Economic Governance of Northern European Countries by the European Union 2010-2015: The Cases of Finland, Germany, Lithuania and Sweden

Anne Drumaux and Paul Joyce

Four European countries have been selected from the northern part of Europe to carry out cross-case comparisons of their strategic state capabilities. They are Finland, Germany, Lithuania and Sweden.

Each of the cases has some distinctive features in terms of their recent developments or their strategic reputations. Finland’s national government has been frequently identified as taking a strategic approach to governance. The government has made reports on the future to parliament and the parliament had its Committee for the Future. Germany, in contrast, has a reputation for being more strategic at local and regional government level and the national level of government is portrayed as much less strategic. It is plausible to argue that the strength of the constitution is a major influence on how public governance works in Germany, and it maybe for this reason that strategic-state capabilities appear to be emerging quite slowly. Lithuania is an interesting case because of its apparently well-institutionalized system of strategic planning that was introduced in 2000. There is now a long-term Lithuania 2030 strategy. Central capacity for strategic planning is partly established through ministry units and a governmental Strategic Planning Committee dating from 2013. Finally, Sweden’s system of public governance is interesting in part because of the 1997 reforms that created a more integrated approach, a whole of government approach, in which the ministers were appointed by the prime minister and worked collaboratively, which has been termed as ministerial decision making according to a collegiality norm. This implies quite a step change in strategic-state capabilities in the sense of moving away from ministerial silos.

Keywords: Strategic Management, European Governance, Europe 2020, Sustainable Development.

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Prof. Anne DRUMAUX
Solvay Brussels School in Economics and Management - Université Libre de Bruxelles Belgium
adrumaux@ulb.ac.be

Prof. Paul JOYCE
Birmingham City Business School, Birmingham City University United Kingdom
paul.joyce@bcu.ac.uk

Abstract
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Each of the cases has some distinctive features in terms of their recent developments or their strategic reputations. Finland’s national government has been frequently identified as taking a strategic approach to governance. The government has made reports on the future to parliament and the parliament had its Committee for the Future. Germany, in contrast, has a reputation for being more strategic at local and regional government level and the national level of government is portrayed as much less strategic. It is plausible to argue that the strength of the constitution is a major influence on how public governance works in Germany, and it may be for this reason that strategic-state capabilities appear to be emerging quite slowly. Lithuania is an interesting case because of its apparently well-institutionalized system of strategic planning that was introduced in 2000. There is now a long-term Lithuania 2030 strategy. Central capacity for strategic planning is partly established through ministry units and a governmental Strategic Planning Committee dating from 2013. Finally, Sweden’s system of public governance is interesting in part because of the 1997 reforms that created a more integrated approach, a whole of government approach, in which the ministers were appointed by the prime minister and worked collaboratively, which has been termed as ministerial decision making according to a collegiality norm. This implies quite a step change in strategic-state capabilities in the sense of moving away from ministerial silos.

Introduction

The international financial crisis of 2007-9 provided a major challenge to many of the countries of the European Union. It also, logically speaking, implied a choice for those leading on public governance in the European Union’s central institutions: should all the member states be expected to handle the recovery from the crisis individually, or should the European Council and the Commission step in and provide leadership? There are justifications for both of the options. Leaving the member states to deal with the recovery on their own would enable each of them to choose their
individual response to the crisis, in line with their particular circumstances, resources, opportunities and national preferences. Leadership by the European Council and the Commission could have created opportunities for joint analysis and strategic thinking, for pooling resources, for partnerships and cooperation between member states that enabled strengths and resources possessed by member states to be utilized by other member states, and so on. Then again, the centre of the European Union might have led a strategic planning effort to recover from the crisis by developing a new whole-of-Europe approach to industrial policy, which would be designed to enable Europe to reengage with the various geographic markets of the world on a more competitive basis (D’Aveni 2012). So, the choice was a national level response or a response by the European Union collectively.

In fact, as it is now clear, it was decided that the European Union would attempt to steer member states back to economic health. This was to be delivered through the Europe 2020 strategy that was approved in 2010. The text of the strategy, with a preface by Jose Barroso, who was President of the European Commission between 2004 and 2010, made it clear that Europe 2020 was more than a plan for recovery from the crisis. The President wrote in the preface to the strategy document (European Commission 2010):

“2010 must mark a new beginning. I want Europe to emerge stronger from the economic and financial crisis. [...] The last two years have left millions unemployed. It has brought a burden of debt that will last for many years. It has brought new pressures on our social cohesion. It has also exposed some fundamental truths about the challenges that the European economy faces. [...] The crisis is a wake-up call...Our short-term priority is a successful exit from the crisis. [...] To achieve a sustainable future, we must already look beyond the short term. Europe needs to get back on track...It's about more jobs and better lives. It shows how Europe has the capability to deliver smart, sustainable and inclusive growth, to find the path to create new jobs and to offer a sense of direction to our societies.”

Europe 2020 was a strategy for jobs and growth. It contained five headline targets that were to be realised by the end of 2020. These were in the areas of (1) employment; (2) research and development; (3) climate and energy; (4) education; and (5) social inclusion and poverty reduction. A system for reporting and evaluating progress was created – this was referred to as the European Semester. In addition the strategy instigated a set of flagship initiatives as well as committing to the use of the budget and other actions to implement the strategy (European Commission 2010 18):

“All EU policies, instruments and legal acts, as well as financial instruments, should be mobilised to pursue the strategy’s objectives. The Commission intends to enhance key policies and instruments such as the single market, the budget and the EU's external economic agenda to focus on delivering Europe 2020's objectives. Operational proposals to ensure their full contribution to the strategy are an integral part of the Europe 2020.”

Although not explained in detail, there was a hint that the design of Europe 2020 should deliver growth and jobs and at the same time sustain the social models characterizing Europe. In other words, some viable economic strategies might be assessed as undesirable options if they threatened the social models preferred by Europe (European Commission 2010 8):
“...our exit from the crisis must be the point of entry into a new economy. For our own and future generations to continue to enjoy a high-quality of healthy life, underpinned by Europe's unique social models, we need to take action now. What is needed is a strategy to turn the EU into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion.”

The key question for this paper is: how well has the European Union’s public governance system worked in practice in relation to the economy over the period 2010-2015? And, more specifically, have the European Council and the European Commission provided strong and coherent strategic leadership? Have they been, with others, an effective centre of government for Europe and provided steering and integration in relation to the economy?

In this paper we will begin by looking at public governance in relation to the Europe 2020 strategy; this is followed by the introduction of four national case studies and an examination of their performance in terms of growth, unemployment, and poverty. The paper presents the results of applying text analysis (ALCESTE) to key documents produced for each of the four cases. The evidence is used to examine the presence of governance mechanisms discussed in this paper. The concluding discussion offers a reflection on the Europe 2020 strategy and what we learn from it about the modernizing of public governance around the ideas of strategic management.

Public Governance and the Europe 2020 strategy

We are concerned in this paper with effective government. By this we mean governments that can promise and deliver outcomes that the public values. We assume it requires effective public administration by civil servants, organizational capacity and political and managerial leadership.

The text of Europe 2020 referred to the need to develop the economic governance of the European Union. There were at least four specific governance mechanisms implied in the proposals contained in the strategy document. These can be seen as fitting the four types of mechanism summarized next.

1. Encouraging voluntary alignment by lower levels of government
2. Top-down steering
3. Targeting of funding and competitive funding
4. Amplifying public opinion

Voluntary alignment in a governance system makes sense where the members of the system are quite independent but agree on a set of general goals or indicators (Bryson 2004). The Commission’s President, back in 2010, suggested that the leaders of Europe did share common thinking about the lessons of the 2007-9 crisis and also shared a view that urgent action was needed. So, it might be surmised, there was some basis for thinking it was possible to create collective action by European Union member states on a voluntary basis. The text of Europe 2020 gave the impression that there was a degree of voluntarism in how the strategy would be made to happen. It referred to a “partnership approach” being followed in relation to the implementation of the strategy. It was stated that (European Commission 2010 4), “This partnership approach should extend to EU committees, to national parliaments and national, local
and regional authorities, to social partners and to stakeholders and civil society so that everyone is involved in delivering on the vision.” There was to be permanent dialogue between different levels of government as a means of strengthening the ownership needed to deliver Europe 2020. And there was to be dialogue between the national governments and the European Commission to set national targets that were adjusted to each national situation and position. If members are very independent then a voluntary approach to delivering a collectively agreed strategy may be the only realistic proposition for its delivery. But, obviously, such an approach is bound to lead to a lot of attention being given to just how much ownership of the strategy is felt by members. What can be done when one or more members do not feel much obligation to deliver the strategy? Those leading the governance system may believe that they will have little option but to tolerate some degree of non-cooperation.

Top-down steering involves creating reporting and monitoring processes and top-down correction processes if the strategy is going astray or gets stalled. Such processes were core elements of the process of economic governance for Europe 2020. They involved the European Council and the European Commission. A system was set up for an annual cycle. It was envisaged that policy recommendations and warnings would serve to correct the national reform programmes produced annually by member states. Recommendations and warnings are not a particularly strong form of top-down steering, and probably could not be described meaningfully as a “command and control” hierarchical control system. These remarks may be usefully related to the emphasis noted above on partnership and on dialogue up and down levels of government.

Targeting of funding and competitive funding mechanisms have been used by higher levels of government to influence the work of lower levels of government and their partners. For example, it has been used extensively in respect of regeneration activity and economic development. In the case of Europe 2020, the Commission proposed using EU structural funds to pursue the strategic priorities it had identified. The partnerships agreements signed in 2014 between the European Commission and the member states implied the use of incentives to enact the Europe 2020 strategy, which can be distinguished from the use of direction delivered through top-down steering.

Finally, amplifying public opinion is an important governance mechanism, which, if successful, makes it easier for governments to understand the values and aspirations of the public and therefore makes it easier to increase the responsiveness of government to the public. This mechanism was a crucial aspect of the approach of Europe 2020 to the development and delivery of strategy. The European Commission proposed that governments at all levels within member states should engage with citizens and other actors in civil society so that there was widespread understanding of the strategy, its priorities, and the contributions being sought from all the stakeholders. The Commission also proposed that (European Commission 2010 27) civil society should be associated with the formulation of the annual national reform programmes that were part of the delivery of the strategy: “All national, regional and local authorities should implement the partnership, closely associating parliaments, as well as social partners and representatives of civil society, contributing to the elaboration of national reform programmes as well as to its implementation.”
All attempts to develop effective governance mechanisms are likely to encounter resistance from established values and practices within government organisations. In a number of countries, for example, there are traditions of relative autonomy for the lower tiers of government that might make it difficult to bring about multi-level strategic coordination on a voluntary basis. Cabinet governments where there are ministerial silos may prove resistant to whole-of-government approaches. Attempts to change budgetary systems to allow more targeted investments and the use of methods of ‘competitive government’ may encounter resistance created by the inertia of incremental budgeting cultures. Attempts to give a greater role to public opinion and to engage citizens and stakeholders more directly in the development of plans and programmes may run up against a barrier of a deeply entrenched paternalistic culture found within the civil service. So, it may be expected that governments trying to make use of new governance mechanisms will at times struggle to institutionalise them.

In fact, subsequent evaluation by the European Commission of progress in implementing the Europe 2020 strategy identified a problem of insufficient involvement of stakeholders. Consultations carried out by the European Commission in 2014 led to the following judgements (European Commission 2015 6):

“The successful implementation of the strategy has been affected by weaknesses in terms of awareness, involvement and enforcement. First, the contributions to the public consultation point to an awareness gap regarding the strategy, either explicitly when the respondents indicate that they cannot reply to some questions, or implicitly when the replies misinterpret the content or the objective of the strategy. Second, less than half of respondents (46%) say that they are involved in the strategy and three quarters (77%) express a willingness to get more involved in the strategy.”

Locating this paper in literature review

The design and delivery of the Europe 2020 strategy faced a number of challenges relating to the European Union’s multi-level governance structure. The multi-level governance literature that has been produced for some 20 years by researchers and theorists in the political science field is a rich and complex literature. This paper is positioned in this literature as investigating problems in making multi-level governance work effectively and achieving coordination and integration. In terms of the mapping of this literature by Stephenson (2013) (see figure 1), this paper is concerned with functional uses.
In more recent research and theorizing about multi-level governance, the comparative uses theme has emerged. This is exactly the perspective we want to adopt. In this paper we aim to compare different member states in relation to their alignment with, and integration into, the Europe 2020 strategic agenda. Taking the point of view of management science, we use an analysis of the processes being used to deliver Europe 2020 to figure out what type of mechanisms deliver public governance. These processes are: top-down pressured alignment through the Council Recommendations of the “European Semester”, voluntary alignment through national reform programmes, and incitative alignment (that is, a financial incentive to stimulate cooperation) through the Partnership agreements between the European Commission and Member States for the structural funds 2014-2020.

Case Studies

Four case study countries were selected from northern Europe: Sweden, Finland, Germany and Lithuania. A recent study of European Union regions suggested that in 2009 and 2010 regions in Sweden, Finland, Southern Germany, Southern England, and parts of France were more advanced than the rest of Europe in terms of the key performance targets in Europe 2020 (Gonzalez et al 2014). So, in respect of our selected case studies, two (Sweden and Finland) were close to matching the European Union targets and two (Germany and Lithuania) had a little further to go.

These four countries varied quite substantially in the strategic capabilities of their national governments. Finland’s government has had a reputation for taking a long-term view and for developing strategic foresights. Germany is considered by some observers to have been slow to develop strategic capabilities at national level and to lack an effective centre of government that could coordinate and integrate ministries.
in strategic terms. The whole government system – federal and sub-federal level – is perceived to be complex and there are many veto powers in the system (Rüb et al 2014). While strategic management may have developed significantly at municipal and state level, in overall terms the German system is judged to be lagging behind in terms of developing strategic capabilities (Plamper 2015). Lithuania’s government had set up a strategic planning system in 2000 and approved a long-term strategy, Lithuania 2030, in 2012. Finally, Sweden has a government that is reckoned to have become much more effective as a result of reforms in 1997 that meant it had a more whole-of-government approach that reduced the autonomy of ministers within the cabinet structure. So, all in all, it might be expected that the four governments would have faced different advantages and disadvantages in acting in strategic partnership with the European Union in respect of Europe 2020. The sample of case studies is theoretically interesting because the strategic capabilities of the national governments are so different.

If the short-term priority for the European Union was to steer member states through recovery from the crisis, the fact is that the four countries were each following a different trajectory, as shown in Table 1.

**Table 1: Recovery from the crisis**

<table>
<thead>
<tr>
<th>Country</th>
<th>Variable</th>
<th>2010</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>GDP per capita (constant 2005 US $)</td>
<td>39,699</td>
<td>39,763</td>
<td>39,058</td>
<td>38,837</td>
</tr>
<tr>
<td></td>
<td>Unemployment (% of total labour force; ILO)</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Central government debt (% of GDP)</td>
<td>47</td>
<td>51</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Germany</td>
<td>GDP per capita (constant 2005 US $)</td>
<td>37,147</td>
<td>39,274</td>
<td>39,209</td>
<td>39,718</td>
</tr>
<tr>
<td></td>
<td>Unemployment (% of total labour force; ILO)</td>
<td>7</td>
<td>5</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Central government debt (% of GDP)</td>
<td>54</td>
<td>55</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lithuania</td>
<td>GDP per capita (constant 2005 US $)</td>
<td>8,941</td>
<td>10,213</td>
<td>10,653</td>
<td>11,074</td>
</tr>
<tr>
<td></td>
<td>Unemployment (% of total labour force; ILO)</td>
<td>18</td>
<td>13</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Central government debt (% of GDP)</td>
<td>147</td>
<td>169</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Based on the variables in Table 1, it was Finland that was faring the worst. It had
experienced a fall in GDP per capita over the years 2010 to 2014. Its unemployment
rate did not improve at all between 2010 and 2013. Its central government debt
increased as a percentage of GDP. The other three cases all recorded an improvement
in GDP per capita, with Lithuania showing the biggest change comparing 2014 to
2010. On the other hand Lithuania had the worst record in terms of an increase in
central government debt over the two years from 2010 to 2012. Germany reduced its
unemployment rate, already quite low in 2010, but its central government debt went
up slightly in the two years from 2010 to 2012. Sweden emerged with the best all
round trajectory: GDP per capita up, unemployment rate down slightly, and central
government debt down slightly.

It should be noted that the headline performance indicators in Europe 2020, which
were the basis of the annual monitoring and evaluation in Brussels, were quite
different from the variables in Table 1.

By 2013 the four countries in the Baltic Sea Area performed relatively well against
the average results for all 28 European Union member states (against European
targets and not their national ones) although there were two notable exceptions on
poverty and on R&D for Lithuania

<table>
<thead>
<tr>
<th>Sweden</th>
<th>GDP per capita (constant 2005 US $)</th>
<th>44,878</th>
<th>45,260</th>
<th>45,454</th>
<th>46,061</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unemployment (% of total labour force; ILO)</td>
<td>9</td>
<td>8</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Central government debt (% of GDP)</td>
<td>37</td>
<td>35</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Figure 2: 2013 Comparative Performance against Europe 2020 targets

Source: based on Eurostat Data

Despite this, as Figure 3 shows, again Finland emerged less favourably by comparison with the other three cases. Of the eight indicators shown in the table, Finland managed to record a positive trend on five out of the eight indicators, whereas Germany, Lithuania and Sweden were showing seven positive trends out of eight. It can be noted that between 2010 and 2013 both Germany and Sweden had negative trends in terms of risk of poverty, with the headcount of numbers at risk going up for both countries. However, looking at Table 2 as a whole it appears that the general situation for all the four countries was generally positive in terms of the Europe 2020 indicators.
Figure 3: Germany - Distance to national targets (target=100)

Source: based on Eurostat Data

Figure 4: Sweden - Distance to national targets (target=100)

Source: based on Eurostat Data
For reasons that will become more obvious subsequently, we need to note here the performance trend issues that might be picked up by the European Commission and
the European Council. In terms of the headline target indicators of the Europe 2020 strategy, the following concerns may be identified from Table 2. For both Germany and Sweden there is the rise in the numbers of people at risk of poverty. In the case of Lithuania the data indicates that the trend in the quantity of greenhouse gas emissions could be a concern. And finally, in respect of Finland, there could be concerns over the trend in investment in research and development, the employment rate, and the participation of 30 to 34-year-olds in tertiary education.

Methodology
The methodology used in this article relies on a textual analysis technique aiming at discovering the main arguments in official documents that support the European Semester, a classical budgetary tool. Content analysis softwares are nowadays extensively used by researchers in sociology and political science in order to analyze survey answers on societal issues but also to analyse discourse in the political decision making process (Schonhardt-Bailey, 2013). The use of textual analysis can offer a bridge between qualitative and quantitative analyzes.

It was decided to use Alceste Software© for the following reasons:

- The program is based on a top-down text analysis algorithm aiming at analyzing co-occurrences of words (text units) in predefined lines of texts. This allows a non a-priori analysis without any a-priori hypotheses and any coding on predefined key words. This is a major advantage when analyzing the dominant themes in European Semester documents.
- Technically speaking, it classifies words according their pattern of co-occurrences, calculates the khi2 index, and groups text units into classes. This gives an indication of the dominant themes in a document but as well the dominant concepts in themes which is specially appropriate when analyzing parallel documents on common issues
- To make sense and avoid misinterpretation, texts analyzed must be homogenous and commonly focused on common subjects, which is obviously the case of the documents produced as part of the European Semester process.
- Some conditions apply to text length to allow statistical signification. Texts may be analyzed as a single unit or regrouped with identifiers, for example country names. This facilitates comparison by countries.

All texts analysed were normalized into a text format in order to be accepted by Alceste Software©. In this process, documents were cleaned up (by removing photos and brochures layouts) to keep the text only. In some case identifiers, namely country names, were introduced.

The main documents analysed with this qualitative approach were:

1) Council Recommendations to Member States in 2014

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1 Alceste Software© has been created by Max Reinert (1983) at CNRS and based on Benzécri algorithm (1973)
2 Based on the comparison between an observed distribution of texts units with an random one. The Khi2 index is a metrics of distance between co-occurent terms, the higher, the closer. By extension, it applies to characterize the distance of a word with a class.
2) National Reforms Programs for the four case study countries
3) Partnerships agreements signed between member states and the European Commission in 2014 concerning the future use of structural funds between 2014 and 2020

Monitoring, evaluation and feedback

Using Alceste©, it has been possible to characterize the discourse contained within the European Council’s recommendations provided to member states within the ‘European Semester’. The discourses identified (by declining importance) included a “sectoral reforms recall”, an “EU governance" discourse, a "human resources and labour market” discourse and finally a “deficit and stability” discourse.

Figure 7: Main dimensions in European Council recommendations to Member States in 2015

We provide here some extracts of these four discourses:

Class 1 (red)
« Unité n° 0100: 6, on 20 December 2013, the European council endorsed the priorities for ensuring financial stability, fiscal consolidation and action to foster growth. It underscored the need to pursue differentiated, growth friendly fiscal consolidation, to restore normal lending conditions to the economy, to promote growth and competitiveness, to tackle unemployment and the social consequences of the crisis »,

We provide here some extracts of these four discourses:
« Unité n° 0609: on 29 June 2012, the member states' heads of state or government decided on a compact for growth and jobs, providing a coherent framework for action at national, EU and euro area levels using all possible levers, instruments and policies »

Class 2 (blue)

« Unité n° 0462: overall, the budgetary strategy outlined in the convergence programme is in line with the requirements of the stability and growth pact. The debt level, at 44.5 of GDP in 2013, is planned to temporarily increase in 2015 and to decline thereafter. The macroeconomic scenario underpinning the budgetary projections in the convergence programme is plausible. »

« Unité n° 1865: however, the annual improvement of the, recalculated, structural balance planned in the stability programme falls below the recommended effort as of 2014. For 2017, the plan envisages sufficient progress towards the medium term objective, although this may not be enough to reach it in the same year as declared in the stability programme »

Class 3 (green)

« Unité n° 0034 : in 2014, some measures to limit access to early retirement schemes and to increase incentives for staying longer in employment have entered into force. still, the effective retirement age of 58.4 years in 2012 is well below the EU average. it remains considerably below the statutory retirement age, by 5.6 years for men and by 2.6 years for women in 2012 ».

« Unité n° 1998: the labour market situation of young people, the low skilled and people with a migrant background remains weak. Youth unemployment remains above the EU average”.

Class 4 (brown)

« Unité n° 1791: to accelerate the processing of non performing loans while maximising recovery value and preserving viable businesses. any further transfer of non performing loans to the bank asset management company needs to be carefully designed in order to facilitate swift and efficient restructuring of corporate credits. »

« Unité n° 0790: in particular, use the available scope for increased and more efficient public investment in infrastructure, education and research. improve the efficiency of the tax system, in particular by broadening the tax base, in particular on consumption, by reassessing the municipal real estate tax base, by improving the tax administration and by reviewing the local trade tax »

Looking more precisely the final recommendations (figure 8) to the four Baltic Sea area countries (European Council Recommendations, 2014), we obtain the following priorities as the Council and the Commission analyzes them.
**Figure 8: European recommendations to Member states in 2014**

<table>
<thead>
<tr>
<th>Country</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>1. Pursue growth friendly fiscal policy and sustainability of public finance</td>
</tr>
<tr>
<td></td>
<td>2. Moderate households sector credit growth and private indebtedness</td>
</tr>
<tr>
<td></td>
<td>3. Improve efficiency of housing market to allow more market rent levels</td>
</tr>
<tr>
<td></td>
<td>4. Improve basic skills and facilitate the transition from education to labour market</td>
</tr>
<tr>
<td>Germany</td>
<td>1. Pursue growth friendly fiscal policy and preserve a sound fiscal position</td>
</tr>
<tr>
<td></td>
<td>2. Improve measures that support domestic demand reducing high taxes and social security contributions especially for low wages</td>
</tr>
<tr>
<td></td>
<td>3. Keep the overall cost of transforming energy system</td>
</tr>
<tr>
<td></td>
<td>4. More ambitious measures to stimulate competition in the service sector</td>
</tr>
<tr>
<td>Finland</td>
<td>1. Limit the emerging gap between medium term objective and ensure the debt criterion is fulfilled</td>
</tr>
<tr>
<td></td>
<td>2. Ensure effective implementation of on-going administrative reforms (municipal and social services)</td>
</tr>
<tr>
<td></td>
<td>3. Improve use of the full labour force potential including increasing effective employment rate (including young peoples)</td>
</tr>
<tr>
<td></td>
<td>4. Continue efforts to enhance competition in product and services markets, especially in the retail sector</td>
</tr>
<tr>
<td></td>
<td>5. Continue to boost Finland’s capacity to deliver innovative products</td>
</tr>
<tr>
<td>Lithuania</td>
<td>1. Reinforce budgetary measures for 2014 in the light of expenditures growth</td>
</tr>
<tr>
<td></td>
<td>2. Adapt a comprehensive pension system with measures on employability of old workers</td>
</tr>
<tr>
<td></td>
<td>3. Better target active labour market policy to the low skilled and LT unemployment, improve coverage of unemployment</td>
</tr>
<tr>
<td></td>
<td>4. Ensure adequate coverage for those in needs, continue to strengthen the link between cash social assistance</td>
</tr>
<tr>
<td></td>
<td>5. Complete the implementation of the reform of State owned enterprises (further professionalization of boards)</td>
</tr>
</tbody>
</table>

Source: European Council Recommendations (2014) Germany, Sweden, Finland, Lithuania

The EU governance discourse was evident in EU recommendations to Finland, Germany and Sweden. This discourse can be seen as affirming the importance of European integration without containing much that was substantive in terms of specific recommendations to member states. In the case of the human resources and
labour market discourse, which we found to be evident in the case of the EU recommendations to Lithuania, while at first sight it looks very plausible, in actual fact it does not connect with the concern that might be expressed about the rise in the quantity of greenhouse gas emissions.

Also, why did the discourse contained in the EU recommendations to Germany and Sweden not give great importance to the rise in numbers of people at risk of poverty? While it is not entirely clear what the text of the Europe 2020 strategy document meant by the social models of Europe, it might be suggested that a rise in the numbers of people at risk of poverty will be seen as antithetical to the social models being pursued in Europe. Furthermore, the numbers estimated to be at risk of poverty in Germany are on such a scale that it surprising that this was not the major theme in the recommendations prepared by the EU institutions. Finally, given the performance trends observed in the case of Finland it might have been expected that the EU recommendations contained as important themes the business environment, the business infrastructure, and human resources and labour markets. Instead, what we found was a dominant discourse about EU governance, which we might suggest is meant to reinforce the support for the European Union project rather than provide strategic steering towards 2020.

The Council recommendations “are produced “ through a long process in the framework of the European semester. This segmentation among countries recommendations reveal certainly the objective situation of member states but it might reveal as well the inside process in the European Commission. In fact a single department does not prepare the recommendations proposals. On the contrary the different General Directions (GD) of the EC contribute to the final proposition that could appear as a kind of political weighting exercise. Second, it could reveal as well the negotiation between the member state and the Council since the Council recommendations analysed here are the final documents after dialogue between the Council and the member state.

In this view the “stick” had to be validated by different forces inside and outside the European Bodies. From this, we can infer that European 2020 targets perspective is not dominant in the European semester mechanism and that related retained arguments are to be seen as negotiated priority (labour markets and education) or as prerequisites (environment for business an economic infrastructure, financial health).

**Voluntary alignment**

To some extent we can look for evidence of voluntary alignment by member states with the Europe 2020 strategy by examining the national reform programmes (EC, 2015c) presented in 2015 in the European semester. Using the Alceste© technique, it is possible to analyse the national reform programmes to see the themes in the national reform programmes. The main themes for each NRP are detailed by declining importance hereunder (for more details, see annex)
Figure 9: Themes in National Reform Programs - Summary

<table>
<thead>
<tr>
<th>Country</th>
<th>Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>Research/innovation/energy strategy/environment, Education/labour market, planning/administrative processes including municipal level</td>
</tr>
<tr>
<td>Germany</td>
<td>Labour market/education &amp; training/children, growth/budget/deficit, energy/efficiency/environment</td>
</tr>
<tr>
<td>Finland</td>
<td>Ageing/pension, administrative processes including municipal level, innovation/research/environment, education/training, and health sector reform</td>
</tr>
<tr>
<td>Lithuania</td>
<td>Social insurance/labour/employment, research/innovation/science, energy/water/waste, education/training, tax/administrative reforms, stability, healthcare, and poverty/inclusion</td>
</tr>
</tbody>
</table>

Source: based on Alceste© analysis of National Reforms programs (EC, 2015c) - see details in Annex

Finland's 2015 national reform programme had some themes in that presumably reflected the challenges it was facing in the recovery from the crisis of 2007/9. These included innovation/research and education/training, which we might associate with a drop in R & D investment and the flat trends in terms of employment and participation in tertiary education. The other themes in the case of Finland are not so easily associated with the actual performance on the headline indicators. But in the other three cases, the linkages between the themes in the 2015 national reform programmes and the performance concerns identified by looking at the trends for the headline target indicators are difficult to see. In other words, voluntary alignment with the headline indicators seems to have been weak. So, what are the themes in the discourses of the national reform programmes aligned with? The themes do not seem to link to EU Commission and EU Council recommendations or the discourse in partnership agreements in relation to structural funds. Germany's national reform programme does not seem to link to the EU Commission and EU Council recommendations either, but it does seem to reflect similar themes to those found in the dominant discourse identified in the partnership agreements (see below). Finally, Sweden's national reform programme does not seem to correlate with the discourse in the EU recommendations.

Perhaps one explanation for the observations above are that the European Commission and the European Council had not been engaging adequately in the necessary dialogue with member states to bring about a strong enough spirit of voluntary partnership.

Partnership agreements (AGR) to steer the spending on structural funds

Application of Alceste© to the text of the partnership agreements made in 2014 regarding the future use of structural funds of the EU found some evidence of dominant discourses in the case of Germany and Sweden but did not reveal clear evidence of a dominant discourse in either the case of Finland or of Lithuania. It can be noted that the Swedish and German national reform programmes (see details in annex) are in line with the concerns in partnerships. In the case of Germany it
seems that the dominant discourse themes were the “labour market” and “education”. In the case of Sweden the themes in the dominant discourse were research/innovation/energy strategy/environment. Is it surprising that these partnership agreements were not targeting the performance concerns that emerged when the Europe 2020 headline target indicators were examined? It's important to note here that in neither the case of Germany nor Sweden was a dominant discourse found with the themes of poverty and social consequences of the economy.

In the case of Lithuania the absence of clear evidence of a dominant discourse means, naturally, that there wasn't a dominant discourse around the environmental agenda, which might have been expected given the negative trend in the quantity of greenhouse gas emissions in Lithuania. And where in the planning partnership agreement for Finland was a focus on economics, human resources, and labour market matters, which might have been expected on the basis of performance trends in Finland since 2010? If the European Commission had influenced the concerns of the planning agreements and if it had focused on the actual performance of each country against the headline targets of Europe 2020 then the planning agreements might have served to deliver the Europe 2020 strategy. If the national reform programmes were largely authored by the member states to reflect their independently conceived sense of national priorities, and if the planning agreements were also based on nationally inspired concerns, then this could explain what has been revealed by the Alceste© analysis (see annex in relation to Lithuania and Finland’s national reform programmes).
Figure 10: Partnerships agreements between EC and member states regarding the future use of structural funds for 2014-2020

Discussion

One conclusion that might be drawn from the preceding findings is a fairly obvious conclusion about the coherence or incoherence for each country of their set of national reform programmes, EU Council recommendations, and partnership agreements for the future spending of structural funds.

Compared to the issues elucidated previously, the three sets of documents (European Council recommendations, National Reform Program, Partnership agreements) did not link up logically for all countries all along the chain between the issues to the partnership agreement. (see table 10)
Figure 10: Summary Table

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>Poverty</td>
<td>Continue Growth friendly fiscal policy</td>
<td>Environmental/ water</td>
<td>Environment/ water</td>
<td>Ex ante conditionalities</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>Greenhouse gaz</td>
<td>Continue Growth friendly fiscal policy</td>
<td>Labour market</td>
<td>Labour market</td>
<td>Employment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Poverty</td>
<td>Reduce tax and social security (on low wages)</td>
<td>Education/ labour market</td>
<td>Education/ labour market</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>EST</td>
<td>Reduce cost of transforming energy system</td>
<td>Growth – budget</td>
<td>Growth – budget</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Enhance competition in service sector</td>
<td>Energy</td>
<td>Energy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>Employment</td>
<td>MT debt</td>
<td>Ageing</td>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Early School</td>
<td>Administrative reforms</td>
<td>Administrative reforms</td>
<td>Employment</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Education/ training</td>
<td>Employment</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Full labour force potential</td>
<td>Full labour force potential</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Competition retail sector</td>
<td>Competition retail sector</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Innovation</td>
<td>Innovation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lithuania</td>
<td>R&amp;D</td>
<td>Budgetary measures</td>
<td>Social benefit/ employment</td>
<td>Social benefit/ employment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Poverty</td>
<td>Pension system</td>
<td>Energy</td>
<td>Energy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employment for low skills and LT unemployment</td>
<td>Employment/ training</td>
<td>Employment/ training</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Coverage those in need</td>
<td>Healthcare/ inequalities</td>
<td>Healthcare/ inequalities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>State owned enterprises reforms</td>
<td>Fiscal stability</td>
<td>Fiscal stability</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Poverty</td>
<td>Poverty</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For Sweden and Germany, one has to acknowledge that there is a kind of consistency on one hand between issue and national reform program (red) and on the other hand between Council recommendations and National reform program (light blue). For Germany, one remarks even a consistency between national reform program and partnership agreement (green). In this case arguably, this is the member state that ensures those coherences.

For Finland and Lithuania the picture is slightly different. At least for one issue (employment for Finland, poverty for Lithuania), there is a clear coherence from the issue statement to the council recommendations and to the national reform program (in pink) meaning that both the European Commission and the Member state share the burden to link-up between results and targets.

These case studies on Sweden, Germany, Finland and Lithuania indicate a possible primacy of self-alignment by member’s states since those appear as taking (more?) seriously the real issues but this is mitigated by top-down pressures since national reforms programs appear to answer clearly to the priorities mentioned by the Council.

How can we explain this? Perhaps some incoherence between the European Council recommendations and performance trends analysis should be attributed, first, to the difficulties of developing effective governance, strategic leadership, and a centre of government for the EU. We speculate here when we say that perhaps the incoherencies reflect a general weakness of the EU level institutions relative to the national governments of member states. The incoherence between national reform programmes and planning agreements may be attributed to a mixture of the weakness of strategic management by member states (that leads to a failure to ensure consistency between the two documents) and weakness of steering by the European Commission that means it may have not make a link between European Council recommendations and planning agreements when discussing them with the member states.
The most extreme example of a member state not aligning its national reform programme targets with the headline indicators of the Europe 2020 strategy is the UK. According to a 2015 overview of the national targets set by member states for purpose of delivering the EU headline target indicators, no national targets had been set by the UK for the employment rate, research and development spend, early school leaving, participation in tertiary education, and reduction of the population numbers at risk of poverty or social exclusion (European Commission, 2015b). The UK case (Drumaux and Joyce, 2015) seems very clear-cut. It has quite clearly not cooperated with the idea that national level targets would be set for each of the eight Europe 2020 target indicators. Is it possible that other member states may have cooperated to the extent that national targets were set based on the Europe 2020 headline targets, but that, as shown by the national reform programmes and planning agreements, these national targets were not actually acting as targets for national efforts at social, environmental and economic development?

If the answer is that the national targets are espoused rather than real ones, should the European Council and the European Commission work on building more influence over member states and more capacity for delivering the strategic leadership and coherence that is needed to make the Europe 2020 strategy more significant for the economic governance of the EU? Does the EU need the equivalent to the 1997 reforms carried out in Sweden, which produced a whole-of-government approach at the national level? Possibly.

But perhaps there is another issue apart from capacity? Perhaps the member states are not convinced about the quality of the Europe 2020 strategy itself? Does it contain the right analysis? Is the strategic thinking in the 2020 strategy deep enough, searching enough, and creative enough? If we look at the content of the Europe 2020 strategy it is clear that there was an aspiration to anticipate the future and to set clear priorities for action to bring about a better future for Europe. But could it be argued that the analysis of the situation of Europe was superficial, and that the analysis of the resources available to the EU and their deployment needed more work by the Commission? Perhaps most critically, did the text of the strategy document produced in 2010 really provide an evaluation of alternatives courses of action that might have brought about smart, sustainable and inclusive growth? While there were suggestions in the text of different trajectories for Europe, these were more justifications for having any strategy.

There is little evidence that at least two or three different strategies were considered, that their feasibility was evaluated, and that the Commission then promoted the best option. To some extent, of course, the strategic thinking was devolved to member states, which were expected to formulate annual national reform programmes to deliver the Europe 2020 targets. Perhaps further evidence of a superficial approach, or political realism, was the decision that the headline performance indicators were to be adjusted in recognition of the variations (e.g. in circumstances) between member states, meaning that the analysis of the variations between member states could be deferred until the targets were being cascaded to member states. Another challenge to the adequacy of the design of the strategy might be framed as doubts about the extent to which Europe 2020 strategy document was itself based on a rigorous appraisal of the resources and capabilities of the member states, and a rigorous appraisal of the
different opportunities facing individual member states? Were these things assessed before deciding on the strategy? Obviously, some questions posed here bring home the complexity of developing a strategic analysis relating to Europe’s economic, environmental, and social performance when there was in fact a very diverse set of member states. So, there is no doubting the challenges facing the European Commission and the European Council in formulating and then delivering a 10-year strategy for Europe. It was a mammoth intellectual and political challenge.

One final point that can be made relates to the degree to which the Europe 2020 strategy largely treated member states as separate entities, in the same way as traditional bureaucratic governments might have to accommodate the reality that their ministries operated in practice with a “silo mentality”. The idea of taking the headline target indicators of the 2010 document and cascading them to the national level may be seen here as suggesting that this bold attempt at long-term strategy development by the EU reflected the current stage of development of the European Union—which still had a long way to go to create a whole-of-Europe approach, meaning a more integrated and coordinated approach.

To sum up, we end this paper intrigued about the relationship between the dominant discourses to be found in official documents produced in the European Union government bodies, notably the European Council recommendations on policy to member states as part of the European Semester, and the actual explicit attempts by the European Union to steer member states in terms of national reform programmes. We need to give more thought to how they relate to each other. The dominant discourses in the recommendations to Sweden, Germany and Finland could reflect the European Council’s judgments that these are amongst the most satisfactory countries in terms of economic, environment and social matters. By contrast, Lithuania has a lot of catching up to do in order to become as satisfactory as they are. Hence the dominant discourse constructed in respect of Lithuania appears to be different. We assume that European Council and European Union government judgments generally of how satisfactory or not a country is exists alongside any actual performance monitoring and evaluation done as part of the Europe 2020 strategy and the European Semester. Perhaps another way of putting this is to say that the European Commission and European Council have a view about the “status” of a country in the European Union and this affects how they “frame” the dominant discourse which accompanies the specific policy. If this is right, there is still a possibility that the dominant discourse and the specific policy recommendations affect each other. For example, could the European Council feel it is difficult or inappropriate to recommend to a high status member state that it takes action on a problem? So is the “high status” of an individual member state, such as Sweden and Germany, a barrier to the European Council speaking plainly and explicitly about specific problems in relation to Europe 2020? Of course, there may also be judgments that adverse trends for high status member states are of negligible importance.

We finish here in hypothesizing mode. This paper inspires us to the following hypotheses. Perhaps our findings here provide a clue that top down steering by the European Commission/European Council is not just a rational management process of evaluating performance against targets and then making policy recommendations. Perhaps it is actually a mixture of the following - (1) rational and managerial processes, (2) influences on the European Commission and Council caused by the
status of the country in the European Union, and (3) influences caused by the political relations between the countries and within the European Union institutions? This might be seen as another hypothesis. These hypotheses are our target in elucidating the governance process built around strategic management ideas.

References:


ANNEX

Figure 11: Sweden NRP2015

Figure 12: Germany NRP2015
Figure 13: Finland NRP2015

Figure 14: Lithuania NRP2015