

THE OPEN METHOD OF COORDINATION AS A NEW GOVERNANCE TOOL

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The open method of coordination was a concept introduced by the Lisbon European Council of 23-24 March 2000 in order to better implement a long-term strategy for a competitive knowledge-based economy with more and better employment and social cohesion. This comprehensive strategy has set new goals for different policy fields facing structural change such as the information society, R&D, enterprises, economic reforms, education, employment and social inclusion.

The open method of coordination aims to organise a learning process about how to cope with the common challenges of the global economy in a co-ordinated way while also respecting national diversity. This is becoming a new exercise for governance at European and national level.

The implementation of this method is now under way and the purpose of this contribution is to present a general background, to take stock of this experience and finally, to point out some emerging issues.

I. THE LISBON STRATEGY

A new strategic goal and an overall strategy was defined by Lisbon European Council. Quoting its own conclusions:

‘The Union has today set itself a **new strategic goal** for the next decade: *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. Achieving this goal requires an **overall strategy** aimed at:*

- *preparing the transition to a knowledge-based economy and society by better policies for the information society and R&D, as well as by stepping up the process of structural reform for competitiveness and innovation and by completing the internal market;*
- *modernising the European social model, investing in people and combating social exclusion;*
- *sustaining the healthy economic outlook and favourable growth prospects by applying an appropriate macro-economic policy mix.’*

1. Strategy and policies

The Lisbon Strategy set the following main political orientations:

A/ a policy for the information society aimed at improving the citizens' standards of living, with concrete applications in the fields of education, public services, electronic commerce, health and urban management; a new impetus to spread information technologies in companies, namely e-commerce and knowledge management tools; an ambition to deploy advanced telecommunications networks and democratise the access to the Internet, on the one hand, and produce contents that add value to Europe's cultural and scientific heritage, on the other;

B/ an R&D policy whereby the existing community programme and the national policies converge into a European area of research by networking R&D programmes and institutions. A strong priority for innovation policies and the creation of a European patent;

C/ an enterprise policy going beyond the existing community programme, combining it with a coordination of national policies in order to create better conditions for entrepreneurship – namely administrative simplification, access to venture capital or manager training;

D/ economic reforms that target the creation of growth and innovation potential, improve financial markets to support new investments, and complete Europe's internal market by liberalising the basic sectors while respecting the public service inherent to the European model;

E/ macro-economic policies which, in addition to keeping the existing macro-economic stability, vitalise growth, employment and structural change, using budgetary and tax policies to foster education, training, research and innovation;

F/ a renewed European social model relying on three key drivers, *i.e.* making more investment in people, activating social policies and strengthening action against old and new forms of social exclusion;

G/ new priorities defined for national education policies, *i.e.* turning schools into open learning centres, providing support to each and every population group, using the Internet and multimedia; in addition, Europe should adopt a framework of new basic skills and create a European diploma to embattle computer illiteracy;

H/ active employment policies intensified with the aim of making lifelong training generally available and expanding employment in services (especially care services) as a significant source of job creation, improvement of the standards of living and promotion of equal gender opportunities. Raising Europe's employment rate was adopted as a key target in order to reduce the unemployment rate and to consolidate the sustainability of the social protection systems;

I/ an organised process of cooperation between the Member States to modernise social protection, identifying reforms to answer to common problems such as matching pension systems with population ageing;

J/ national plans under preparation to take action against social exclusion in each and every dimension of the problem (including education, health, housing) and which meet the requirements of target groups specific to each national situation;

K/ improved social dialogue in managing change and setting up of various forms of partnership with civil society, including the dissemination of best practices of companies with higher social responsibility.

1.2. Strategy and governance

The actual implementation of any strategy requires a political engine, *i.e.* a governance centre at the European level with the power to coordinate policies and adapt them to each national context. The Lisbon decisions made this governance centre stronger, in three ways:

A/ firstly, the European Council will play a stronger role as co-ordinator, henceforth devoting its spring meeting to the monitoring of this strategy, based on a synthesis report presented by the European Commission;

B/secondly, the broad economic policy guidelines will improve the synergy between macroeconomic policies, structural policies and employment policy;

C/thirdly, the Union adopted an open method for inter-Member State co-ordination, which has begun to be applied to all policy fields, stepping up the translation of European priorities into national policies.

Following the Lisbon Summit conclusions, this method is now being implemented in different policy fields, namely, the information society, R&D, enterprises, economic reforms, education and social inclusion. An empirical and flexible approach is being used in order to develop and to adapt this method to the specific features of each policy field. Developing the knowledge economy with social cohesion and promoting real convergence in Europe, by matching the community drive with national policies – this will be the main test for the Lisbon Strategy over the coming years. This challenge involves various complex issues which will be developed in the following points.

2. THE INVENTION OF THE METHOD

The open method of coordination was elaborated after a reflexion on governance aiming at defining methods for developing European dimension. This elaboration can be summed up as follows.

The political construction of Europe is a unique experience. Its success has been dependent on the ability to combine coherence with respect for diversity and efficiency with democratic legitimacy. This entails using different political methods depending on policies and the various institutional processes. For good reasons, various methods have been worked out which are placed somewhere between pure integration and straightforward co-operation. Hence:

- A/ Monetary policy is a single policy within the Euro zone.
- B/ National budgetary policies are co-ordinated at European level on the basis of strictly predefined criteria and rules.
- C/ Employment policies are co-ordinated at European level on the basis of guidelines and certain indicators, allowing some room for adjustment at national level.
- D/ A process of co-operation is beginning with a view to the modernisation of social protection policies, with due regard for national differences.

Policies aimed at building the single market, such as monetary policy or competition policy are, logically, based on a stricter method of coordination in relation to the principles to be observed. However, there are other policies which concentrate more on creating new skills and capacities for responding to structural changes. They involve learning more quickly and discovering appropriate solutions. Such policies have resulted in the formulation of strategic guidelines at European level for coping with structural change and which are more open to national diversity.

As a matter of fact the main source of inspiration of the open method of coordination was that of the Luxembourg process regarding European employment strategy. This method was created to overcome a strong political difficulty identified in the preparation of the special European Council of Luxembourg on employment in 1997, because it was impossible to adopt a common target for unemployment reduction, as a counterpart of the common targets for inflation, deficit and debt reduction. But, under the political pressure of this Summit, it became possible to adopt common qualitative guidelines instead. After that, a process was organized whereby Member States emulate each other in applying them, stimulating the exchange of best practices, and defining specific targets while taking account of national characteristics. The European Commission presents the proposal of European guidelines, organises the follow-up and can make recommendations to Member States. Despite some difficulties, the results obtained have been stimulating and encouraging as it is proved by the current National action plans for employment adopted by all Member States.

Three years later, the definition of the open method of coordination was expressly undertaken during the preparation of Lisbon European Council in order to develop the European dimension in new policy fields, namely information society, research, enterprise policy, education and fighting social exclusion. After in depth discussions lead by Portuguese Presidency with governments, the European Commission, the European Parliament and social partners, this Summit formally adopted this method in the following terms:

In Lisbon Summit conclusions, 23-24 March 2000, paragraph 37:

“Implementing a new open method of coordination”

1. *Implementation of the strategic goal will be facilitated by applying a new open method of coordination as the means of spreading best practices and achieving greater convergence towards the main EU goals. This method, which is designed to help Member States to progressively developing their own policies, involves:*
 - *fixing guidelines for the Union combined with specific timetables for achieving the goals which they set in the short, medium and long terms;*
 - *establishing, where appropriate, quantitative and qualitative indicators and benchmarks against the best in the world and tailored to the needs of different Member States and sectors as a means of comparing best practices;*
 - *translating these European guidelines into national and regional policies by setting specific targets and adopting measures, taking into account national and regional differences;*
 - *periodic monitoring, evaluation and peer review organised as mutual learning processes.*

2. *A fully decentralised approach will be applied in line with the principle of subsidiarity in which the Union, the Member States, the regional and local levels, as well as the social partners and civil society, will be actively involved, using varied forms of partnership. A method of benchmarking best practices on managing change will be devised by the European Commission networking with different providers and users, namely the social partners, companies and NGOs.”*

A last issue should be addressed. How could the implementation of the open method of coordination in the different policy fields be coordinated? According to the Lisbon Summit conclusions, paragraph 36:

“These improvements will be underpinned by the European Council taking on a pre-eminent guiding and co-ordinating role to ensure overall coherence and the effective monitoring of progress towards the new strategic goal. The European Council will accordingly hold a meeting every Spring devoted to economic and social questions. Work should consequently be organised both upstream and downstream from that meeting. The European Council invites the Commission to draw up an annual synthesis report on progress on the basis of structural indicators to be agreed relating to employment, innovation, economic reform and social cohesion”.

Hence, the European Council should regularly guide and monitor the outcomes achieved by the open method of coordination in its different fields. This requires two different capacities from the Members of the European Council:

- to define general orientations for the different policy fields in order to organise the work of the different formations of the Council upstream and downstream;
- to ensure their implementation at European and national level.

Besides that, broad economic guidelines are evolving to become an important tool of coordination of macro-economic policies, structural policies and employment policies.

“The existing Broad Economy Policy Guidelines and the Luxembourg, Cardiff and Cologne processes offer the necessary instruments, provided they are simplified and better coordinated, in particular through other Council formations contributing to the preparation by the ECOFIN Council of the Broad Economic Policy Guidelines. Moreover, the Broad Economic Policy Guidelines should focus increasingly on the medium- and long-term implications of structural policies and on reforms aimed at promoting economic growth potential, employment and social cohesion, as well as on the transition towards a knowledge-based economy. The Cardiff and Luxembourg processes will make it possible to deal with their respective subject matters in greater detail.” (in Lisbon Summit Conclusions, paragraph 35).

3. THE ONGOING EXPERIENCE IN DIFFERENT POLICY FIELDS

Following the Lisbon Summit conclusions, this method is now being implemented in different policy fields, namely, the information society, R&D, enterprises, economic reforms, education and social inclusion. An empirical and flexible approach is being used in order to develop and to adapt this method to the specific features of each policy field.

3.1. Information society

- *“The Council and the Commission are invited to draw up a comprehensive eEurope Action Plan to be presented to the European Council in June this year, using an open method of coordination based on the benchmarking of national initiatives (...)”.* (in Lisbon Summit Conclusions, paragraph 8)
- In information society policy, eEurope Action Plan points out clear priorities, best practices, indicators and responsibilities at European and national level.

3.2. Enterprise policy

- *“The European Council considers that an open method of coordination should be applied in this area (...)”.* (in Lisbon Summit Conclusions, paragraph 15)

- In enterprise policy, a benchmarking exercise based on common indicators is being implemented involving national policies.

3.3. Economic Reforms

- *“Key areas have already been identified by the Council to be reinforced in the Cardiff Process. The European Council accordingly invites the Council to step up work on structural performance indicators and to report by the end of 2000”.* (in Lisbon Summit Conclusions, paragraph 18)
- In the Cardiff process, structural indicators are being identified in order to reinforce the defined priorities to underpin the national reports on economic reforms.

3.4. Education policy

- *“The European Council asks the Council (Education) to undertake a general reflection on the concrete future objectives of education systems, focusing on common concerns and priorities while respecting national diversity, with a view to contributing to the Luxembourg and Cardiff processes (...)”.* (in Lisbon Summit Conclusions, Par. 27)
- In education policy, besides the definition of common objectives and indicators, discussion is taking place in order to identify common priorities and best practices using national reports.

3.5. Research policy

- *“Encourage the development of an open method of coordination for benchmarking national research and development policies and identify, by June 2000, indicators for assessing performance in different fields (...)”.* (in Lisbon Summit Conclusions, paragraph 13, 3rd indent)
- In research policy, discussion is taking place about how to map R&D networks and improve coordination, and how to organise a benchmarking exercise based on common indicators.

3.6. Social inclusion

- *“Policies for combating social exclusion should be based on an open method of coordination combining national action plans and a Commission initiative for co-operation in this field to be presented by June 2000”.* (in Lisbon Summit Conclusions, paragraph 32)
- In social inclusion, priorities and indicators are being identified, after adapting common objectives, in order to prepare national plans.

3.7. General structural indicators

As required by the Lisbon Summit conclusions, a set of 35 common indicators were adopted by the Nice Council covering the areas of employment, economic reform, innovation and social cohesion and integrated in the Synthesis Report to be presented by the European Commission to the Spring European Council. The European Union can from now on make the follow-up not only of nominal convergence but also of real convergence.

4. IMPROVING THE THEORETICAL FRAMEWORK OF THE OPEN METHOD OF COORDINATION

The open method of coordination has already been subject to many discussions at political level and it is also raising some first contributions coming from social sciences researchers. This emerging debate leads me to contribute with some *ex-post* elaboration and clarification. These remarks also take into account recent theoretical developments:

- in economics, with the new emphasis on structural change, the institutional and regulatory framework and the underpinning learning processes;
- in management sciences, with the approaches based on benchmarking, learning organisations and competence building;
- in sociology, with societal approaches analysing and comparing institutional developments in their specific context;
- in political science, with recent insights on building multilevel systems of governance

4.1. General remarks

A/ The purpose of the open method of coordination is not to define a general ranking of Member States in each policy but rather to organise a learning process at European level in order to stimulate exchange and the emulation of best practices and in order to help Member States improve their own national policies.

B/ The open method of coordination uses benchmarking as a technique but it is more than benchmarking. It creates a European dimension by defining European guidelines and it encourages management by objectives by adapting these European guidelines to national diversity.

C/ The open method of coordination is a concrete way of developing modern governance using the principle of subsidiarity.

D/ The open method of coordination can foster convergence on common interest and on some agreed common priorities while respecting national and regional diversities. It is an inclusive method for deepening European construction.

E/ The open method of coordination is to be combined with the other available methods depending on the problem to be addressed. These methods can range from integration and harmonisation, to co-operation. The open method of coordination itself takes an intermediate position in this range of different methods. It is an instrument to be added to a more general set of instruments.

F/ The open method of coordination is called “open” for several reasons:

- because European guidelines can be adapted to the national level;
- because best practices should be assessed and adapted in their national context;
- because there is a clear distinction between reference **indicators** to be adopted at European level and concrete **targets** to be set by each Member State for each indicator, taking into account their starting point. For example, the common indicators can be the ratio between investment in R&D and the GDP, or the women participation rate, but the target should be different for each Member State. It means that monitoring and evaluation should mainly focus on progressions or relative achievements;
- because monitoring and evaluation should take the national context into account in a systemic approach;
- last, but not least, because the development of this method in its different stages should be open to the participation of the various actors of civil society. Partnership is a tool of modern governance.

G/ The European Commission can play a crucial role as a catalyst in the different stages of the open method of coordination namely by:

- presenting proposals on European guidelines;
- organising the exchange of best practices;
- presenting proposals on indicators;
- supporting monitoring and peer review.

H/ The open method of coordination can also become an important tool to improve transparency and democratic participation.

4.2. Methodological remarks

A/ The definition of European guidelines should take into account the available diagnosis and forecasting reports.

- B/ The identification of best practices, reference indicators and benchmarks should take into account reports on comparative analyses and the national context of policies.
- C/ The definition of indicators should be based on a clear typology (performance/policy/context) and should combine a bottom-up approach with a top-down approach. A bottom-up approach on detailed indicators can be developed by the committees and the formations of the Council concerning each policy field, building on proposals presented by the European Commission.
- A top-down approach will focus on the small battery of structural indicators required by the preparation of the synthesis report to be presented by the Commission to the Spring European Council. This battery should be consistent with the strategic priorities set by the European Council.
- D/ The definition and implementation of the national policies, plans or initiatives should be based on the appropriate partnerships.
- E/ Monitoring and evaluation should be based on systemic approaches in the national context and should help to create a culture of strategic management and of learning with experience, involving all relevant partners.

5. EMERGING ISSUES

The ongoing debate and experience are raising new issues about the open method of coordination such as:

- this method is not a intergovernmental method since the European Commission and the European Parliament can fully play there role. But the role of the Council is crucial in order to adopt and adapt the European guidelines into national policies. Can these synergies between Council and Commission be improved not only in the Council of Ministers but also in the European Council itself, namely taking into account its Spring meeting ?
- how can social dialogue be connected with open method of coordination ?
- how can community law be combined with open method of coordination ?
- what other policy fields can be enhanced at European level by the open method of coordination ? Environment, health ?...
- the open method of coordination was taylored for deepening European construction. But it can also be adapted to support enlargement. What should these adaptations be ?

- the development of the open method of coordination at European and national level requires a strong interaction between the political and scientific agenda and most likely a large action-research programme. How can this be organised ?

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