

# Monthly Report

**What is the Reason for the Numerous Business Disputes between the Government of Kosovo and Foreign Enterprises?**

**How to Use EU Funds Earmarked for Fostering Cohesion more Efficiently?**

**Social Innovation and the EU Policy Initiatives**

**The Effects of EU Research Projects in the Field of Social Innovation**

**The Knowledge Economy and the Labour Market: the Role of Social Partners**





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PËLLUMB ÇOLLAKU  
BERENIKE ECKER  
MARTA MACKIEWICZ  
SÁNDOR RICHTER  
HERMINE VIDOVIC

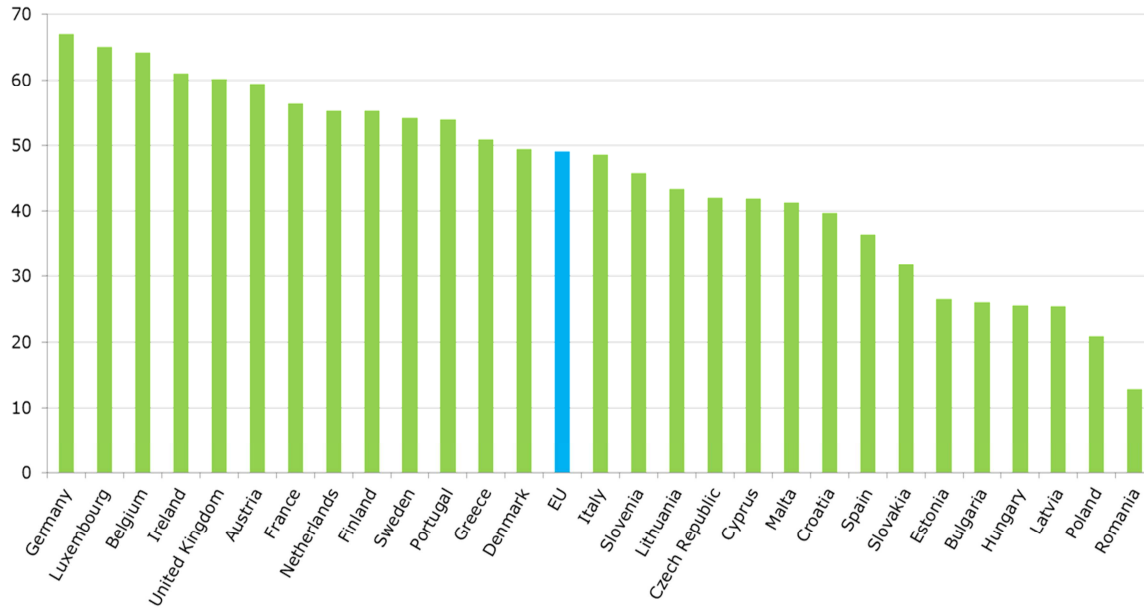


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**Share of innovative enterprises in EU Member States, in %**



Note: Share of innovative enterprises according to the Community Innovation Survey 2014 conducted during the period 2012-2014.

Source: <http://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20170124-2>

## Opinion Corner: What is the reason for the numerous business disputes between the government of Kosovo and foreign enterprises?

ANSWERED BY PËLLUMB ÇOLLAKU<sup>1</sup>

*Reduced barriers to entering Southeast European (SEE) countries have attracted foreign investments into the region, e.g. through the privatisation process or horizontal foreign investments in the manufacturing sector and in services, etc. Such relaxation of barriers lured also foreign small and medium-sized enterprises (SMEs) which engaged in tender bids in countries in the region. Of course, the new SEE market challenged the businesses which were faced with new countries, partners, cultures and trade usages implying new risks. Hence, it is not surprising that these international business opportunities gave rise to numerous business disputes. In 2016 alone, the Republic of Kosovo lost three disputes against foreign investors in international arbitration tribunals.*

*Almost seventeen years after the end of the war and nine years after independence, Kosovo still faces huge problems in public procurement. Despite the long-time presence of several international organisations and two large-size international missions – UNMIK (United Nations Mission Interim in Kosovo) deployed since 1999 and EULEX (European Union Rule of Law Mission in Kosovo) deployed since 2008 – and also numerous international and local trainings offered to government agencies and public enterprises on advancing procurement processes, it seems that the lesson has still not been learned. Various violations of law and procurement regulations by the government agencies and public enterprises cost the national budget millions of euros. According to NGOs such as Lëvizja FOL and Kosova Democratic Institute – KDI, local independent press and the Kosovo Chamber of Commerce, this is due to the clash of several vested group interests, corruption and the irresponsibility of public officials. Likewise, the European Commission in its 2016 Communication on EU Enlargement Policy<sup>2</sup> again criticised Kosovo for its high-level corruption, including in public procurement, and called for monitoring the public procurement processes and providing higher accountability.*

*Within a just one year, Kosovo has lost three cases on business disputes after it unilaterally breached the contracts with winning companies, and the big one is yet to come – the cancellation of the privatisation of 75% shares of PTK (Post and Telecommunication of Kosovo) – see Table 1. In fact, PTK featured in nearly all such disputes, and also tops the list of violations of procurement procedures (KFOS – Kosovo Foundation for Open Society and ÇOHU – Organisation for Democracy, Anticorruption and Dignity, 2015)<sup>3</sup>.*

<sup>1</sup> Pëllumb Çollaku is a guest researcher at wiiw and a doctoral candidate at the Doctoral School of Economics, Sapienza University of Rome, Italy.

<sup>2</sup> [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key\\_documents/2016/20161109\\_report\\_kosovo.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_kosovo.pdf)

<sup>3</sup> <http://kfos.org/wp-content/uploads/2015/06/6.-PTK-FROM-DAWN-TILL-DUSK.pdf>



Since arbitration still remains the primary dispute resolution mechanism in international trade, these companies filed their dossiers in several tribunals to seek their rights emanating from the contracts.

**Table 1 / Business disputes involving the Republic of Kosovo**

Time	Company/Origin	Dispute	Court	Sum (million EUR)
October 2015	AmDocs (Israel)	Tender on improving the PTK's billing platform	ICC Tribunal (London, UK)	10
December 2016	Z-Mobile (Kosovo)	Acting as a reseller of PTK products	ICC Tribunal (London, UK)	30
December 2016	OeSD (Austria)	Printing of biometric passports	ICA (Paris, France)	5
2017 (expected)	ACP Axos Capital GmbH (Germany)	Privatisation of 75% of shares of PTK	World Bank ICSID (New York, USA)	130

It began with AmDocs (Israel), the company which was awarded by PTK with a contract to develop a joint billing platform for its two business units – VALA (mobile telephony) and Telecom (landline telephony, IPTV and internet services). The contract was suspended unilaterally by the Ministry of Economy and Finance just eight days after the contract had been awarded (Raporti I Monitorimit te Prokurimit – Lëvizja FOL, 2014)<sup>4</sup>. This prompted the Israeli company to bring the dispute before the ICC's (International Chamber of Commerce) Tribunal in London. The case resolution in October 2015 adjudicated in favour of the Israeli company, obliging Kosovo to recoup the amount of EUR 10 million to the company.

The second lost dispute, between Dardafone LLC (Kosovo), operating under the trading name Z Mobile, and PTK, had its roots in the blurred initial terms and conditions of a 2008 agreement between these parties awarding the former the right to act as the mobile telephony operator using PTK's infrastructure and technology but questioning the fact whether Z Mobile had the right of access to new infrastructure and technologies applied by PTK. Even though the latter argued that it had no such obligations, the ICC Tribunal (London) concluded in favour of the claimant, awarding Z-Mobile with over EUR 30 million in lost profits and contractual penalties (including an annual accumulated interest on lost profits – 8%). In addition, specific performance under the agreement and full access to PTK's infrastructure resources to 3G and 4G networks was allowed (ACERIS Law, 2017)<sup>5</sup>. Such behaviour of the publicly-owned enterprise reminds us the so-called tunnelling practice, which was defined by Johnson et al. as 'the transfer of assets and profits out of firms for the benefit of those who control them'.<sup>6</sup>

The third case was the dispute with the company OeSD (Austria), which was awarded a contract to print Kosovo's biometric passports (the process ended with a bribery scandal of the parties involved and imprisonments of some of the people related to the deal). This corruption affair, which involved also Kosovo government officials, led the government to immediately and unilaterally cancel the contract with the company, without considering the consequences of its impulsive behaviour. This negligence of

<sup>4</sup> [http://levizjafol.org/documents/20140309070712\\_642.pdf](http://levizjafol.org/documents/20140309070712_642.pdf)

<sup>5</sup> <https://acerislaw.com/kosovo-telecom-arbitration/>

<sup>6</sup> <http://federation.ens.fr/ydepot/semin/texte0506/LOP2006DRO3.pdf>

*formal procedures and poor commitment to the contract cost Kosovo another EUR 5 million in the dispute resolved by the ICC Tribunal in Paris in December 2016.*

*However, the biggest dispute is yet to come, and that will be with ACP Axos Capital GmbH (Germany) regarding the privatisation of 75% of PTK shares. ACP Axos sued Kosovo at the World Bank's ICSID (International Centre for Settlement of Investment Disputes) (EUR 130 million) for cancelling the contract, while the Kosovo government argues to have acted correctly and due to internal procedures. We can presume that such action was taken on account of conflicts between vested interest groups.*

*What was the reason for the cases of unilateral breach of contract by the Kosovo government, which have resulted in these losses? It may be explained by the behaviour of a small number of firms, groups of kleptocratic politicians and other groups of interest which aim to shape the rules of the game to their advantage through the illicit, non-transparent provision of private gains to public officials. Such an explanation would be in line with the 'state capture' hypothesis put forward by Hellman et al. (2000)<sup>7</sup>. This behaviour leads to corruption, which may be regarded as a key obstacle to Kosovo's transition reforms. Potential culprits are also international institutions operating in Kosovo. Their officials were involved in numerous corruption scandals in public procurement practices and in monitoring the rule of law, such as those relating to the Kosovo Energy Corporation<sup>8</sup>, EULEX, etc.<sup>9</sup>*

*These instances of corruption are certainly having various negative effects on the society and economy of the Republic of Kosovo. They slow down the country's development and add to the lack of trust in the government, to the poor rule of law, and impair education and health services, etc. They also affect taxpayers who indirectly have to pay for such behaviour, contribute to unemployment, and send a negative signal to foreign investors.*

*Preventing arbitration disputes would be the first-best choice. When a contract is signed by a state or a state-owned entity, the partner needs to verify whether the entity has the power under its laws to agree to arbitration or ADR (Alternative Dispute Resolution) methods (i.e. all means of preventing and resolving disputes with the help of a third party, other than through the courts and through arbitration, e.g. mediation) which is suggested also by the International Trade Centre (2016)<sup>10</sup> in settling such disputes. Furthermore, under what conditions and by whom such an agreement can be signed plays also important role.*

*Given the facts of state capture and the ignorance of the Kosovo government, I remain however pessimistic whether, in advance of signing new contracts, the necessary procedural steps will be taken in order to avoid difficulties before a dispute has arisen. As a consequence, the Kosovo government will likely continue to send negative signals to foreign investors, which will impede the development of the country's business environment, and this will imply more disputes.*

<sup>7</sup> <http://siteresources.worldbank.org/INTWBIGOVANTCOR/Resources/measure.pdf>

<sup>8</sup> <https://iwpr.net/global-voices/kosovo-arrest-follows-electricity-funds-probe>

<sup>9</sup> <https://euobserver.com/justice/126319>

<sup>10</sup> [http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/Arbitration\\_English\\_Full%20A4\\_Low-res.pdf](http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/Arbitration_English_Full%20A4_Low-res.pdf)

## Preface<sup>1</sup>

The Innovation Union was launched in 2010 as one of the most important components of the Europe 2020 strategy of the European Union.<sup>2</sup> The main objective of the Innovation Union is to strengthen the European innovative potential. This main objective has been translated into 13 general objectives. **34 specific commitments** are associated to these objectives.<sup>3</sup> The commitments are aimed at inducing innovation, by means of financial incentives, market incentives, education and skills availability, knowledge transfers, etc.

The Horizon 2020 research project '**I3U**' – **Investigating the Impact of the Innovation Union**<sup>4</sup> has the goal to assess the impact of the Innovation Union along these 34 specific commitments. In the present issue of the *wiiw Monthly Report*, preliminary results of the I3U research project under the general objective '**Maximising social and territorial cohesion**' will be presented: **Commitment 24/25** 'Improve the use of structural funds for research and innovation'; **Commitment 26** 'Launch a Social Innovation pilot, promote social innovation in European Social Fund'; **Commitment 27** 'Support a research programme on public sector and social innovation, pilot a European Innovation Scoreboard'; and **Commitment 28** 'Consult social partners in interaction between the knowledge economy and the labour market'. These commitments have been investigated in Work Package 6 of the I3U project.

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<sup>1</sup> This preface was written by Sándor Richter, wiiw coordinator of Work Package 6 in the I3U Research Project (see later a description of this project).

<sup>2</sup> [http://ec.europa.eu/research/innovation-union/index\\_en.cfm](http://ec.europa.eu/research/innovation-union/index_en.cfm)

<sup>3</sup> For a full list of the 34 Commitments see the Annex on page 23.

<sup>4</sup> <http://www.i3u-innovationunion.eu/>. This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 645884.

# How to use EU funds earmarked for fostering cohesion more efficiently?<sup>1</sup>

SÁNDOR RICHTER

## INTRODUCTION

In its critically important document<sup>2</sup> about the state of the Innovation Union, the European Commission briefly summarised its targets for Commitment 24/25: 'Future regulations governing the operation of the European Regional Development Fund (ERDF) should further commit substantial financial resources to support innovation initiatives within the regions of the European Union.'... 'Member States should considerably improve their use of existing Structural Funds for research and innovation projects, ... implementing smart specialisation strategies... The Commission stands ready to assist ... and will establish a smart specialisation platform.' The message in brief: allocate *more* (or at least not less than before) EU funds to research and innovation and spend it *more efficiently*. While the question of proper allocation of resources to cohesion policy in general and to the ERDF in particular has been a decade-long issue, the really innovative element in Commitment 24/25 is the discussion and fostering of the *Smart Specialisation Strategy*.

## CONCEPT AND DEFINITIONS OF THE SMART SPECIALISATION STRATEGY

In practical terms, the Smart Specialisation Strategy (S3) is expected to help policy-makers and stakeholders to identify and enhance regional innovation potentials, invest in smart growth, and leverage private research and innovation investments. It also addresses the more effective and complementary use of EU, national and regional funds.

As best described in Foray et al. (2012), S3 is an integrated, place-based economic transformation agenda which provides policy support on key national/regional priorities, builds on each country's/region's strengths, competitive advantages and potential for excellence, supports innovation, gets stakeholders fully involved, is evidence-based and includes sound monitoring and evaluation systems. The European Commission initiated the establishment of the Smart Specialisation Platform in 2010. Since then a series of documents have been published which provide general guidance for readers about smart specialisation. Foray et al. (2012) is a guide to be used as methodological assistance for policy-makers and involved institutions on how to prepare for and how to design, draft and implement a national or regional research and innovation strategy for smart specialisation. It was intended to become a general orientation document. Midtkandal and Sörvik (2012) explain S3 and discuss its new features compared to previous and other currently existing strategies. European Commission (2012a) is designed for practical application with concrete recommendations and examples

<sup>1</sup> This contribution presents part of the research results related to Innovation Union Commitments 24/25 'Improve the use of structural funds for research and innovation' in the framework of the I3U project (see Preface, p. 5 in this report).

<sup>2</sup> European Commission (2014).

of good practice with alternative solutions. It also fosters the exchange of views between public authorities and stakeholders. Foray et al. (2011) expose and explain the minimal set of arguments and statements that have created the situation of smart specialisation having 'political salience' which encourages policy-makers eager to 'do it' in spite of the modest theoretical framework to guide its application or an adequate evidence base to help regulate its implementation. It also puts forward a research agenda addressing issues important for the proper assessment of the potential for smart specialisation and the means to realise the potential of the concept.

Another important document, European Commission (2011), is largely based on the European Commission's Communication 'Regional Policy contributing to smart growth in Europe 2020' and sets out the key innovation tools relevant for regions. It introduces the Commission's proposed smart specialisation strategy for regions. OECD (2012) investigates innovation-driven growth in regions. It demonstrates the identification and development of indicators and metrics for S3, and introduces an enquiry of governance and priority setting processes. It also provides case studies of country and regional experience in designing and implementing S3. European Commission (2012b) is a concise report on how S3 acts as a driver of regional economic growth.

## THE SMART SPECIALISATION PLATFORM

The primary goal of Commitment 24/25 was the establishment of an internet platform to foster S3. This target has been attained; the platform has been online since 2012.<sup>3</sup> Next, the impact of this intervention is assessed along three axes: *effectiveness*, *efficiency* and *relevance*.<sup>4</sup>

### *Effectiveness*

The object of the intervention has been achieved to full extent: the S3 platform reaches a broad audience (see Figure 1). Major institutional partners/users registered in the platform include 18 EU Member States, 170 EU regions, 2 non-EU countries and 9 regions from non-EU countries. The platform brings together stakeholders in real life in the form of peer-review workshops where in an open and trusted learning environment practical and conceptual aspects of S3 and the challenges and experiences of individual countries and regions are discussed. Participants meet their peers, the European Commission staff and academic experts. Regions and countries are welcome to peer-review each other's work on S3. Currently 10 EU Member States (MS) and 60 regions use this opportunity of mutual learning processes. The S3 platform makes a large amount of related information (policy briefs, working papers, official documents) available for users in the section 'Knowledge repository' and access is provided to important databases in the section 'Tools'.

The intensive use of the platform can be explained, beyond the merits of the platform itself, also by the 'stick' aspect of the EU's ex-ante conditionalities.<sup>5</sup> The mandatory task for Member States and regions to elaborate a smart specialisation strategy is easier to achieve with the help of the S3 platform, than

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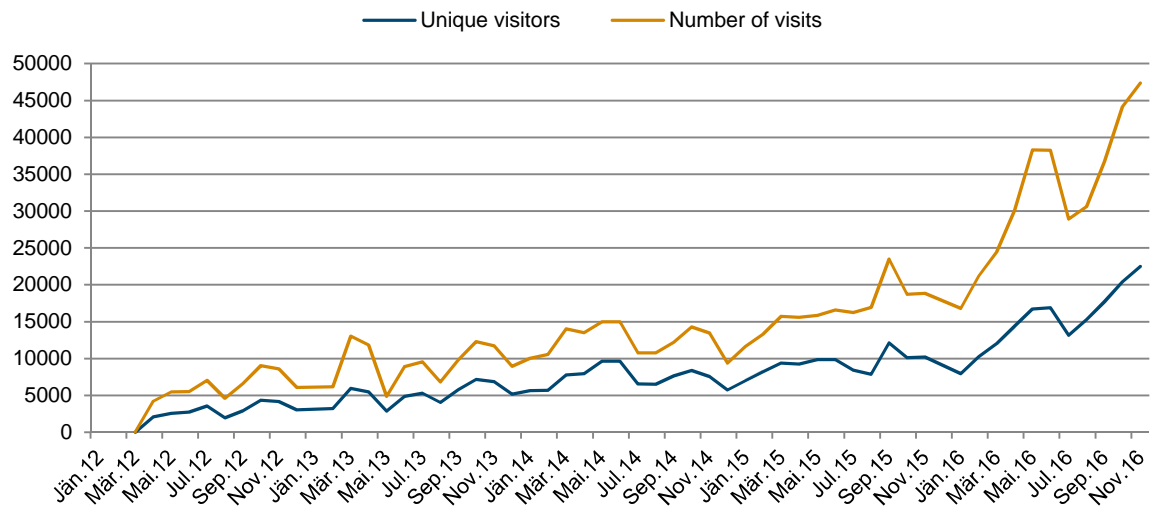
<sup>3</sup> <http://s3platform.jrc.ec.europa.eu/>

<sup>4</sup> For more on the methodology of impact evaluation see Dobrinsky (2016).

<sup>5</sup> Thematic ex-ante conditionality 1.1 prescribes the existence of a smart specialisation strategy for any Member State or Member State region before ESI Funds are made available from the 2014-2020 Multiannual Financial Framework of the EU – see European Union (2013); Metis et al. (2016).

without it. Certainly a quantification, i.e. a separation of the ‘stick’ and ‘carrot’ effect in reliance on the S3 platform, is impossible, but it can be assumed that without the introduction of the ex-ante conditionality concerning a smart specialisation strategy the utilisation of services offered by the platform would have been less intense.

**Figure 1 / S3 Platform – unique homepage visitors and total visits (Jan 2012-Nov 2016)**



Source: S3 platform <http://s3platform.jrc.ec.europa.eu/>

The intensive use of the platform can be explained, beyond the merits of the platform itself, also by the ‘stick’ aspect of the EU’s ex-ante conditionalities.<sup>6</sup> The mandatory task for Member States and regions to elaborate a smart specialisation strategy is easier to achieve with the help of the S3 platform, than without it. Certainly a quantification, i.e. a separation of the ‘stick’ and ‘carrot’ effect in reliance on the S3 platform, is impossible, but it can be assumed that without the introduction of the ex-ante conditionality concerning a smart specialisation strategy the utilisation of services offered by the platform would have been less intense.

### Efficiency

The S3 platform is operated by a staff of 24, who actively participate in the organisation and moderation of real life events (workshops) as well. The operation costs of the platform are not public, but if *efficiency* is measured primarily by the relationship between the resources used and the changes generated by the existence (establishment and continuous operation) of the S3 platform, it may be assessed as high. This refers to efficiency at the primary level, namely the improved chances for implementing a smart specialisation strategy in EU Member States and their regions. A secondary level of efficiency has another question in focus: have the improved chances for elaborating good S3 strategies (due to the existence of the S3 platform) indeed materialised in national and regional S3 development strategies which are, to a measurable extent, better than they would have been without the S3 platform?

<sup>6</sup> Thematic ex-ante conditionality 1.1 prescribes the existence of a smart specialisation strategy for any Member State or Member State region before ESI Funds are made available from the 2014-2020 Multiannual Financial Framework of the EU – see European Union (2013); Metis et al. (2016).

The answer to this question would necessitate a comparison of the S3 strategies of a sample of regions relying intensively on the services of the internet platform with S3 strategies of a sample of regions which did not participate in communication and real life activities fostered by the S3 platform. Comparability is a controversial issue in this juncture anyhow: regions not participating may have had already existing good S3 strategies, and may have decided that they do not need any assistance in this respect. Other regions may have had considerable difficulties with elaborating their S3 strategies in the first place and might have badly needed the assistance provided by the S3 platform. In fact the really useful comparison would be between the real S3 strategy of a region with the counterfactual: the strategy that would have been elaborated in the same region without reliance on the S3 platform's services. Such a comparison is however hardly possible in practical terms.

Efficiency has also a third level. Here the question is: did the reliance on the services of the S3 platform and the assumed better quality of S3 strategies lead to stronger and more sustainable economic growth of the countries and regions involved? The results of the improved growth performance as an alleged consequence of better S3 strategies will become evident (if at all) only in the medium and longer term. However, establishing causality between the national and regional growth performance and the assistance provided by the S3 platform will be highly problematic because of numerous other factors playing a role in economic growth.

Concluding, even if the positive growth effect of the platform were to be 'microscopic' (but it is possibly larger than that), the establishment of the S3 platform can be considered as cost-efficient.

### *Relevance*

This intervention was introduced at a time when serious efforts were made to improve the efficiency of the European Structural and Investment (ESI) Funds<sup>7</sup> allocation in the 2014-2020 Multiannual Financial Framework compared to the previous one completed in 2013. As shown above, the past relevance of the intervention (2012-2016) has been without doubt significant. What can be said about the future relevance? An ex-ante conditionality obliged EU Member States and regions to elaborate their S3 strategies by 31 December 2016 at the latest. Without the fulfilment of this conditionality, ESI Funds devoted to research and development in the Member State or region concerned cannot be mobilised. It is plausible that, with few exceptions, all EU Member States and regions have entered 2017 with a valid S3 strategy. This, however, would bring about a decisive turn in the relevance of the intervention: once the target (the assistance to Member States and regions in elaborating S3 strategies) has been achieved, the original mission of the intervention will be fulfilled. Nevertheless, the intervention can be reframed in as much as the focus may shift from S3 *elaboration* to S3 *implementation* and *evaluation*.

## CONCLUSIONS

The main targets of Commitment 24/25, the allocation of 'substantial financial resources' (EU funds) to research and innovation and spending it more efficiently with the help of smart specialisation strategies (S3), have been achieved, even if not in all respects. The S3 internet platform has been online since 2012. This platform has become a relevant tool in assisting EU Member States and their regions in elaborating their S3 strategies. This outcome was to a large extent supported by the EU's ex-ante

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<sup>7</sup> These are the EU Funds related to cohesion policy.

conditionality requiring the existence of such a strategy for participating in ESI Funds allocation for research and development. The mission of the platform is by now fulfilled since the respective strategies are all expected to have been in place since the end of 2016. The future relevance of the platform depends on a successful reframing of its mission into a platform for reviewing and evaluating S3 implementation. The establishment and continuous operation of the internet platform are justified given the broad audience and the richness and usefulness of the services offered by the platform. Its efficiency, based on the costs involved and the advantages which became available thanks to the platform (better S3 strategies and, as a consequence, improved prospects for a satisfactory growth performance) through the intervention is judged as satisfactory as well.

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# Social innovation and the EU policy initiatives<sup>1</sup>

BERENIKE ECKER<sup>2</sup>

## INTRODUCTION

Different approaches are known for defining social innovation (SI). One of the most common versions used in European Commission reports and other publications is the following: *'Social innovations are new ideas that meet social needs, create social relationships and form new collaborations. These innovations can be products, services or models addressing unmet needs more effectively'* (European Commission, 2015b).

Social innovations can have various shapes, address several policy fields and involve multiple stakeholders; thereby responding to social needs and/or societal challenges. Many social innovation practices thus are de facto in place (even if they are not labelled 'social innovation') but a theory on social innovation is still missing. In the point of view of the author, such a theory should involve a common understanding and framework (including a typology) of social innovation, which would also include knowledge how social innovations are created, introduced into society, diffused and sustained. Moreover, the key question about the roles and functions of different societal sectors as well as relations and interactions among them is insufficiently tackled on a theoretical level. There is very limited knowledge about the factors which unlock the potential of social innovations, the social-innovation-actors' distinct roles and the overall SI-dynamics.

Next to a missing theory of social innovation, there are various definitions of social innovations. As a result, the concept of social innovation is often still unknown. As said before, this, however, does not mean that social innovations do not exist: they are simply often not called as such.

## ON COMMITMENT 26

Commitment 26, the European Social Innovation pilot, informs the public that *'The Commission will launch a European Social Innovation pilot which will provide expertise and a networked "virtual hub" for social entrepreneurs and the public and third sectors. It will promote social innovation through the European Social Fund (ESF) building on the significant investments in social innovation which the ESF has made over the last ten years, all along the innovation cycle. This will be complemented by support to innovative social experiments to be developed in the framework of the European Platform against Poverty. Social innovation should become a mainstream focus in the next generation of European Social Fund programmes. Member States are encouraged to already step up efforts to promote social innovation through the ESF'* (European Commission, 2015a, p. 77).

<sup>1</sup> This contribution presents part of the research results related to Innovation Union Commitment 26 'Launch a social innovation pilot; promote social innovation in European Social Fund' in the framework of the I3U project (see Preface, p. 5 in this report).

<sup>2</sup> Berenike Ecker is a researcher at the Centre for Social Innovation (ZSI), Vienna.

Whereas the initiatives on project level are featured as concrete (small and medium-sized) measures to reach well-defined objectives, the initiatives on programme level can be characterised as (large-sized) policy programmes. Related projects are conceptualised and implemented during the currently running EU funding period or beyond (Table 1).

**Table 1 / Initiatives and dimensions related to Commitment 26**

Initiative	Dimension
<a href="#">Launch of the 'Social Innovation Europe Platform' (SIE)</a>	Project level
<a href="#">Launch of the European Social Innovation Competitions</a>	Project level
<a href="#">Adoption of the 'Guide to Social Innovation'</a>	Project level
<a href="#">Launch of a pilot action on networks of incubators for social innovation to support two European networks to assess, support and scale up social innovations in Europe, supported through FP7</a>	Project level
<a href="#">Adoption of the 'Social Investment Package' (SIP)</a>	Programme level
<a href="#">Launch of the 'Employment and Social Innovation programme (EaSI)'</a>	Programme level
Social innovation should be mainstreamed under the ESF programming period 2014-2020	Programme level

Source: Own illustration based on the report 'State of the Innovation Union 2015' (European Commission, pp. 77-80).

## SELECTED RESULTS OF THE ANALYSIS OF COMMITMENT 26

As orientation for our analysis, the definition of social innovation used by the European Commission (see above) was applied. The investigation was carried out through a literature review and expert interviews. Several factors were challenging for coming to robust conclusions: the identification of indicators was hardly possible due to the lack of available data, as well as due to the different dimensions of the initiatives (project level versus programme level, manifold thematic scope), uncertainty regarding the target groups of the initiatives and the probable differences in concepts and understandings of social innovation used in each initiative. Selected results of the investigation of the initiatives of Commitment 26 are presented in Table 2 below.<sup>3</sup>

<sup>3</sup> The table does not include results of the initiatives Social Investment Package (SIP), Employment and Social Innovation programme (EaSI) and the mainstreaming of social innovation in the ESF funding period 2014-2020 – all identified as dimensions on programme level. Due to investigations (e.g. evaluations) of implemented measures being still in the initial stage, necessary data for further explorations were not available.

**Table 2 / Commitment 26: a balance of achievements of selected specific initiatives**

Initiative	Selected results
<a href="#">Launch of the 'Social Innovation Europe Platform' (SIE)</a>	<ul style="list-style-type: none"> <li>› SIE offered the basis for the establishment of a network of experts in the field of social innovation between 2011 and 2016.</li> <li>› SIE can be viewed as a platform offering a lot of information concerning social innovation, especially along single initiatives on project level.</li> <li>› The SIE mailing list grew by 15% from 2014 (with 1,577 subscribers) to 2016 (with 1,807 subscribers).<sup>4</sup> This can be seen as a sign for an increased relevance of the initiative.</li> <li>› SIE is currently continued and expanded through a new project Social Innovation Community (SIC) funded under the Horizon 2020 programme.</li> </ul>
<a href="#">Launch of the European Social Innovation Competitions</a>	<ul style="list-style-type: none"> <li>› 'Social innovation' was strengthened on a broad European level through the mobilisation of manifold stakeholders.</li> <li>› Several other competitions with a focus on social innovation emerged through the last years in Europe and beyond. It seems obvious that the Social Innovation Competition was inspiration for this development.</li> </ul>
<a href="#">Adoption of the 'Guide to Social Innovation'</a>	<ul style="list-style-type: none"> <li>› The guide can be seen as a political statement of the European Commission: on the one hand, with respect to its perception of social innovation in general, and on the other hand, with respect to the Member States of the European Union. Some developments within the Member States can be related to the guide. For example, social innovation is mentioned in Germany's 'High Tech Strategy' – probably not least thanks to the Guide.</li> </ul>
<a href="#">Launch of a pilot action on networks of incubators for social innovation to support two European networks (BENISI and TRANSITION) to assess, support and scale up social innovations in Europe, supported through FP7</a>	<ul style="list-style-type: none"> <li>› As incubator projects, the two initiatives <a href="#">BENISI</a> (Building a European Network of Incubators for Social Innovation) and <a href="#">TRANSITION</a> (Transnational Network for Social Innovation Incubation) were primarily procedurally oriented: for example offering concrete support to a social innovator in the context of the establishment of a business field (e.g. the training programme 'Transnational Start-ups Lab' (TRANSITION) provides a testing environment for socially innovative ideas). Both projects focused on private actors and/or NGOs whereas intermediate actors – for example representatives of public authorities and policy-makers – have been neglected.</li> <li>› The developed structures and guidelines are helpful for specific 'SI-actors' (e.g. social innovation labs) and filled a gap.</li> </ul>

Source: Own illustration based on the results of expert interviews.

<sup>4</sup> AEIDL and SIX (2016), p. 7.

## CONCLUSIONS

The findings above show first positive effects of some analysed initiatives undertaken under Innovation Union Commitment 26. The lack of data was one central challenge which hampered a more detailed analysis. Therefore, the investigation was carried out through a literature review and expert interviews. A more detailed analysis will be possible as soon as necessary data are available. However, the following list of limitations to future analysis should also be taken into account:

- › different dimensions of the initiatives (project level versus programme level, manifold thematic scope);
- › uncertainty regarding the target groups of the initiatives; and
- › the probable differences in the concepts and understandings of social innovation used in each initiative.

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European Commission (2015a), Social Innovation; available at: [http://ec.europa.eu/growth/industry/innovation/policy/social/index\\_en.htm](http://ec.europa.eu/growth/industry/innovation/policy/social/index_en.htm) (28.02.2017).

European Commission (2015b), State of the Innovation Union 2015; available at: [http://ec.europa.eu/research/innovation-union/index\\_en.cfm?pg=home&section=state-of-the-innovation-union&year=2015](http://ec.europa.eu/research/innovation-union/index_en.cfm?pg=home&section=state-of-the-innovation-union&year=2015) (28.02.2017).

Mackiewicz, M., S. Richter, A. Scoppetta and H. Vidovic (2015), D 6-1 Literature Review, Work Package 6. A deliverable of the project: 'Investigating the Impact of the Innovation Union (I3U)', wiiw, Vienna.

Scoppetta, A. (2015), Compilation of state of the art reports on policy fields. A deliverable of the project: 'Social Innovation: Driving Force of Social Change'" (SI-DRIVE), ZSI, Vienna.

# The effects of EU research projects in the field of social innovation<sup>1</sup>

MARTA MACKIEWICZ<sup>2</sup>

## INTRODUCTION

The European Union (EU) research programmes, among other objectives, support public sector and social innovation. The EU research and innovation funding programme, Horizon 2020 (H2020), includes a dedicated activity line on 'new forms of innovation, with special emphasis on social innovation and creativity'. The substantial financing from the EU programmes is due to the fact that social innovation is perceived as a remedy for social challenges and problems which can be solved effectively neither by the market nor by direct public interventions. According to the European Commission (EC), social innovation should address social needs, contribute to addressing societal challenge (e.g. ageing society) and reshape society in the direction of participation, empowerment and learning. Social innovation is understood as a new idea (product, service and model) that simultaneously meets social needs (more effectively than alternatives) and creates new social relationships and collaborations, which is in line with the definition of Murray et al. (2010).

The purpose of this article is to provide a snapshot on the effects of the projects financed under the SOCIETY<sup>3</sup> and the SWAFS<sup>4</sup> programmes under the Seventh Framework Programme for Research (FP7) and H2020, looking at the following issues: (i) the scope of filling the gap in the market and public sector interventions in responding to social demand and (ii) accordance of the supported projects to the above-mentioned definition of social innovation.

Our analysis is based on the results of a survey which was directed at the coordinators of projects financed within FP7 and H2020 programmes (within SOCIETY and SWAFS calls): (i) FP7 coordinators registered at the E-CORDA database<sup>5</sup> selected from 489 calls for proposals (November 2015); (ii) H2020 coordinators registered at the E-CORDA database selected from 241 calls for proposals (May 2016). The survey was conducted in the period August to September 2016.

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<sup>1</sup> This contribution presents part of the research results related to Innovation Union Commitment 27 'Support a research program on public sector and social innovation, pilot a European Innovation Scoreboard' in the framework of the I3U project (see Preface, p. 5 in this report).

<sup>2</sup> Marta Mackiewicz is a researcher at the Warsaw School of Economics, Poland.

<sup>3</sup> Social Innovation – Empowering the Young (SocIEtY) for the Common Good, [http://cordis.europa.eu/project/rcn/106760\\_en.html](http://cordis.europa.eu/project/rcn/106760_en.html)

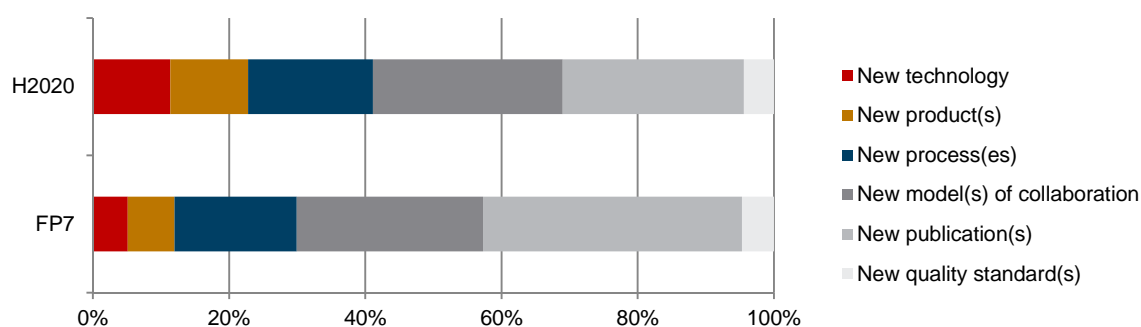
<sup>4</sup> Science with and for Society, <https://ec.europa.eu/programmes/horizon2020/en/h2020-section/science-and-society>

<sup>5</sup> CORDA (COMmon Research DATA Warehouse) and E-CORDA (External COMmon Research DATA Warehouse – the analogue destined to external stakeholders) are databases containing data on applicants/proposals and signed grants/beneficiaries with regards to a specific Framework Programme for Research; <http://www.moliseineuropa.eu/sites/moliseineuropa.eu/files/Confidentiality%20rules%20FP%20data%20CORDA.pdf>

## THE DIMENSION OF SOCIAL INNOVATION WITHIN THE SUPPORTED RESEARCH PROJECTS

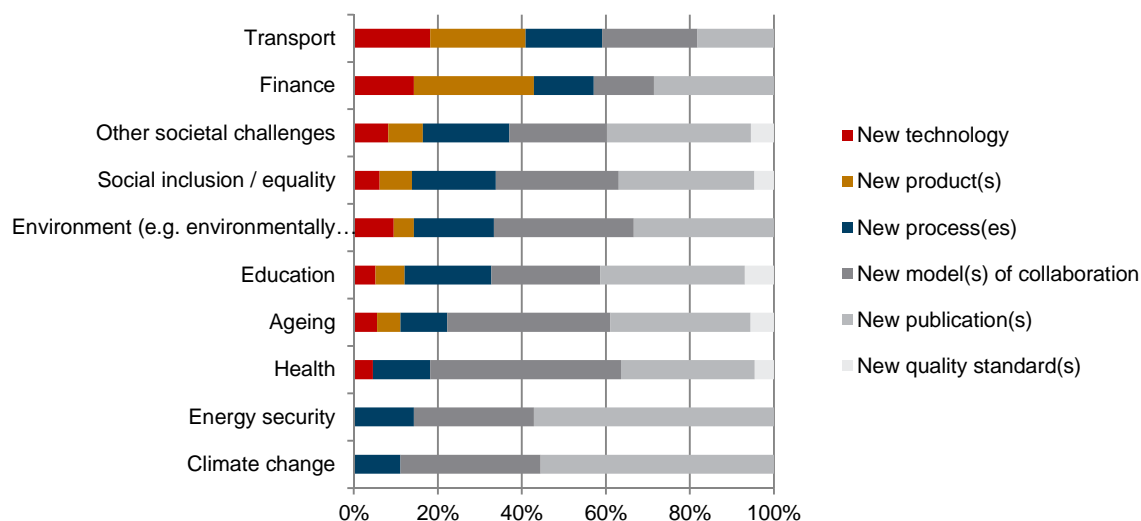
The most frequently reported *outcomes of the projects* financed under FP7 and H2020 in the field of social innovation were new ways of collaboration and new publications. The share of new technologies and new products is relatively low (Figure 1) which shows a clear focus on developing new forms of interactions to respond to social issues and creating new relationships. The aspect of new products or new services is hardly visible. However, the share of new technologies and new products increased in H2020 in comparison to FP7, which is a sign that both aspects of social innovation (creating new ideas – products, services and creating new relationships or collaborations) are taken into account more frequently.

**Figure 1 / The distribution of project results by source of financing**



Source: Own elaboration based on survey results.

**Figure 2 / The distribution of project results by research field**



Source: Own elaboration based on survey results.

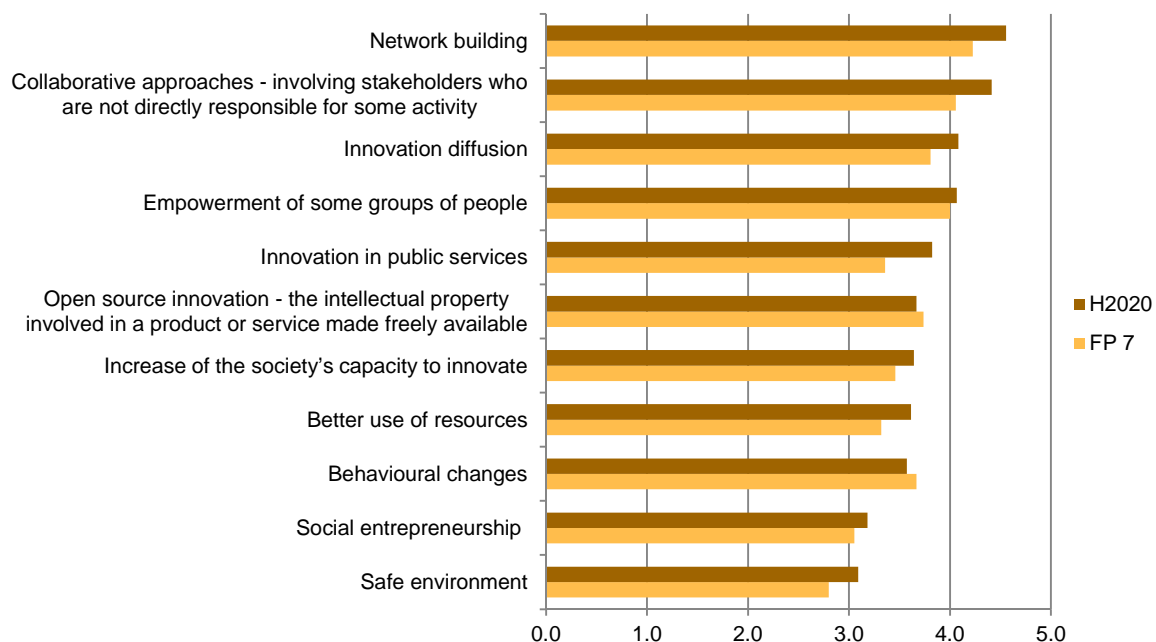
The most explicit *tangible effects* were reported in the field of transport and finance as presented in Figure 2.

The dimension of social innovation related to new collaborations is strongly present in the supported projects. The majority of respondents (93%) declared that they were going to cooperate with at least some partners involved in the project in the future (Figure 2).

## THE EFFECTS OF SUPPORTED PROJECTS

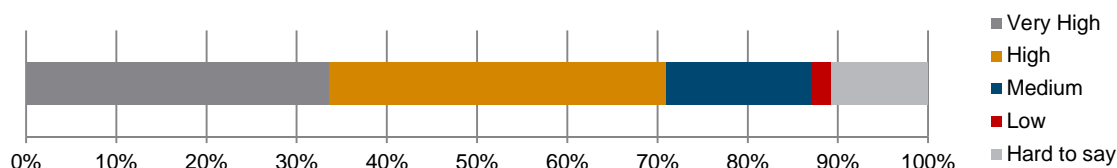
The coordinators of research projects in the field of social innovation assessed the contribution of their projects to various results presented in Figure 3, rating this contribution on a scale from 'very low' to 'very high'. *Network building* and *involving stakeholders who are not directly responsible for some activity* are the most significant effects.

**Figure 3 / Selected impacts of research projects – mean grade (very low = 1; very high = 5)**



Source: Own elaboration based on survey results.

In general, the supported projects have a broad impact on reshaping society according to the *project coordinators*. They perceived knowledge transfer as being relatively high (Figure 4). This means that supported projects were found to promote learning and participation. The research programme was also supposed to contribute to innovation in the public sector. 38% of the project coordinators evaluated this contribution as 'high' or 'very high'.

**Figure 4 / Respondents' views on the knowledge transfer effect of projects**

Source: Own elaboration based on survey results.

## CONCLUSIONS

The above-presented survey results confirm the findings of the EC report 'State of the Innovation Union 2015' showing that EU funds support the strengthening of the knowledge base in the EU. Less progress can be seen with respect to another target, namely getting good ideas to the market.

The research programmes financed from the EU budget offer the opportunity to implement socially important projects addressed to the needs of multiple target groups. Despite the enthusiastic assessment of the effects of implemented projects by the coordinators, the measurable effects are quite limited. In particular, they result in a relatively small number of implementations in the field of technical solutions, products, services and procedures to solve complex social problems. A stronger focus on getting a clear social impact and the presence of the R&D component would help to achieve the goals indicated in the Innovation Union flagship initiative.<sup>6</sup> In order to enhance the impact of supported projects it may be worth considering some requirements on their implementation in social or economic practice. In the case of projects where the end result is a model of action or a model of cooperation or a procedure, 'practical implementation' should mean a situation in which the final results of the project are made available to persons or entities included in the target group and where also a specific implementation action plan is completed. Particular attention should be paid to the provision of financing of this process and the identification of the specific entities responsible for implementation. The impact on target groups should meanwhile remain in focus. Raising awareness by publication and creating networks of cooperation are important impacts but may be not sufficient to improve the quality of life of society.

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European Commission (2015), State of the Innovation Union 2015, DG Research and Innovation.

Murray, R., J. Caulier-Grice and G. Mulgan (2010), *The Open Book of Social Innovation*, The Young Foundation, NESTA.

<sup>6</sup> [https://ec.europa.eu/research/innovation-union/pdf/innovation-union-communication-brochure\\_en.pdf](https://ec.europa.eu/research/innovation-union/pdf/innovation-union-communication-brochure_en.pdf)



# The knowledge economy and the labour market: the role of social partners<sup>1</sup>

HERMINE VIDOVIC

## INTRODUCTION

Commitment 28 emphasises the role of social partners in implementing the Innovation Union adopted by the EU. As stated in the key document of the European Commission,<sup>2</sup> 'the Commission will consult the social partners to examine how the knowledge economy can be spread to all occupational levels and all sectors. It will ask the social partners for proposals on how to develop a sectoral labour market strategy for the caring sector.' Next we will analyse how this intention has been realised up till now.

## STATE OF THE IMPLEMENTATION OF COMMITMENT 28

According to the latest Report on the State of the Innovation Union (2015), Commitment 28 is still at an early stage of implementation. This statement is almost identical with the one made in the years before. First contacts between the European Commission and the European social partners were made in 2013, 'to agree on a schedule for discussions' with regard to the Innovation Union and the European Workplace Innovation Network (EUWIN).

The Commission, represented by DG Employment (DG EMPL), chose the European *social dialogue committee* at cross- industrial level and the *sectoral social dialogue committee* as the most appropriate frame to conduct the consultations. Two sectors, the food and beverages industry, and local and regional governments have included the innovation topic into their work programmes. Eight sectoral social partners' organisations and the European Confederation of Executives and Managerial Staff (CEC) confirmed their interest in participating in such dialogue.

The Commission also presented innovation-related sector-specific information in the form of a 'Retail Sector Innovation' report, including among others also recommendations for social partners and the skills councils<sup>3</sup>. So far skills councils have been set up in two sectors: textile, clothing and leather, and

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<sup>1</sup> This article is based on the impact assessment of Innovation Union Commitment 28: 'Consult social partners on interaction between the knowledge economy and the labour market' in the framework of the I3U project (see Preface, p. 5 in this report).

<sup>2</sup> European Commission (2014).

<sup>3</sup> European sector skills councils are designed to anticipate the need for skills in specific sectors more effectively and achieve a better match between skills and labour market needs. These councils aim mainly to: provide more and better information about the skills situation in different sectors; help develop skills governance in each sector and national skills policies by encouraging: national organisations to cater more effectively to the needs of the various sectors; organisations active in the same field to learn from each other; all organisations concerned to share information and experience – see European Commission, <http://ec.europa.eu/social/main.jsp?catId=784>

commerce (retail and wholesale), while for other sectors the Commission released funding for feasibility studies.

Recommendations for the social partners made in the Retail Sector Innovation report included the stimulation and support of relevant investment in retail skills and education 'that will increase the potential for innovation and growth in the sector'. The report deals with the scale and characteristics of innovation in retailing, focuses on the drivers of innovation and the obstacles inhibiting retail firms, before presenting a series of recommendations designed to be of relevance not only to policy-makers, but also to other stakeholders.

In its latest State of the Innovation Union (2015) report the Commission pointed out that it would continue to inform the social partners in the Liaison Forum<sup>4</sup> about developments concerning the Innovation Union. The focus will be on workplace-related aspects of the transition to the knowledge economy and the Commission promises to 'respect the autonomy of social partners, when it comes to defining the agenda for their dialogue'.

## SOCIAL PARTNERS' WORK PROGRAMMES

So far the European social partners have adopted five joint work programmes where they confirmed their commitment to innovation in general terms. However, the implementation of the Innovation Union has not been mentioned explicitly.

ETUC, BusinessEurope, UEAPME and CEEP<sup>5</sup> (2010) emphasise in their Joint Statement on the Europe 2020 Strategy that the 'European economy has to move up the ladder of innovation, technology and productivity' (Lisbon Strategy) and underline 'the importance of fostering productivity through amongst others greater emphasis on the knowledge triangle' (research, education, innovation). It was urged in this context to widen the notion of innovation to all kinds of non-technological innovation, including social innovation. The importance of the knowledge triangle as to increase productivity was repeated again in an 'in-depth employment analysis' report.<sup>6</sup>

By examining the developments in the period after the 2008/2009 global financial crisis, the European social partners have developed joint recommendations which are directed towards EU institutions, Member States and the social partners themselves. With regard to innovation – a single chapter of their report<sup>7</sup> is devoted to productivity, R&D, innovation, education and training – the social partners conclude that education and training schemes need to be adjusted to the expectations of the people and the demand of the labour market. This would require government investments in high-quality education,

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<sup>4</sup> The Liaison Forum provides a bipartite arena for informing and consulting both cross-industry and sectoral social partner organisations at European level. In conjunction with the Social Dialogue Committee, the European Sectoral Social Dialogue Committees and Social Dialogue Summits, it forms the bedrock of bipartite social dialogue. The Commission considers the role of the Liaison Forum as the preferred forum for information and general consultation of all social partners, both multi-sectoral and sectoral.  
<https://www.eurofound.europa.eu/observatories/eurwork/industrial-relations-dictionary/liaison-forum>

<sup>5</sup> European Social Partners: ETUC – European Trade Union Confederation, BusinessEurope, UEAPME – European Association of Craft, Small and Medium-Sized Enterprises and CEEP – European Centre of Employers and Enterprises.

<sup>6</sup> BusinessEurope, CEEP, UEAPME and ETUC (2015), 'In Depth Employment Analysis', Brussels, July.

<sup>7</sup> *ibid.*

improving quality on all levels of education, lifelong learning and 'enhancing pathways between higher education and vocational training systems, including tertiary vocational education and training (VET)'. It is important to ensure that the content of training provided to the workforce is embedded in R&D activities and quality teaching. Also, the ETUC, BusinessEurope, UEAPME and CEEP (2012) work programme for the period 2012-2014 stresses, under the heading 'education and lifelong learning', the importance of a skilled workforce for enterprises as one of the conditions for innovation and competitiveness.

## INTERVIEWS WITH SOCIAL PARTNERS

It turned out to be almost impossible to conduct interviews with social partners in order to collect information on the obstacles delaying the implementation of Commitment 28. Since the start of the project numerous representatives of social partner organisations have been contacted either by phone or by mail, both in Austria (as a starting point) and at the EU level. In a number of cases mails were not answered at all or it turned out that the addressee was not responsible or did not know about the Innovation Union. As for Austria, in the latest Austrian Innovation Union Status Report (2014) it was indicated that Commitment 28 'Consult social partners on interaction between the knowledge economy and market' was not yet tackled by the European Commission.

According to the Austrian ERA Helpdesk<sup>8</sup>, Commitment 28 is in the 'responsibility of the European Commission, which so far has undertaken meetings and discussions with different social partners, but has not or not systematically informed the Member States yet. The Member States have not received any order related to this commitment.' This was confirmed by a representative of the Austrian Chamber of Commerce, who also stated that 'one of the reasons why Commitment 28 has not been implemented yet is the high fragmentation of social partner organisations at EU level and thus their lower efficiency than on the national level'.

DG EMPL, which is in charge of implementing Commitment 28 on the European Commission's side, pointed out that 'social partners enjoy autonomy when defining their work programme and their various activities. Thus, it is up to them to decide whether or not to discuss a specific theme. On top of that they represent a wide diversity of sectors, which means that depending on the sector the knowledge economy may have different impacts.' More generally, the European Commission informs social partners about its initiatives. In the framework of the new start for the social dialogue the practice of involving social partners on major initiatives has been strengthened. Sectoral social partners are made aware of the European Commission's initiatives they are concerned with. The Commission has also the obligation to consult social partners on initiatives falling under Art. 153 of the TFEU.

Responses from the EU social partner organisations were scarce. It turned out that apparently there is 'nobody in charge of Commitment 28 with the employees' organisations' and that 'actually nothing happened'. This might also explain why most requests for information on the progress of the implementation of this commitment remained unanswered.

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<sup>8</sup> ERA Portal Austria is a knowledge-sharing platform providing information on EU-related research policy and its implementation in Austria and in Europe. In this context it supports decision-making by providing strategic intelligence. In addition, ERA Portal Austria serves as a promotion platform for Austrian initiatives in Europe. <https://era.gv.at/>

One of the few respondents from an EU employers' organisation said that 'the organisation has never been consulted on this issue'. A sector skills council in commerce aiming at improving the level and quality of education, skills and employment in the commerce-related sectors by anticipating the future skills needs and labour shortages was established in 2012. However, in the following, activities were suspended due to administrative problems related to the funding at the Commission level. Thus, the project was restarted only in 2014.

## CONCLUSIONS

Though social partners commit themselves to innovation in general, a specific commitment to the implementation of the Innovation Union is found to be missing in their work programmes. This was confirmed by the correspondence/interviews with social partners on the national level (Austria) and on the EU level, both with employers' and employees' representatives. One of the reasons for the delay or even the non-implementation of Commitment 28 seems to be the high fragmentation of the social partners at EU level, which complicates the decision-making process due to different sectoral interests. Moreover, social partners are autonomous in defining their programmes and activities and are required to adopt EU programmes.

Thus, an assessment of the impact of Commitment 28 on growth and employment is not possible at this stage. Taking into account that its implementation is still in an early stage, an impact on the social partners' involvement can be measured, if at all, only in the medium term.

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European Commission (2014), State of the Innovation Union. Taking Stock 2010-2014, Commission Working Staff Document, DG Research and Innovation.

European Commission (2015), State of the Innovation Union 2015, DG Research and Innovation, Directorate B – Innovation Union and European Research Area, Unit B1 – Innovation Union Policy, Brussels.

ETUC, BusinessEurope, UEAPME and CEEP (2010), Joint Statement on the Europe 2020 Strategy, Brussels, June.

ETUC, BusinessEurope, UEAPME and CEEP (2012), Work Programme of the European Social Partners 2012-2014, Brussels.

ETUC, BusinessEurope, UEAPME and CEEP (2015), In-depth employment analysis, Brussels, July.

## Annex

### THE 34 SPECIFIC COMMITMENTS OF THE INNOVATION UNION:

1. Member State strategies for researcher training and employment conditions
2. Personalised university rankings and 'Knowledge Alliances and Skills for Innovation'
3. Proposing an integrated framework for e-skills
4. European research area communication
5. Constructing priority European research infrastructures
6. EU research and innovation programmes
7. SMEs in research and innovation programmes
8. Strengthened scientific base for policy-making through JRC; Forum on FLA
9. Setting out an EIT strategic agenda
10. Put in place EU-level financial instruments to attract private finance
11. Access to finance – venture capital
12. Access to finance – matching
13. Review state aid framework for R&D&I
14. Deliver the EU Patent
15. Screen the regulatory framework in key areas
16. Standardisation strategy for Europe
17. Public procurement – Commission support
18. Eco-innovation
19. Creative industries and the European Design Leadership Board
20. Open access to research results / research information services
21. Facilitating effective collaborative research and knowledge transfer
22. Develop a European knowledge market for patents and licensing
23. Safeguard against the use of IPRs for anti-competitive purposes
24. Maximising social and territorial cohesion
25. The European Social Innovation Pilot
26. The Public Sector Innovation Scoreboard
27. The Research Programme on Public Sector and Social Innovation
28. Consulting social partners on interaction between the knowledge economy and the labour market
29. European Innovation Partnerships
30. Retaining and attracting international talent
31. Scientific cooperation with third countries
32. Roll-out global research infrastructures
33. Member States' R&I systems
34. Developing an innovation headline indicator and the Innovation Union Scoreboard

Source: <http://www.i3u-innovationunion.eu/the-34-commitments/>

## The editors recommend for further reading\*

### In memoriam Kenneth Arrow

Summers on Arrow:

<http://larrysummers.com/2017/02/25/farewell-to-kenneth-arrow-a-gentle-genius-of-economics/>

Debra Satz on Arrow's ethical economics:

<http://bostonreview.net/class-inequality/debra-satz-when-economics-had-ethics>

Arrow's cautious case for socialism:

[https://www.dissentmagazine.org/wp-content/files\\_mf/1426269747ACautiousCaseforSocialism.pdf](https://www.dissentmagazine.org/wp-content/files_mf/1426269747ACautiousCaseforSocialism.pdf)

### Trump

Shevtsova on Trump and Russia:

<http://www.the-american-interest.com/2017/02/22/survival-in-the-trumpian-world/>

Trump's advisors misunderstanding trade: [https://www.washingtonpost.com/opinions/trumps-blindness-on-trade-is-all-too-easy-to-see/2017/03/05/4f576298-0052-11e7-99b4-9e613afeb09f\\_story.html?hpid=hp\\_no-name\\_opinion-card-c%3Ahomepage%2Fstory&utm\\_term=.66304e23a598](https://www.washingtonpost.com/opinions/trumps-blindness-on-trade-is-all-too-easy-to-see/2017/03/05/4f576298-0052-11e7-99b4-9e613afeb09f_story.html?hpid=hp_no-name_opinion-card-c%3Ahomepage%2Fstory&utm_term=.66304e23a598)

Rationalising Trump and Sanders on trade:

<https://www.nytimes.com/2017/03/02/opinion/what-trump-gets-right-on-trade.html?ref=opinion>

Facts about NAFTA and US manufacturing trade:

<http://blogs.cfr.org/setser/2017/02/22/u-s-manufacturing-exports-excluding-nafta-are-surprisingly-small/>

### EU

European Commission's White Paper with five scenarios:

[http://europa.eu/rapid/press-release\\_IP-17-385\\_en.htm](http://europa.eu/rapid/press-release_IP-17-385_en.htm)

Krastev on how Trump might save the EU:

<https://www.nytimes.com/2017/02/20/opinion/how-donald-trump-might-save-the-eu.html>

What Europeans think about Muslim immigration:

<https://www.chathamhouse.org/expert/comment/what-do-europeans-think-about-muslim-immigration>

### Russia/Ukraine

On the attitudes of Donbas refugees in Russia and Ukraine:

<http://carnegieeurope.eu/strategieurope/67979>

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\* Recommendation is not necessarily endorsement. The editors are grateful to Vladimir Gligorov and Richard Grievson for valuable contributions to this section.

# Monthly and quarterly statistics for Central, East and Southeast Europe

The monthly and quarterly statistics cover **20 countries** of the CESEE region. The graphical form of presenting statistical data is intended to facilitate the **analysis of short-term macroeconomic developments**. The set of indicators captures tendencies in the real sector, pictures the situation in the labour market and inflation, reflects fiscal and monetary policy changes, and depicts external sector development.

Baseline data and a variety of other monthly and quarterly statistics, **country-specific** definitions of indicators and **methodological information** on particular time series are **available in the wiiw Monthly Database** under: <http://data.wiiw.ac.at/monthly-database.html>. Users regularly interested in a certain set of indicators may create a personalised query which can then be quickly downloaded for updates each month.

## Conventional signs and abbreviations used

%	per cent
GDP	Gross Domestic Product
LFS	Labour Force Survey
HICP	Harmonized Index of Consumer Prices (for new EU Member States)
PPI	Producer Price Index
M1	Currency outside banks + demand deposits / narrow money (ECB definition)
M2	M1 + quasi-money / intermediate money (ECB definition)
p.a.	per annum
mn	million (10 <sup>6</sup> )
bn	billion (10 <sup>9</sup> )

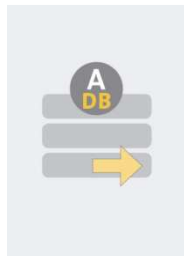
The following national currencies are used:

ALL	Albanian lek	HUF	Hungarian forint	RSD	Serbian dinar
BAM	Bosnian convertible mark	KZT	Kazakh tenge	RUB	Russian rouble
BGN	Bulgarian lev	MKD	Macedonian denar	TRY	Turkish lira
CZK	Czech koruna	PLN	Polish zloty	UAH	Ukrainian hryvnia
HRK	Croatian kuna	RON	Romanian leu		

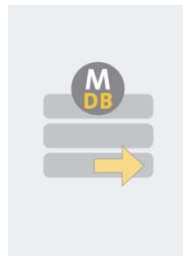
EUR euro – national currency for Montenegro and for the euro-area countries Estonia (from January 2011, euro-fixed before), Latvia (from January 2014, euro-fixed before), Lithuania (from January 2015, euro-fixed before), Slovakia (from January 2009, euro-fixed before) and Slovenia (from January 2007, euro-fixed before).

Sources of statistical data: Eurostat, National Statistical Offices, Central Banks and Public Employment Services; wiiw estimates.

### Online database access



**wiiw Annual Database**



**wiiw Monthly Database**



**wiiw FDI Database**

The wiiw databases are accessible via a simple web interface, with only one password needed to access all databases (and all wiiw publications).

You may access the databases here: <http://data.wiiw.ac.at>.

If you have not yet registered, you can do so here: <http://wiiw.ac.at/register.html>.

### Service package available

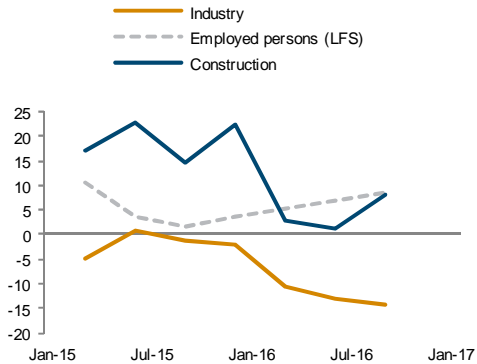
We offer an additional service package that allows you to access all databases – a Premium Membership, at a price of € 2,300 (instead of € 2,000 as for the Basic Membership). Your usual package will, of course, remain available as well.

For more information on database access for Members and on Membership conditions, please contact Ms. Gabriele Stanek ([stanek@wiiw.ac.at](mailto:stanek@wiiw.ac.at)), phone: (+43-1) 533 66 10-10.

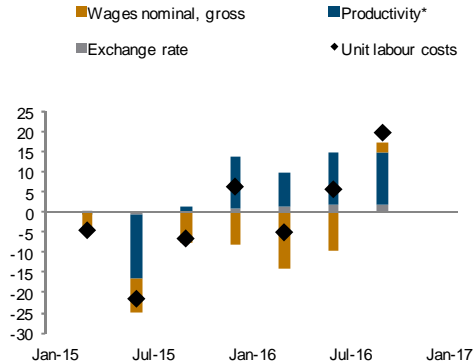


# Albania

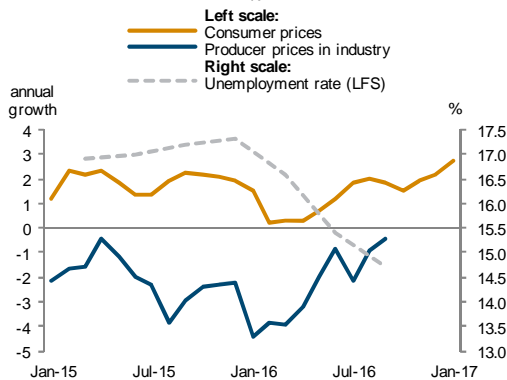
**Real sector development**  
annual growth rate in %



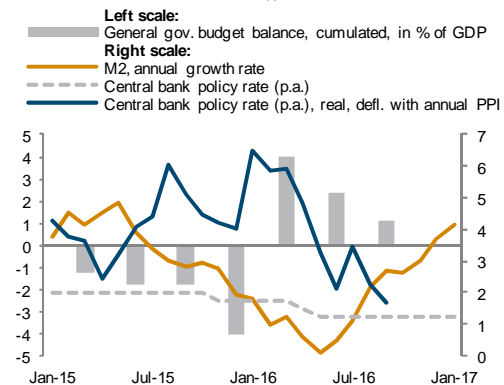
**Unit labour costs in industry**  
annual growth rate in %



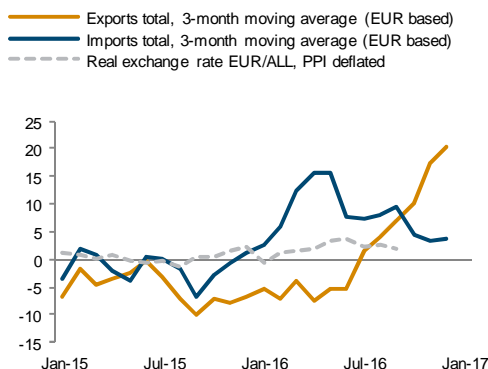
**Inflation and unemployment**  
in %



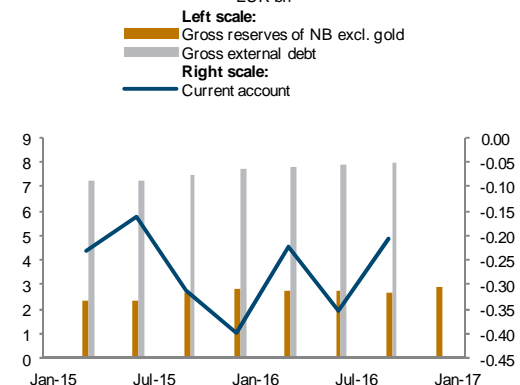
**Fiscal and monetary policy**  
in %



**External sector development**  
annual growth rate in %



**External finance**  
EUR bn



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

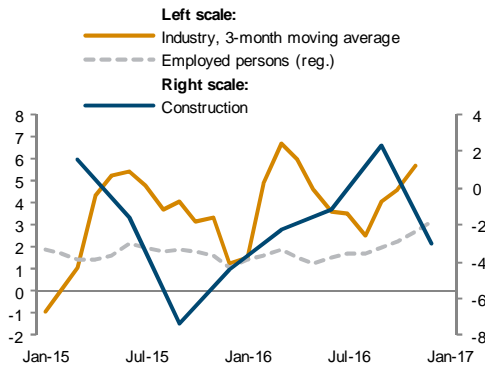
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

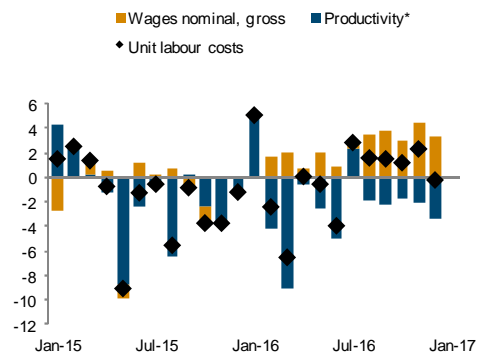
<http://data.wiiw.ac.at/monthly-database.html>

# Bosnia and Herzegovina

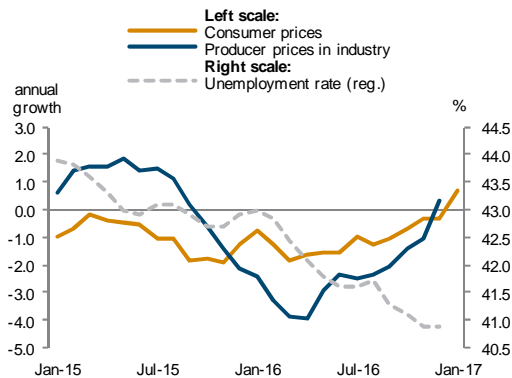
**Real sector development**  
annual growth rate in %



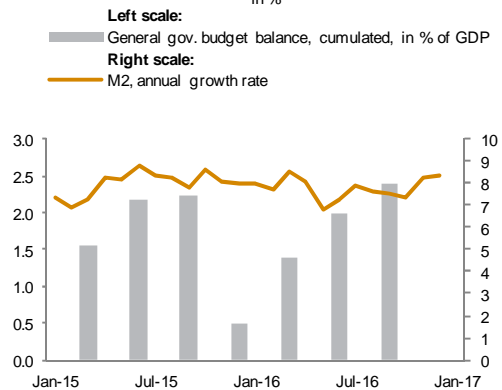
**Unit labour costs in industry**  
annual growth rate in %



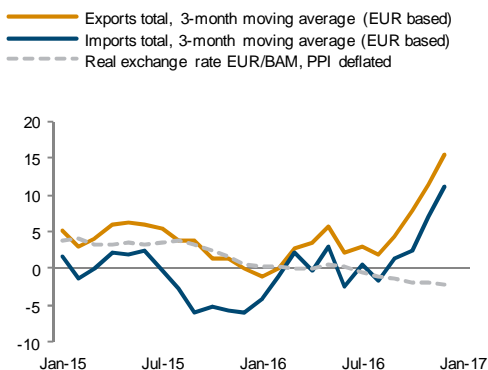
**Inflation and unemployment**  
in %



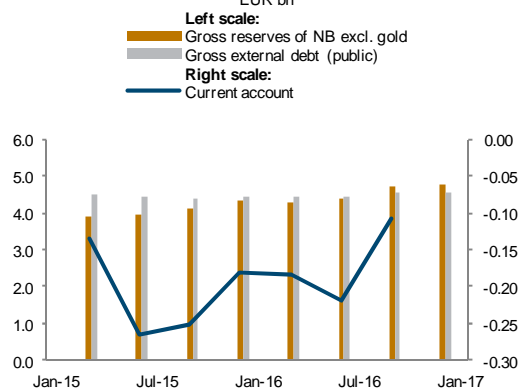
**Fiscal and monetary policy**  
in %



**External sector development**  
annual growth rate in %



**External finance**  
EUR bn



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

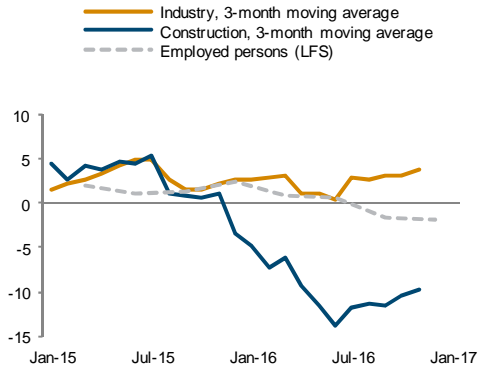
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

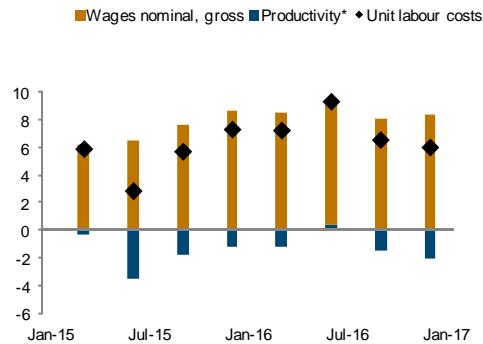
<http://data.wiiw.ac.at/monthly-database.html>

# Bulgaria

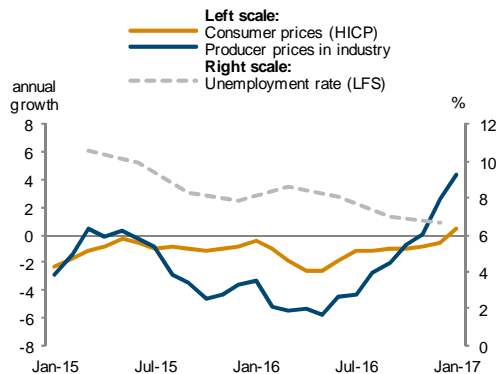
**Real sector development**  
annual growth rate in %



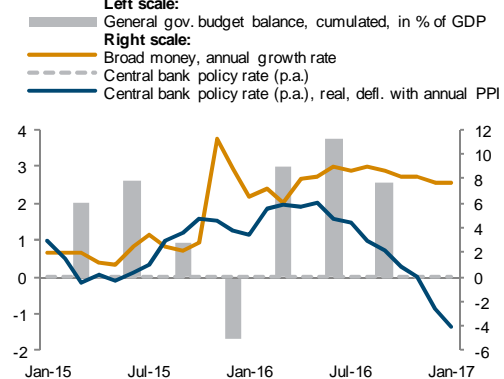
**Unit labour costs in industry**  
annual growth rate in %



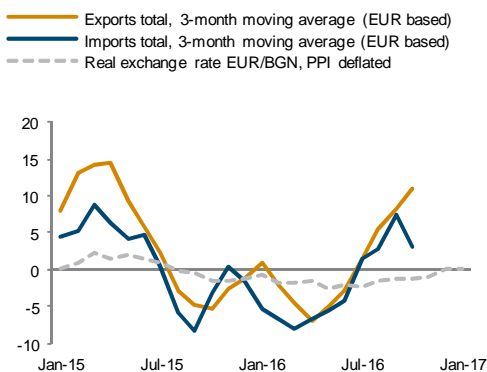
**Inflation and unemployment**  
in %



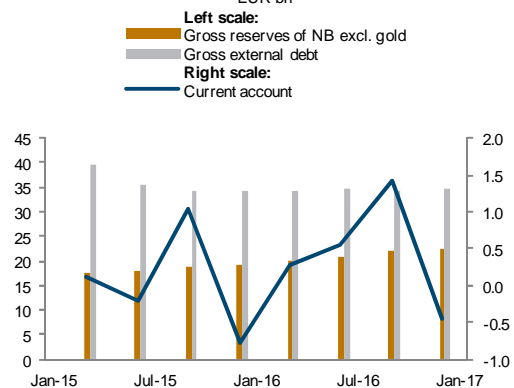
**Fiscal and monetary policy**  
in %



**External sector development**  
annual growth rate in %



**External finance**  
EUR bn



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

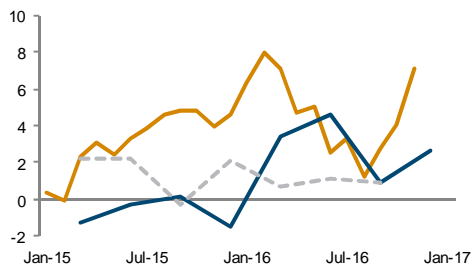
<http://data.wiiw.ac.at/monthly-database.html>

# Croatia

## Real sector development

annual growth rate in %

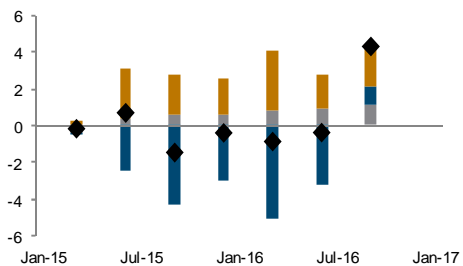
- Industry, 3-month moving average
- Construction, 3-month moving average
- - - Employed persons (LFS)



## Unit labour costs in industry

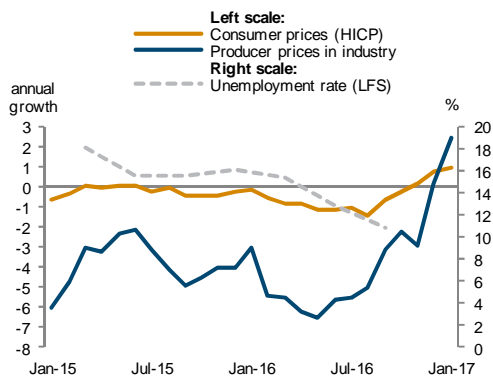
annual growth rate in %

- Wages nominal, gross
- Productivity\*
- Exchange rate
- ◆ Unit labour costs



## Inflation and unemployment

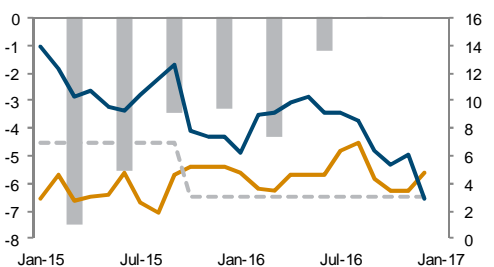
in %



## Fiscal and monetary policy

in %

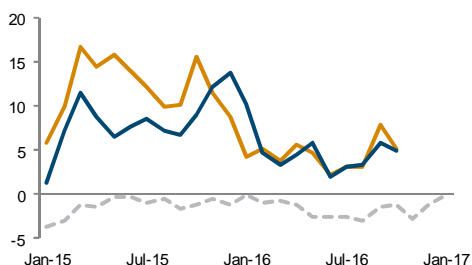
- General gov. budget balance, cumulated, in % of GDP
- Broad money, annual growth rate
- - - Central bank policy rate (p.a.)
- Central bank policy rate (p.a.), real, defl. with annual PPI



## External sector development

annual growth rate in %

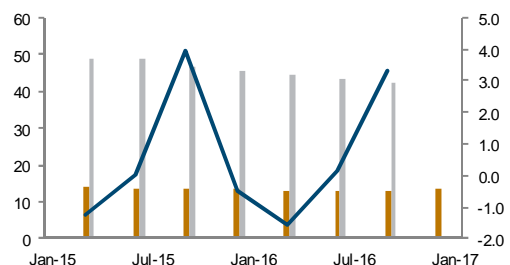
- Exports total, 3-month moving average (EUR based)
- Imports total, 3-month moving average (EUR based)
- - - Real exchange rate EUR/HRK, PPI deflated



## External finance

EUR bn

- Gross reserves of NB excl. gold
- Gross external debt
- Current account



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

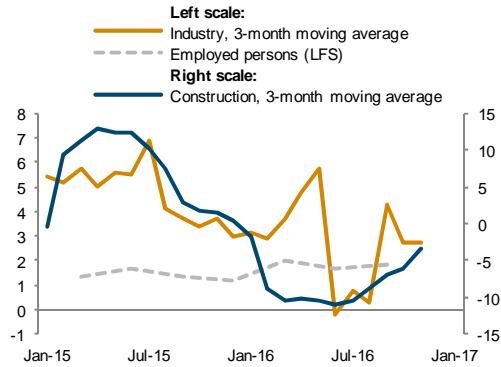
Baseline data, country-specific definitions and methodological breaks in time series are available under:

<http://data.wiiw.ac.at/monthly-database.html>

# Czech Republic

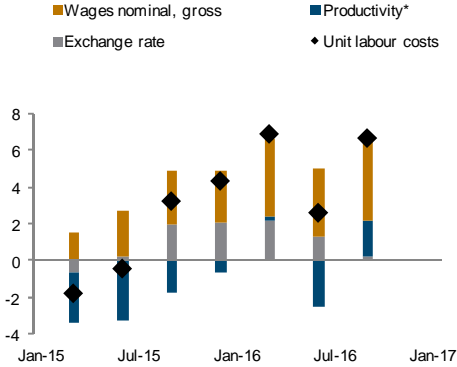
## Real sector development

annual growth rate in %



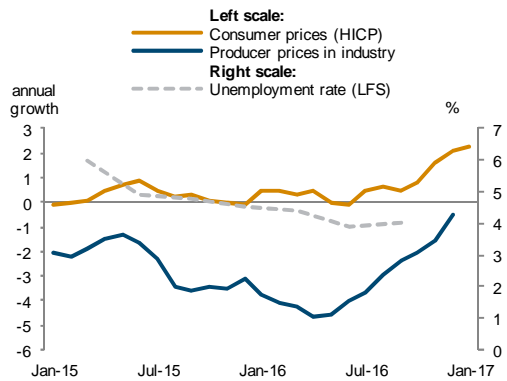
## Unit labour costs in industry

annual growth rate in %



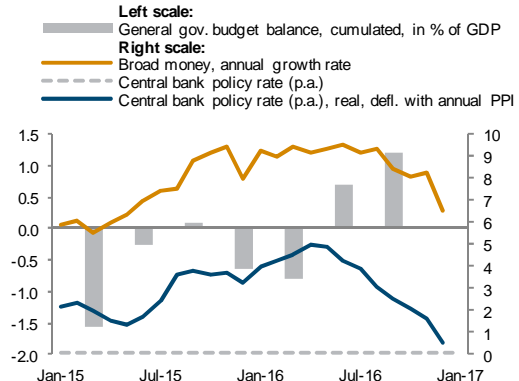
## Inflation and unemployment

in %



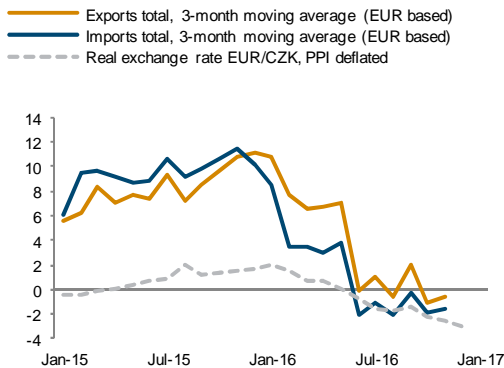
## Fiscal and monetary policy

in %



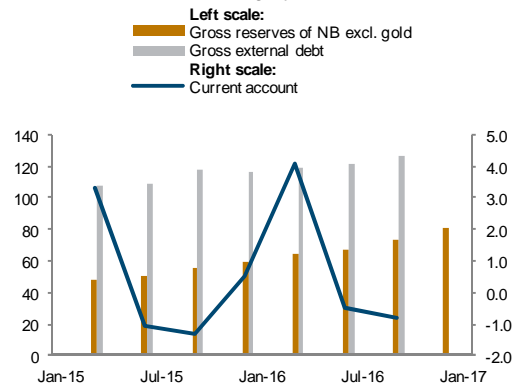
## External sector development

annual growth rate in %



## External finance

EUR bn



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

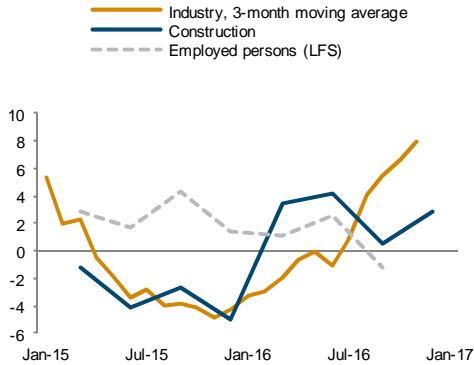
Baseline data, country-specific definitions and methodological breaks in time series are available under:

<http://data.wiiw.ac.at/monthly-database.html>

# Estonia

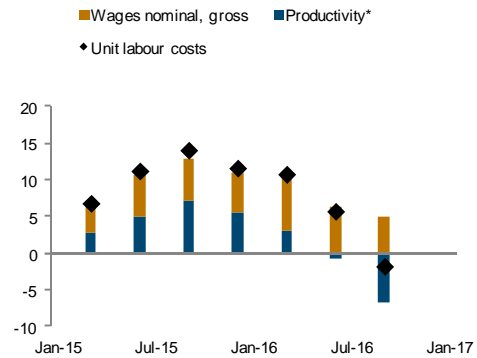
## Real sector development

annual growth rate in %



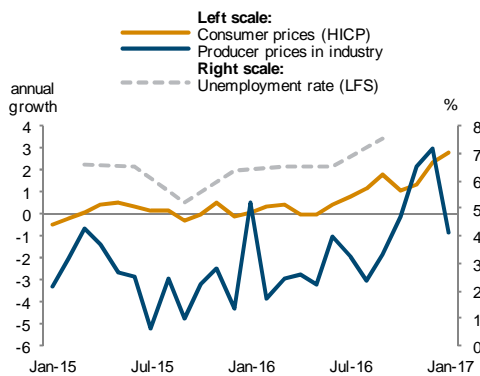
## Unit labour costs in industry

annual growth rate in %



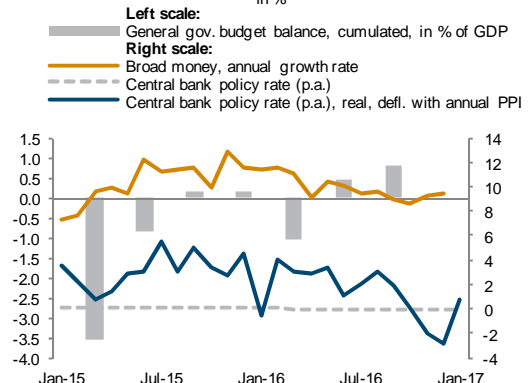
## Inflation and unemployment

in %



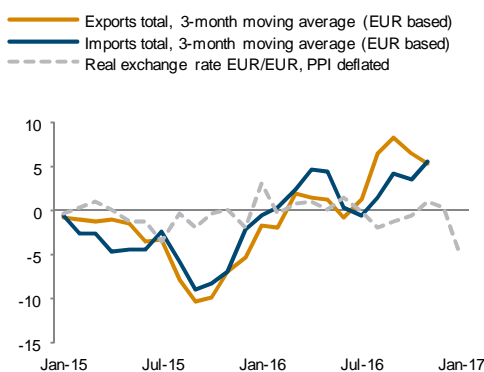
## Fiscal and monetary policy

in %



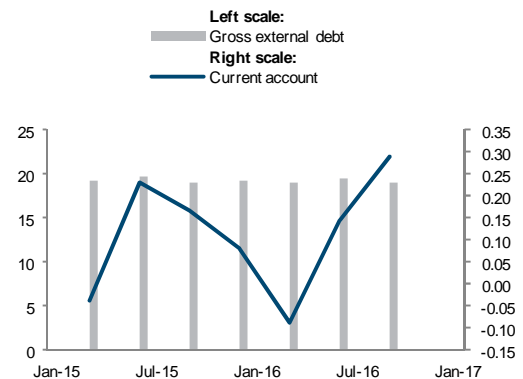
## External sector development

annual growth rate in %



## External finance

EUR bn



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

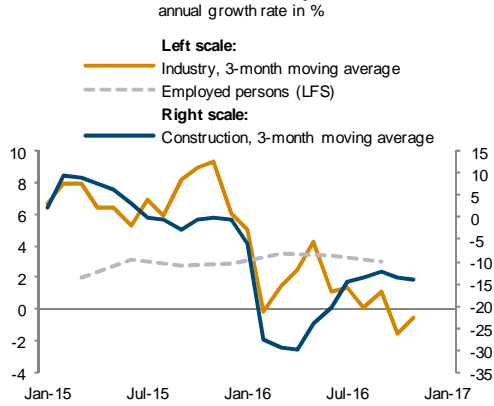
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

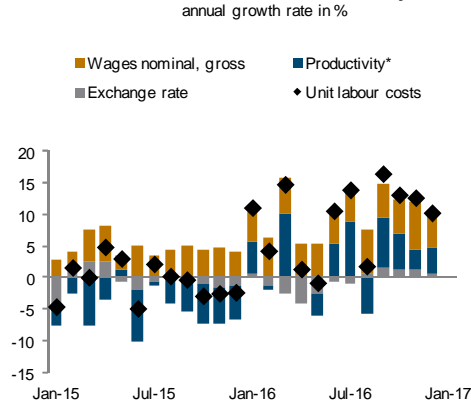
<http://data.wiiw.ac.at/monthly-database.html>

# Hungary

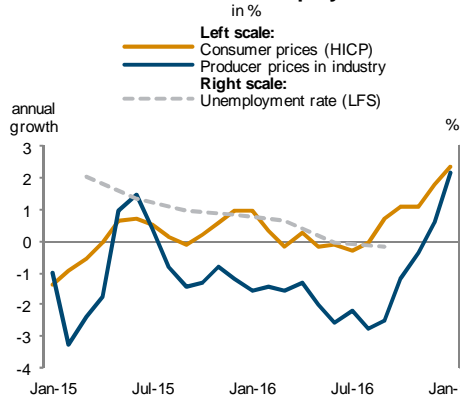
## Real sector development



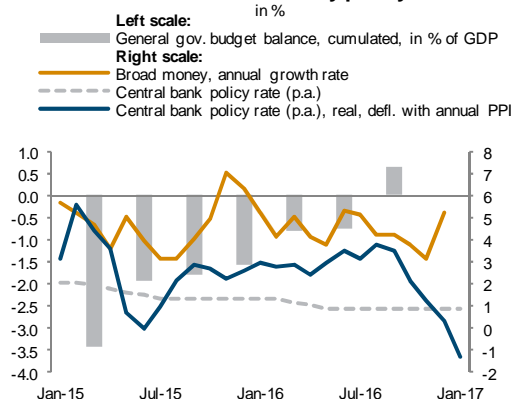
## Unit labour costs in industry



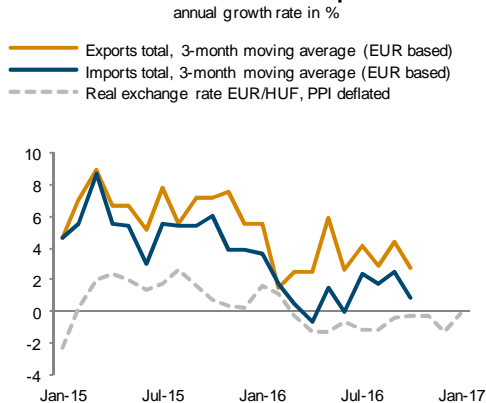
## Inflation and unemployment



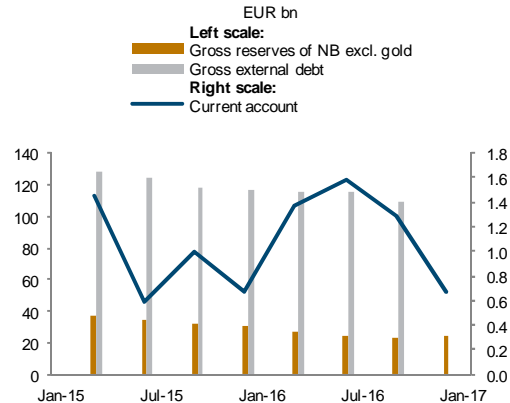
## Fiscal and monetary policy



## External sector development



## External finance



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

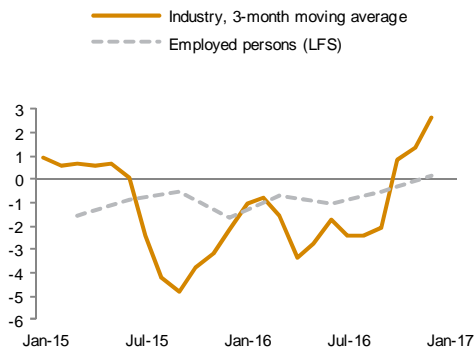
Baseline data, country-specific definitions and methodological breaks in time series are available under:

<http://data.wiiw.ac.at/monthly-database.html>

# Kazakhstan

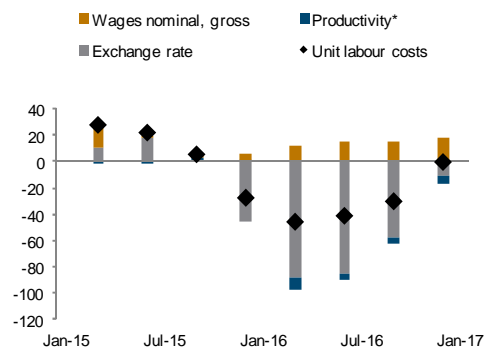
## Real sector development

annual growth rate in %



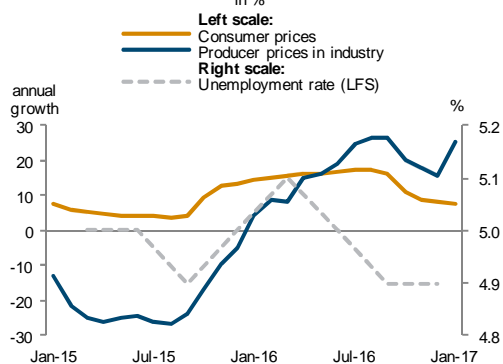
## Unit labour costs in industry

annual growth rate in %



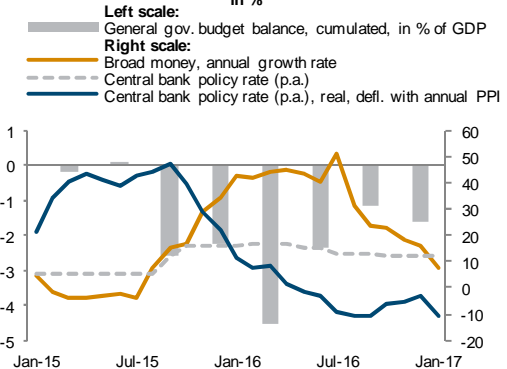
## Inflation and unemployment

in %



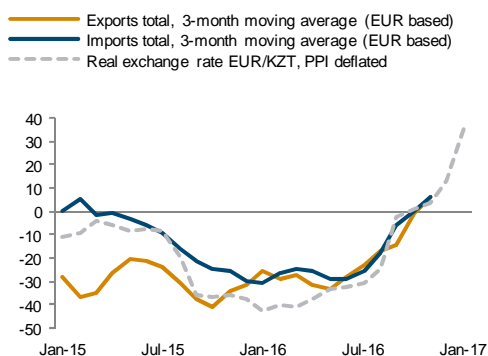
## Fiscal and monetary policy

in %



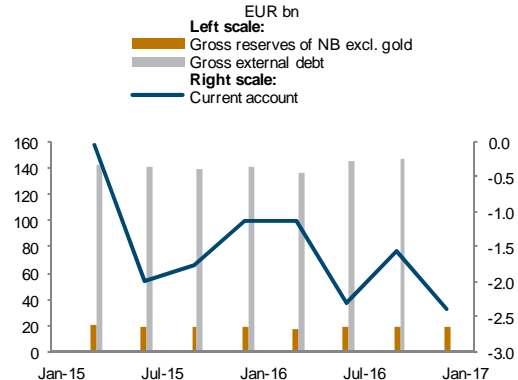
## External sector development

annual growth rate in %



## External finance

EUR bn



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

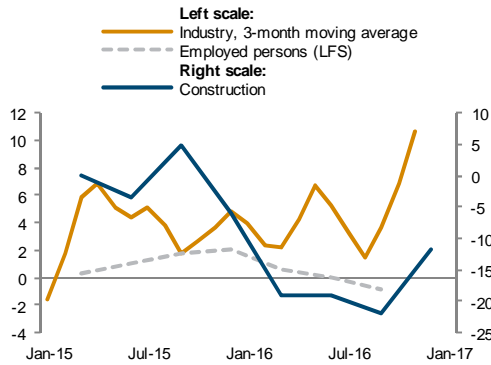
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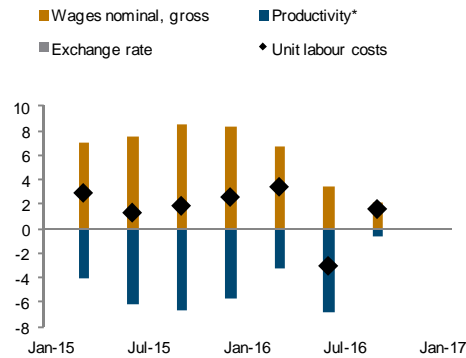


# Latvia

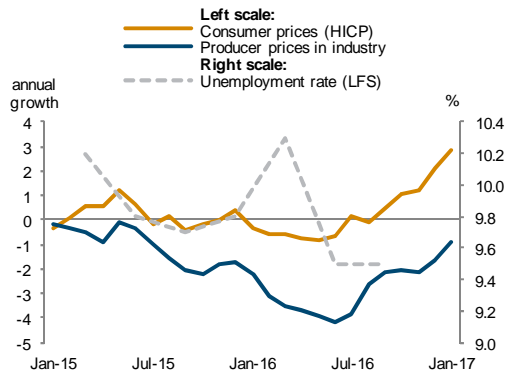
**Real sector development**  
annual growth rate in %



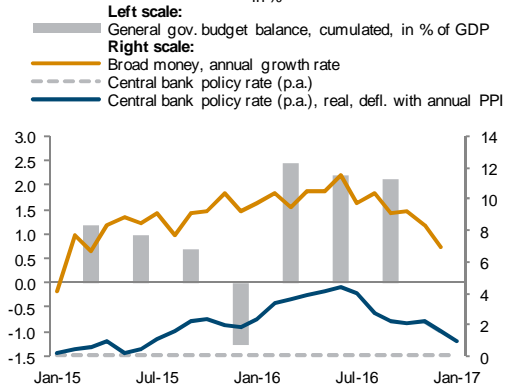
**Unit labour costs in industry**  
annual growth rate in %



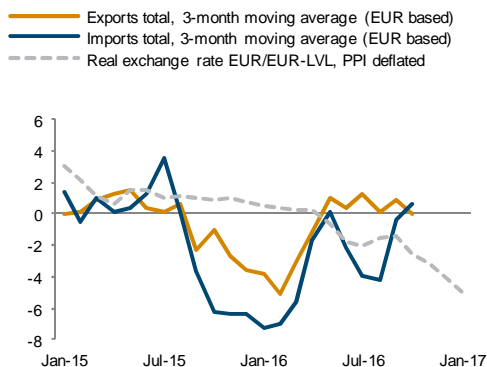
**Inflation and unemployment**  
in %



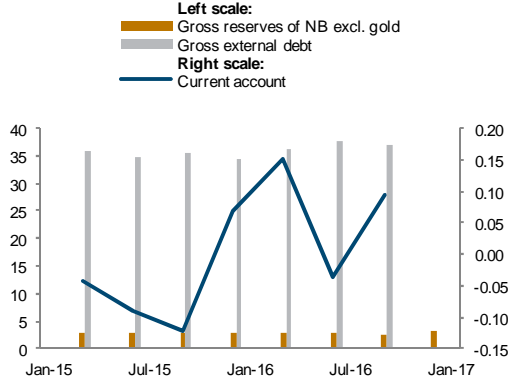
**Fiscal and monetary policy**  
in %



**External sector development**  
annual growth rate in %



**External finance**  
EUR bn



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

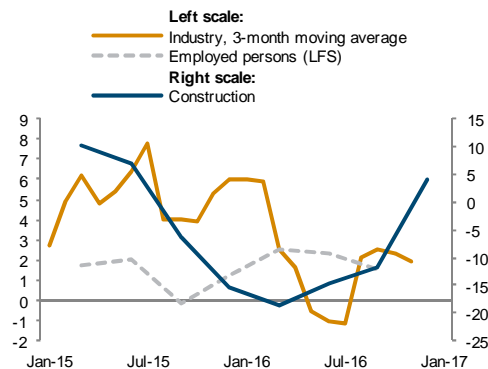
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<http://data.wiiw.ac.at/monthly-database.html>

# Lithuania

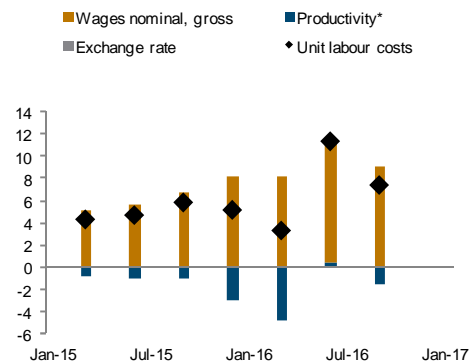
## Real sector development

annual growth rate in %



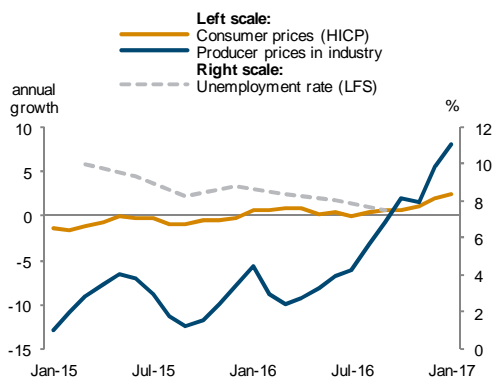
## Unit labour costs in industry

annual growth rate in %



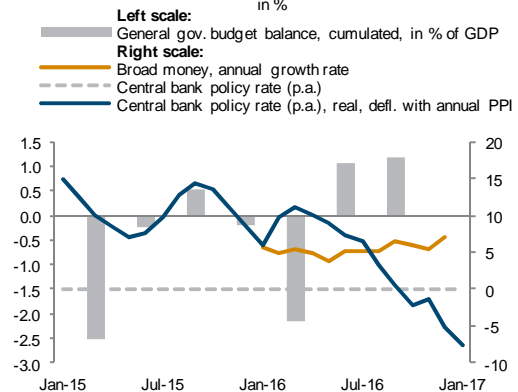
## Inflation and unemployment

in %



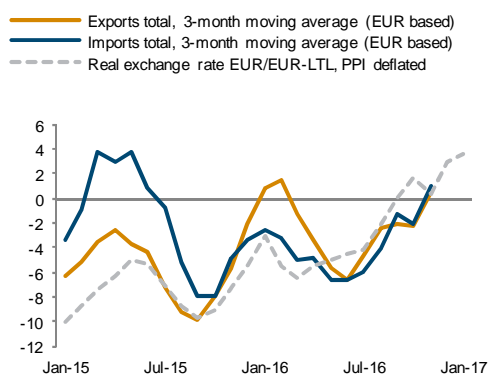
## Fiscal and monetary policy

in %



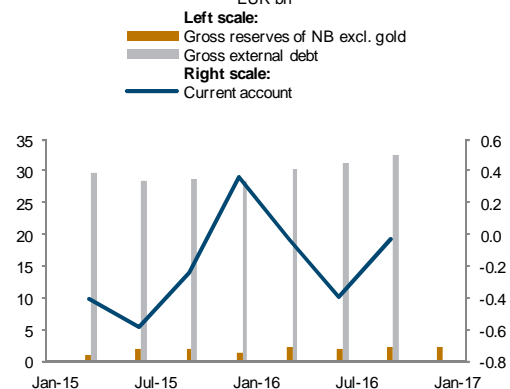
## External sector development

annual growth rate in %



## External finance

EUR bn



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

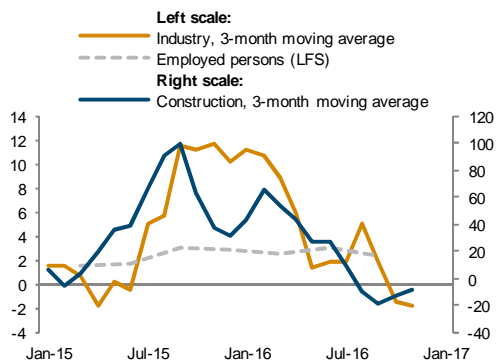
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<http://data.wiiw.ac.at/monthly-database.html>

# Macedonia

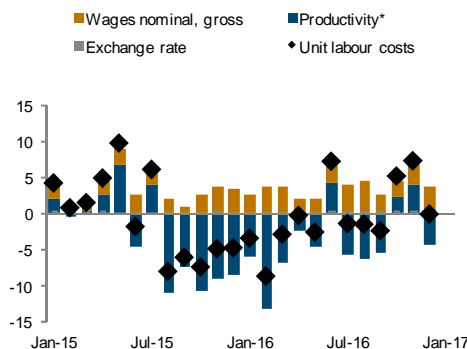
## Real sector development

annual growth rate in %



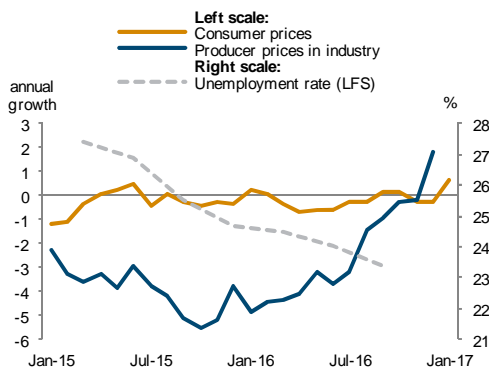
## Unit labour costs in industry

annual growth rate in %



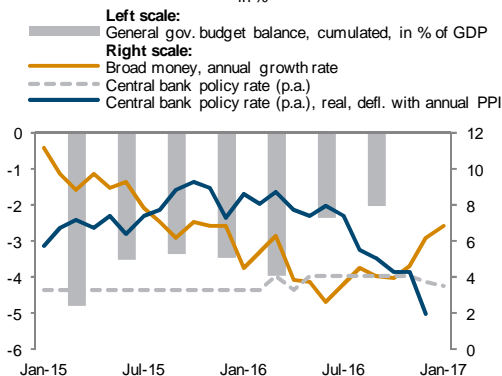
## Inflation and unemployment

in %



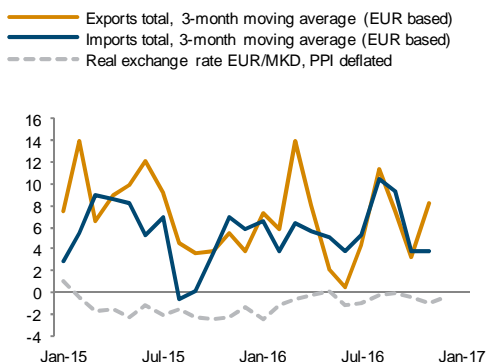
## Fiscal and monetary policy

in %



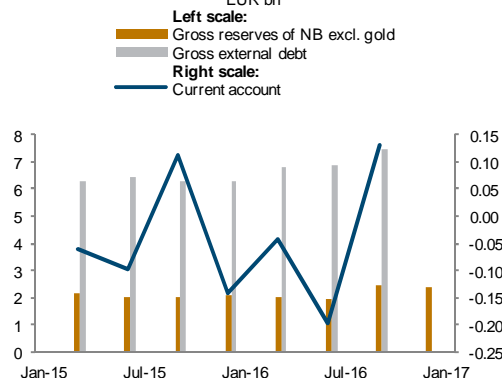
## External sector development

annual growth rate in %



## External finance

EUR bn



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

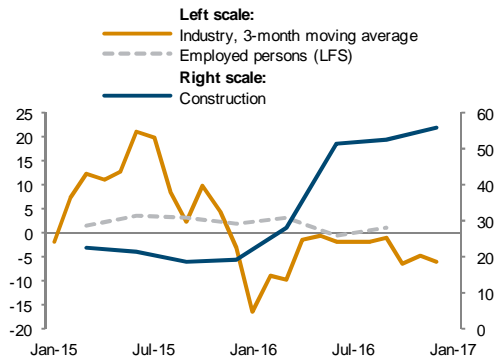
Baseline data, country-specific definitions and methodological breaks in time series are available under:

<http://data.wiiw.ac.at/monthly-database.html>

# Montenegro

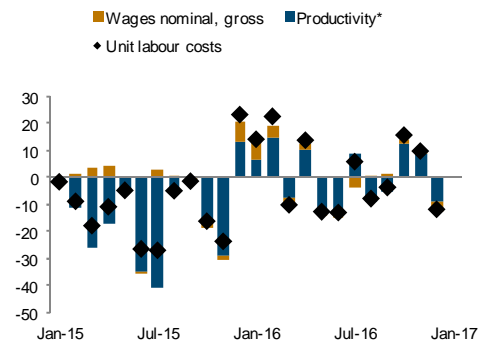
## Real sector development

annual growth rate in %



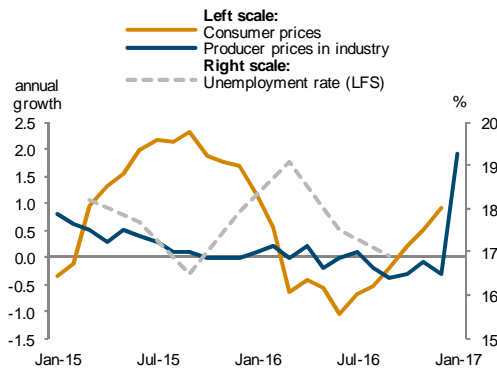
## Unit labour costs in industry

annual growth rate in %



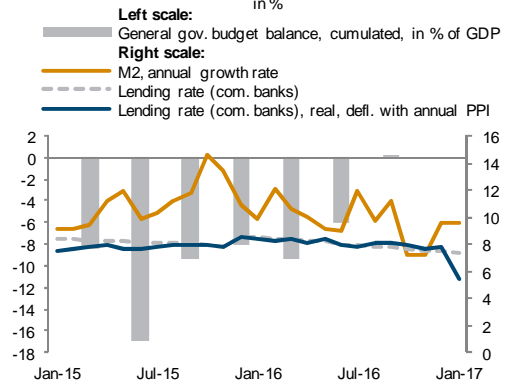
## Inflation and unemployment

in %



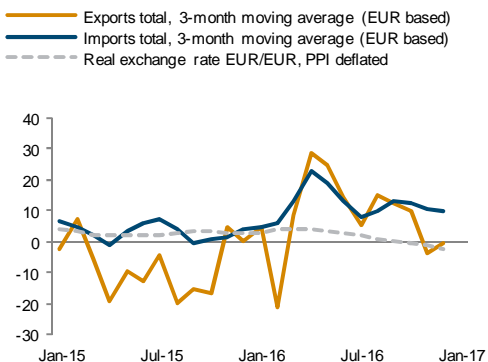
## Fiscal and monetary policy

in %



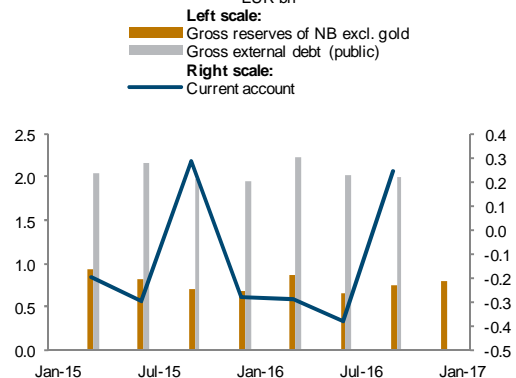
## External sector development

annual growth rate in %



## External finance

EUR bn



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

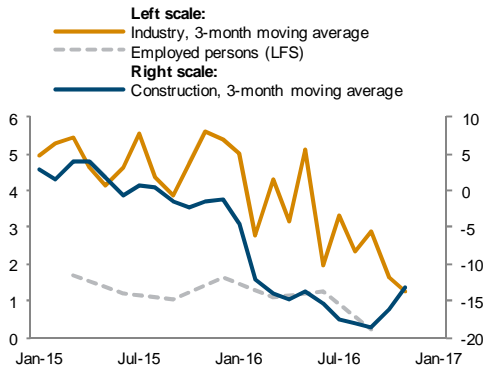
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

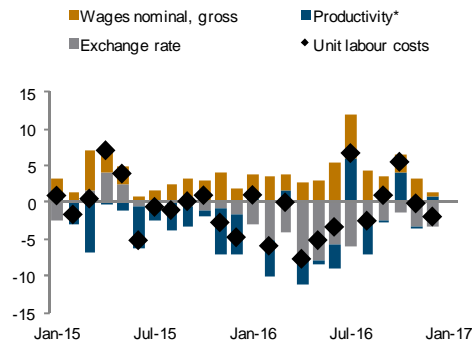
<http://data.wiiw.ac.at/monthly-database.html>

# Poland

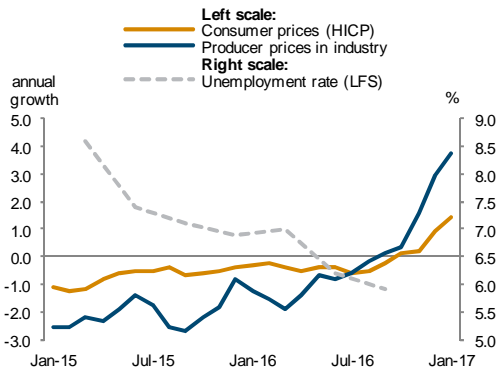
**Real sector development**  
annual growth rate in %



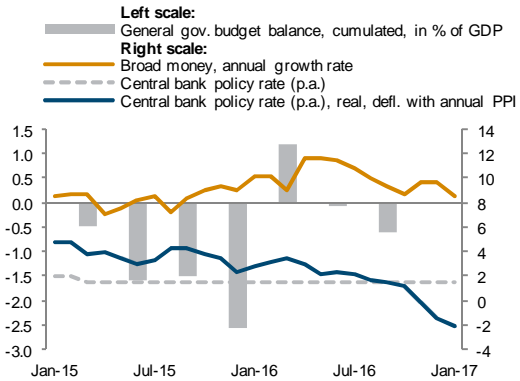
**Unit labour costs in industry**  
annual growth rate in %



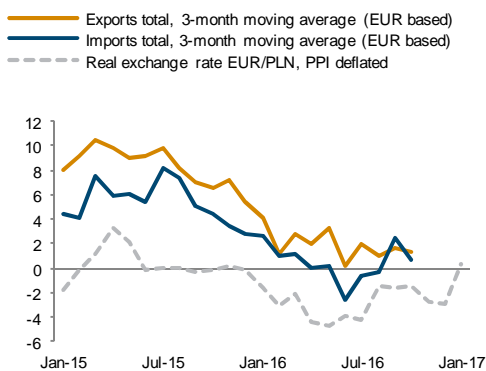
**Inflation and unemployment**  
in %



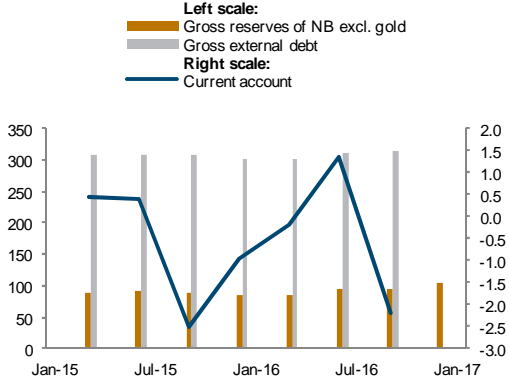
**Fiscal and monetary policy**  
in %



**External sector development**  
annual growth rate in %



**External finance**  
EUR bn



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

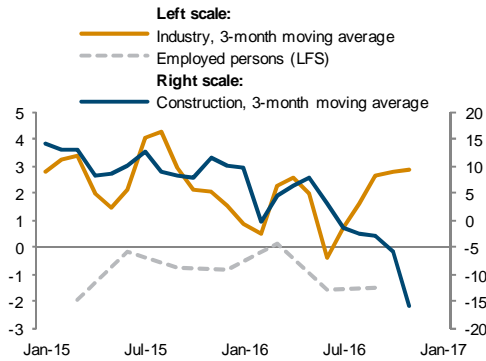
Baseline data, country-specific definitions and methodological breaks in time series are available under:

<http://data.wiiw.ac.at/monthly-database.html>

## Romania

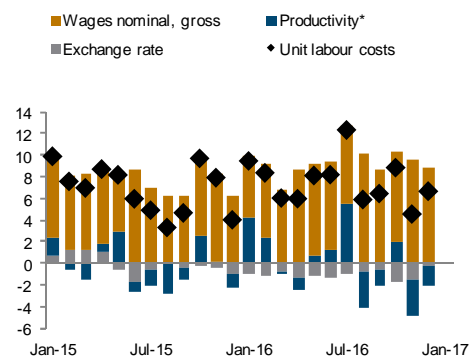
### Real sector development

annual growth rate in %



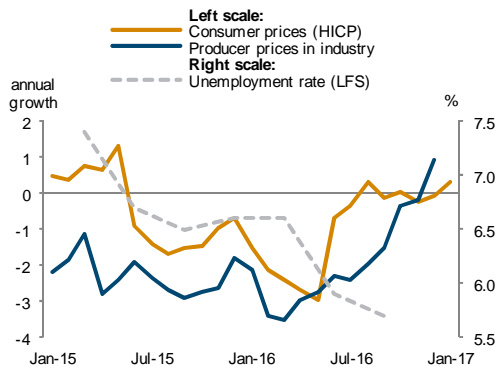
### Unit labour costs in industry

annual growth rate in %



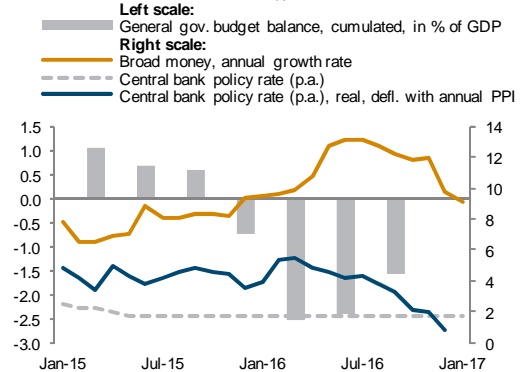
### Inflation and unemployment

in %



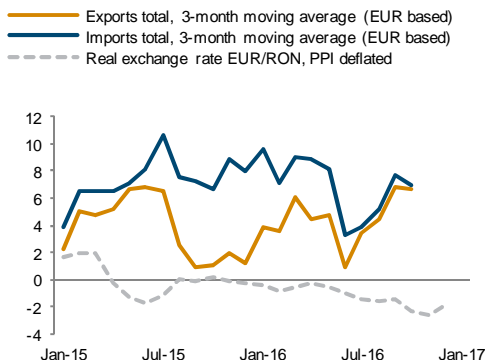
### Fiscal and monetary policy

in %



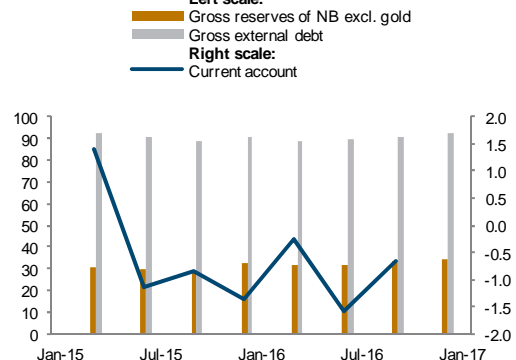
### External sector development

annual growth rate in %



### External finance

EUR bn



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

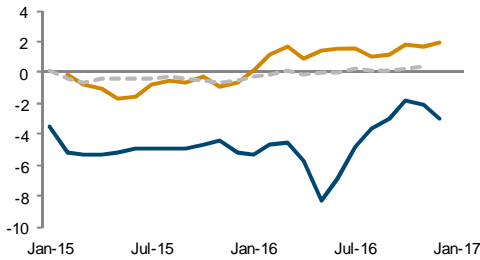
<http://data.wiiw.ac.at/monthly-database.html>

# Russia

## Real sector development

annual growth rate in %

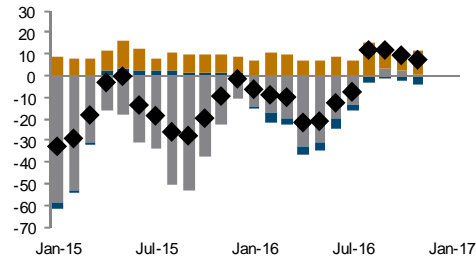
- Industry, 3-month moving average
- Construction, 3-month moving average
- - - Employed persons (LFS)



## Unit labour costs in industry

annual growth rate in %

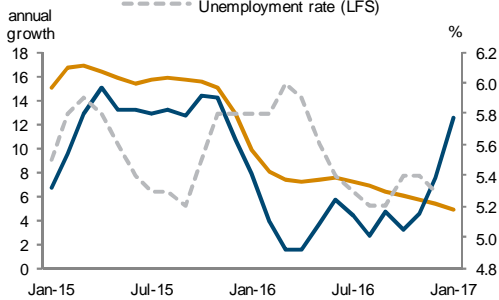
- Wages nominal, manuf., gross
- Exchange rate
- ◆ Productivity\*
- ◆ Unit labour costs



## Inflation and unemployment

in %

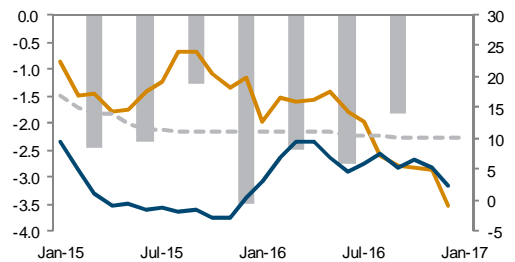
- Left scale:**
- Consumer prices
- Producer prices in industry
- Right scale:**
- - - Unemployment rate (LFS)



## Fiscal and monetary policy

in %

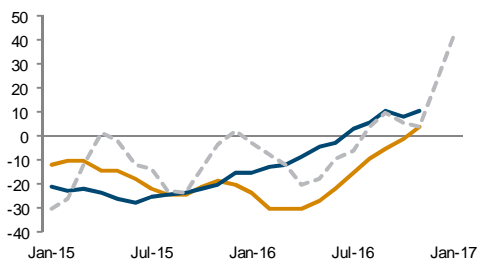
- Left scale:**
- General gov. budget balance, cumulated, in % of GDP
- Right scale:**
- M2, annual growth rate
- - - Central bank policy rate (p.a.)
- Central bank policy rate (p.a.), real, defl. with annual PPI



## External sector development

annual growth rate in %

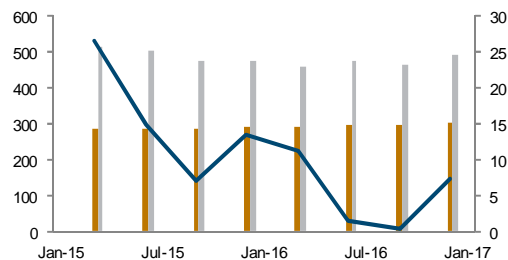
- Exports total, 3-month moving average (EUR based)
- Imports total, 3-month moving average (EUR based)
- - - Real exchange rate EUR/RUB, PPI deflated



## External finance

EUR bn

- Left scale:**
- Gross reserves of NB excl. gold
- Gross external debt
- Right scale:**
- Current account



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

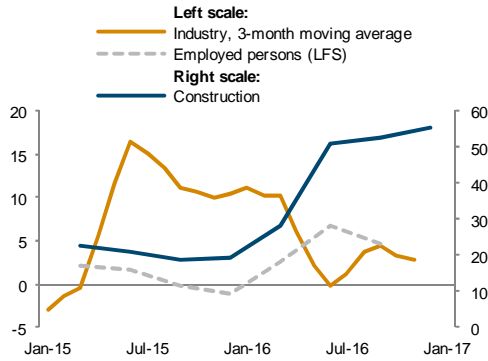
Baseline data, country-specific definitions and methodological breaks in time series are available under:

<http://data.wiiw.ac.at/monthly-database.html>

# Serbia

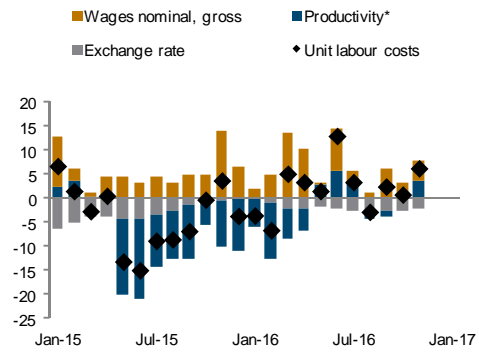
## Real sector development

annual growth rate in %



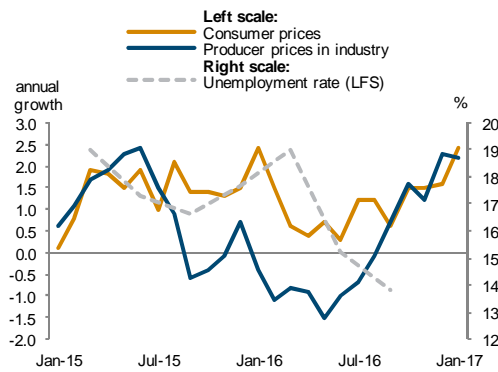
## Unit labour costs in industry

annual growth rate in %



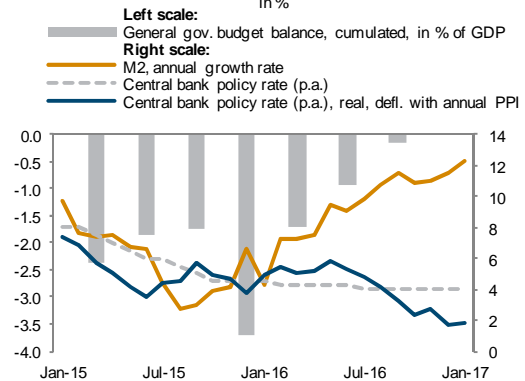
## Inflation and unemployment

in %



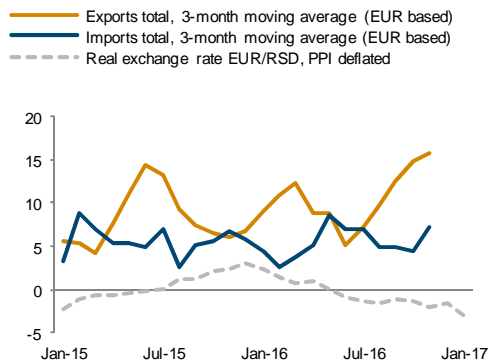
## Fiscal and monetary policy

in %



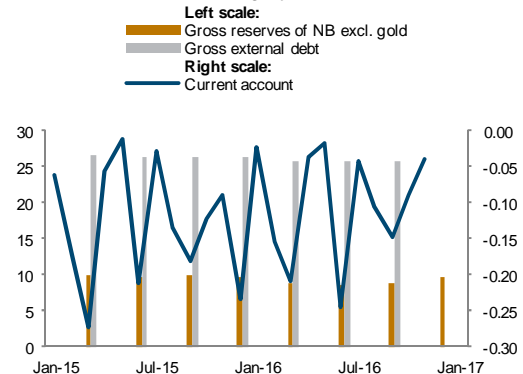
## External sector development

annual growth rate in %



## External finance

EUR bn



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

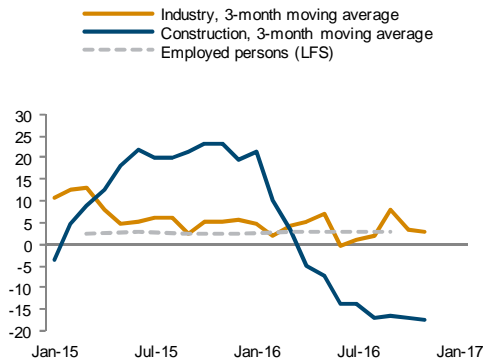
Baseline data, country-specific definitions and methodological breaks in time series are available under:

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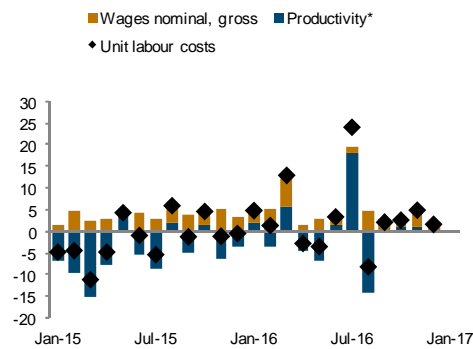


# Slovakia

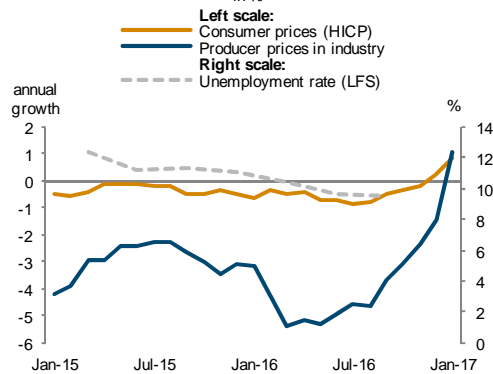
**Real sector development**  
annual growth rate in %



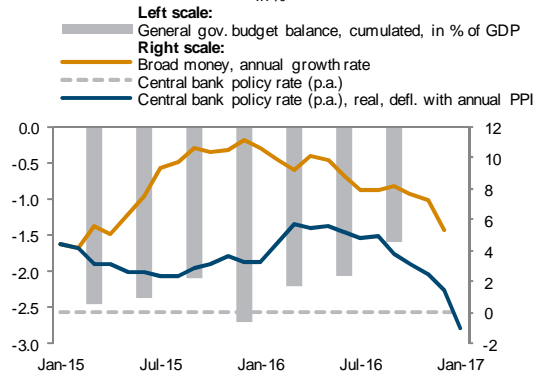
**Unit labour costs in industry**  
annual growth rate in %



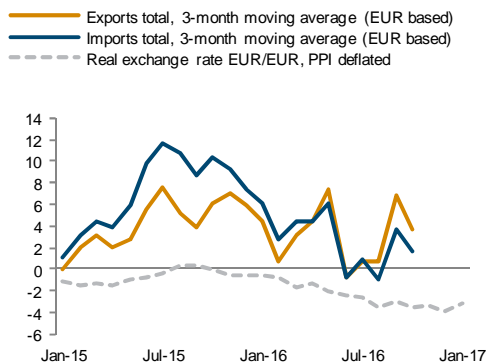
**Inflation and unemployment**  
in %



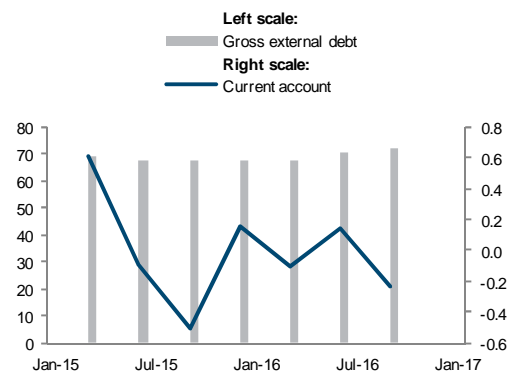
**Fiscal and monetary policy**  
in %



**External sector development**  
annual growth rate in %



**External finance**  
EUR bn



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

<http://data.wiiw.ac.at/monthly-database.html>

# Slovenia

## Real sector development

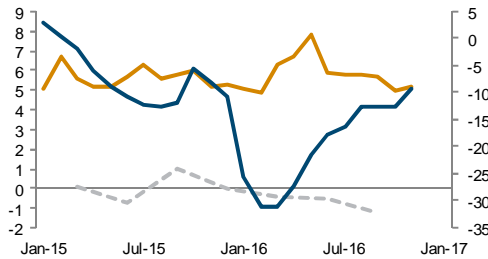
annual growth rate in %

Left scale:

- Industry, 3-month moving average
- - - Employed persons (LFS)

Right scale:

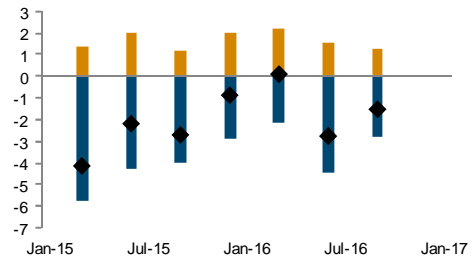
- Construction, 3-month moving average



## Unit labour costs in industry

annual growth rate in %

- Wages nominal, gross
- Productivity\*
- ◆ Unit labour costs



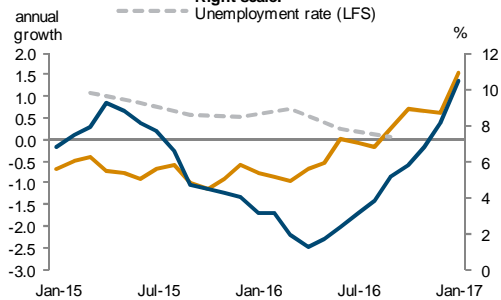
## Inflation and unemployment

in %

- Consumer prices (HICP)
- Producer prices in industry

Right scale:

- - - Unemployment rate (LFS)



## Fiscal and monetary policy

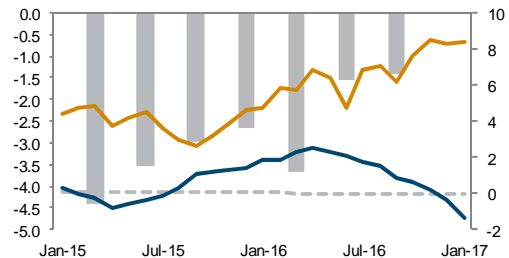
in %

Left scale:

- General gov. budget balance, cumulated, in % of GDP

Right scale:

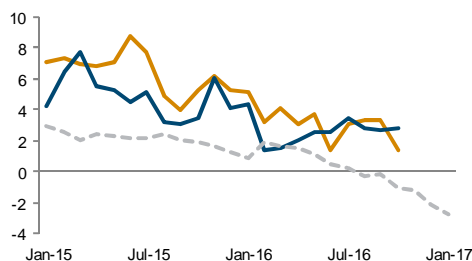
- Broad money, annual growth rate
- - - Central bank policy rate (p.a.)
- Central bank policy rate (p.a.), real, defl. with annual PPI



## External sector development

annual growth rate in %

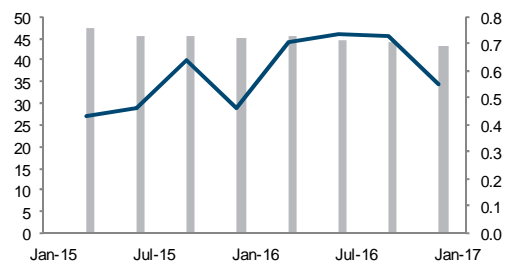
- Exports total, 3-month moving average (EUR based)
- Imports total, 3-month moving average (EUR based)
- - - Real exchange rate EUR/EUR, PPI deflated



## External finance

EUR bn

- Left scale:
- Gross external debt
- Right scale:
- Current account



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

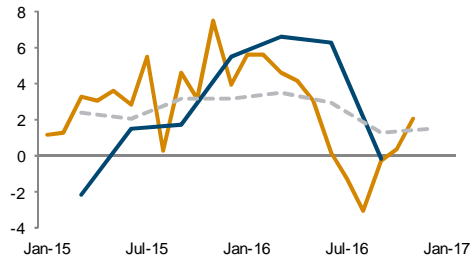
<http://data.wiiw.ac.at/monthly-database.html>

# Turkey

## Real sector development

annual growth rate in %

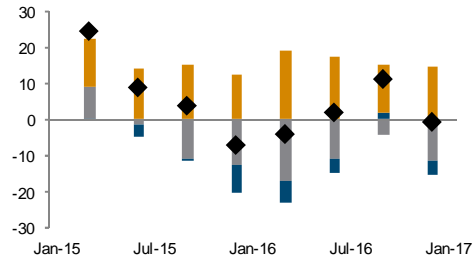
- Industry, 3-month moving average
- Construction
- - - Employed persons (LFS)



## Unit labour costs in industry

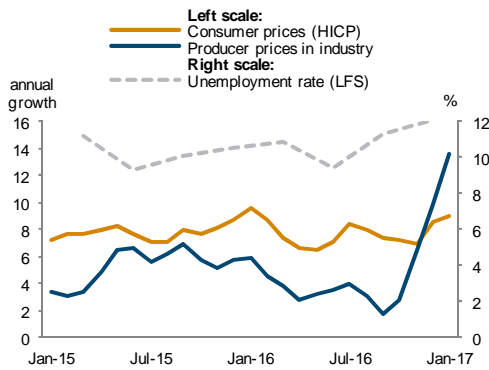
annual growth rate in %

- Wages nominal, gross
- Exchange rate
- Productivity\*
- ◆ Unit labour costs



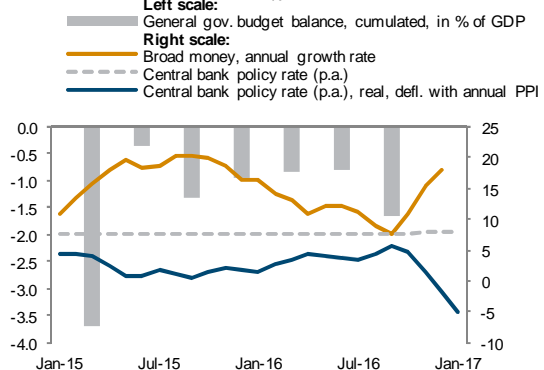
## Inflation and unemployment

in %



## Fiscal and monetary policy

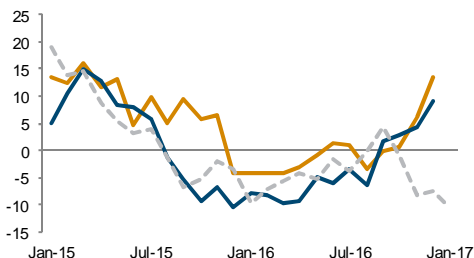
in %



## External sector development

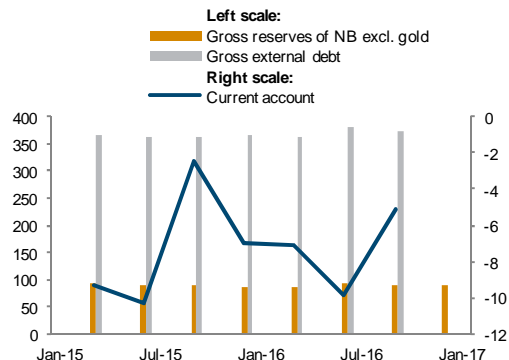
annual growth rate in %

- Exports total, 3-month moving average (EUR based)
- Imports total, 3-month moving average (EUR based)
- - - Real exchange rate EUR/TRY, PPI deflated



## External finance

EUR bn



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

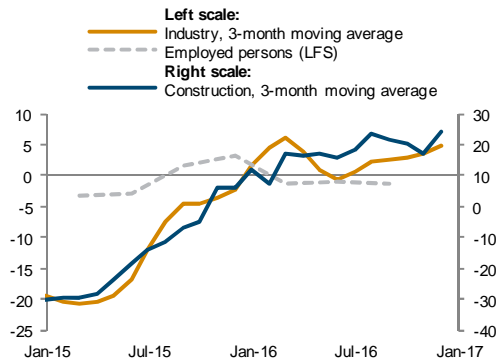
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# Ukraine

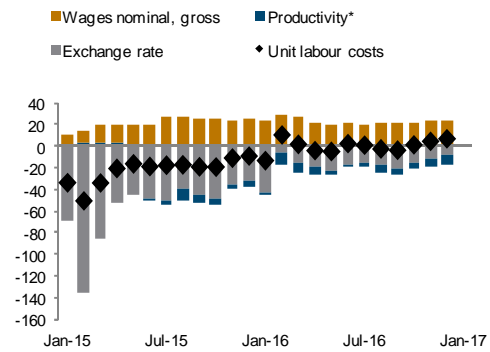
## Real sector development

annual growth rate in %



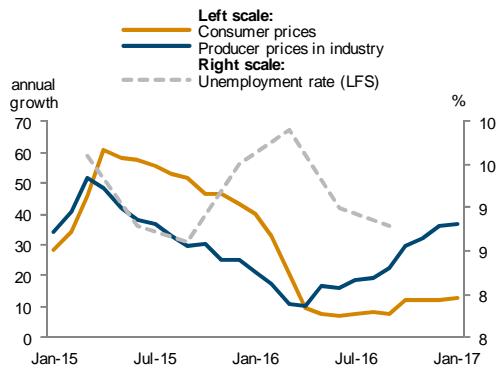
## Unit labour costs in industry

annual growth rate in %



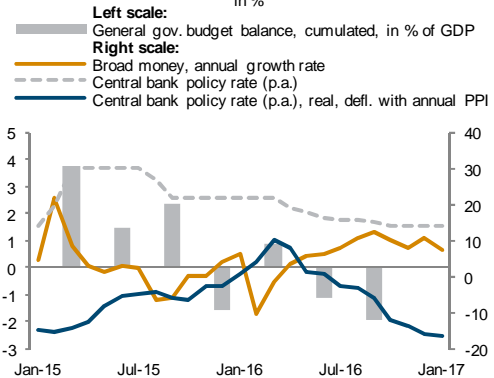
## Inflation and unemployment

in %



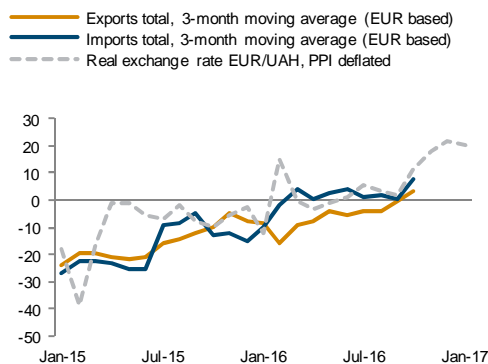
## Fiscal and monetary policy

in %



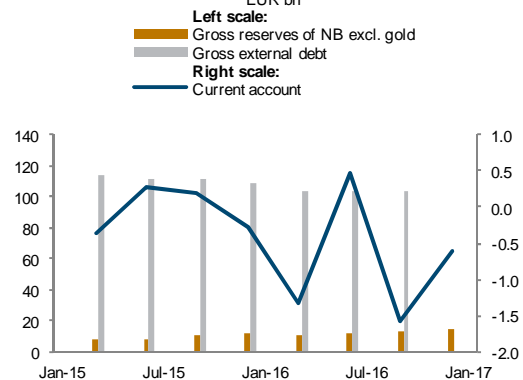
## External sector development

annual growth rate in %



## External finance

EUR bn



\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

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