

## Re-finding Success in Europe: The Challenge for Irish Institutions and Policy

### *Executive Summary*

The Government asked the National Economic and Social Council (NESC) to prepare a report on Ireland's experience and changing engagement in the European Union (EU) and to identify strategic issues which will shape Ireland's use of EU membership to serve national economic and social development.

In carrying out this request, NESC became convinced that both the nature of the EU and Ireland's engagement with it has changed significantly since NESC's last report on the EU in 1997. In many areas where the EU has explicit competence, policy making has become less centralised, hierarchical and uniform; in others where member states have primacy, policy making and implementation increasingly take place in an EU framework. EU policy often mandates framework goals through formal laws, such as achieving good water status, whilst encouraging member states to explore how these objectives can be attained and progress assessed. Thus in a wide range of policy spheres, but not all, the EU has developed an effective system of joint goal setting, implementation within member-states, information sharing about progress, and the revision of policy frameworks based on knowledge gained from practice.

Ireland's changing engagement with the EU is identified by examining the most important policy areas: the single market, agriculture, economic and monetary union, social policy, environmental policy, enlargement, external relations and justice and home affairs. This confirms the positive role of EU membership and policy in facilitating Ireland's remarkable economic and social progress between 1987 and 2000. In some of these areas, Ireland's policy system has been attuned to effective processes at EU level and organizations have reconfigured themselves to adopt a similar problem-solving approach at domestic level. Examples include large parts of the internal market, the creation of agencies and networks for environmental monitoring, licensing and enforcement, food safety and many others.

Ireland has had less success, where it has not grasped the new range of EU methods and possibilities, or where the EU itself has been ineffective. This has been the case where national policy actors have seen EU involvement as an *intrusion on sovereignty* (as on the fiscal stance) and, conversely, where government has seen the task as *mere conformity* with a fixed EU regime, without a sufficiently clear view of the specific national policy challenge (as in the initial approach to telecoms and energy). Progress has also been limited where government and others have not seen EU goal setting and data monitoring as an opportunity for in-depth review and policy learning, or have not had the capacity to undertake this (as the area of public finance,

banking supervision, and parts of the employment and social inclusion strategies). In public finance and banking supervision the lack of sufficient real benchmarking and diagnostic monitoring, at either EU or national level, eventually had disastrous consequences for the Irish economy.

This analysis suggests that both the EU and Ireland are at the end of an ‘unfulfilled decade’. At national level, a period of enhanced business performance, participation, educational attainment and social spending gave way to a property-led boom funded by excessive private-sector lending and borrowing, ending in a severe five-part crisis. At EU level, the monitoring and coordination of member states’ economies was ineffective and there was partial success in enhancing productivity and social inclusion and in maximising Europe’s influence in the world.

The report concludes by considering the main policy challenges at EU and national level. Two particularly stand out and are of greatest relevance to Ireland. First, the EU and the member states must continue to take action to protect the euro, implement the stronger system of economic coordination agreed at the European Council, address the deficit and debt problems, support macroeconomic recovery and respond to the further risk of financial sector turbulence. Second, the EU and the member states must strengthen the processes of reform and peer review to make a success of the, recently adopted, *Europe 2020 Strategy for Smart, Sustainable and Inclusive Growth*.

Ireland has a strong interest in the success of EU initiatives on both these fronts. Despite the urgency of fiscal and financial issues, it is necessary, at both national and EU level, to proceed simultaneously with the *Europe 2020 Strategy*. While the dominant challenges for Ireland are undoubtedly fiscal correction, bank resolution, structural deficits and economic growth, addressing these will require consideration of innovation, participation, service reconfiguration, social inclusion, tax reform and sustainability. It does not seem possible to achieve the necessary fiscal adjustment without in-depth knowledge of how well different programmes work, how the welfare system can be made more developmental, and which taxes are most supportive of economic growth, employment and sustainability—including awareness of international best practice on these issues.

In previous reports on the EU, NESCF had stressed that the quality of national policy and implementation is the main determinant of Ireland’s success or failure within the EU. This is still the case. But whereas previously national policy needed to be developed and articulated in the light of agreed approaches at EU level, now it is much more the case that national policy is formed in tandem with EU policy and that of other member-states.

Success in the 21st century EU requires a national policy system with greater ability to record, compare, analyse and discuss its own policy and service systems (in a wide range of policy areas) at agency, departmental, political and EU level. Consequently, a minimal condition for successful Irish participation in a range of EU processes is implementation of the Government’s reform agenda set out in *Transforming Public Services* (2008). In particular, it will be necessary to move from reliance on input control to greater local autonomy and outcome monitoring. In many policy spheres the design and implementation of *national* policy must be undertaken in—and can be greatly enhanced by—a process of European goal setting, benchmarking and improvement. Only states that can do this will succeed in the new Europe.