 2020, respectively.

The *Ratio System of MOORA* method consists of two steps. First, the data are normalised by comparing each response to all values of the objective over all alternatives (Brauers, et al., 2011b):

$$x_{ij}^* = \frac{x_{ij}}{\sqrt{\sum_{i=1}^m x_{ij}^2}}. \quad (1)$$

This compares how the Member State i performed in the Headline Sub-target j relative to how all the Member States did in this one Sub-target in 2010. Analogically, it compares how the Member State i has defined its National Target j relative to how all the Member States have set their National Targets for the given Headline Sub-target j , due in 2020.

In the second step of the *Ratio System of MOORA*, these normalised indicators x_{ij}^* are added (if the objective j is to be maximised) and subtracted (if the objective j is to be minimised):

¹⁴ Croatia, which has become the 28th Member State of the European Union on July 1, 2013, is not included in the analysis, as it has not agreed any Europe 2020 Strategy National Targets yet.

$$y_i^* = \sum_{j=1}^g x_{ij}^* - \sum_{j=g+1}^n x_{ij}^*, \quad (2)$$

where g is the number of objectives to be maximised (Brauers, et al., 2011b).

This corresponds to the fact that the objectives differ in their desired direction of change. Whereas some Headline Sub-targets statistical variables are desired to increase, the others on the other hand are intended to be reduced. For example within the Europe 2020 Strategy, values of employment rate are aimed to rise, but values of greenhouse gas emissions are targeted to decline. The higher the resulting value of y_i^* , the higher the rank of the alternative (Brauers, et al., 2011b).

4.3.1.2 Reference Point of MOORA

The *Reference Point of the Multi-Objective Optimization by Ratio Analysis* method (hereinafter the *Reference Point of MOORA*) is based on the *Ratio System of MOORA* normalised responses x_{ij}^* , found by formula (1). The so-called *Maximal Objective Reference Point* (vector) is derived as:

$$r_j = \max_i x_{ij}^* \quad (3)$$

in case of the desired maximisation of the objective j , and analogously through minimisation of x_{ij}^* in the opposite case. The *Reference Point* thus determines the best value of the objective j among all the Member States. (Brauers, et al., 2011b)

The rank of the alternative i is then given by applying the Min-Max Metric of Tchebycheff (Brauers, et al., 2011b):

$$\min_i \left(\max_j |r_j - x_{ij}^*| \right). \quad (4)$$

The minimal value of maximisation over all objectives assigns the highest rank for the alternative i (Brauers, et al., 2011b). Thus the Member State, whose deviation from the *Reference Point* in its worst objective (meaning the 2010 starting position, or the National Target, respectively) is the smallest among all the Member States, is ranked as the best one.

4.3.1.3 Full Multiplicative Form

The third MULTIMOORA sub-method of ranking is based on enhancement of the *MOORA* methodology by the *Full Multiplicative Form* method using both, maximisation and minimisation, of purely multiplicative utility function:

$$U_i^* = \frac{A_i}{B_i}, \quad (5)$$

where $A_i = \prod_{j=1}^g x_{ij}$ is the product of objectives to be maximised and $B_i = \prod_{j=g+1}^n x_{ij}$ the product of objectives to be minimised. The higher the value of the overall utility function U_i^* , the higher the resulting rank of the alternative i . (Brauwers, et al., 2011b)

4.3.1.4 MULTIMOORA

The final MULTIMOORA ranking summarises the two *MOORA* rankings (the *Ratio System of MOORA* and the *Reference Point of MOORA*) and the *Full Multiplicative Form* ranking into single final overall ranking (Brauwers, et al., 2011b). This is done through the combination of a sum and an average concept. First, sums and averages of the individual ranks from the three original rankings gained by the MULTIMOORA sub-methods are calculated for each Member State, separately for the 2010 starting positions and the Europe 2020 National Targets. Then, the Member States are once more ranked with respect to the sums and to the averages values, respectively. If the sums ranking and the averages ranking are the same, the outcome is considered to be reliable and the resulting, identical ordering is labelled as the MULTIMOORA ranking.

Whereas the three elemental sub-method rankings, described in the Sections 4.3.1.1 to 4.3.1.3, allow for certain variability of individual orderings as the sub-methods stress different aspects of comparison through their statistical formulae; the final MULTIMOORA ranking, build on the slightly different outcomes of the sub-rankings, then ensures the robustness of the final results (Brauwers, et al., 2011b).

4.3.2 Data Availability and Adjustment

The empirical analysis of the relative reasonability of the Europe 2020 National Targets uses publically available data from both two official sources discussed in the Section 4.2.1. Where the two sources differ, it tends to give priority to the Eurostat source (Eurostat, 2013a). Detailed description of the concrete selection of proper statistical indicators as well as individual National Targets values, where the inconveniences described in the Sections 4.2.1 to 4.2.4 have occurred, follows.

4.3.2.1 Selection of Statistical Variables

In case of three out of the total eight Headline Sub-targets, the statistical variables were modified for the purposes of their use in the analysis as compared to the official list of the Headline Indicators (see the Table 9). There are two reasons for these

changes. First, some statistical indicators have not been chosen appropriately with respect to the real wording of the National Targets definitions, as was discussed in the Section 4.2.2. Second, the MULTIMOORA method requires the use of dimensionless measures as a condition for its robustness (Brauers, et al., 2011b). Therefore the statistical indicators not satisfying this requirement had to be transformed into relative instead of absolute units of measurement.

As it has been already mentioned in the Section 4.2.2, the real formulation of the Europe 2020 greenhouse gas emissions National Targets (point 3a in the Table 9) stated in the Decision 2009/406/EC express the emissions reduction compared to the year 2005 (Council of the European Union, et al., 2009). The Eurostat source however provides only the statistical indicator with the base year 1990. The values of the *Greenhouse gas emissions* Eurostat Headline Indicator were thus recalculated to comply with the wording of the National Targets in the mentioned Decision.

The statistical variable of the energy efficiency Target (point 3c in the Table 9) also had to be altered. Section 4.2.2 has described the inconsistency between the two official Europe 2020 National Targets source with regard to the variables used to refer to this Target. As the MULTIMOORA method requires the dimensionless character of data on which it is applied, the thesis normalises the original *Primary energy consumption* variable based on the population of the individual Member States, and, for the purposes of the empirical analysis, it uses the own variable representing the energy consumption per capita, measured in tonnes of oil equivalent per capita, instead of the official Headline Indicator.

The last statistical variable that had to be modified before the employment of the MULTIMOORA method is the original Headline Indicator associated with the poverty and social exclusion Target (point 5 in the Table 9). There, the Headline Target as well as the National Targets in the European Commission source has been originally expressed in absolute number of people to lift out of poverty, the Eurostat source does not provide the National Targets values for this Headline Sub-target (see the Section 4.2.2). For the compliance with the MULTIMOORA requirements, the National Targets were recalculated in terms of percentages of the individual Member States total populations. Concerning the data for the 2010 starting positions they are available in the Eurostat source in both formats, the absolute as well as the relative one.

The rest of the Europe 2020 Strategy Headline Sub-targets statistical variables satisfy the requirements on the formal correctness and appropriateness as well as those on the technical format necessitated by the properties of the chosen statistical

method. The summary of the statistical variables for the empirical analysis of the relative reasonability of the National Target setting, together with their units of measurement and data source, are presented in the Table 14. The last column of the Table 14 indicates whether the particular Sub-target variable is desired to be maximized or minimised based on the original meaning of the Europe 2020 Strategy Headline Targets. This is important for the application of the *Ratio System of MOORA* and the *Full Multiplicative Form* methods, as described in the Sections 4.3.1.1 and 4.3.1.3.

4.3.2.2 Selection of Concrete National Targets Values

The comment on the way of selection of proper concrete National Targets values is necessary due to the great number of ambiguities mentioned on the Sections 4.2.1, 4.2.3 and 4.2.4. First, where the two official Europe 2020 National Targets sources differ, the preference is given to the Eurostat source (for concrete cases see Section 4.2.1). Next, when the formulation of the National Targets expressed by range instead of single value, the thesis opts for to be *consistently indulgent* (see the Section 4.2.3), that is, in case of the statistical variable to be maximised (see the Table 14) the lower bound of the range is chosen, and vice versa. This means, than in case of the Italian early school leavers National Target, the concrete selected value differs from that in the Eurostat source. Moreover, the logicity is in the same way applied also for the range of the Spanish poverty and social exclusion National Target, where the Eurostat does not provide any National Targets.

Regarding the ambiguity of National Targets defined in the comparison form, the thesis has adopted the Eurostat custom to use the one tenth of the one lower value in case of the comparison formulation “less than”, and in accordance with this rationale, it consistently treats also formulations “well under”, and analogically by choosing the number one tenth of the one higher also the formulations “more than” and “well over”. Employing mathematical accuracy, the formulation “at least” is dealt with by usage of the value itself. Concretely, the issue of the Danish tertiary education National Target defined as “at least 40%”, the number 40 is selected for the purposes of this empirical analysis. The particular cases of the Member States National Targets in the range or comparison form could be found in the Table 13 or the Table 18.

Table 14: Hypothesis 3 – Statistical Variables

	<i>Statistical variables</i>	<i>Units</i>	<i>Sources^a</i>		<i>Desired change direction</i>
			<i>Starting positions</i>	<i>National Targets</i>	
1	Employment rate by sex, age group 20–64	% of population aged 20–64	Eurostat	Eurostat	Max
2	Gross domestic expenditure on R&D	% of GDP	Eurostat	Eurostat	Max
3a	Greenhouse gas emissions, base year 2005	Index 2005=100	Own processing	Decision	Min
3b	Share of renewable energy in gross final energy consumption	% of final energy consumption	Eurostat	Eurostat	Max
3c	Primary energy consumption per capita	Tonnes of oil equivalent per capita	Own processing	Own processing	Min
4a	Early leavers from education and training by sex	% of population aged 18–24	Eurostat	Eurostat	Min
4b	Tertiary educational attainment by sex, age group 30–34	% of population aged 30–34	Eurostat	Eurostat	Max
5	People at risk of poverty or social exclusion ^b	% of total population	Eurostat	Own processing	Min

Source: Own processing

Notes:

a Own processing of statistical variables was based on Decision in 3a and Eurostat in 3c in case of starting positions and on European Commission in both cases of National Targets. Eurostat refers to (Eurostat, 2013a), European Commission to (European Commission, 2011), Decision to the Decision 2009/406/EC (Council of the European Union, et al., 2009).

b Consists of three sub-indicators: *People living in households with very low work intensity*, *People at risk of poverty after social transfers* and *Severely materially deprived people*. People are counted only once even if they are present in more than one sub-indicator.

Where the Member States have not specified any National Target value (see the Section 4.2.4), the value of the 2010 starting position was selected as an approximation of the National Target. The thesis is conscious of the fact that this solution is not capable to reflect accurately the true intentions of these Member States. However, to assess somehow the intentions that the Member States refused to specify themselves through the National Targets setting process, the subjective

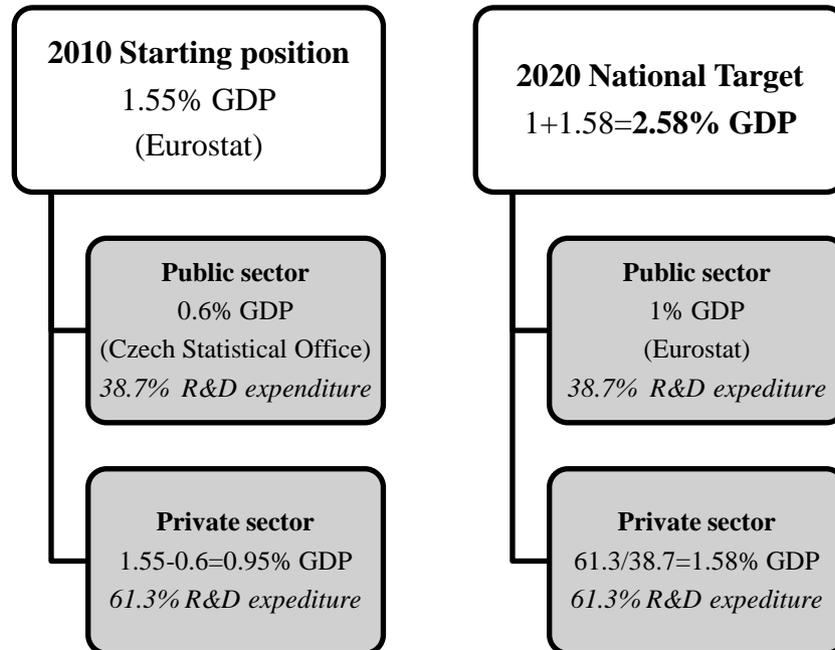
evaluation based on the extensive review of mass media coverage would be needed. Nevertheless, the thesis prefers to remain strictly objective in solving the National Targets ambiguities, and thus opts for the aforementioned approximation.

There is one special case of the missing National Target value. Both the official sources state that the Greek research and development Target is “to be revised”. The use of the 2010 starting position as an approximation of the Target is not possible, as the most recent available data of the Headline Indicator *Gross domestic expenditure on R&D* for Greece are from the year 2007. Therefore the starting position as well as the National Target value of Greece for the research and development Headline Target was for the purposes of the empirical analysis filled in by the latest known value from 2007.

Considering the incompatible National Targets values, as they were described in the Section 4.2.4, there is no systematic practise the thesis could apply. Specific solution was needed for each of the occurrence. To start their description with the research and development Headline Target, the National Target of the Czech Republic stated in terms of public expenditure instead of gross one was approximated based on the assumption of stable proportions of public and private investment. Graphical representation of the approximation process is given in the Figure 1, detailed description is to be found under the Figure, in its Notes. In case of the research and development National Target of Ireland, the thesis uses the approximation mentioned in the European Commission official source (see the Table 18)

As regards the incompatible tertiary education National Targets, Austria and Germany have included also the *Post-secondary non-tertiary education*¹⁵ in their National Targets (see the Section 4.2.4). To estimate National Target values which would be comparable with other Member States, the redundant proportions of given age groups were based on the information in the Notes to the *Tertiary educational attainment* Headline Indicator, were subtracted from the original National Target values. The redundant proportions amounts 12 percent for Austria and 11.4 percent for Germany (Eurostat, 2013a). For Finland, the thesis uses the National Target value in terms of the narrow national definition.

¹⁵ ISCED level 4 (UNESCO Institute for Statistics, 2012)

Figure 1: Hypothesis 3 – Czech R&D National Target Approximation

Source: Own processing – based on Eurostat (2013a) and Czech Statistical Office (2012)

Notes: Based on the known *Gross domestic expenditure on R&D* and *Government Budget Appropriations or Outlays for R&D* in 2010, the proportions of public and private R&D expenditure in 2010 are calculated. Assuming that the proportions will stay the same till 2020 and given that the National Target of public expenditures on R&D is determined as 1% GDP, the National Target in terms of gross expenditures on R&D was approximated to amount to 2.58% GDP.

The poverty and social exclusion National Targets were, where incompatible, solved as follows. The Czech Republic as well as Sweden has defined the Target already in the relative terms as the percentage of population. The thesis thus adopts explicitly these values, even if Sweden uses incomparable statistical indicator. The same holds for Denmark. The Estonian National Target expressed as reduction of country-specific indicator from 17.5 percent to 15 percent was approximated as the reduction of the 2010 value of the *People at risk of poverty or social exclusion* in the same proportion (resulting in the Target of 18.6 percent of population).

For France, which has determined its National Target only for the period 2007–2012, the thesis uses the absolute alternative of the value stated in the European Commission source and recalculates it as a percentage of population. Regarding Ireland, the National Target value stated in the Department of Social Protection (2013) is used instead of that in European Commission source (see the Section 4.2.4), again adjusted into dimensionless measures.

Finally, the United Kingdom is treated as if it has not specified any National Target (thus, the 2010 starting position is used in place of the National Target value) due to the fact that it has expressed its Target not only in terms of different than

official statistical indicator, but also without saying explicit Target value. Concrete values of all the starting positions and National Targets as they are chosen to be used in the empirical part of the thesis are presented in the Table 19 in the Appendix.

4.3.3 Results and Interpretation

Applying step by step the techniques described in the Section 4.3.1 on the final data set of the starting positions and the National Targets values, modified for the purposes of the empirical analysis as discussed in the Section 4.3.2, three different rankings (by each sub-method one) are obtained for each of the data subsets, the 2010 starting positions of the Member States as well as their National Targets due in 2020. Under the abbreviations of the individual sub-methods the rankings results are presented in the Table 15 for all the Member States in the alphabetical order.

The MULTIMOORA ranking then summarises the three elemental sub-method rankings for each data subset. To comment on the process itself, as the instrumental sums and averages rankings are identical (see the Table 20), single round of the sum and average combination concept (see the Section 4.3.1.4) has sufficed for the determination of the final MULTIMOORA rankings. These are mentioned in the Table 15.

The evaluation of the relative reasonability of the Europe 2020 Strategy National Targets set by the Member States is based on the comparison of relative positions of the individual Member States regarding their 2010 outcomes at the beginning of the Europe 2020 Strategy decade and their declared National Targets for the year 2020. The difference between the relative position of the particular Member State in the final MULTIMOORA ranking of the starting positions and the final MULTIMOORA ranking of the National Targets determines the relative reasonability of its National Targets. The difference values are given in the last column of the Table 15 titled by the Greek letter Δ .

To explain the meaning of these values, being a positive number generally indicates aspiring National Targets, as the relative ambitions of the Member State with respect to its National Targets are higher than its relative starting position. On the other hand, the negative sign of the difference value signals more lax attitude to the National Targets setting. In general, the most desired value of the difference is zero as it signifies relative conformity of both, the ambitions and real outcomes. The positive difference values are not considered as generally favourable, due to the fact that they draw attention to a danger of higher than accomplishable National Targets.

Table 15: Hypothesis 3 – Rankings by the MULTIMOORA Method

<i>Member States</i>	<i>Starting positions</i>				<i>National Targets</i>				Δ
	<i>RS</i>	<i>RP</i>	<i>FM</i>	<i>MM</i>	<i>RS</i>	<i>RP</i>	<i>FM</i>	<i>MM</i>	
Austria	4	2	5	3	2	4	3	2	1
Belgium	15	22	18	18	11	22	14	16	2
Bulgaria	26	10	25	23	25	16	24	24	-1
Cyprus	20	23	26	25	19	22	26	25	0
Czech Republic	11	18	10	12	16	22	16	18	-6
Denmark	3	5	4	4	4	3	6	4	0
Estonia	9	3	8	6	9	6	12	8	-2
Finland	2	4	2	2	3	14	2	6	-4
France	7	12	7	8	7	9	7	7	1
Germany	6	14	9	9	13	12	15	13	-4
Greece	22	18	24	24	22	15	25	22	2
Hungary	19	20	19	19	20	22	20	22	-3
Ireland	13	21	16	17	8	16	10	10	7
Italy	23	15	21	20	24	13	22	20	0
Latvia	12	9	13	10	17	5	17	12	-2
Lithuania	8	8	6	7	15	9	11	11	-4
Luxembourg	25	26	23	26	26	27	23	26	0
Malta	27	27	27	27	27	26	27	27	0
Netherlands	10	24	14	14	12	20	13	15	-1
Poland	16	17	12	13	14	18	8	13	0
Portugal	18	7	11	11	6	1	5	3	8
Romania	24	13	22	20	23	8	18	17	3
Slovakia	17	16	15	14	18	20	19	19	-5
Slovenia	5	6	3	5	5	6	4	5	0
Spain	21	10	17	14	10	11	9	9	5
Sweden	1	1	1	1	1	2	1	1	0
United Kingdom	14	25	20	20	21	18	21	21	-1

Source: Own processing – based on Eurostat (2013a), European Commission (2011), Council of the European Union, et al. (2009), Department of Social Protection (2013) and Czech Statistical Office (2012)

Notes: The abbreviations in the heading of the Table refer to the *Ratio System of MOORA* (RS), the *Reference Point of MOORA* (RP), the *Full Multiplicative Form* (FM) and the *MULTIMOORA* (MM), respectively. The Greek capital letter delta (Δ) refers to the difference between the starting positions MULTIMOORA ranking and the National Targets MULTIMOORA ranking. Names of the Member States are stated without proper articles for purposes of table formatting (namely the Czech Republic, the Netherlands and the United Kingdom).

For better clarity, the Table 16 presents the list of the Member States rearranged according to their difference values from the Table 15. As the difference values represent level of reasonability of the National Targets, the Member States are classified based on them into four reasonability categories, symmetrically from the *extremely unreasonable* ones to the most desirable *reasonable* ones, see the Table 16.

Table 16: Hypothesis 3 – Reasonability of the National Targets

<i>Reasonability</i>	<i>Member States</i>	Δ	<i>Character</i>
Extremely unreasonable	Portugal	8	Unreasonably ambitious
	Ireland	7	
Unreasonable	Spain	5	
Less reasonable	Romania	3	
	Belgium	2	
	Greece	2	
Reasonable	Austria	1	Reasonable
	France	1	
	Cyprus	0	
	Denmark	0	
	Italy	0	
	Luxembourg	0	
	Malta	0	
	Poland	0	
	Slovenia	0	
	Sweden	0	
	Bulgaria	-1	
Less reasonable	Netherlands	-1	Unreasonably undemanding
	United Kingdom	-1	
	Estonia	-2	
	Latvia	-2	
	Hungary	-3	
Unreasonable	Finland	-4	
	Germany	-4	
	Lithuania	-4	
Extremely unreasonable	Slovakia	-5	
	Czech Republic	-6	

Source: Own processing – based on Eurostat (2013a), European Commission (2011), Council of the European Union, et al. (2009), Department of Social Protection (2013) and Czech Statistical Office (2012)

Notes: The Greek capital letter delta (Δ) refers to the difference between the starting positions MULTIMOORA ranking and the National Targets MULTIMOORA ranking. Names of the Member States are stated without proper articles for purposes of table formatting (namely the Czech Republic, the Netherlands and the United Kingdom).

The boundaries of the individual reasonability categories have been set based on the difference values to lie between six and five, four and three, and two and one, in absolute values. However, this concrete determination intends to be only illustrative and can be altered. More importantly, the character of the National Targets is judged to be *unreasonably ambitious*, *reasonable* or *unreasonably undemanding*. This more general specification is much more objective, even if the definition of the *reasonable* case still depends on the choice of allowed deviation of

the difference value from zero. The thesis has chosen to tolerate the deviation equal to one in absolute value.

To present the most important findings obtained by the empirical analysis of the National Targets reasonability, first of all, the Member States with the best starting positions to attain the Europe 2020 Strategy goal of the *smart, sustainable and inclusive growth* have been Sweden, Finland and Austria, as they have obtained the ranks 1, 2 and 3, respectively, in the final MULTIMOORA ranking of the Member States' real outcomes in year 2010 with respect to the Europe 2020 Strategy Headline Targets. On the other hand, the analysis identified the worst starting positions in the three smallest Member States of the European Union, namely Malta, Luxembourg and Cyprus, with ranks 27, 26 and 25, respectively.

Concerning the National Targets values as they were determined by the Member States to be fulfilled by 2020, the highest commitment has been made by Sweden, Austria and Portugal. On the opposite end of the ordering, there the same three Member States as in the case of the starting positions, thus it can be concluded that these States have defined their Targets quite reasonably.

Much more interesting results have been gained from the relative comparison of the starting positions and the National Targets rankings. The final outcomes of the relative reasonability assessment reveal that there are three Member States in total which have adopted such National Targets that do not correspond at all to their relative current possibilities as represented by the starting positions. *Extremely unreasonably ambitious* National Targets have been agreed by Portugal and Ireland. This may indicate that decisions of the two Member States on the field of European economic policies are profoundly inappropriate and not matched with real capacities of these States.

On the other side of the spectra, the Czech Republic has been found to be the Member State with the most *extremely unreasonably undemanding* National Targets. More strikingly, the Czech Republic has not suffered from substantial economic or political problems in time of the Europe 2020 Strategy formulation which would justify its dismissive attitude to the implementation of the common European Union goal of the *smart, sustainable and inclusive growth*. One of the possible explanations of this finding could relate to the generally high level of euro-scepticism in the society as well as among political representatives of the Czech Republic (Kalan, 2013). Another imaginable interpretation of the extraordinarily non-aspiring attitude to the National Targets setting could come from the intention to minimise a reputational risk which would have to be faced if not achieving its own set Targets.

4.3.4 Conclusion on the Hypothesis 3 Validity

The Hypothesis 3 has concerned itself with the quality of the Europe 2020 Strategy target setting process consisting in determination of adequate National Targets numerical values. The relative reasonability of the National Targets with respect to the specific starting positions of the individual Member States has been assessed based on own original empirical research. The MULTIMOORA method from the family of statistical multi-criteria decision making methods has been applied on the appropriately selected and modified data set originally based mainly on the official Eurostat and European Commission Europe 2020 Strategy National Targets sources.

Innovativeness of the conducted analysis resides in evaluation of the target setting reasonability directly based on the degree to which it respects the existence of differences in socio-economic development among the individual Member States, whereas the existing literature on the European Union economic Strategies is concerned solely to the evaluation of the fulfilment of the Strategies Targets and the reasonability of their setting deduces only subsequently.

The relative reasonability of the National Targets has been evaluated based on the comparison of the relative positions of the individual Member States in MULTIMOORA rankings conducted separately for the 2010 starting positions and the Europe 2020 National Targets. The results reveal that eight Member States have set their National Targets unreasonably, three of them even extremely unreasonably. Based on these findings the thesis concludes that the statement of the Hypothesis 3 is not valid.

5 Conclusion

The current complex economic strategy of the European Union adopted for the period 2010–2020 is formally named the *Europe 2020: A strategy for smart, sustainable and inclusive growth* and its main purpose is to specify where the European Union's economy wants to be by the end of the decade and how to get there. To be assessable, both general priorities for the further economic development and concrete quantitative targets are defined.

From the historical point of view, the Europe 2020 represents the second successive European Union ten-year economic strategy, and thus it can gain from experiences with implementation of the first one. As generally agreed, the preceding Lisbon Strategy has suffered from numerous structural shortcomings. First, it has defined overly ambitious economic goals that have not consequently been accomplished. The goals were based on the “one size fits all” approach to European economic policies, which is generally considered to be improper due to the heterogeneity of the European Union Member States. Second, except for two targets the Lisbon Strategy goals did not have quantifiable character, and thus an objective monitoring was practically impossible. Third, the implementation of the Strategy suffered from unclear division of responsibilities among relevant European Union institutions. Fourth, the main governance mechanism of the Lisbon Strategy, the Open Method of Coordination, proved to be quite ineffective as it relied to a large extent on the non-functional concept of the Member States peer pressure. Finally, the awareness and the ownership of the Lisbon Strategy especially at national level and among general public was low. As the possible cause of this fact, literature has frequently stated the non-binding character of the Strategy.

The current Strategy overcomes at least some of these drawbacks. First, its main motto, highlighting the importance of growth-oriented economic policies for the future of the European Union economies, is not as exaggerated as in the case of the Lisbon Strategy. Second, the strategic priorities are defined more clearly under the Europe 2020 Strategy and the overall structure of the project is better arranged: most importantly, the number of general objectives is lower and they are set in terms of quantitatively measurable targets. Next, regarding improvements in terms of governance structure, the Europe 2020 Strategy defines properly competences of the individual European Union institutions with respect to the Strategy implementation

and enhances the reporting and monitoring process. Moreover, a completely new governance mechanism to replace the Open Method of Coordination is introduced. It is called the European Semester and it synchronises the monitoring and reporting on two separate European Union economic projects: the Europe 2020 growth Strategy and the Stability and Growth Pact for fiscal and monetary stability.

In general, the eventual successfulness of any economic strategy of the Europe 2020- or Lisbon-type is contingent in particular on the fulfilment of the following preconditions. First of all, the strategy has to have high-quality goals. Second, the implementation of the strategy has to be underpinned by well-defined competences of all relevant actors. Third, adequate economic policy tools have to be available. Last but not least, a considerable political will is needed to put the strategy into practice.

This thesis has examined the first necessary precondition mentioned, the quality of goals with respect to the Europe 2020 Strategy. Several determinants of the quality of the target setting process have been analysed and properly discussed. First, based on an extensive literature review, the target choice under the Europe 2020 Strategy is argued to be better than in case of the Lisbon Strategy. This conclusion has been drawn mainly from the fact that the Europe 2020 Strategy, as opposed to the Lisbon Strategy, has defined clear numerical Headline Targets aligned to concrete statistical indicators and that the Member States have been allowed to set their own country-specific Target values for each of the Headline Targets, so the criticism of the vague “one size fits all” nature of the Lisbon Strategy targets has been tackled. Yet, based on a thorough comparative analysis of two official sources of the Europe 2020 Strategy National Targets, this thesis has demonstrated that the National Targets have not been defined clearly and unequivocally enough. First of all, there are two different sources of the National Targets data, co-existing concurrently one beside the other, both being referred to as official, though each providing a different information. Moreover, significant inconsistency in the National Targets, as defined by the individual Member States, can be observed: certain Targets are defined in terms of ranges or comparative quantifiers instead of single numerical values, some Targets are not specified at all and a substantial part of the Targets is based on other than official statistical indicator. It is argued that for a successful implementation of the Europe 2020 Strategy a better definition of the National Targets needs to be applied.

Next, using the MULTIMOORA method (a multi-criteria decision making statistical method) the thesis has evaluated the adequacy of the National Target

setting of the individual Member States with respect to their real starting positions. The results suggest that many of the Member States have set their National Targets for the Europe 2020 Strategy unreasonably, not fully matching the real possibilities and capacities of their economies. First, this can lead directly to a suboptimal economic development in the European Union; second, low, well achievable goals may become seen as an optimal strategy by the Member States in the future.

The findings of the thesis indicate several important implications for current and future practice of the European Union economic policy strategies, especially with respect to the target setting process. First, a quick unification of the two official data sources of the Europe 2020 Strategy National Targets is highly needed. Second, those National Targets that are defined ambiguously, using an unsuitable mathematical formulation or statistical indicators that are incomparable with other Member States, should be reformulated. Third, based on the results of the reasonability analysis, the National Targets of certain Member States should be reassessed and possibly adjusted. Next, concerning the formulation of future European Union economic strategies, issuance of official guidelines on the form and usage of statistical indicators in National Targets specification should be definitely considered. Finally, utilization of the relative reasonability assessment concept as designed in this thesis within the future National Targets setting process could substantially contribute to the higher quality of established Targets, even if their determination rests fully within the competence of the Member States. This assessment could take the form of an official European Commission evaluation report.

Despite the complexity of the research topic, this thesis is believed to significantly contribute to the current literature focusing on the optimal targets specification. The main contribution is the innovative approach to reasonability assessment ensuring both objectiveness and directness of the target setting evaluation, which is not always ensured in existing studies. Moreover, the new concept and respective results presented provide a good basis for the further research. First, the appropriateness of the established numerical values for the European Union wide Headline Targets should be addressed. Second, the effect of the individually set National Targets on the overall successfulness of the Europe 2020 Strategy should be analysed. Last but not least, analysis of the Croatian National Targets after they are released will be a natural extension of the current work. Although there is a lot of work to do before the target setting processes in individual Member States will be optimized, the possible gains from the appropriately chosen targets provide a good motivation for further research in this area.

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Appendix

Table 17: Lisbon Strategy – Integrated Guidelines (2008–2010)

<i>Integrated Guidelines</i>	
Macroeconomic guidelines	
1	To secure economic stability for sustainable growth
2	<i>To safeguard economic and fiscal sustainability as a basis for increased employment</i>
3	To promote a growth- and employment-orientated and efficient allocation of resources
4	<i>To ensure that wage developments contribute to macroeconomic stability and growth and to increase adaptability</i>
5	To promote greater coherence between macroeconomic, structural and employment policies
6	To contribute to a dynamic and well-functioning EMU
Microeconomic guidelines	
7	<i>To increase and improve investment in R&D, in particular by private business, the overall objective for 2010 of 3% of GDP is confirmed with an adequate split between private and public investment</i>
8	To facilitate all forms of innovation
9	To facilitate the spread and effective use of ICT and build a fully inclusive information society
10	To strengthen the competitive advantages of its industrial base
11	<i>To encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth</i>
12	To extend and deepen the internal market
13	To ensure open and competitive markets inside and outside Europe and to reap the benefits of globalisation
14	<i>To create a more competitive business environment and encourage private initiative through better regulation</i>
15	To promote a more entrepreneurial culture and create a supportive environment for SMEs
16	<i>To expand, improve and link up European infrastructure and complete priority cross-border projects with the particular aim of achieving a greater integration of national markets within the enlarged EU</i>
Employment guidelines	
17	Implement employment policies aiming 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, including disadvantaged people, and the inactive

- 20 Improve matching of labour market needs
 - 21 Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners
 - 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
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Source Council of the European Union (2008a) and (2008b)

Notes: The Guidelines which have changed compared to the Integrated Guidelines for the period 2005–2008 (Table 4) are stated in italics.

Table 18: Europe 2020 – National Targets

<i>Headline Targets^a</i>	<i>Employment</i>	<i>R&D</i>	<i>Climate change and energy sustainability</i>			<i>Education</i>		<i>Fighting poverty and social exclusion</i>
	<i>1</i>	<i>2</i>	<i>3a</i>	<i>3b</i>	<i>3c</i>	<i>4a</i>	<i>4b</i>	<i>5</i>
<i>Indicators and units of measurement</i>	Employment rate in%	R&D investment in % of GDP	CO ² emissions reduction compared to 1990 levels in % ^b	Renewable energy in %	Reduction of energy consumption in Mtoe ^c	Early school leaving in %	Tertiary educated in %	Reduction of population at risk of poverty or social exclusion in number of persons
EU	75	3	20	20	368	10	40	20 000 000
Austria	77–78	3.76	16	34	7.16	9.5	38	235 000
Belgium	73.2	3	15	13	9.80	9.5	47	380 000
Bulgaria	76	1.5	20	16	3.20	11	36	260 000
Cyprus	75–77	0.5	5	13	0.46	10	46	27 000
Czech Republic	75	1 (public sector only)	9	13	n.a.	5.5	32	maintaining the number at the level of 2008 (15.3% of total population) with efforts to reduce it by 30 000
Denmark	80	3	20	30	0.83	<10	at least 40	22 000 (households with low work intensity)
Estonia	76	3	11	25	0.71	9.5	40	reduce the at risk of poverty rate (after social transfers) to 15% (from 17.5% in 2010)
Finland	78	4	16	38	4.21	8	42 (narrow national definition)	150 000
France	75	3	14	23	34.00	9.5	50	reduction of the anchored at risk of poverty rate by one third for the period 2007–2012 or by 1 600 000 people
Germany	77	3	14	18	38.30	<10	42	330 000 (long-term unemployed)
Greece	70	to be revised	4	18	2.70	9.7	32	450 000
Hungary	75	1.8	10	14.65	2.96	10	30.3	450 000

Ireland	69–71	approx. 2 (2.5 GNP)	20	16	2.75	8	60	186 000 by 2016
Italy	67–69	1.53	13	17	27.90	15–16	26–27	2 200 000
Latvia	73	1.5	17	40	0.67	13.4	34–36	121 000
Lithuania	72.8	1.9	15	23	1.14	<9	40	170 000
Luxembourg	73	2.3–2.6	20	11	0.20	<10	40	no target
Malta	62.9	0.67	5	10	0.24	29	33	6 560
Netherlands	80	2.5	16	14	n.a.	<8	>40 (45 expected in 2020)	100 000
Poland	71	1.7	14	15.48	14.00	4.5	45	1 500 000
Portugal	75	2.7–3.3	1	31	6.00	10	40	200 000
Romania	70	2	19	24	10.00	11.3	26.7	580 000
Slovakia	72	1	13	14	1.65	6	40	170 000
Slovenia	75	3	4	25	n.a.	5	40	40 000
Spain	74	3	10	20	25.20	15	44	1 400 000–1 500 000
Sweden	well over 80	4	17	49	12.80	<10	40–45	reduction of the % of women and men who are not in the labour force (except full-time students), the long-term unemployed or those on long-term sick leave to well under 14% by 2020
United Kingdom	no target in NRP	no target in NRP	16	15	n.a.	no target in NRP	no target in NRP	existing numerical targets of the 2010 Child Poverty Act

Source: European Commission (2011)

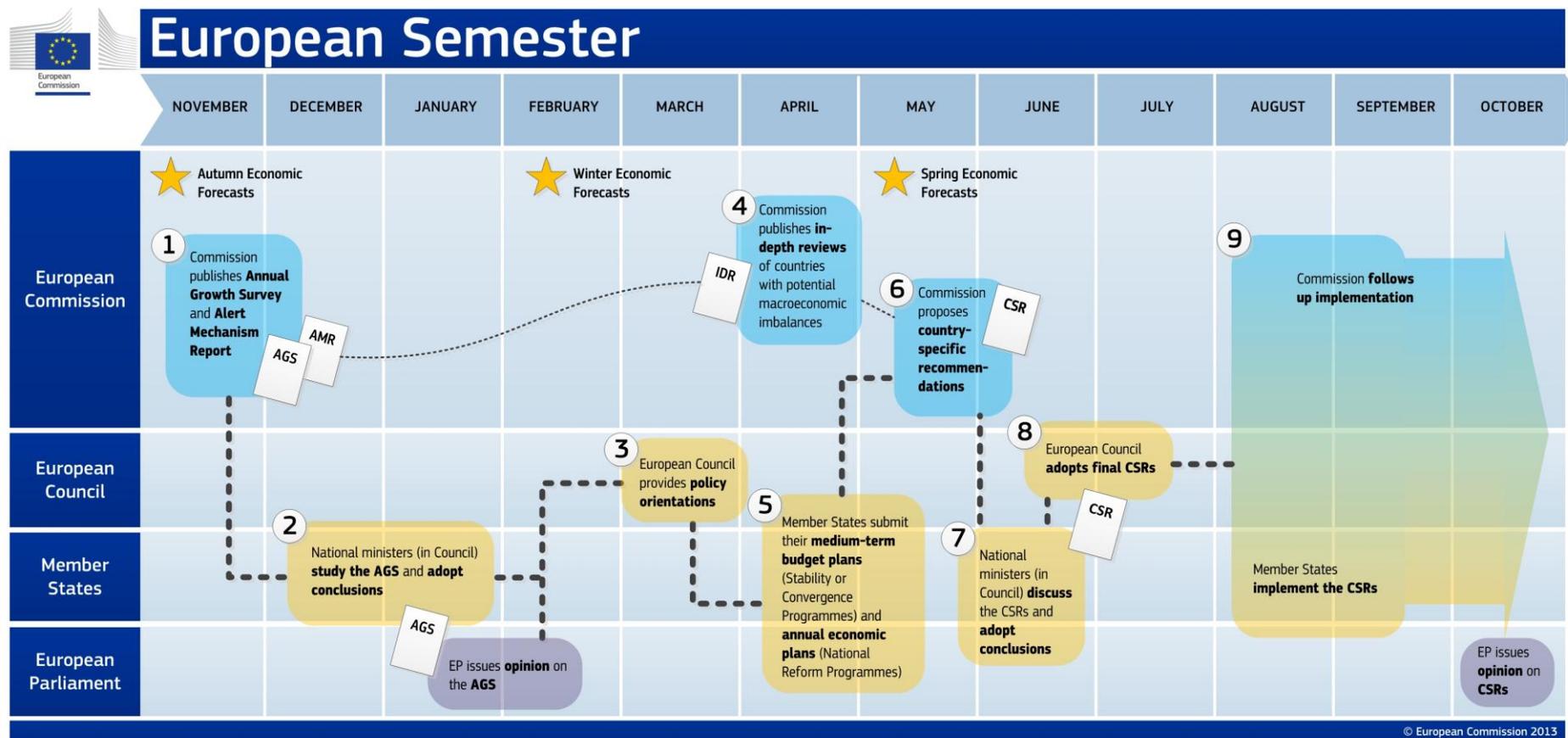
Notes: Names of the Czech Republic, the Netherlands and the United Kingdom are stated without proper articles for purposes of table formatting.

a The individual sub-targets of the Headline Targets (see the Section 3.1.3) are numbered according to practice introduced in the Table 9.

b The national emissions reduction targets defined in Decision 2009/406/EC (or “Effort Sharing Decision”) concerns the emissions not covered by the Emissions Trading System. The emissions covered by the Emissions Trading System will be reduced by 21% compared to 2005 levels. The corresponding overall emission reduction will be -20% compared to 1990 levels.

c Million tonnes of oil equivalent

Figure 2: Europe 2020 – European Semester



Source: European Commission (2013d)

Table 19: Hypothesis 3 – Data Set for the Empirical Analysis

	<i>I</i>	<i>Target</i>	<i>2</i>	<i>Target</i>	<i>3a</i>	<i>Target</i>	<i>3b</i>	<i>Target</i>	<i>3c</i>	<i>Target</i>	<i>4a</i>	<i>Target</i>	<i>4b</i>	<i>Target</i>	<i>5</i>	<i>Target</i>
EU 27	68.6	75.0	2.01	3.00	92.39	80.00	12.5	20.0	3.34	2.67	14.0	10.0	33.5	40.0	23.6	19.5
Austria	74.9	77.0	2.79	3.76	90.76	84.00	30.1	34.0	3.96	3.09	8.3	9.5	23.5	26.0	16.6	13.8
Belgium	67.6	73.2	2.01	3.00	92.00	85.00	5.1	13.0	5.02	4.11	11.9	9.5	44.4	47.0	20.8	17.3
Bulgaria	65.4	76.0	0.60	1.50	93.10	120.00	13.8	16.0	2.30	1.88	13.9	11.0	27.7	36.0	49.2	45.8
Cyprus	75.4	75.0	0.50	0.50	98.25	95.00	4.8	13.0	3.22	2.66	12.7	10.0	45.3	46.0	23.5	20.2
Czech Republic	70.4	75.0	1.55	2.58	94.67	109.00	9.2	13.0	4.05	4.05	4.9	5.5	20.4	32.0	14.4	15.3
Denmark	75.8	80.0	3.07	3.00	95.70	80.00	22.2	30.0	3.46	3.31	11.0	9.9	41.2	40.0	18.3	17.9
Estonia	66.7	76.0	1.63	3.00	111.11	111.00	24.3	25.0	4.55	4.02	11.6	9.5	40.0	40.0	21.7	18.6
Finland	73.0	78.0	3.90	4.00	108.16	84.00	32.2	38.0	6.72	5.92	10.3	8.0	45.7	42.0	16.9	14.1
France	69.2	75.0	2.24	3.00	92.08	86.00	12.9	23.0	4.21	3.65	12.6	9.5	43.5	50.0	19.2	16.6
Germany	74.9	77.0	2.80	3.00	93.75	86.00	11.0	18.0	3.78	3.31	11.9	9.9	29.8	30.6	19.7	19.3
Greece	64.0	70.0	0.60	0.60	87.60	96.00	9.2	18.0	2.53	2.29	13.7	9.7	28.4	32.0	27.7	23.6
Hungary	60.4	75.0	1.17	1.80	85.37	110.00	8.7	13.0	2.43	2.13	10.5	10.0	25.7	30.3	29.9	25.3
Ireland	65.0	69.0	1.71	2.00	88.10	80.00	5.5	16.0	3.32	2.71	11.4	8.0	49.9	60.0	29.9	25.4
Italy	61.1	67.0	1.26	1.53	87.39	87.00	10.1	17.0	2.76	2.29	18.8	16.0	19.8	26.0	24.5	20.8
Latvia	65.0	73.0	0.60	1.50	107.14	117.00	32.6	40.0	2.01	1.71	13.3	13.4	32.3	34.0	38.1	32.7
Lithuania	64.4	72.8	0.80	1.90	91.30	115.00	19.7	23.0	1.85	1.51	8.1	8.9	43.8	40.0	33.4	28.3
Luxembourg	70.7	73.0	1.48	2.30	93.07	80.00	2.8	11.0	9.56	9.15	7.1	9.9	46.1	40.0	17.1	17.1
Malta	60.1	62.9	0.67	0.67	100.00	105.00	0.4	10.0	2.21	1.62	36.9	29.0	21.5	33.0	20.3	18.7
Netherlands	76.8	80.0	1.85	2.50	99.00	84.00	3.8	14.0	4.34	4.34	10.0	7.9	41.4	40.1	15.1	14.5
Poland	64.6	71.0	0.74	1.70	103.53	114.00	9.4	15.0	2.59	2.21	5.4	4.5	35.3	45.0	27.8	23.8
Portugal	70.5	75.0	1.59	2.70	81.94	101.00	24.6	31.0	2.13	1.56	28.7	10.0	23.5	40.0	25.3	23.4
Romania	63.3	70.0	0.46	2.00	81.36	119.00	23.4	24.0	1.58	1.12	18.4	11.3	18.1	26.7	41.4	38.7
Slovakia	64.6	72.0	0.63	1.00	90.14	113.00	9.8	14.0	3.11	2.81	4.7	6.0	22.1	40.0	20.6	17.5
Slovenia	70.3	75.0	2.09	3.00	96.36	104.00	19.8	25.0	3.53	3.53	5.0	5.0	34.8	40.0	18.3	16.3
Spain	62.5	74.0	1.39	3.00	81.82	90.00	13.8	20.0	2.69	2.14	28.4	15.0	40.6	44.0	25.5	22.4
Sweden	78.7	80.1	3.39	4.00	97.85	83.00	47.9	49.0	5.22	3.87	6.4	9.9	45.8	40.0	15.0	13.9
United Kingdom	73.6	73.6	1.80	1.80	89.53	84.00	3.2	15.0	3.33	3.33	14.9	14.9	43.0	43.0	23.1	23.1

Source: Own processing – based on Eurostat (2013a), European Commission (2011), Council of the European Union, et al. (2009), Department of Social Protection (2013) and Czech Statistical Office (2012)

Notes: Columns titled by the labels of the Headline Sub-targets provide the 2010 starting position data; columns titled “Target” provide the corresponding National Targets values for those Sub-targets. Names of the Czech Republic, the Netherlands and the United Kingdom are stated without proper articles for purposes of table formatting.

Table 20: Hypothesis 3 – Instrumental Sums and Averages Rankings

<i>Member States</i>	<i>Starting positions</i>				<i>National Targets</i>			
	<i>S</i>	<i>A</i>	<i>SR</i>	<i>AR</i>	<i>S</i>	<i>A</i>	<i>SR</i>	<i>AR</i>
Austria	11	3.67	3	3	9	3.00	2	2
Belgium	55	18.33	18	18	47	15.67	16	16
Bulgaria	61	20.33	23	23	65	21.67	24	24
Cyprus	69	23.00	25	25	67	22.33	25	25
Czech Republic	39	13.00	12	12	54	18.00	18	18
Denmark	12	4.00	4	4	13	4.33	4	4
Estonia	20	6.67	6	6	27	9.00	8	8
Finland	8	2.67	2	2	19	6.33	6	6
France	26	8.67	8	8	23	7.67	7	7
Germany	29	9.67	9	9	40	13.33	13	13
Greece	64	21.33	24	24	62	20.67	22	22
Hungary	58	19.33	19	19	62	20.67	22	22
Ireland	50	16.67	17	17	34	11.33	10	10
Italy	59	19.67	20	20	59	19.67	20	20
Latvia	34	11.33	10	10	39	13.00	12	12
Lithuania	22	7.33	7	7	35	11.67	11	11
Luxembourg	74	24.67	26	26	76	25.33	26	26
Malta	81	27.00	27	27	80	26.67	27	27
Netherlands	48	16.00	14	14	45	15.00	15	15
Poland	45	15.00	13	13	40	13.33	13	13
Portugal	36	12.00	11	11	12	4.00	3	3
Romania	59	19.67	20	20	49	16.33	17	17
Slovakia	48	16.00	14	14	57	19.00	19	19
Slovenia	14	4.67	5	5	15	5.00	5	5
Spain	48	16.00	14	14	30	10.00	9	9
Sweden	3	1.00	1	1	4	1.33	1	1
United Kingdom	59	19.67	20	20	60	20.00	21	21

Source: Own processing – based on Eurostat (2013a), European Commission (2011), Council of the European Union, et al. (2009), Department of Social Protection (2013) and (Czech Statistical Office (2012)

Notes: The abbreviations in the heading of the Table refer to the sum of the three sub-method rankings (S), the average of the three sub-method rankings (A), the sum ranking (SA) and the average ranking (AR). Names of the Member States are stated without proper articles for purposes of table formatting (namely the Czech Republic, the Netherlands and the United Kingdom).