

**EU is performing better
but not yet good enough**

Tracking the timetable to Lisbon

Results of the study prepared for EUROCHAMBRES March 2007

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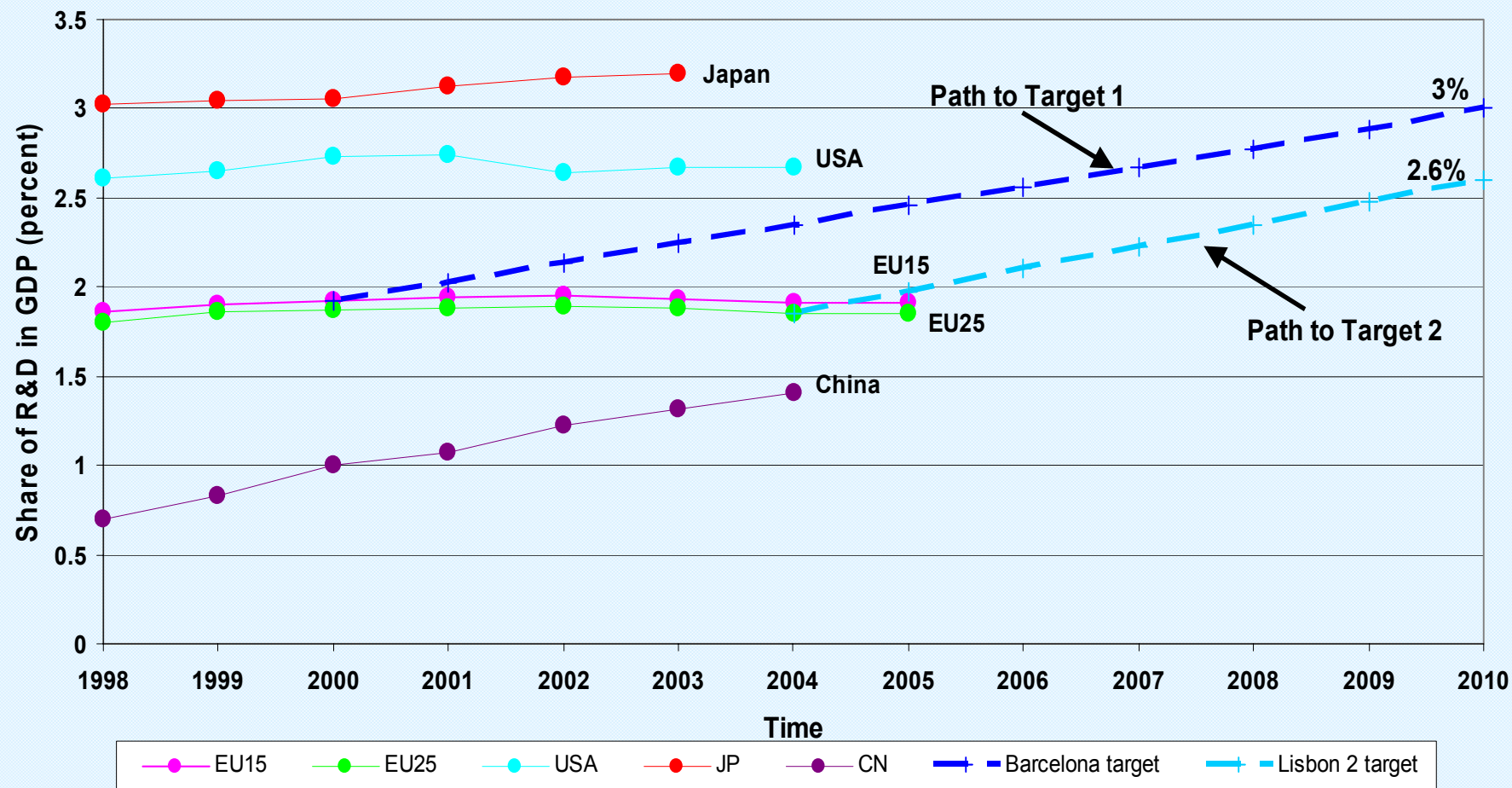
Better:

- **The growth rate of GDP in 2006 of 2.9% is the best since 2000**
- **The unemployment rate is the lowest since 2001**
- **EUROCHAMBRES survey for 2007 shows again a good year**
- **The 7FP EU funds are much higher than for 6FP**

But not in line with targets:

- **The actual performance in 2005 is below the implied time table for the EU and national targets for the re-launched Lisbon strategy and NRP, especially for R&D in GDP**
- **There is yet no closing up of the gap with the USA**

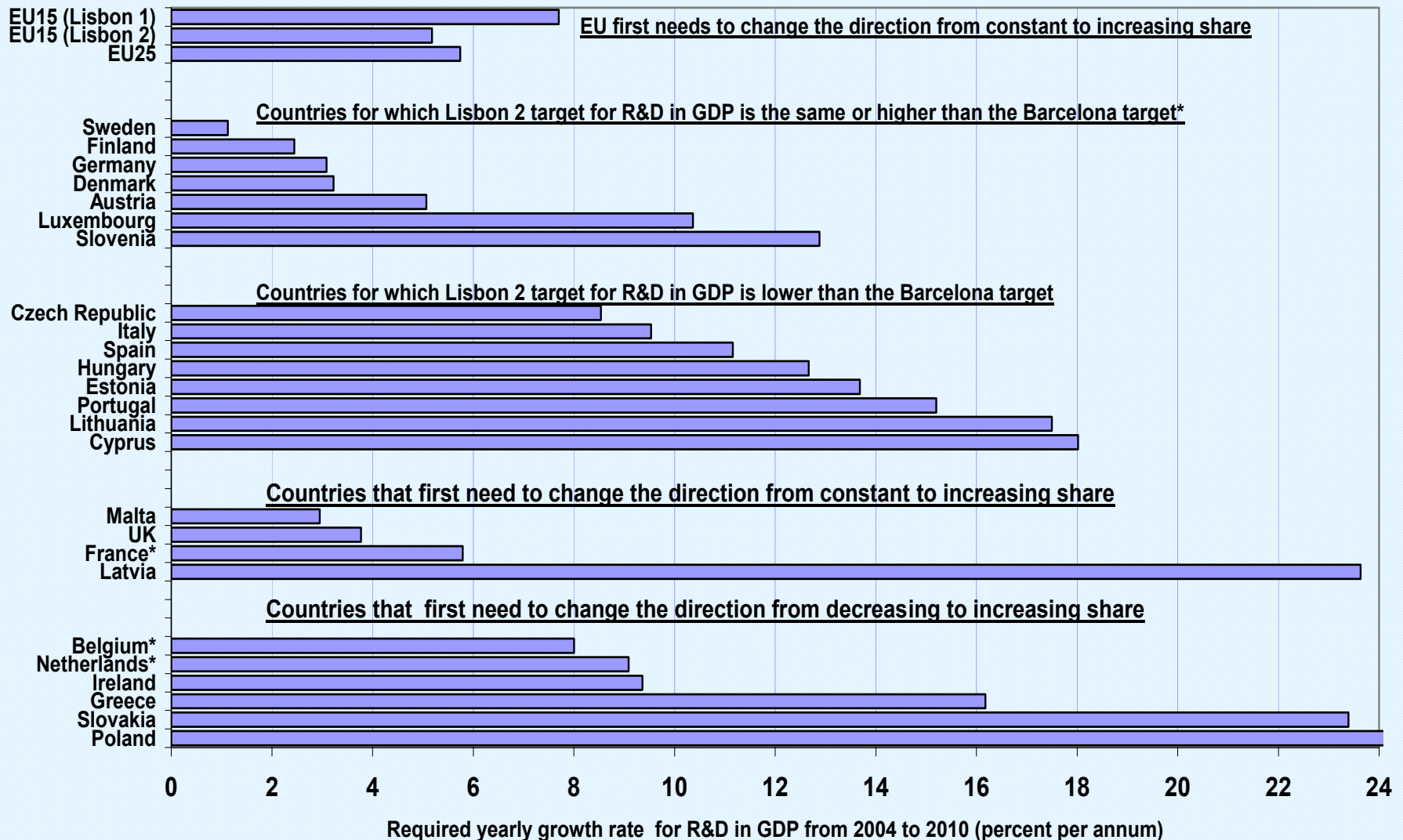
Monitoring Attainment of the Barcelona Target for GERD as % of GDP



Monitoring deviations of actual from path to target in time distance for EU 25 and EU15 for Lisbon 1 targets for 3 indicators

	S-time-distance deviation of actual from path to target (in years) EU25			S-time-distance deviation of actual from path to target (in years) EU15		
	Share of R&D in GDP (%)	Employment rate (%)	GDP Level	Share of R&D in GDP (%)	Employment rate (%)	GDP Level
2000	0 years	0 years	0 years	0 years	0 years	0.0 years
2001	0.7 years	0.5 years	0.3 years	0.7 years	0.1 years	0.4 years
2002	1.7 years	1.5 years	0.9 years	1.6 years	0.8 years	1.0 years
2003	2.7 years	2.3 years	1.5 years	2.6 years	1.6 years	1.6 years
2004	4 years	2.8 years	1.7 years	3.9 years	2.0 years	1.9 years
2005	5 years	3.2 years	2.1 years	5 years	2.3 years	2.4 years
2006		3.4 years	2.1 years		2.3 years	2.5 years
S-time-distance in years: - actual ahead of path to target, + actual behind the path to target						

Yearly growth rates for R&D in GDP needed to reach country targets in 2010



The story of the R&D in GDP rate:

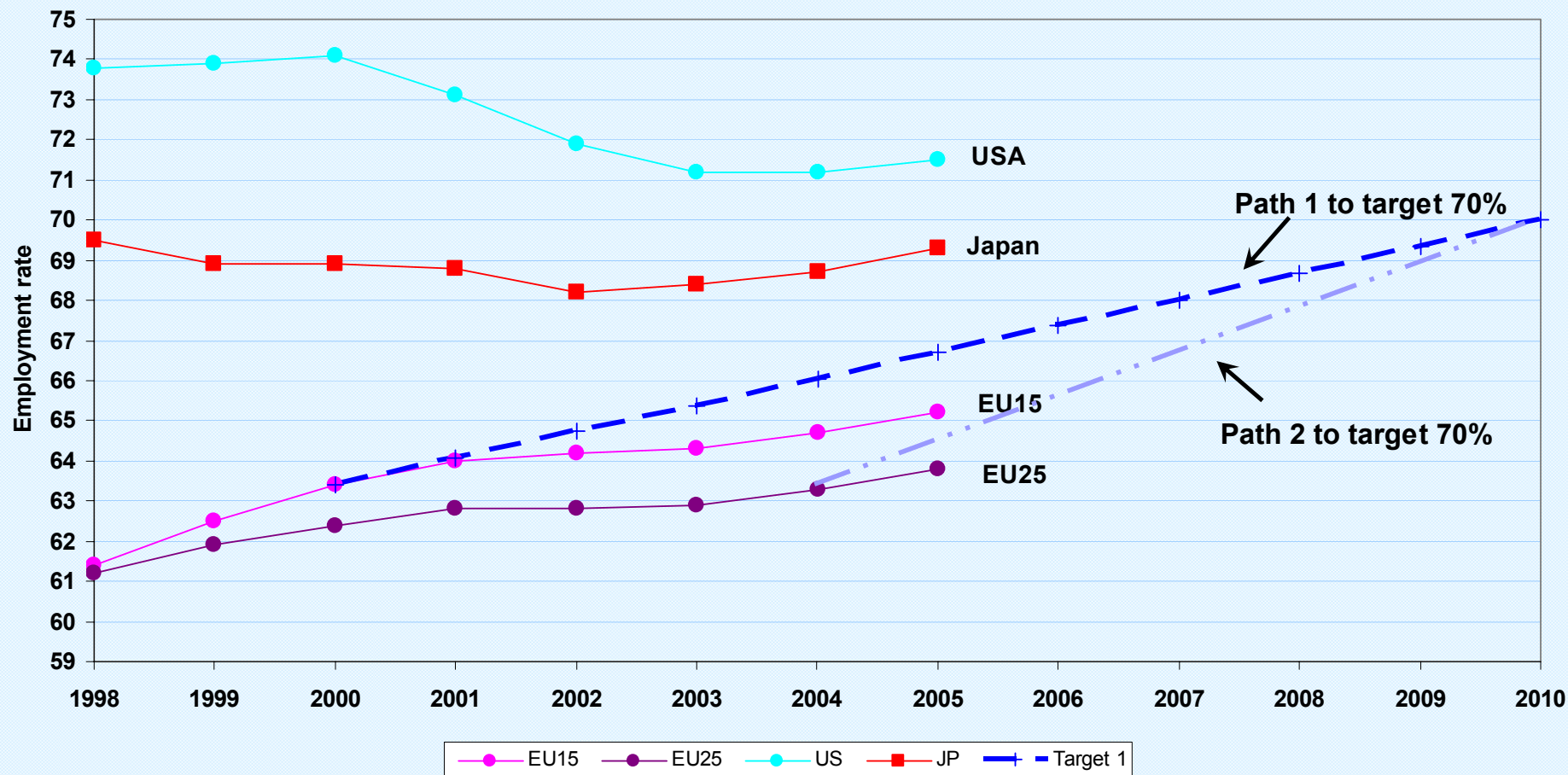
- For Lisbon 1 the results are a disaster, 5 years delay in 5 year period
- Introducing national targets increased realism but decreased ambition and the summary of national targets for 2010 comes to about 2.6%
- The big problem is implementation of the so reduced national targets for Lisbon 2
- The line to target is calculated by linear interpolation between 2004 actual value and national target for 2010. Actual values for 2005 are then compared with this implied time table to the national targets
- For EU25 total estimate looks bad again: there was no increase in 2005, which means in other words 1 year of delay in 1 year period
- Only 3 countries (Sweden, Czech Republic and Austria) are ahead of their own line to target in 2005, for 18 countries the minimum delay expressed as S-time-distance is 7 months in a year, for some 2005 value is less than 2004
- China is approaching fast. For 2004 the average value of R&D in GDP for China was already higher than that of 14 EU25 countries

Template for monitoring implementation in two dimensions
against NRPs specified targets at relevant levels: national, EU
and sub-national
(25 countries times number of selected indicators)

Example: monitoring deviations of actual from path to target in two dimensions, **AUSTRIA**,
Lisbon 2 target for R&D share in GDP

	Share of R&D in GDP (%)		Monitoring deviations of actual from path to target in two dimensions	
	Implied Lisbon 2 path to target 3%	Actual	Percentage deviation of actual from path to target	S-time-distance deviation of actual from path to target (in years)
2005	2.36	2.36	0%	0 years
2006	2.49	2.43	-2.3%	0.44 years
2007	2.61			
2008	2.74			
2009	2.87			
2010	3.00			
S-time-distance in years: - actual ahead of path to target, + actual behind the path to target				

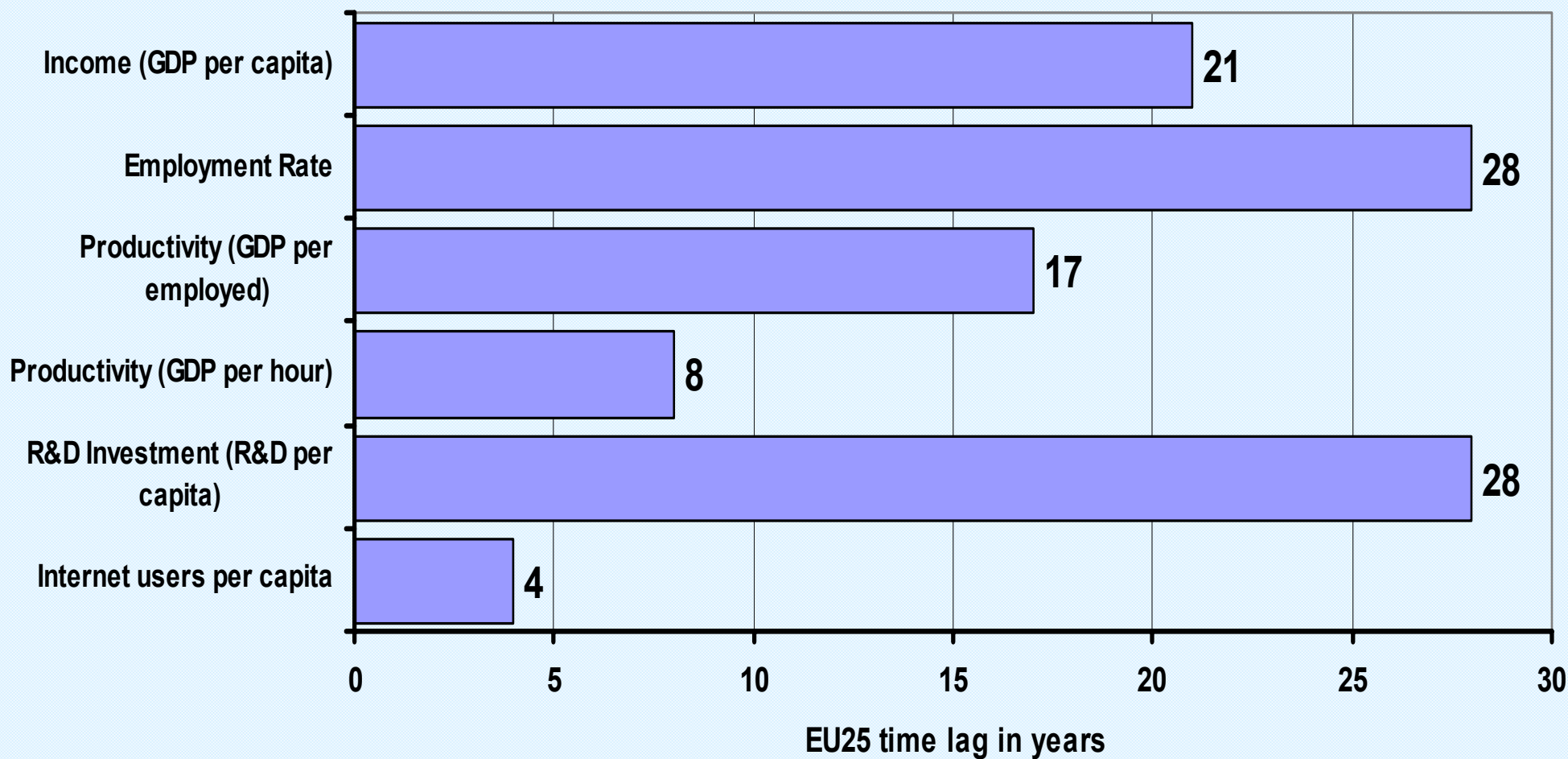
Monitoring attainment of the Lisbon target for employment rate (to reach 70% employment rate by 2010)



Employment rate:

- The overall trends for employment rates are positive, they are increasing for total employment, employments of females and older workers
- For Lisbon 2 the 2010 targets for EU25 are still 70%, 60% and 50%, respectively, national targets vary
- The time distance analysis shows different conclusions for EU25: for females and older workers the 2005 values are about on the track to 2010 targets, while the total employment rate is lagging
- Total employment rate was in 2005 lagging for 2.3 years against the Lisbon 1 line to target. With the re-launched line to target in 2005 the delay is 0.55 years in a year. Total employment rate is still a serious problem
- **The gap with the USA:**
 - Total employment rate and R&D per capita are for EU25 also those where the time distance with the USA is the largest: 28 years (EU25 2005 values were attained in the US already in 1977)
 - Catching up, even the slowest scenario, will only come about with considerable EU improvement. It makes more sense to see the required rates of growth for EU25 to reach by 2010 the present levels for the USA

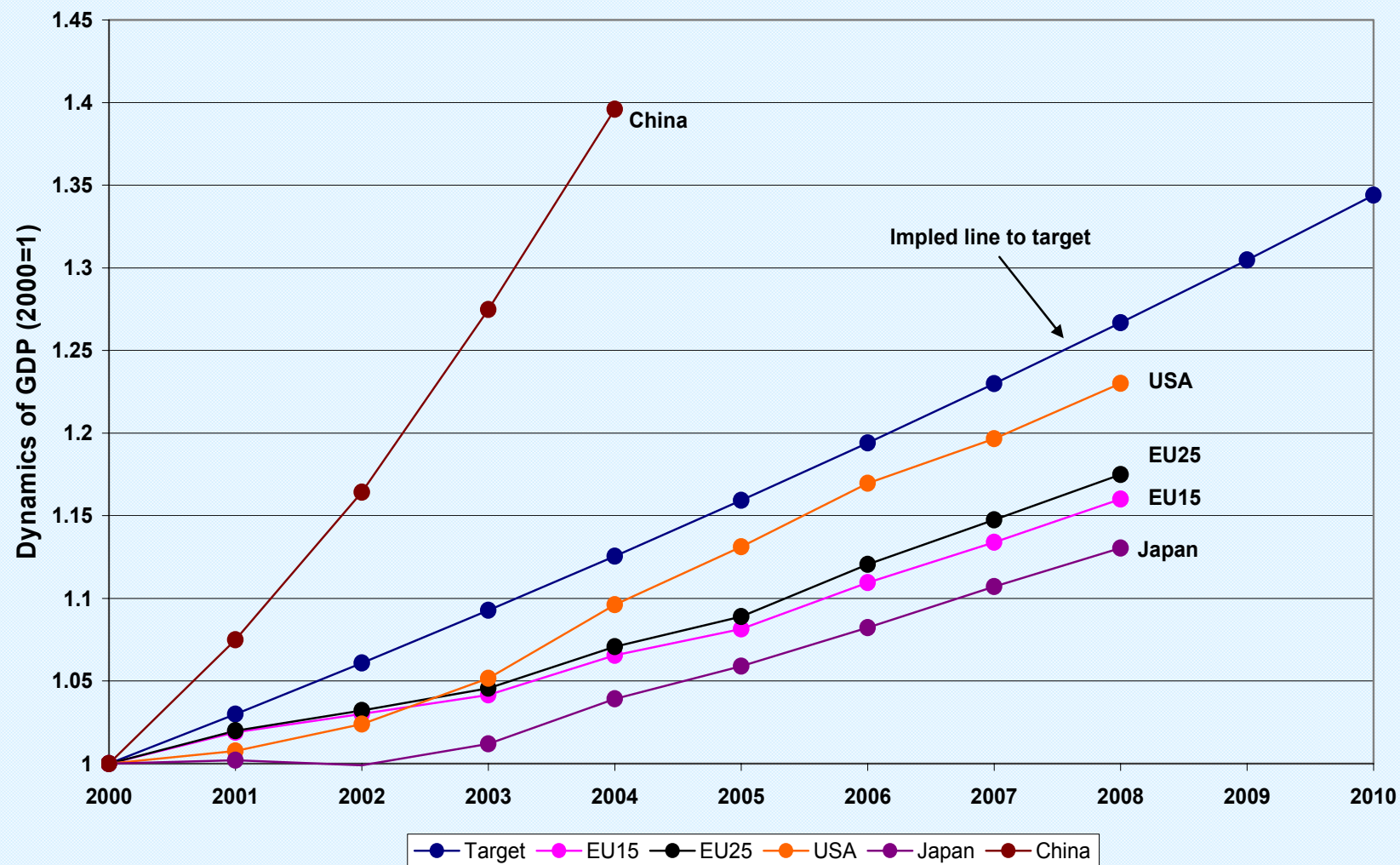
S-time-distance in years between the EU25 and the USA for around 2006



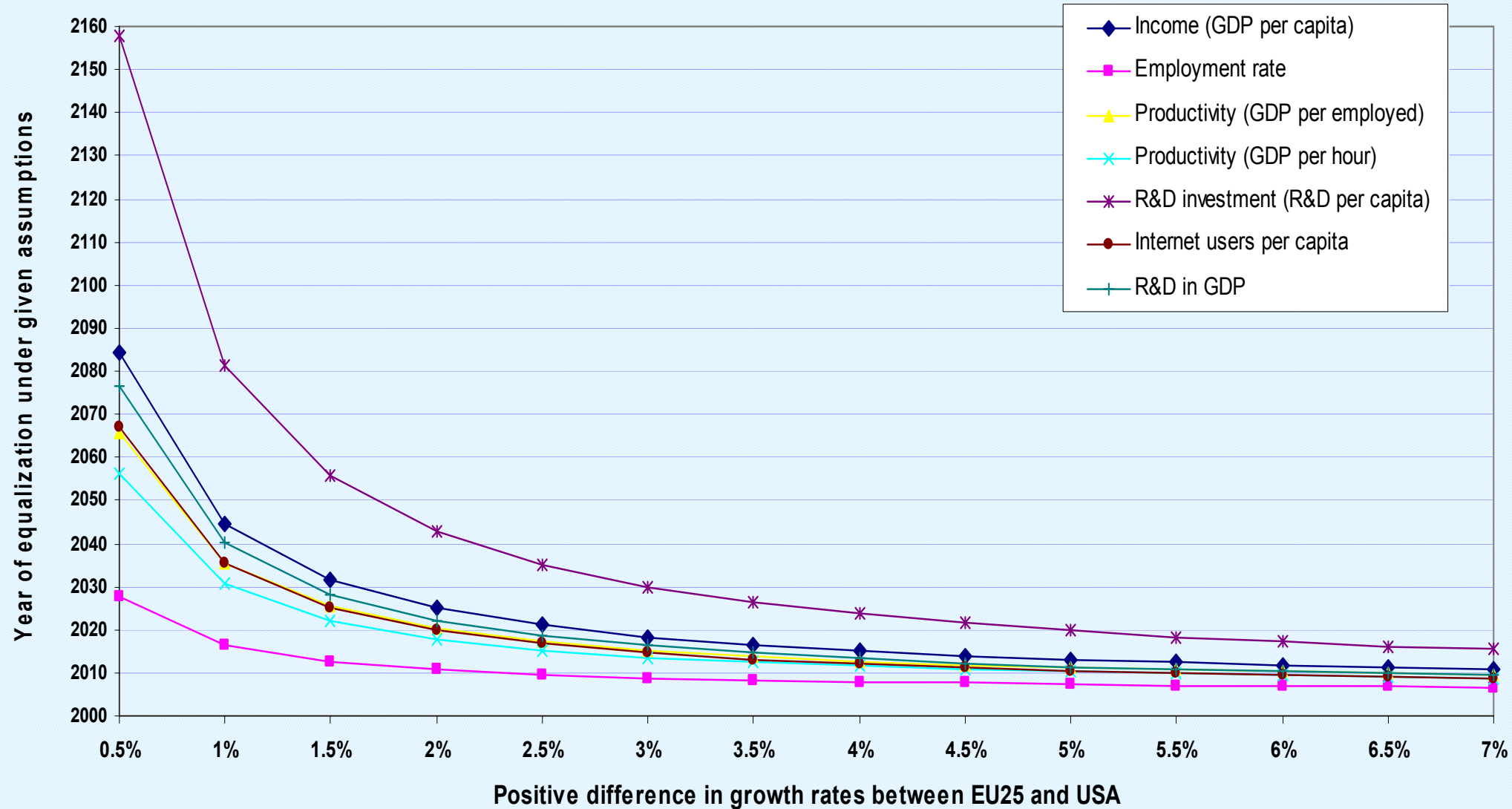
Hypothetical required rate of growth for EU25 to reach the present (2005) USA level by 2010

Indicator	Required rate of growth
Income (GDP per capita)	8.2%
Employment rate	2.3%
Productivity (GDP per employed)	6.2%
Productivity (GDP per hour)	5.2%
R&D investment (R&D per capita)	13.7%
Internet users per capita	5.4%
R&D in GDP	6.2%

Lisbon 1 target of 3% annual growth rate of GDP compared with the actual dynamics



Year in which EU25 would equalize with the USA for various scenarios



There is no place for complacency

- The present improvements are most welcome but they are not yet good enough either for full implementation of the re-launched Lisbon strategy and even less for closing the gap with the USA
- European Chambres suggested to the EU Presidency that they must be involved as a key partner in the communication strategies undertaken at territorial and European levels
- There is also the need to work together closely in monitoring and implementing the European and National Action Plans
- The time distance concept is intuitively understandable and practical. This measure provides information that is at least as helpful in providing a proper perception of the progress in implementation or the lack of it as is the percentage difference
- Being expressed in time units, it is intuitively understood by policymakers, professionals, managers, media and the general public which makes it an excellent transparent presentation and communication tool
- It is difficult to understand that the Commission is in its communications and analyses not willing to use such innovative measures that can be applied for benchmarking and monitoring at EU, national and sub-national levels across many variables, fields of concern, and units of comparison