EU AND OECD BENCHMARKING AND PEER REVIEW COMPARED

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Abstract
Benchmarking and peer review are essential elements of the so-called EU open method of coordination (OMC) which has been contested in the literature for lack of effectiveness. In this paper we compare benchmarking and peer review procedures as used by the EU with those used by the OECD. Different types of benchmarking and peer review are distinguished and pitfalls for (international) benchmarking are discussed. We find that the OECD has a clear single objective for its benchmarking and peer review activities (i.e. horizontal policy transfers) whereas the EU suffers from a mix of objectives (a. horizontal policy learning; b. EU wide vertical policy coordination and c. multilateral monitoring and surveillance under the shadow of hierarchy). Whereas the OECD is able to skirt around most of the benchmarking pitfalls, this is not the case for the EU. It is argued that, rather than continue working with the panacea OMC benchmarking and peer review currently represents, EU benchmarking should take a number of more distinct shapes in order to improve effectiveness. Moreover, in some areas benchmarking and peer review are not sufficient coordination tools, and are at best additional to those means of coordination that include enforceable sanctions.

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1. Introduction

Benchmarking and peer review are an essential element of the EU’s open method of coordination (OMC). They are applied in order to stimulate mutual learning processes, to perform multilateral surveillance and to contribute to further convergence of Member States’ policies, in various policy fields. However, the current use of benchmarking within the OMC suffers from two main flaws (Groenendijk, 2008). First, OMC benchmarking approaches and practices are generally poorly designed and overlook the fact that different purposes and contexts call for different types of benchmarking; more generally, different coordination issues need different procedures (Heise, 2008). Secondly, in some areas (especially in social policies) benchmarking may not be a sufficient coordination tool, and it is at best additional to those means of coordination that include enforceable sanctions.

Systematic comparison of the EU and organisations like the IMF and the OECD is largely absent, with the notable exception of Schäfer (2006). The main finding of Schäfer is that OMC procedures are far from novel and partly resembles multi-lateral surveillance procedures as used by the IMF and by the OECD. In this paper we compare the use of benchmarking and peer review (hereafter: B&PR) by the EU with the use of these tools by the Organisation for Economic Co-operation and Development (OECD). The OECD has ample experience with the application of benchmarking and peer review procedures. It also uses these tools in order to achieve greater policy convergence among its members and to contribute to improved domestic policy making. Although the nature of the OECD differs significantly from that of the EU, a comparison of the application of B&PR tools by the EU and the OECD can be useful to explore differences and similarities and to draw suggestions for improvement of OMC BPR, also taking into account that the OECD has over 40 years of experience whereas within the EU B&PR is relatively new. Moreover, the OECD’s role in the growing networks of transnational economic governance seems to be under-emphasised (Mahon and McBride, 2009). Compared to other international organisations that operate within the field of (global) economic governance (like the IMF and the World Bank Group) it is regarded as an organisation that is relatively open, far from monolithic and adaptive (Mahon and McBride, 2009).

This paper is structured as follows. In section 2 public sector benchmarking is discussed and an analytical framework for our comparison is put forward. In section 3 the BPR tools as used by the EU and the OECD are briefly described and they are compared in section 4. Section 5 concludes.

2. Public sector benchmarking & peer review

Benchmarking was originally developed in private sector management. With the rise of New Public Management (i.e. the increased application of insights from public sector management to the public sector) public sector performance management and/or benchmarking has also advanced. Performance management and/or benchmarking in the public sector can be used for different reasons. It can be used to improve performance, for resource allocation (i.e. to base budgets on), and to improve accountability. Ultimately, performance management and/or benchmarking in the public sector aims (just as the New Public Management in general) at improving the efficiency, effectiveness and legitimacy of government intervention.
2.1 Various types of benchmarking

Before we have a closer look at different types of public sector benchmarking, we should discuss some of the major characteristics of benchmarking. Because benchmarking can be done in various ways, it is hard to come up with a singular definition that covers all variations. Rather than going into the discourse on defining benchmarking, let us discuss these various ways (following Schütz, Speckesser and Schmid, 1998; Dattakumar and Jagadeesh, 2003; Bowerman et al., 2002: 431-433 and Arrowsmith, Sisson and Marginson, 2004):

a. Benchmarking can be internal or external. Internal benchmarking involves units or sub-units of the same entity; external benchmarking seeks to compare entities with the same or very similar characteristics;

b. External benchmarking can be competitive or non-competitive (or: cooperative). Competitive benchmarking is aimed at getting a competitive edge over rival entities, non-competitive benchmarking is not and is basically about “learning from others”;

c. A related distinction within internal benchmarking is that between benchmarking as learning (aimed at improvement) and disciplinary benchmarking (as means of hierarchical control). Linked to this is the distinction between bottom-up and top-down benchmarking;

d. Benchmarking can be functional or generic. Functional benchmarking involves the comparative analysis of specific aspects of the entities involved (specific tasks, functions or processes), independently of output, sector, branch, market segment, size et cetera. With functional benchmarking it is assumed that –as far as these aspects are concerned- entities are comparable. The more aspects this is true for, the more functional benchmarking moves into the direction of generic benchmarking. In its purest form, generic benchmarking involves all aspects of the entities involved;

e. Standards benchmarking, results benchmarking and process benchmarking. Standards benchmarking involves setting a standard of performance that an effective entity (or part thereof) could be expected to achieve. Results benchmarking refers to comparing the performance of a number of entities (or parts thereof) providing a similar service, and process benchmarking refers to undertaking a detailed examination within a group of entities (or organisational units) of the processes which produce a particular output, with a view to understanding the reasons for variations in performance. It is easy to see that results benchmarking only is not very worthwhile. Results benchmarking should always be accompanied by some degree of process benchmarking.

The distinction between (external) competitive benchmarking and (internal) disciplinary benchmarking on the one hand and cooperative benchmarking (benchmarking as learning) on the other hand is an important one, because the two are easily mixed up (as they are indeed in the OMC, as will be discussed in the next section). If two organisations are involved in benchmarking, are they partners or adversaries? One could think of examples of benchmarking where there is no competition between the organisations involved. Typically, external functional benchmarking between organisations that operate in different sectors (for instance, benchmarking catering services in hospitals, museums and universities) is not competitive. External functional benchmarking between competitors obviously is, but the same often goes for internal disciplinary benchmarking (especially when linked to budgetary decisions). It all depends on the nature of the parties’ independence, whether they are vertically linked (by working as agents for the same principal) or horizontally linked (through engagement in a common task or through competition). With competitive benchmarking the aim is superiority, the nature of the relationship is competitive, and the actions to be taken are unilateral. With cooperative benchmarking the aim is learning, there is partnership and collaboration, and joint

### 2.2 Three types of public sector benchmarking

A distinction can be now made between three types of benchmarking in the public sector (Groenendijk, 2008: 16-17). First, there is the benchmarking of public sector organisations. Secondly there is benchmarking of public policies, and thirdly there is benchmarking of policy systems.

In principle, benchmarking of public sector organisations is very similar to private sector benchmarking. In fact, most of the benchmarking done in the public sector is of the organisational kind. In spite of the communality between benchmarking in the two sectors, Bowerman et al. (2002: 433-435) have put forward three characteristics that distinguish private sector benchmarking from that which takes place in the public sector:

a. private sector benchmarking clearly has best practices as its primary focus, whereas in the public sector organisations may strive to be ‘good enough’ or simply to demonstrate that they are not the worst;

b. private sector benchmarking is an internal management tool and application of that tool by management is voluntary. In the public sector, benchmarking is often imposed upon organisations through a certain hierarchical structure, either as part of the budgeting process and/or public audit procedures, or politically driven. In these cases benchmarking has a clear compulsory edge. The distinction that is sometimes made between top-down benchmarking (where benchmarking is applied externally) and bottom-up benchmarking (where organisations benchmark themselves) is especially relevant to the public sector (Lundvall and Tomlinson, 2002: 213) and the ‘ownership’ of the benchmarking process is a crucial feature. The problem with compulsory benchmarking is that it leads to a concentration on the measurable results and indicators rather than on ‘real’ performance which will result in dysfunctional behaviour, assuming that there is no set of indicators that can fully capture performance (because –after all- indicators at best measure – some of- the essential elements of performance);

c. information in the private sector is and can be kept confidential, whereas in the public sector benchmarking is inherently linked to accountability and there is a growing aspiration to openness and transparency.

Benchmarking public policies (the second type of public sector benchmarking) has no counterpart in the private sector, simply because private sector organisations are not interested in the far-off outcomes of their activities but merely in their output related in financial terms to their input (i.e. making profits, in pursuance of financial continuity). Policy outcomes (like economic growth, unemployment et cetera) are however the result of numerous activities by various actors, which has serious implications for the benchmarking process. Ideally, benchmarking should focus on these aspects that are within the span-of-control of the leadership of the entities involved. This is exactly why within the private sector (functional) benchmarking is so popular. If a company has several factories which produce the same products, and the performance of these factories is compared, those aspects that are out of control of factory management but which are identical (for instance a rise in the price of raw materials on the world market, or a looming recession), are not relevant to the (relative) comparison and do not have to be dealt with. Still, there have to be differences; otherwise the whole operation would not make any sense. As the French saying has it: “comparaison n’est pas raison”. There is a paradox in every comparison. What is different cannot be
compared, but only what is different is worth comparing (paraphrasing Löwe, 2003: 4).

To a certain extent, this issue is related to the issue of the scale of the benchmarking process, and the distinction between external and internal benchmarking. With internal benchmarking, the environment in which the different entities operate is identical, and external factors cannot be blamed for performance gaps. The smaller the scale of the benchmarking, the more of these external factors can be put in this irrelevant background and the easier it is to focus on those factors that really do make a difference. The larger the scale, the more these factors are internalised and have to be dealt with in the benchmarking process itself. It is easier to benchmark public libraries in a certain region in country x, than to carry out a worldwide benchmarking of public libraries. Functional benchmarking can therefore be seen as the reduced form of generic benchmarking, by reducing larger units to smaller – comparable- entities. On top of that, there is a difference between benchmarking organisational output and policy outcomes. It is far easier to benchmark the performance of public libraries than to benchmark illiteracy, just as it is easier to benchmark different organisations involved in vocational training than to benchmark unemployment. The more complicated benchmarking gets, the less likely it is that we can rely on standards or results benchmarking only, and the more imperative it is that we go into the processes that contribute to performance (process benchmarking).

Finally, there is benchmarking of policy systems. Examples are national innovations systems (Lundvall and Tomlinson, 2002) or national welfare state regimes. The problem here is that such systems deal with a multitude of policy objectives whereas benchmarking of policies (ideally) involves a single set of coherent policy objectives. The first –and often fatal- obstacle in benchmarking policy systems is to reach agreement on what the benchmarking process will be about. Establishing benchmarking groups of entities with similar systems (similar welfare state regimes for instance) can reduce that problem.

2.3 (International) benchmarking: Pitfalls

In all three types of public sector benchmarking it is possible to make comparisons across national borders, but international benchmarking is most likely in benchmarking of policies and/or policy systems. Such international or global benchmarking is without any doubt the most complicated type of benchmarking there is. The following three main problems can be discerned (see Cox and Thompson, 1998: 13 and Groenendijk, 2008: 16 for a general overview of pitfalls in benchmarking):

a. Cooperation-problems. Benchmarking at the macro level (i.e. at the international level) is essentially a consensual process as it involves democratic organisations and/or sovereign states (Arrowsmith, Sisson and Marginson, 2004:321). In some fields collaboration between countries is not problematic, but often there will be interdependencies (in some cases even competition) between countries, putting pressures on cooperative benchmarking;

b. Problems related to the choice of criteria and indicators. Policies cannot easily be defined in terms of input and output, and performance is affected by national particularities as well as international trends, which complicates the selection of criteria indicators. International comparison should allow for easy and stable monitoring, which means indicators which are easy to interpret, meaningful and consistent, while at the same the indicators should do justice to the complexity of the concepts involved (Plantenga and Hansen, 1999:352-353). Smith (2001) offers a fine example of this problem. Within international comparisons of innovation policy it is common to use gross expenditure on R&D as a proportion of gross domestic production (GERD/GDP) as an indicator (this indicator is also on
the EU short-list of structural indicators). This seems to be a straightforward indicator, but there is a general tendency for GERD/GDP to increase with increasing size of the economy, implicating that a comparison should be made between economies of similar size. But even then, there will be differences in R&D intensity across different industries, and industrial structure varies substantially across countries (even when they are of similar size). In short: the GERD/GDP indicator is not very informative.

c. Transfer-problem. A simple transfer of best practices is often impossible due to different national structures, institutional environments and societal preferences (Plantenga and Hansen, 1999:352-353)

The last problem has been addressed in more detail the literature on policy transfer. Dolowitz and Marsh (2000) make a distinction between three types of policy transfer. Voluntary policy transfer is primarily motivated by dissatisfaction of policy-makers with existing policy arrangements and can be characterised as ‘lesson-drawing’. Direct coercive transfer occurs when one government compels another to adopt a certain policy. Indirect coercive transfer arises when the presence of externalities or functional interdependencies leads to joint action on the part of policy makers. Dolowitz and Marsh (2000) have also identified three potential risks in the process of policy transfer, which arise due to what Strassheim (2001: 4, following Rose) has called the inability to resist the “Siren Call” of best practices. First, there is the uninformed transfer, where policy-makers ignore that a specific policy measure did not only result in positive outcomes but also had negative impacts in other areas. Second, we have the incomplete transfer, which might occur if countries which copy a successful policy program overlook the role of a specific institutional set up which exists in another country. Thirdly, there is the inappropriate transfer, which occurs if the success of a policy or policy measure is based on a country’s specific values and norms.

As to the actual contents of the transfer, there are a number of possibilities (Dolowitz, 2003: 104). Policy-makers can completely copy policies, they can mix policies with their own, they can pick up the core idea or concept, or they can simply be inspired by policies in other jurisdictions. Another possibility is that these policies show them what not to do. Dolowitz and Marsh (2000) have made an additional distinction between the transferring of policies at large (broader statements of intention) and the transferring of programs (the specific means of the course of action used to implement policies). These distinctions largely coincide with those offered in the policy-learning literature. Learning can refer to policy instruments, to policies as a whole, and to policy paradigms. Learning about instruments can be labelled thin learning because it does not change the actor’s preferences, as is the case with thick learning (see Radaelli, 2003c, referring to Checkel, and Rose, 2001, on learning lessons from abroad).

Table 1 brings together the major pitfalls in international benchmarking, clustered along the lines suggested by Plantenga and Hansen (1999).
Table 1: Pitfalls in international benchmarking

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Background conditions</th>
<th>Resulting in pitfall</th>
</tr>
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<tbody>
<tr>
<td>Choice of benchmarking approach</td>
<td>International benchmarking can only be done on a consensual basis, no coercion,</td>
<td>(1) Mismatch: Choice for hierarchical, disciplinary standards and/or results (functional) benchmarking without corresponding coercion mechanisms</td>
</tr>
<tr>
<td></td>
<td>Multitude of relevant criteria and objectives (inherent to complex policies and policy systems)</td>
<td>(2) Pick-and-mix approach to benchmarking</td>
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<td></td>
<td>Disagreement on criteria due to national diversity in preferences</td>
<td>(3) Construction of common objectives is disguised as benchmarking</td>
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<tr>
<td></td>
<td>Choice of peers/partners is institutionally determined</td>
<td>(4) Inclusion of irrelevant benchmarking partners</td>
</tr>
<tr>
<td></td>
<td>Data availability problems</td>
<td>(5a) Over-reliance on indicators that are easily available, but may not be relevant to the criteria at hand</td>
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<td></td>
<td></td>
<td>(5b) Over-reliance on quantitative data</td>
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<tr>
<td></td>
<td>Complexity of policies and policy systems, limited amount of indicators taken into account</td>
<td>(6a) Uninformed transfers</td>
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<tr>
<td></td>
<td>Complexity of policy systems, and diversity in national institutional contexts</td>
<td>(6b) Incomplete transfers</td>
</tr>
<tr>
<td></td>
<td>Diversity of preferences</td>
<td>(6c) Inappropriate transfers</td>
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</table>

2.4 Concepts of peer review and peer pressure

Peer review, as well as peer pressure – which can be considered to be an element of peer review – show large commonalities with benchmarking. Both concepts are about mutual learning and improvement towards a best practice. (International) peer review can be considered to be a systematic examination of a policy of a certain state by other states, with the goal of helping the examined state to improve its performance within that policy field. Participation is considered to be voluntarily and the whole process relies mainly on mutual trust of the participating countries. The result commonly is a report in which accomplishments and shortfalls of the country are spelled out, and recommendations are made (Pagani, 2002: 4-5). In principle, every peer review process has its own procedure; however it is possible to identify a common pattern, consisting of three phases: preparation, consultation and assessment (OECD, 2003: 3).

(International) peer pressure arises from the possibility of having (formal) recommendations and informal dialogue by the peer countries, from public scrutiny, comparisons and in some cases even ranking among countries and – maybe the most important aspect – the impact of all the above on domestic public opinion, national administrations and policy makers (Pagani, 2002: 4).

3. OECD and EU benchmarking and peer review

From the previous section it follows that a description of the use of B&PR tools by the OECD and the EU should focus on the general application of B&PR tools and the way they can be typified according to types of (public sector) benchmarking as set out in subsections 2.1, 2.2 and 2.4. Secondly, we will pay attention to the underlying motivation for the use of B&PR tools and the context within they are used.
3.1 Benchmarking and peer review by the OECD

3.1.1 Application of B&PR tools by the OECD

In its application of B&PR tools the OECD works from well-defined and tested procedures. A clearly formulated aim of OECD B&PR is to go beyond simple comparison of data and therefore B&PR processes follow a rigorous structure plan. This plan can be subdivided into four phases (OECD, 2002a: 3ff).

1. Planning and defining the area of study
This phase serves the purpose of agreeing upon objectives, establishing definitions and clearly documenting the structure of the study. In this phase the selection of appropriate benchmarking partners also takes place; in principle all OECD members could be included, but the actual selection is made on a case-by-case basis. Although in some policy fields OECD B&PR are recurrent and re-iterative (like with the Economic Surveys of individual countries), in principle B&PR is carried out as a one-off exercise, but following the same strict OECD format. The policy fields that are covered by OECD B&PR are diverse, ranging from educational policies and practices to environmental performance, from development assistance to decentralization practices, and from regulatory reform to labour market policies.

2. Collecting, structuring and evaluating data
The search for adequate indicators is based on a fixed and comprehensive methodology, in order to secure comparability. This phase includes the identification of best performers.
One of the main features of OECD B&PR is that benchmarking and peer review go hand-in-hand and can not really be distinguished. Taken together they are commonly refereed to as ‘reviews’. All reviews of the OECD take place under the main responsibility of the OECD Secretariat and its appr. 200 committees. The role of the Secretariat can vary, but at a minimum it involves organising meetings and providing continuity between individual reviews (Mitchell, 2003: 8).
Often some OECD members serve as examiner countries whereas others are the reviewed countries. The role of the examiners is to represent the collective body in the early stages of the process and to provide guidance in the collective debate itself. Their tasks include the examination of documentation, participation in discussions with the reviewed country and the Secretariat, and a lead speaker role in the debate within the collective body (Pagani, 2002: 10). The reviewed country has the duty to co-operate with the examiners and the Secretariat, by fixing documents and data available, responding to questions and requests for self-assessment, facilitating contacts and hosting on-site visits.

3. Reviewing and reevaluating policy domains to identify effective approaches
This phase includes identification of best practices. It goes beyond simple comparison of indicators as it deals with the possible factors underlying differences in performance. A best practice can be identified only within the context at hand. The OECD considers a review of the outcomes to be absolutely necessary, to identify useful benchmarks. Therefore preliminary country reports are set up and presented for discussions at committee meetings (Pacolet, Coudron and Marchal, 2002: 11). Along with that goes the possibility for the reviewed country to respond to comments and questions from the other delegates.

4. (Final) reporting
Final findings are reported so adaptation of policies is possible in individual countries.
Example: the OECD’s Economic Surveys
The Economic Surveys of individual OECD members are conducted very 12 to 18 months (Mitchell, 2003: 8). The B&PR process is largely coordinated by one of the OECD committees, the Economic and Development Review Committee (EDRC). Every Economic Survey has the objective of promoting better understanding of a country’s situation and key challenges, enriching the policy debate domestically and internationally, and issuing policy recommendations to improve the country’s performance (OECD, 2002b: 4). In the investigation phase, the OECD sets up written questionnaires, which are sent to the main officials – usually officials from involved ministries, experts, key economic players et cetera – who are encouraged to provide written responses and relevant background material. That is followed by on-site visits of OECD officials, who hold discussions with each recipient of a questionnaire (Mitchell, 2003: 28). The Secretariat then prepares so called draft Surveys, which are issued to all members of the EDRC three weeks before the review meeting. The draft Survey usually comprises assessment and recommendations, recent trends and prospects, and macroeconomic policy requirements as well as an overview of structural policy developments, key challenges and priorities, and implementations of structural reforms.

Subsequently the actual review starts. The OECD appoints examiners based on the following principles (OECD, 2002b: 9):
- reciprocal relationship between examiners and members under review are not desirable
- two G7 countries must not examine each other;
- for G7 countries and if possible also for other countries, one examining state should be from the EU and one from outside of the EU.

The OECD Secretariat, the chair of the EDRC and the examiners prepare a “Questions for Discussion Note” in which they identify key themes around which the discussion is organised. The note is made available to the country under review and the other members at the same time. The objectives of the examination stage are assessing the economic situation and policies, formulating recommendations, with a hint to previous surveys, providing guidance to the OECD secretariat for revising the draft survey conclusions of the peer group and identifying recommendations relevant to other members of the OECD (OECD, 2002b: 11). The peer group in the examination stage is composed of the examiners and the EDRC. The peer group examination takes place over one day, in two sessions of approximately three hours each. Finally, the EDRC chair orally presents the conclusions to the major policy issues and the most important changes on the draft survey, which is later turned into a final Economic Survey.

How does all this relate to the typology set in the previous section?
Like most international benchmarking OECD B&PR deals with policies and policy systems. OECD B&PR can be understood as bottom-up/voluntary, external and cooperative benchmarking. It is voluntary benchmarking because countries are involved in the decision which countries are to be reviewed in the various processes; involvement does not automatically follow from membership or from clauses in the OECD Convention and its protocols. Involvement largely depends on mutual trust between the member states and shared confidence in the process (Mitchell, 2003: 27ff). It is external benchmarking because countries aim at learning from one another (and primarily not to enhance the OECD as an economic area) and the benchmarking takes place on an international stage. The benchmarking is cooperative because there is no competition (for resources) among the participating states; the benchmarking is clearly aimed at policy learning.

OECD benchmarking can be called close to generic, even when it deals with specific policy fields. The process of information procurement is very detailed and scientific. It takes into account as much information concerning the examined policy field as possible, both qualitative and quantitative. The OECD combines results and process benchmarking (OECD, 2002a: 9).
3.1.2 Underlying motivation and context

OECD B&PR is very much in line with the origin and objectives of the OECD. Its precursor, the Organisation for European Economic Co-operation (OEEC), was established in 1947 to distribute resources as part of the Marshall Plan. That plan also entailed liberalisation of the heavily monopolised pre-war European markets. Accordingly the OEEC was in charge of assessing economic reform in the recipient European countries. Subsequently, in 1961, after the Marshall Plan had been fully executed, the OECD was established to ensure (Western) world-wide cooperation of industrialised countries, with member states participating in the OECD and at the same time keeping full independence. The objectives of the OECD (optimal economic development of its members, liberalisation of the flow of services and capital among its members, economic development and growth of less development countries, extension of world trade) are non-binding. As such the OECD is clearly an intergovernmental organisation. Member countries do not subscribe to a treaty that forces them to implement recommendations of the OECD. The OECD therefore has to rely on good arguments in order to have an influence on national policy makers (Noaksson and Jacobsson, 2003: 32).

The first secretary general of the OECD, Thorkil Kristensen, has argued that the core work of the OECD is the continuing process of “consultation” in the sense of “regular discussion between officials coming from capitals, regular examinations of the policies of each individual Member country, studies undertaken by expert groups on problems of special interest, [and] formal or informal recommendations to countries” (Kristensen, 1967: 106). This consultation activity serves the purpose of developing a common value system at the level of civil servants in the OECD countries that should form the basis for consensually shared definitions of problems and solutions in economic policymaking. In this context Marcussen (2001: 1) has put forward the term “idea game”, to describe how the OECD tries to regulate with the use of information exchange and persuasion. “[It is] the idea game being a question about formulating, transferring, selling, and teaching, not formal regulation, but principled or causal beliefs helping to constrain or enable certain types of social behaviour within the OECD area”. Marcussen (2001: 1ff) describes four roles of the OECD in this idea game. First, the OECD plays the role of an ideational artist, insofar as it formulates and diffuses new policy ideas. Secondly, the OECD acts as an ideational agent, which picks up ideas that are prevalent among (some of) its members. Thirdly, the OECD plays the role of an ideational agency, which means that it adopts ideas and wishes that already exist among the member states, re-works them and then are re-sells them to the member states. Finally, the OECD operates as an international idea broker, that helps national civil servants to meet among each other, promotes supportive surroundings and establishes meetings.

Often it is argued that the OECD is an expert organisation rather than a political organisation (as the EU is). The OECD surely tries to de-politicise its benchmarking and peer review as much as possible. Moreover, the administrative set-up of the OECD is such that its political body, the Council, which consists of finance, trade and foreign ministers of the member states, is not involved in actual B&PR procedures, although it formally issues the OECD’s recommendations. The Council takes decisions on the OECD budget, on taking in new members and observers, as well as on the overall OECD strategy. The OECD Secretariat appears to be the main driver of B&PR processes, with the largest part of the practical work being undertaken by the numerous OECD committees.
3.2 EU B&PR as part of the OMC

3.2.1 Application of B&PR tools by the EU

As such, comparing member states within the EU is not a new activity. From the outset of the Communities, comparative overviews have been made in numerous policy fields. A more comprehensive approach developed however only in the 1990s, dealing with the competitiveness of the EU and its member states. This approach involved the periodical collection of data for quantitative indicators, and the use of these indicators in 'learning' processes, in cooperation with (private sector) businesses, building on the work by the Round Table of European Industrialists. From this cooperation developed the European Company Benchmarking Forum (ECBF). Another development was that of the Trend Chart on Innovation in Europe, which is now the EU innovation expert centre, in charge of (among other things) the European innovation scoreboard. Shortly, the EU has a firm background in quantitative comparative analysis and benchmarking in the fields of competitiveness and innovation.

However, the birth of the more comprehensive OMC must be placed at the time the European Council negotiated the Treaty of Amsterdam (1997). To flank the Stability and Growth Pact, France wanted the EU to get much more involved in the coordination of member states’ employment policies. The use of prevailing instruments for such coordination (a. turning it into a common EU policy, b. legislation for harmonisation) was not acceptable for most of the other member states (especially Germany and the United Kingdom), and the EU had to resort to ‘soft’ coordination by means of guidelines and peer review. This coordination became known as the Luxembourg- and Cologne-processes, named after the two Council meetings in 1997 and 1999 where this ‘soft’ coordination of employment policies was further developed. The term ‘open coordination’ was first introduced at the Lisbon summit of 2000. There are however differences between the use of ‘traditional’ soft law within the EU on the one hand and the OMC on the other hand (Borrás and Jacobsson, 2004: 188-189), the most important ones being the political rather than administrative nature of the OMC, its ownership (resting with the Council), the inclusion of social actors, and its orientation to learning processes.

Although ‘open’ and ‘coordination’ are not defined in the Presidency conclusions of the 2000 Lisbon Council Meeting, a number of relevant elements of the OMC came to the fore (Radaelli, 2003a: 15): a. guidelines, b. indicators, c. benchmarking and sharing of best practices, d. multi-lateral surveillance, e. iterative process, f. implementation through domestic policy and legislation (no EU legislation needed).

In its most comprehensive form the OMC is applied using all these components. Following – but deviating slightly from - Radaelli (2003a, 2003c), the applications of the OMC can be broadly categorized as follows. The first group of applications of the OMC includes policies where the OMC is the main working method, and where the OMC encompasses most or all of the elements listed above. This category consists of the Broad Economic Policy Guidelines (BEPGs), the European Employment Strategy (EES) and the coordination of policies on social inclusion. The second category consists of applications that currently use some but not all of the core elements of the OMC: innovation & RTD policies, pension policies, education, eEurope (information society), environmental policies, asylum and immigration policies, and public health.

The OMC generally starts with the formulation of (general and/or specific) guidelines, followed by the agreement on indicators. This is the format used in the earlier BEPGs and the EES, and in the current Integrated Guidelines 2008-2010. In the area of social inclusion up until 2001 member states brought forward their own indicators; starting with the plan for 2003 they are requested to use uniform primary and
secondary indicators, which can be supplemented by optional tertiary indicators tailored to the specifics of each member state.

In innovation policy, the OMC is mainly about indicators. Member states can use the information offered by the European innovation scoreboard (which consists of 17 indicators in the four fields of 1. human resources, 2. knowledge creation, 3. transmission and application of knowledge, and 4. innovation finance, output and markets; Löwe, 2003:6) to their own discretion in policy formulation. Kaiser and Prange (2004) have labelled this the horizontal dimension of the OMC in innovation policy. Next to this horizontal dimension we have a vertical dimension: on the basis of these activities member states can discuss common European guidelines for national and regional R&D policies. This vertical dimension is predominant in pension policy where member states present information without prior agreement on indicators in national strategy reports, and use the discussion on these reports to formulate common objectives for policy.

Differences between the various OMC-applications can be discerned regarding the kind of peer review that takes place, and the possibilities for peer pressure. Evaluation of national plans is common in most applications, with the exception of pension policy and innovation policy. In pension policy there are no national action plans but national strategy reports that are not extensively evaluated. Innovation policy is aimed at the dissemination of best practices using scoreboards and reports rather than the formal evaluation of national plans. But even with the Integrated Guidelines and national action plans, one should not get the wrong idea about the scrupulosity of the evaluation. For instance, the review process within the EES consists of a one-hour session for each member state, in which its national plan is presented, reviewed (by two other member states) and discussed (Mosher and Trubek, 2003:78).

Within the framework of the Integrated Guidelines there is the possibility for the Council to issue recommendations to member states that do not comply with the guidelines. The Council has to decide on such recommendations by QMV (and the same goes for the decision to make the recommendation public). The idea behind these recommendations is clear: naming and shaming; the OMC is sometimes referred to as ‘regulation by embarrassment’. Over the last years we have however witnessed a rather generous use of recommendations, both of common recommendations (addressed at all member states) and of specific country recommendations, which has definitely taken the edge off this type of peer pressure. The use of B&PR as means of fiscal policy surveillance within EMU is again different from other applications. In this case B&PR is linked to the possibility to issue sanctions; with the 2005 reform of the Stability & Growth Pact B&PR in this field has become more generic and takes into account more of the individual countries’ context.

The involvement of various actors also varies from one OMC-application to another. As far as the EU-institutions are concerned, the Commission and the Council are the dominant actors, without any real role for European Parliament. The actual Councils that are involved are the Ecofin-Council, the Social Affairs and Labour Council, and – for innovation policy- the Competitiveness Council. For the Integrated Guidelines the Economic Policy Committee, the Employment Committee, and the Social Protection Committee assist these Councils. Within the EES and the OMC on social inclusion, social partners and/or NGOs are involved.

How can we typify OMC B&PR?
OMC-benchmarking is generally presented as a bottom-up, voluntary, and open process, tailored to the particularities of member states. Member states are in the centre of the process and ‘own’ it. OMC-benchmarking thus is external and cooperative: it is about learning from others. It is as comprehensive as possible, i.e. as close to generic benchmarking as possible, in order to take into account all
relevant factors, and it combines results and process benchmarking using both quantitative and qualitative indicators. It de-politicises policy problems and it enhances a problem-oriented way of pursuing policies. This is the normative image of OMC-benchmarking that has been put forward by both Council and Commission, and which has some followers in the literature (Vandenbroucke, 2002; De la Porte, 2002; De la Porte and Pochet, 2002; De la Porte, Pochet and Room, 2001). In this view EU OMC B&PR is rather similar to OECD B&PR.

But there is another view in which OMC-benchmarking actually also is internal benchmarking, with the EU being the relevant organisation, and member states being the benchmarked units. In this view it is a top-down process, owned by Council and Commission, with a compulsory flavour to it, in which standards are set rather than processes are analysed. OMC-benchmarking is aimed at convergence, for lack of proper harmonisation. OMC-benchmarking is functional, as it tends to focus on very specific and limited quantitative economic indicators. It is competitive because of the functional interdependencies between units (member states) in the policy fields in which benchmarking takes place. It is a highly political process, dealing with high-level political coordination.

3.2.2 Underlying motivation and context

The emergence of the OMC in policy areas where more traditional alternative modes of policy coordination (or: governance) were not acceptable results from two main potential benefits of using the OMC. First, the OMC allows policy initiatives to be adapted to the diverse institutional arrangements, legal regimes and national circumstances in the EU member states. It highly accommodates diversity. Secondly, the OMC has great potential for policy-learning, which is especially relevant for policy areas where member states may be unsure of what path to take and/or which instruments to use. The OMC organises and institutionalises cross-national learning. Next to these potential benefits, there is the overall aim of applying the OMC: achieving greater convergence towards reaching the Lisbon objective. Clearly there is a tension between diversity and learning on the one hand and targeting for convergence and EU wide results on the other hand (Wincott, 2003: 536, 539), which may explain why most of the early assessments of the application of the OMC so far are not entirely favourable.

These two faces of OMC-benchmarking are symptoms of a more general endemic tension from which the OMC suffers, and which is threefold (Radaelli, 2003c): the OMS seeks to mute politics and to encourage high-level political coordination. The OMC seeks to facilitate bottom-up learning and to steer learning processes from above. It tries to encourage cooperative learning and to spawn the dynamics of competitive learning. As a diversity-accommodating, bottom-up policy-learning device OMC-benchmarking does not work, however. Participation of member states is limited; there is hardly any vertical flow of information and ideas. At best the OMC has acted as a catalyst for policy paradigm discussions in the field of employment and social policies, facilitating the formulation of common objectives. As a convergence-enforcing device, the OMC is not likely to be effective either, for lack of sanctions.

To put it differently, within the EU B&PR is used for different reasons, which we can by and large group into three different categories (Groenendijk, 2008: 25-26):
- horizontal policy learning (in singular policy fields);
- surveillance (as in the fiscal surveillance within EMU);
- vertical steering for EU wide objectives (as part of the Lisbon Agenda, by means of the Integrated Guidelines).
4. EU and OECD benchmarking and peer review compared

In this section we compare the use of B&PR tools by the OECD and the EU, with a special emphasis on how both organisations deal with the pitfalls discussed in subsection 2.3.

As far the relationship between benchmarking one the one hand and peer pressure/review on the other hand is concerned, it is clear that there is a significant difference between the OECD and the EU. Within OECD B&PR benchmarking and peer review are inherently linked, with peer review being the overall activity of which benchmarking is a part. In the EU, generally, benchmarking activities (choice of indicators, collection of data, ranking of countries) seem to be the core activity. Only within some OMC applications does peer review play a part, but the actual arrangements for peer review seem to be far less extensive in the EU than in the OECD. Both organisations have in common that peer pressure is applied in a limited sense.

The object of B&PR is similar for both organisations: policies and policy systems. The type of B&PR is however different due to the fact that EU B&PR in our view is an ill-defined mix of different types of B&PR. The differences, as the follow from the previous section, are listed in table 2.

In the final row of this table the underlying objectives of the use of B&PR are mentioned. The most important difference between the OECD and the EU in this respect is that the OECD has a single objective (horizontal policy learning) whereas in the EU a mix of objectives can be discerned.

<table>
<thead>
<tr>
<th>B&amp;PR aspect</th>
<th>OECD</th>
<th>EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship between benchmarking and peer review</td>
<td>Peer review is the core activity of which benchmarking is a part</td>
<td>Benchmarking (indicators, data, ranking) is the core activity, limited peer review</td>
</tr>
<tr>
<td>Peer pressure</td>
<td>Limited</td>
<td>Limited</td>
</tr>
<tr>
<td>Object of B&amp;PR</td>
<td>Policies, Policy systems</td>
<td>Policies, Policy systems</td>
</tr>
<tr>
<td>Type of B&amp;PR</td>
<td>Bottom-up/voluntary, External, Cooperative, Generic, Results + process, De-politicised</td>
<td>Bottom-up/voluntary, External, Cooperative, Generic, Results + process, De-politicised</td>
</tr>
<tr>
<td>Top-down, coercive, Internal, Competitive, Functional, Standards, Politicised</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underlying motivation &amp; context</td>
<td>Single objective: Horizontal policy learning</td>
<td>Mixed objectives: - horizontal policy learning - surveillance - vertical steering for EU wide objectives</td>
</tr>
</tbody>
</table>

If we now turn to the pitfalls as discussed in section 2.3, we can –tentatively- assess whether the OECD and/or the EU have become trapped or not.

It is clear that the EU suffers from a mismatch between the underlying objectives of B&PR activities and the type of B&PR used (pitfall 1). This is not particularly true for EMC B&PR applications in singular policy fields like health, education and innovation & RTD, but it is true for those applications in which either surveillance (linked with possible sanctions) or vertical policy coordination (for EU wide objectives) is aimed for.

Regarding the pitfall of a pick-and-mix approach to B&PR (pitfall 2), both the OECD and the EU deal with complex policies and policy systems and use a multitude of policy objectives and indicators. With the re-launch of the Lisbon Strategy in 2005 and the introduction of the Integrated Guidelines some improvement has been made in this regard in the EU. On the other hand, coordination of reviews and safeguarding continuity between reviews may be better developed within the OECD.
Within the OECD B&PR format a clear difference is made between the planning and definition stage of the B&PR activities and the actual collection of data and the actual benchmarking. Within the EU some OMC B&PR applications do not seem to surpass the stage of discussing relevant policy objectives and indicators (pitfall 3). The choice of benchmarking partners is institutionally determined in both the OECD and the EU. However, because the OECD is slightly larger and deals with the problem of composition of reviewed countries explicitly in its B&PR format, it is less likely that it will include irrelevant benchmarking partners than in the EU (pitfall 4). Moreover, the inclusion within EU OMC B&PR of surveillance and vertical policy coordination does not allow for limitation of B&PR activities to subsets of member states, but it can add to the possibility of comparing countries that are not really worth comparing. Another difference between the OECD and the EU is that the EU relies very heavily on statistical data as supplied by EUROSTAT and national statistics agencies, whereas the OECD more often uses autonomous data collection methods like questionnaires (pitfalls 5a and 5b). Because of the latter issue uninformed and incomplete transfers are more likely to occur within the EU than within the OECD. Inappropriate transfers are more likely to occur in the EU than in the OECD because of the top-down and quasi-compulsory nature of some B&PR applications within the EU.

Table 3: OECD and EU: Pitfalls, trapped or not?

<table>
<thead>
<tr>
<th>Pitfall</th>
<th>OECD</th>
<th>EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Mismatch: Choice for hierarchical, disciplinary standards and/or results (functional) benchmarking without corresponding coercion mechanisms</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>(2) Pick-and-mix approach to benchmarking</td>
<td>Possibly</td>
<td>Possibly</td>
</tr>
<tr>
<td>(3) Construction of common objectives is disguised as benchmarking</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>(4) Inclusion of irrelevant benchmarking partners</td>
<td>Less likely</td>
<td>More likely</td>
</tr>
<tr>
<td>(5a) Over-reliance on indicators that are easily available, but may not be relevant to the criteria at hand</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>(5b) Over-reliance on quantitative data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6a) Uninformed transfers</td>
<td>Less likely</td>
<td>More likely</td>
</tr>
<tr>
<td>(6b) Incomplete transfers</td>
<td>Less likely</td>
<td>More likely</td>
</tr>
<tr>
<td>(6c) Inappropriate transfers</td>
<td>Less likely</td>
<td>More likely</td>
</tr>
</tbody>
</table>

5. Conclusion

What can the EU learn from the OECD in the field of B&PR?

The main implication of our findings is that if the EU uses B&PR as a means of information exchange, aimed at policy learning, it can skirt around some of the pitfalls of international benchmarking, as shown by the OECD, the most important one being the mismatch-pitfall. Benchmarking for horizontal policy learning should be organised as a voluntary, cooperative external process, with a focus on process benchmarking. Ownership of the process should rest with the member states; the role of the EU Council can be very limited (cf. the limited role of the OECD Council), the role of the Commission should be facilitating and coordinating (cf. the role of the OECD Secretariat). Here the need for uniform, quantitative indicators is rather limited; questionnaires and on-site visits could add considerable value. Benchmarking should not be done EU-wide, but should be done in benchmarking groups of member states that are largely similar in the policy field in question (‘enhanced benchmarking.
cooperation’). A uniform and rigorous EU review format, like the one used in the OECD, should be developed in for reasons of cross-review continuity.

The second possible purpose of benchmarking is vertical policy coordination (as part of the Lisbon Agenda for growth and jobs). Vertical policy coordination has been problematic. For the case of innovation policy Kaiser and Prange (2004: 261) have argued that this is due to three specific characteristics: the multi-level character of innovation policies, the diversity of innovation systems, and the highly competitive character of the policy area. As two out of these three characteristics are shared by policies on social inclusion, and probably all three are relevant to employment policy and other economic policies, the observation made by Kaiser and Prange about the difficulties in bringing about vertical policy transfers may have a more general meaning. In order to be effective benchmarking for vertical policy learning should be organised similar to benchmarking for horizontal learning, but it should be more geared at the dissemination of best practices. It should not be organised within member states, but EU-wide, differentiated as much as possible for specific policy fields. Again, this is external, cooperative benchmarking on a voluntary basis, the organisation of which could be put in the hands of specialised EU-agencies or private organisations.

The third set of possible purposes of benchmarking has got to do with progress monitoring and multilateral surveillance. Benchmarking for monitoring and surveillance should have a compulsory edge to it, without it being truly hierarchical or disciplinary. This is internal standards benchmarking, owned and driven by the Council, building on clearly defined standards (like the 3 per cent GDP ceiling in the SGP, or the ban of harmful business taxation) or aimed at well-defined and coherent policy goals (like some of the ones used in the Lisbon strategy and Integrated Guidelines). EU-wide-indicators should be uniform and quantitative. According to Arrowsmith, Sisson and Marginson (2004: 324) this type of benchmarking will be fairly unproblematic depending on the ambitions and the consensus underlying the target-setting process. But even with consensus on objectives and targets, enforceability may be problematic, as our experiences with the SGP have shown. Especially in the area of social policies benchmarking for monitoring and surveillance should be additional to a framework with clear (minimum) standards, which ultimately are enforceable, in line with Scharpf’s (2002) argument for combining the OMC with (framework) directives. In this regard, the ‘shadow of hierarchy’ is often mentioned as an indirect coercive mechanism within EU B&PR (failure to succeed will invariably unleash stronger policy instruments). As Borrás and Jacobsson (2004: 195-196) rightfully argue this mechanism is not really relevant to the OMC because of the explicit political statement of avoiding transferring further powers to Brussels in the fields where the OMC operates. If stronger policy instruments had been acceptable they would have been used in the first place. Still, it is conceivable that the OMC works as a passerelle towards other coordination methods (Telò, 2002:254-255) because application of the OMC in certain policy field has changed the initial characteristics thereby changing the balance of pros and cons of stronger coordination.
References


