



Dear readers,

The lessons of the Greek Crisis are becoming clearer by the day, and they are not only relevant to Europe. For KEN these lessons offer an opportunity to check the key items of our philosophy. Let us summarise them:



- **Effective, inclusive democracy**, rule of law, transparency, with accessible and responsible **government lead by vision**, and responsible, participatory **proactive citizenship** - creating pressure for change;
- **Social market economy**, effectively supporting **entrepreneurship and innovations**, fair distribution of rewards and reasonable support for the weaker members of community;
- **“Common sense” subsidiarity and stronger role of regions** at national, the EU, and international levels;
- **Corporate social responsibility and business ethics**;
- Respect for **values of knowledge society** (particularly creativity and entrepreneurship) and appreciation of excellence;
- **Full gender equality and balance**, allowing society and corporate world to benefit from gender-specific human qualities.

It is not difficult to admit that for a long time practically none of these principles have been respected in Greece. But, my aim is not to repeat the criticism on behalf of the country and its people and politicians, who undoubtedly behaved irresponsibly, and there can hardly be a question about the domestic side of the tragic story. There is no alternative to bitter pill which will have to be taken, and the longer people respond by rejecting the proposed measures and continue living in denial, and blaming only the politicians, the bigger will be the pill.

My intention is to look at the responsibility of the European institutions which allowed the situation to grow into such draconian proportions.

The former competition commissioner and respected president of Bocconi university in Milano, Professor Mario Monti wrote in Financial Times that »the real problem is excessive deference«. Indeed, EU is facing its biggest financial challenge due to »unhealthy politeness« among member states, and »excessive deference« to large member states (in this case primarily Germany and France). Instead of normal »naming and shaming« the countries which underperform in implementing commonly agreed policies, the Commission gave in under pressure of the big member states (who were themselves not sanctioned when being in breach of





the cohesion criteria of the Euro Stability Pact). The original sin was committed already when Belgian, Italian and Greek macroeconomic figures were manipulated in order to allow these countries to enter the Euro zone.

In case of recent exposure to Greek debt the French and German banks have over 17 billion Euro, while the Greek banks almost 56 Billion. The Belgian, Dutch, British, Portuguese, and Italian banks together have about 112 billion Euro at stake. The UBS estimates that with possible Greek bankruptcy only about 30-40% of these amounts would be paid back, while the rest would be lost. Besides defending the Euro, these huge liabilities push EU to make the extraordinary efforts to »rescue Greece«. Most of Euro zone countries feel hostile of the greed of those banks who obviously knew that the high interest rates in Greece were unrealistic, but counted on Eurozone countries to help them get their money back. Obviously, irrespective of what is done in terms of rescue packages to Greece, everybody is going to be disappointed at the end.

Bevis Longstreth, who helped New York City out of its worst financial crisis in 1981-1984, claims that Greece is not having a liquidity crisis, but a condition of bankruptcy. Further, he doubts that any Greek government will be able to convince their

citizens to accept the bitter pill. A turnaround is needed, and only a temporary receivership (composed of highly recognized experts) could manage to accomplish this difficult task. The sooner EU and Greece realize this, the better.

The Monetary union has been structured without normal mechanisms to impose financial discipline. This was only partly due to naive attitude, but more importantly since many national politicians still resist a real »union«. Now, after the series of expensive lessons, the central bankers (the Dutch Mr. Wellink stating it last week) are realizing that Eurozone has to develop »an institutional setup that has characteristics of a political union«. The head of European Central Bank, Jean-Claude Trichet, also recently supported the idea of a European Finance Ministry, which would have the necessary power to prevent financial excesses and challenges to the Common Currency.

Obviously, Europe needs a shock therapy to be able to move towards closer integration. As if the weakening of its global competitive position would not be sufficient?

Boris Cizelj

KEN Chair



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Knowledge Economy Developments

News Summaries

Innovation Union Competitiveness Report analyses the strengths and weaknesses of national research and innovation systems in EU

The EU's innovation performance needs major improvements in many areas, concludes the European Commission's 2011 Innovation Union Competitiveness Report. Europe needs more and smarter investment in both public and private research and development – not only does this boost growth in the medium-term, it also has a counter-cyclical effect in times of crisis, EU Commission says. More research cooperation within the EU and internationally is needed, along with better use of research results, including through a stronger intellectual property regime. Education systems need to be adapted to business innovation needs. Innovative and fast-growing SME's need more encouragement. A concerted effort is necessary to build on Europe's promising record in innovation tackling global challenges such as climate change. The gender gap in science and research must be closed. The Report analyses the strengths and weaknesses of national research and innovation systems and provides facts on which to base national policy choices. It includes a factsheet detailing each country's research and innovation performance.

More:

[Web page Innovation Union Competitiveness Report 2011](#)

and

[Innovation Union Web page](#)

Fifth annual EurekaFest celebrates invention

From June 16 to 18, inventors of all stripes were converging on the MIT campus for the fifth annual EurekaFest. The event is geared toward inspiring young innovators, celebrating the thrill and spirit of invention by highlighting intrepid inventors at the high school, college and professional levels. Since its founding in 1994, the Lemelson-MIT Program has set up a number of awards to encourage and support innovation. The \$500,000 Lemelson-MIT Prize, the highest award bestowed by the program, is presented each year to a mid-career professional who has patented technology with »significant value to society.« This year's prize went to John Rogers, professor of materials science and engineering at the University of Illinois at Urbana-Champaign.

More:

[Eurekafest](#)

and

[The Lemelson-MIT Program](#)

New website on qualifications

The European Commission has launched a website that will give experts a better insight into how qualifications in different countries compare with each other, the Commission says. The European Qualifications Framework (EQF) portal is part of an EU initiative to make national qualifications more transparent across Europe, promoting workers' and learners' mobility between countries and encouraging lifelong learning. The scheme is currently being rolled out across Europe as countries relate their national qualifications systems to the eight-level European framework. Currently in English, the portal will gradually be made available in 27 lan-



guages by next year. A search function that will provide access to national databases with information on qualifications is also planned, the Commission promises.

More:

[The website](#)

Plans for new education benchmarks on employability and mobility

The European Commission has unveiled plans for new European targets on the employability and the mobility of students to stimulate and guide education reforms in Europe. A new benchmark on the mobility of students would measure the share of young people with learning experiences abroad. A new benchmark on education and training for employability would monitor the success rate of young people with different education levels in the labour market in the years after graduation. Proposed new benchmarks still need to be formally adopted by the Council.

More:

[The Commission proposal](#)

Tech23 2011

Tech23 2011 is the competition for young, innovative and fast-growing Australian companies. It offers 23 of the best innovative companies a five-minute timeslot to show off their business model to an audience of 400+ potential investors, mentors, entrepreneurs and customers. There is also a panel component to allow them to interact with industry leaders. Tech23 companies will also have the opportunity to network with investors, mentors, customers and advisors throughout the day.

The event will take place 23 August in Sydney.

More:

[Tech23 web page](#)

The CIX Top 20 is now open

The CIX Top 20 is a program designed to showcase Canada's hottest innovative companies working in Digital Media and Technology. An expert panel of innovation leaders will select 20 established technology companies from across Canada to be featured in a live showcase at CIX 2011, taking place December 1st in Toronto.

More:

[The CIX Top 20 web page](#)

First «Swiss Methods Festival»

The first «Swiss Methods Festival» dedicated to qualitative research methods and mixed methods designs will take place at the University of Basel from 16 to 17 September 2011. Various forms such as keynotes, methods- and research workshops, and a round table discussion provide participants with the opportunity to gain a concise overview of a variety of state-of-the-art research methods.

More:

[Festival Web page](#)

Public Consultation on the Code of Corporate Governance in Singapore

The Corporate Governance Council ("Council") has released a consultation paper on proposed revisions to the Code of Corporate Governance ("Code") which applies to Singapore listed compa-



nies on a 'comply or explain' basis. The key proposals are made in the areas of director independence, board composition, director training, multiple directorship, alternate directors, remuneration practices and disclosures, risk management, as well as shareholder rights and role. The Council invites interested parties to submit their views and comments on the proposals made in the paper and the draft amendments to the revised Code by 31 July 2011.

More:

[Information about the consultation](#)

and

[The consultation paper](#)

Study of Shareholder Democracy in Canada

The Canadian Coalition for Good Governance (CCGG) has, since its inception in 2003, encouraged boards of Canadian public companies to voluntarily adopt a number of corporate governance best practices. Now CCGG has conducted the first study on the adoption rates of a number of important governance best practices. The Study finds significant progress has been made on the adoption of shareholder democracy governance best practices in Canada since 2003.

More:

[The Study](#)

Board effectiveness Corporate Australia: Bridging the gender divide

The introduction of the new ASX gender diversity reporting requirements has caught the attention of directors in Australia. Elizabeth Broderick, Sex Discrimination Commissioner and Commissioner re-

sponsible for Age Discrimination, pointed out that in the list ranking countries by women's participation at senior levels in the workforce, Australia had dropped ten places from its position last year, falling behind all OECD countries except Japan. These statistics rest uncomfortably next to the fact that Australia leads the world in women's educational attainment and that the majority of Australia's university graduates are women. Pointing to the global movement for greater corporate gender diversity, a 'failure to change this picture of leadership will put Australia at a significant disadvantage on the international stage.'

More:

[The Report](#)

Women on Board: The Norwegian Experience

Norway was the first country to introduce a quota for women on company boards. Since its introduction in 2003, the number of »women on board« has reached 40 per cent as required by law. In several European countries, Germany being one of them, a debate has begun on how to increase the number of women in leading positions in business. The question of whether or not quota legislation is needed to reach this goal is highly contested. The Norwegian experience reveals that a quota is the key to a successful implementation. Not only does it create the pressure needed for fundamental change but it also triggers a public debate at the core of which are questions of gender equality in wider society.

More:

[The Report](#)

Fundraising from philanthropy in European universities

Fundraising from philanthropy in European universities is the first report to provide data gathered



from universities across the European Union regarding the efforts made, and successes achieved, in fundraising from philanthropy for research. An additional output of the research is a new database of contacts responsible for fundraising in almost 500 European universities.

More:

[The Report](#)

Consultation on the future of EU research and innovation closes: over 2000 responses received

The consultation on the Commission's February 2011 Green Paper on the future of European research and innovation funding closed on Friday 20 May with over 2000 responses. Initial collation indicates that over 1300 online questionnaires were completed and more than 700 position papers were received. There were nearly 90000 visits to the consultation website, from over 38 000 unique visitors from 152 countries, EU Commission says.

More:

[Written Responses](#)

EU Commission sets out »blueprint« for Intellectual Property Rights to boost creativity and innovation

In the last few years, technological change and, in particular, the growing importance of online activities, have completely changed the world in which Intellectual property rights (IPR) operate. The existing mix of European and national rules are no longer adapted and need to be modernised, EU Commission says. That is why the Commission has adopted a comprehensive strategy to revamp the legal framework in which IPR operate. The objective is to enable inventors, creators, users and consumers to adapt to the new circumstances and to enhance new business opportunities. The Commission hopes, new rules will strike the right balance

between promoting creation and innovation, in part by ensuring reward and investment for creators and, on the other hand, promoting the widest possible access to goods and services protected by IPR. The strategy deals with many issues to ensure IPR are covered comprehensively - from the patent a business needs to protect an invention to tackling the misuse of such inventions. Among the first deliverables of new IPR overall strategy are proposals for an easier licensing system for so-called »orphan works« that will allow many cultural works to be accessible online, and for a new regulation to reinforce customs actions in fighting trade of IPR infringing goods, EU Commission says.

More:

[Communication from EU Commission](#)

and

[Booklet about new strategy](#)

and

[Web page Protection of Rights](#)

Innovation for Resource Efficiency

The EU Commission published an on line publication Innovation for Resource Efficiency to give a few examples, how to reduce the dependency of European car manufacturing on rare earth materials, how to help consumers to make better and informed energy use choices and how an improved approach to refurbishment can combine conserving historic buildings with climate change protection. European Commission, together with the UN Environment Programme, also launched two reports that call for a change in the way we use scarce resources. The first report shows the immense potential for increasing metal recycling rates. The second report underlines the need for a decoupling natural resource use and environmental impacts from economic growth to avoid a global resource crunch



by 2050, and provides science-based scenarios on future resource consumption.

More:

[The publication Innovation for Resource Efficiency](#)

and

[Decoupling report](#)

and

[Report on increasing metal recycling rates](#)

Scoreboard showing the performance of the EU and Member States in delivering on the agreed target of the Digital Agenda

Overall progress over the first year of the Digital Agenda has been good, especially on the use of Internet (65% of EU population). But progress in some areas is disappointing, in particular roll-out of new super fast Broadband networks, which is one of the key Digital Agenda goals, even if there is some progress in upgrading existing cable and copper networks, a scoreboard showing the performance in delivering on the target of the Digital Agenda after the first year of its existence shows.

More:

[The Scoreboard](#)

The European Commission proposes a series of measures to develop more and faster standards

In the past, it took several years to develop a European standard so that some standards have lagged too far behind rapidly evolving technologies. Consequently, certain sectors have been reluctant to engage in standardisation or are unable to benefit from the positive effects of standards. This should be changed with the package of measures to de-

velop more and faster standards, EU Commission already presented. The legislative measures are contained in the proposal for a Regulation on standardisation, which updates and combines existing European legislation and is accompanied by an Impact Assessment. Non-legislative measures include actions to be taken by the Commission and a series of recommendations addressed to other actors in the European standardisation system.

More:

[Web page with the proposals](#)

5th European Enterprise Awards: Barcelona wins for Job Creation Initiative

Barcelona Activa's Entrepreneurship Centre is the winner of the 5th edition of the European Enterprise Awards. It has become a reference point for the city's entrepreneurs and acts as a hub for entrepreneurship. Using an innovative model of both online and on-site services, the centre has coached more than 134,000 individuals. Every year, it organises a large array of events ranging from short »knowledge pills« to »knowledge weeks« and summer camps for entrepreneurs attracting more than 222.000 participants. It has enabled the creation of 6,214 new companies and almost 12.000 jobs since its establishment in 2004. Hungary, Italy, the Netherlands, Sweden and Turkey also received prizes for driving enterprise with new and creative local solutions.

More:

[Web page European Enterprise Awards](#)

SME Participation in FP7

European Commission published a report, which analyses the situation of the FP7 Grant Agreements signed as of the 1st of April 2011. Focus-



ing on the SME participation in the Thematic Priorities, 1.779,7 M€, or 14,4% of the Cooperation budget, is going to SMEs. For the 6.544 SME participations in Thematic Research Projects so far, the average EU contribution is 272.000€. Over the full FP7 programme, including Research for the Benefit of SMEs and the Marie-Curie Actions, 10.127 of the participations are by SMEs, receiving an average EU contribution of 249.000€. The Cooperation Programme still has 19.893 M€ available to spend (61,7% of the total budget in the remaining years of the Framework Programme, until 2013). From this remaining budget, 15,4% should go to SMEs in order to reach the 15% target for the whole period. As a specific feature, this report provides a more detailed analysis of the SME support by some of the Joint Technology Initiatives (JTIs). Overall, 21% of the EU contribution to the JTIs goes to SMEs.

More:

[The Report](#)

Research on the road to green cars

The European Parliament had an opportunity to see progress made in the European Green Car Initiative (EGCI) on 31 May 2011. Many of the automotive firms involved in EGCI projects exhibited their latest vehicles. The EGCI was launched as part of the European Economic Recovery Plan in 2008 in response to the financial and economic crisis. Its objective is to support R&D in the use of renewable and non-polluting energy in road transport. The main focus is on the electrification of mobility and road transport, although research topics include internal combustion engines, bio-methane use, and freight logistics.

More:

[EGCI](#)

Europe's clean technology investment challenge

Development and deployment of clean-energy technologies is crucial if climate targets are to be met cost-effectively. The European Union already has a plan that deals with these issues: the Strategic Energy Technology Plan, which has become central to the achievement of the EU's ambitions. If governments want to leverage the necessary private innovation for clean-energy technologies, they will have to provide well-designed, time-consistent policies, reducing commercial and financial risk through a combination of consistent carbon pricing, regulations and public funding. With current heavily constrained public budgets, it is all the more important that this public funding is allocated as cost effectively as possible. This implies that public funding for clean-energy R&D will have to give a sizable and consistent push to early stage clean-energy technologies, with a clear exit strategy as soon as the private innovation forces have been sufficiently activated. But beyond efficiently targeting and timing public budgets, governments should first and foremost establish a sufficiently high and durably predictable carbon price. For the EU, this is perhaps the biggest threat to its SET-Plan: the lack of a sufficiently high carbon price. To this end, a greater effort should be devoted to harmonising EU member state carbon taxes. At the same time, the design of the ETS and the distribution of carbon allowances should take into account more explicitly its power to leverage innovation. The longer-term predictability of the system has been improved, leaving a more stable carbon price, but still at low levels. A move to a 30 percent emissions reduction target, which would involve a tighter emissions cap and fewer allowances being auctioned, would result in a higher carbon price and thus provide greater incentives for innovation, a Bruegel Think Tank analyses concludes.

More:

[The Analyse](#)



Rethinking industrial policy

Industrial policy has a bad name: ‘picking winners’ and thus distorting competition, while exposing government to capture by vested interests. But there are reasons for a rethink. First, climate change: without government intervention to jump-start massive private investment in clean technologies, governments, by default, encourage investment in dirtier technologies. Second, a new post-crisis realism: laissez-faire complacency by many governments has led to mis-investment in the non-tradable sector at the expense of growth-rich tradables. Third, China – and some other emerging economies – are big deployers of growth-enhancing sectoral policies. The challenge for Europe is how it can design and govern sectoral policies that are competition-friendly and thus growth-enhancing.

India to inject innovation into small enterprises

A partnership between India’s National Innovation Council (NIC) and the Council of Scientific and Industrial Research (CSIR) is expected to boost innovation among micro, small and medium enterprises (MSMEs) in India.

More:

[Information of Indian government](#)

South–South research collaborations set to expand

Directors of research centres from across the developing world have agreed to expand a major

South-South collaboration initiative, and approved a five-year strategic plan that aims to promote joint projects, capacity building and international collaboration.

More:

[South-South cooperation](#)

After Fukushima: EU Stress tests started on 1 June

From 1 June 2011 onwards, all 143 nuclear power plants in the EU are re-assessed using EU wide criteria. These are comprehensive tests which embrace both natural and man made hazards (i.e. effects of airplane crashes and terrorist attacks). The European Commission and the European Nuclear Safety Regulators’ Group (ENSREG), which represents the 27 independent national authorities responsible for nuclear safety, have agreed on the scope and the modalities for a comprehensive risk and safety assessment of EU nuclear power plants. The stress tests are re-assessments of the safety margins of the EU nuclear power plants. All security-related aspects such as measures preventing terroristic attacks will be dealt separately, following discussions with Member States recognising among others the need for confidentiality.

More:

[EU Stress tests specifications](#)

and

[Web page Stress tests](#)



Recently published documents

To access any of the following publications, simply click on the title or cover page of the publication. Additional June 2011 publications can be found on [the KEN website](#).

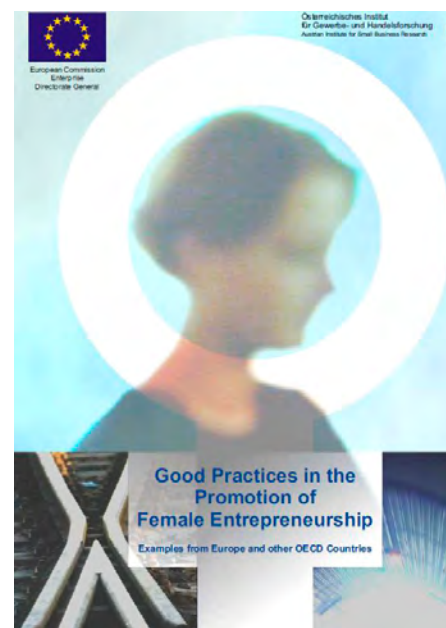
The Performance and Prospects of European Venture Capital



Giving in evidence Fundraising from philanthropy in European universities



Good Practices in the Promotion of Female Entrepreneurship



Innovation Union Competitiveness Report 2011



Green Paper on a Common Strategic Framework for EU Research and Innovation Funding



European Economic Forecast

European Commission
Directorate-General for Economic and Financial Affairs

COMMISSION STAFF WORKING DOCUMENT
European Economic Forecast
Spring 2011



The EU budget needs fundamental reform: An open letter



The EU budget needs fundamental reform: An open letter to the European Council, the Council, the European Parliament and the European Commission

From the CEPS Task Force on Aligning the EU Budget with the Europe 2020 Competitiveness and Growth Objectives

8 June 2011

In June 2011, the European Commission is expected to present its proposal for the Multiannual Financial Framework starting in 2014. The discussions to be held in the European Council and the member states have not shown evidence of a clear consensus...

The public budget of the EU member states are under strain and in need of structural reform and modernisation of their tax systems to face the different economic, environmental, societal and political challenges ahead. This reform is especially crucial for the EU budget, whose present impact goes well beyond its size...

* For more information on the Europe 2020 agenda, see http://ec.europa.eu/europe2020/index_en.htm

This open letter presents the key reflections of the Chairmen, members and rapporteurs of the CEPS Task Force on 'Aligning the EU Budget to the Europe 2020 Competitiveness and Growth Objectives' at its inaugural meeting on 17 May 2011. The Task Force is composed of senior representatives of European and Belgian academia, research institutes, business associations and other institutions...

Commodity Price Formation in Boom-and-Bust Cycles



Commodity Price Formation in Boom-and-Bust Cycles

Diego Vallante

Highly volatile trends and rising inflation expectations have led to the recent increase in the prices of food and some raw materials...

Trading practices: On trading practices, there are generally two conflicting views about the stage in which commodity prices and volatility are the highest...

On the other hand, observers in European 2011 argue that commodity prices as a boom-and-bust cycle, driven by the rapid growth of emerging countries and the lack of supply and demand (see demand) demand the same supply and demand (see demand) demand the same supply and demand...

Despite the heterogeneity of commodities, several common factors explain low price and volatility are found: 1. Trading practices (order placed and price formation) 2. Financial markets stress 3. Market stress and uncertainty 4. Competition and market structure 5. Sustainability of current supply and demand

A torrent of mortgage defaults: A possible effect of the eurozone debt crisis



A torrent of mortgage defaults: A possible effect of the eurozone debt crisis

Angelo Fiamma*

ECRI Commentary No. 5 (May 2011)

The credit markets in Europe have witnessed fast-paced development, with the credit extended to households increasing considerably during the last decade. A legitimate question is whether the amount of mortgage credit outstanding has reached its limit for certain countries...

This commentary takes a closer look at the mortgage credit developments of households in the eurozone peripheral countries of Portugal, Ireland, Greece, Italy and Spain, nations that have been in the spotlight throughout the European sovereign debt crisis...

1. The size of the mortgage market in Europe: The mortgage credit market in the euro zone forms an important financial segment that has grown at an average rate of 3% per annum. The consolidated credit market for households in the EU-27 countries amounted to a total of €7,664 bn in 2009, of which €1,661 bn (or 21%) is mortgage loans...

* Source: A. Fiamma, *Lending to Households in Europe (1995-2010)*, ECB Statistical Package 2011, CEPS, Brussels, forthcoming. Household credit is referred to as 'ECRI Statistical Package 2011'. For further information, visit the website: www.ecri.be/cepr/assessing/assessing.htm

External versus Domestic Debt in the Euro Crisis



External versus Domestic Debt in the Euro Crisis

Daniel Gros

No. 213, 25 May 2011

As EU leaders muddle through the sovereign crisis, the debate about its root causes continues. The debate is important if we are to understand how to prevent future crises. This Policy Brief argues that the focus on total public debt is misleading, for it is crucial that this is the key in the financial and European economies.

Does external debt matter in a monetary union? The case of Portugal illustrates the importance of foreign debt. The risk premium on Portuguese public debt rose continuously until the country was forced to turn to the European Financial Stability Facility (EFSF) for emergency financing...

A similarly strong relationship between risk premia and various indicators of foreign debt has been found in a number of other studies. The IMF (2010) finds, for example, that both the current account and cross-border bank liabilities are an important and predictors of CDS spreads as the fiscal deficit. Similarly, Barro et al. (2009) find an important role for the current account in determining risk premia.

* Daniel Gros is the Director of the Centre for European Policy Studies (CEPS) in Brussels. This Policy Brief is available for free downloading from the CEPS website <http://www.ceps.eu>

Home, sweet home? International banking after the crisis



Home, sweet home? International banking after the crisis

June 9, 2011

Bank's cross-border business - directly via branches or subsidiaries - took a hit from the financial crisis. The level of activity fell particularly strongly in capital-intensive business areas such as traditional lending to the private sector...

The largest European banks have seen their foreign businesses rebound strongly since 2009 and are well positioned to benefit from the recovery. The top 20 institutions were already more international than their smaller peers going into the crisis...

The outlook for international banking post-crisis is positive, in principle, but could be dampened if regulations were to strip integrated financial markets across borders of many advantages for banks and their customers alike...



Consumer protection in financial services



Consumer protection in financial services

May 24, 2011

Education and informed consumers are an important factor in innovative, fast-paced and sustained economic development. It is therefore in the interests of all concerned to keep the discrepancy between the idealized image of the rational consumer and the reality consumer as small as possible.

Consumer protection comes at a cost - for the consumer as well. Finding the right mix of measures and their dosage is paramount.

The impacts on all players must be considered. Systemic cost benefit analysis encompasses all players and dimensions are important to prevent measures having unintended side-effects and to make consumer protection efficient and on target.

Better consumer protection policy can be achieved with the aid of risk-measures of the level of consumer protection and by framing and measuring specific targets. This would create a basis for monitoring target achievement by regulation in this area.

European and national consumer protection policies need to be clearly coordinated. The co-existence of different requirements works to the detriment of consumers and sales/providers and diminishes the benefits of the internal market.



* Daniel Gros is the Director of the Centre for European Policy Studies (CEPS) in Brussels. This Policy Brief is available for free downloading from the CEPS website <http://www.ceps.eu>



Global and Regional Spillovers to GCC Equity Markets

WP/11/138



IMF Working Paper

Global and Regional Spillovers to GCC Equity Markets

Tahsin Saadi Sedik and Oral H. Williams

The Impact of Structural Reforms on Current Account Imbalances

Please cite this paper as:

OECD 2011, "The Impact of Structural Reforms on Current Account Imbalances", OECD Economics Department Policy Notes, No. 3.

ECONOMICS DEPARTMENT POLICY NOTE No. 3



THE IMPACT OF STRUCTURAL REFORMS ON CURRENT ACCOUNT IMBALANCES



Getting the most out of international capital flows

Please cite this paper as:

OECD 2011, "Getting the most out of international capital flows", OECD Economics Department Policy Notes, No. 4.

ECONOMICS DEPARTMENT POLICY NOTE No. 4

GETTING THE MOST OUT OF INTERNATIONAL CAPITAL FLOWS



Organisation for Economic Co-operation and Development

Promoting health - should the EU have a role?



POLICY BRIEF

June 2011

Promoting health - should the EU have a role?

Annika Ahtinen and Benedetta Guerzoni

BACKGROUND

Why does not wish to be healthy? According to numerous quality of life surveys, Europeans value health as a key component of well-being. As healthy workers, are an ability to be economically productive and innovative than co-workers in ill health, if we remain healthy as we age, we can continue to enjoy our lives in the future, contribute to society and save both our and public sector's money on health and social services.

This is what we, the fit and active team work, like it is easier said than done. For example, managing the demand for healthcare is becoming increasingly difficult. Demographic changes, rise in chronic disease and higher consumer expectations are some of the factors driving up health care demand and spending. At the same time, EU Member States face budget constraints which affect public services. These pressures can only be met by adopting European health systems and the way we view health.

At the heart of the challenge is implementation. Health promotion and disease prevention provide a good example of the possibilities and challenges that emerge with creating a healthier European society.

Why the emphasis on health promotion?

Lifestyle, environment, healthcare and working conditions all influence people's health. Health promotion is about improving these factors to support health. Disease prevention, on the other hand, focuses on assisting development of disease by screening, diagnosing and treating disease before they become harmful and costly.

Preventable health problems, leading to early retirement, sick leave and poor educational or work achievement, are costly for Europe. Chronic diseases such as heart disease, cancer, respiratory disease and diabetes cause

20% of deaths and 77% of the disease burden in Europe. Many of these diseases could be prevented by maintaining balanced vitamins, mineral and hormone levels, and by taking unhealthy lifestyle such as smoking, bad diet, harmful use of alcohol and physical inactivity. In addition, measures such as tackling social isolation can help to prevent mental health problems.

This is well acknowledged, as a recent qualitative Eurobarometer survey most respondents wanted to (than) health spending especially research prevention and health promotion. Measures such as education, food regulation and screening programmes were perceived to be more cost-effective than treatment of disease.

Reasons for weak action

However, changing our systems and attitudes with regard to health promotion is extremely difficult in practice. Six reasons help to explain why.

Member States resources are geared towards treating disease rather than promoting health. This is reflected in the fact that, in many European languages, health is related to a sickhouse. Doctors and nurses are trained as medical therapists, and financial mechanisms such as reimbursement for disease prevention and health promotion are not developed. According to the Organisation for Economic Co-operation and Development (OECD), only 2% of Member States health care spending goes to prevention, such as vaccination programme and public health campaigns on alcohol abuse and smoking.

Low investment in health promotion has so far only been explained by limited evidence on effectiveness. But in fact, it is proven that even small changes in the smoking or exercise, can in a short time substantially reduce illnesses. There is also evidence that some of the

Forestry in the EU and the world: A statistical portrait



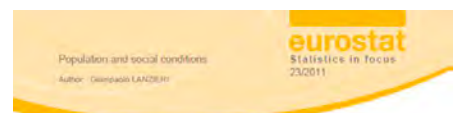
Forestry in the EU and the world: A statistical portrait



2011 edition



The graying of the baby boomers: A century-long view of ageing in European populations



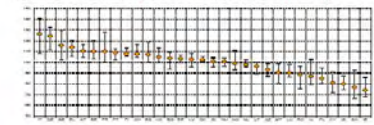
The graying of the baby boomers: A century-long view of ageing in European populations

Population ageing is undoubtedly going to be a key demographic challenge in many European countries over the next fifty years. In simple terms, for socio-economic reasons, such as public pension, health care or long-term care, may be considerable. The latest Eurostat projections (Eurostat 2010) show that, over the next 50 years, population ageing is likely to attain unprecedented levels in 11 European countries, though the magnitude, speed and timing are likely to vary. In fact, population ageing has been a reality for decades now. In some countries it may already have passed a 'take-off' phase. In others, the process may speed up noticeably over the coming decades.

In the second half of the 20th century, the progressive decline in low levels of fertility and lower mortality rates among the elderly resulted in population ageing in Europe. Pushed or pulled by migration flows linked to economic or security concerns, ageing processes. In particular, in the post-World War II period, fertility increased and subsequently declined in several countries: this demographic event, labelled as the 'baby

boom', has been a further driver in the population ageing process of the 21st century. Population ageing from 1940 (index as the representative year of the baby boom) to 2000 (the year by which most of the baby boomers will have died out), has been mirrored by four consistently rapid increases: the median age, the proportion of persons aged 65 and over, the old-age dependency ratio (OADR, see Methodology in Annex) and the old-age dependency ratio (OADR, see Methodology in Annex). This multi-stage increase, estimated from 1960 to 2010 with projected values from 2011 to 2060, is shown in the Annex Population Projections 2010-based (Eurostat 2010). Some later figures should not be considered as forecasts, but just as one of the possible future demographic developments. In 2010 in Sweden index as the period year from which we can look back at existing 'baby boomers' (Eurostat 2010). Figure 1 shows the range of values for the ageing indicators in 2010, which suggests that the ageing process is not the same everywhere. Countries with relatively high values on one indicator tend to have high values for the others, but the ranking of the country may vary.

Figure 1. Range and average of selected ageing indicators on 1 January 2010 (average each indicator = 100)



1) Median age, proportion of persons aged 65 and over, proportion of persons aged 65 and over and old-age dependency ratio.



Articles on Key Topics

New EU university rankings to challenge global league

Article published on [EURACTIV](#) on the 22nd of June.

The European Commission will push ahead later this year with proposals to rank all of Europe's universities galvanised by a report highlighting the shortcomings of existing global league tables.

In a European University Association report on '[Global university rankings and their impact](#)', published last week, 13 global ranking systems were scrutinised, including the high-profile Shanghai Academic and Times Higher Education lists.

Such rankings only cover around 3% of the world's universities (17,000) and the ratings reflect university research performance "far more accurately than teaching," because the indicators used to rank teaching are "all proxies, and their link to the quality of teaching is indirect at best," according to the report.

Existing systems biased towards English language

It also found that the global rankings favour universities from English-language nations because non-English language work is both published and cited less, giving non-English academics lower scores.

Speaking at the launch of the report, Jan Trzuczyński, director-general at the Commission's DG Education, said that the EU's U-Multirank scheme would be included in amendments to the Professional Qualifications Directive later this year, in an effort to bring it formally into effect.

The Commission's U-Multirank, developed over two years by a consortium of academics and funded by the Commission, is described as "a new, user-driven, multidimensional and multi-level ranking tool in higher education and research".

A final feasibility study last month concluded that

the system is ready to be implemented, depending on future funding and commercial support. Trzuczyński said that although the Commission was prepared to fund the first year of the full U-Multirank system once it is ready to be rolled out, from then on it would have to be funded from other sources, likely to be a combination of national governments and European educational foundations.

Data could be used to make league tables

U-Multirank aims not to produce a single league table, but to allow its users to choose which institutions to compare and which criteria to use to compare them. The idea is that the system compares like with like, takes into account the diverse range of university missions, and avoids the focus on a research-driven 'reputation race' created by the existing world rankings.

However, such data could be used by media outlets, and by universities themselves, as a tool for creating their own league tables.

The U-Multirank would meet criticisms levelled in a [2008 report](#) by the French Senate, which concluded that a lack of harmonised data on French universities had led to biased information on the country's higher education institutions and weakened the visibility of the research carried out in them.

The Senate proposed the development of a new European university ranking system to counter the powerful Shanghai world ranking, which is said to favour English-language institutions.

Jeremy Fleming

POSITIONS:

"We find this report excellent because the problem is that rankings systems are not transparent and a regular user will not know what is behind the numbers," said **Allan Päll**, vice-chair of the **European Students' Union**.



“In general more information is required by students than that offered by the global rankings, such as information relating to the quality of life the cost of rents and other such material of direct impact to students,” Päll concluded.

“I think we should all insist that there should be more transparency and if there are any unclear methods behind these rankings then they should be specified,” said **Jan Truszczyński**, director-general of **DG Education** at the **European Commission**.

On the subject of the Commission’s proposed Multirank system, Truszczyński said: “The funding for the Multirank will have to be found from a variety of sources, especially given the current squeeze on finances. At the end of September we will come through with a policy document. It will be one of the tools brought within the Qualifications Directive.”

“The global rankings cover only 500 of the world’s 16,000 universities and that is not a huge percent-

age. We would like to see those institutions which have not received coverage getting the chance to increase their profiles. We would also like to see each discipline given a due weighting: for example a university may have few research capabilities but be excellent for teaching.”

“In creating a new rating it is important to focus on what the rankings are intended to achieve,” according to **Sir Howard Newby**, vice-chancellor of the University of Liverpool.

He added: “A ranking which is aimed at students in order to give them sufficient information on which to base a decision of where they might like to study is different from a ranking intended to indicate the quality of a research department, for example.”

“There are big gaps, however, in the current global rankings, including the lack of information about the employability of students from institutions and the extent to which universities are successful at knowledge transfer,” Newby said.

IGSS – Interest Group on Shared Services – Kick Off Meeting in Dijon

Written by Thomas Friis Konst, KEN Vice Chair

Short introduction

Last month the kick-off meeting for the IGSS, Interest Group on Shared services, took place during a two days workshop in Dijon, France. The kick-off meeting was based on a joint initiative of EIPA, European Institute of Public Services, in Maastricht, the Netherlands and the GIP e-Bourgogne, Dijon, France. KEN was invited to take part of this launching session and represented by its Vice-Chair, Thomas Friis Konst. Below you will find a short outline of the initiative, the involved actors and their planned activities.

ISSG’s structure, objectives and planned activities

The Interest Group on Shared Services connects European stakeholders from all levels of government and the private sector; who are involved in developing strategies and exchanging know-how on shared services in public management. Shared services refer to the pooling of resources, not only in the area of information technology, but also the sharing of infrastructure and work practices. The initiative is led by EIPA in collaboration with the e-Bourgogne Group of Public Interest (GIP). GIP e-Bourgogne was the winner of the ESPA 2009 Award for Performance in Public Service Delivery.

The coordination of the IGSS is done by EIPA and GIP e-Bourgogne and was launched during a kick-off meeting in Dijon, France, late last month. Representatives from more than 10 countries joined and showed their commitment to collaborate. From the North of Europe the e-Delegation of the Swed-



ish Government in Stockholm was represented together with experts from the Ministry of Finance in Copenhagen. On the other hand, Southern Europe was represented by the city of Sant Sugat and Girona in Catalonia, as well as Piemonte from Italy. In addition, the City of Vienna, the City of Graz University of Koblenz, Fraunhofer Fokus and other academics from UK universities were all present. The Flamish regional government was also attending with other European Affairs representatives from Brussels. The kick-off meeting also gave good opportunities to networking by a well organized social program which also included a rich variety of traditional top regional specialties from Burgundy. The formal host of the kick-off meeting was Mrs. Martine Vandelle, President of the GIP e-bourgogne, elected politician from Nievre in Burgundy.



Besides these local, regional and national actors together with academic representatives the IGSS has now also obtained additional interest from the following countries; Bulgaria, Czech Republic, Ireland, Lithuania, Luxembourg, Switzerland, Turkey and the United Kingdom.

The IGSS welcomes all interested actors dealing with public management or government service delivery. The involvement in the Interest Group is based on an active participation in top issues and strategy defining as well as a commitment to support networking and knowledge transfer activities.

The main objectives of the IGSS are;

- Promote the potential of shared services as a tool for improving administrative performance and e-Government within public administration;

- Provide a European platform for the exchange of ideas and experience of collaborative work practices in the administration;
- Support public authorities in the implementation of strategies and action plans on shared services and in participation in pilot projects;
- Increase the visibility of good practices and innovative thinking in the field of public management at European level.

The areas of activities of the IGSS are;

- Cooperation with the private sector via Public Private Partnership;
- Motivation and awareness-raising of elected members on public management issues;
- Assessment of shared competence centers, business cases, good practices, cooperation between administrative levels;
- Shared services; shared components and applications, new technology developments; cloud computing, service-oriented architecture, open standards, etc.

EIPA

The European Institute of Public Administration is one of Europe's leading centre of excellence on European integration and the



new challenges for public management. EIPA was created in 1981 on the occasion of the European Council in Maastricht, the Netherlands, and is supported by the EU Member States and the European Commission. In fulfilling its core mission to provide relevant and high quality services to develop the capacities of public officials dealing with EU affairs; EIPA works along three lines; Learning & Development, Consultancy and Research.

With its headquarters in Maastricht, Antennae in Luxembourg and Barcelona as well as a presence in Brussels, EIPA is alert to developments across Eu-



rope and responsive to the needs and interests of public officials. EIPA helps European public officials to meet the challenges of Europe and the complexities of modern public management.

Read more about EIPA and their activities at www.eipa.eu.

GIP e-Bourgogne

GIP e-Bourgogne in a nutshell;

- State-region experimentation launched in 2004 in the territory of Burgundy. Transformation into a Group of Public Interest (GIP) in 2008. French legal status for joint public authority.



- Six founding members; the French State through regional representative (prefecture de region), the regional council, the sub-regional entities (departments); Cote d'Or, Nièvre, Saone-et-Loire and Yvonne.
- 1100 members, including 910 municipalities and group of municipalities.
- 190 other public bodies (secondary schools, high schools, hospitals, public housing entities, local public companies, rest homes etc.).
- A full range of public services in compliance with e-Administration, e-Tendering, digital signature, website, online public services, e-Archiving, e-Learning etc.

Through the KEN Bulletin and our homepage, www.knowledge-economy.net you can follow the coming activities of the IGSS and hopefully meet them at the KEN Annual Forum in June 2012.



Upcoming events

Below you will find a selection of the most pertinent events taking place in the coming months. For more events, please visit [our online interactive calendar](#).

Safety at Sea in the Arctic

Date: 22 June 2011

Venue: Brussels, Belgium

[Further information](#)

How Research and Technology Organisations Strengthen the Research and Innovation Base in Europe

Date: 23 June 2011

Venue: Brussels, Belgium

[Further information](#)

The Bellwether Series: China

Date: 23 June 2011

Venue: Brussels, Belgium

[Further information](#)

Regions for Economic Change

Date: 23 – 24 June 2011

Venue: Brussels, Belgium

[Further information](#)

Public Procurement of Innovation

Date: 27 – 28 June 2011

Venue: Turin, Italy

[Further information](#)

The European Gambling Policy Conference 2011

Date: 28 June 2011

Venue: Brussels, Belgium

[Further information](#)

Third Usage Area Workshop

Date: 28 – 29 June 2011

Venue: Brussels, Belgium

[Further information](#)

Industrial competitiveness: Global challenges, regional responses

Date: 29 June 2011

Venue: Brussels, Belgium

[Further information](#)

Standardization of Energy Audits

Date: 6 July 2011

Venue: Vienna, Austria

[Further information](#)

Innovation for Stronger Regions: Opportunities in FP7

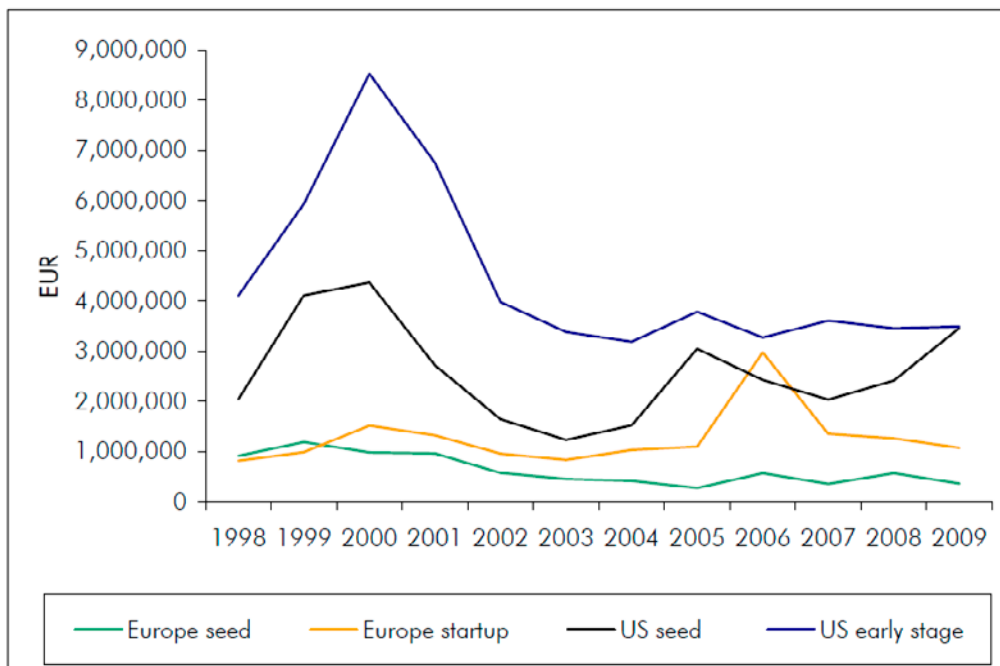
Date: 14 July 2011

Venue: Brussels, Belgium

[Further information](#)

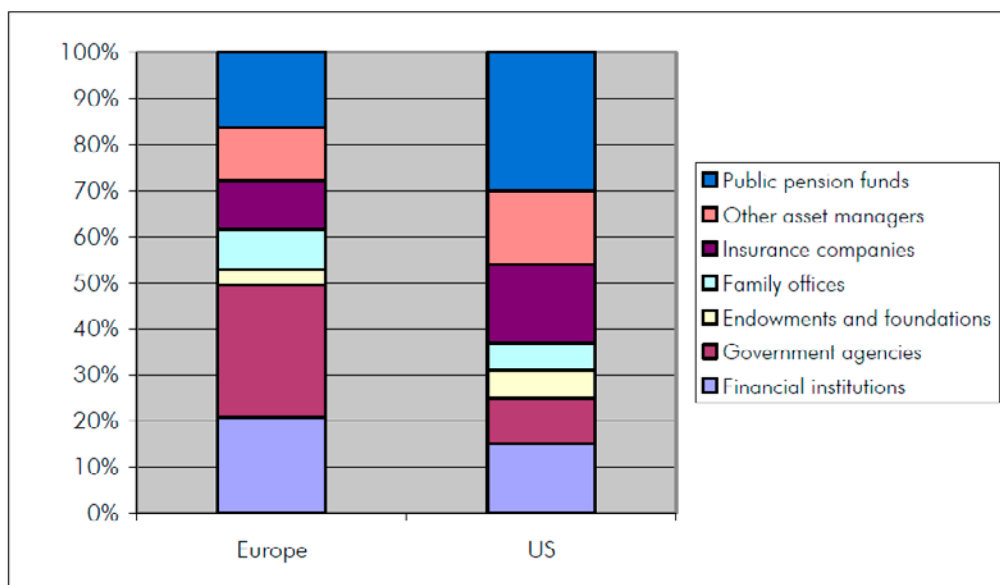


Relevant indicators, statistics and graphs



Source: [EVCA](#)

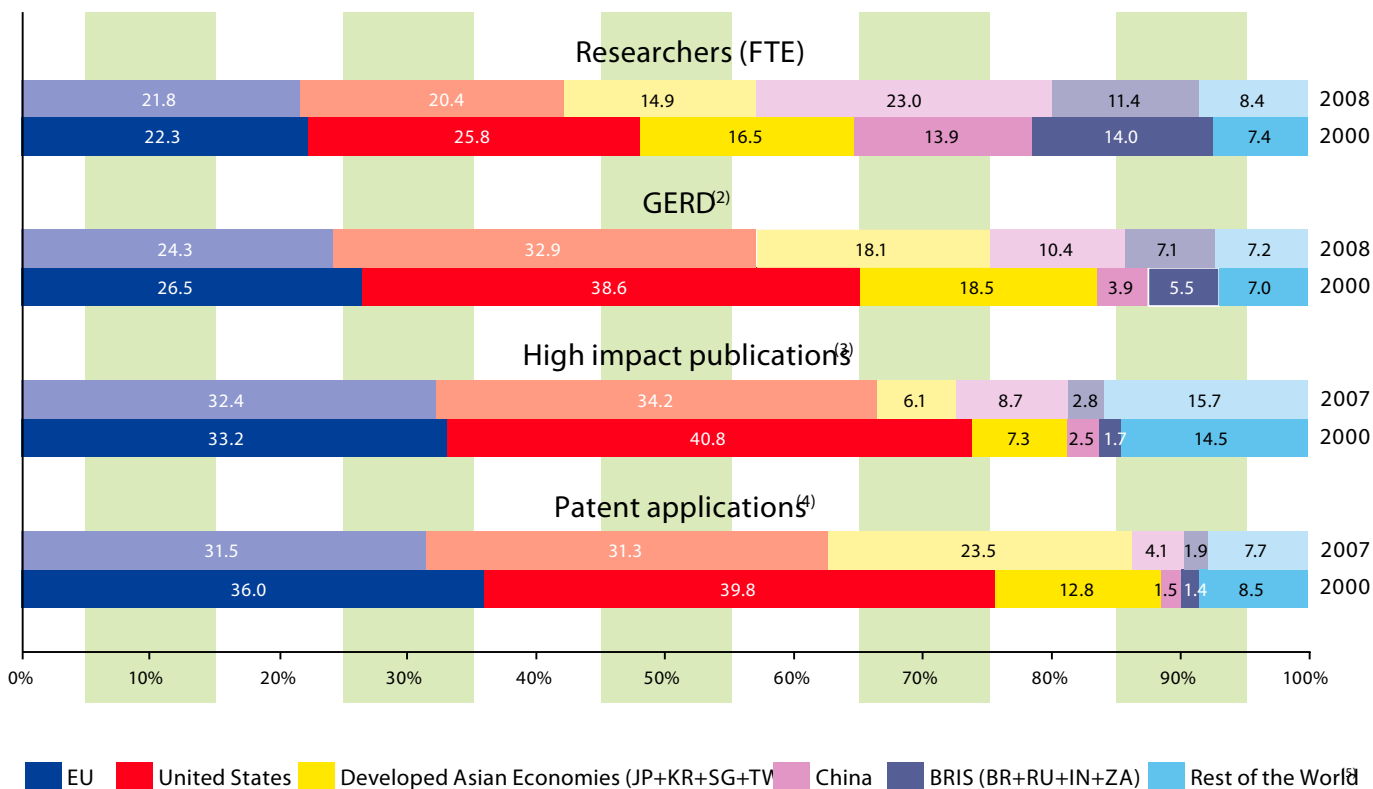
Sources of Venture Capital funds Europe vs. US



Source: [EVCA](#) / [Boston Consulting Group](#)

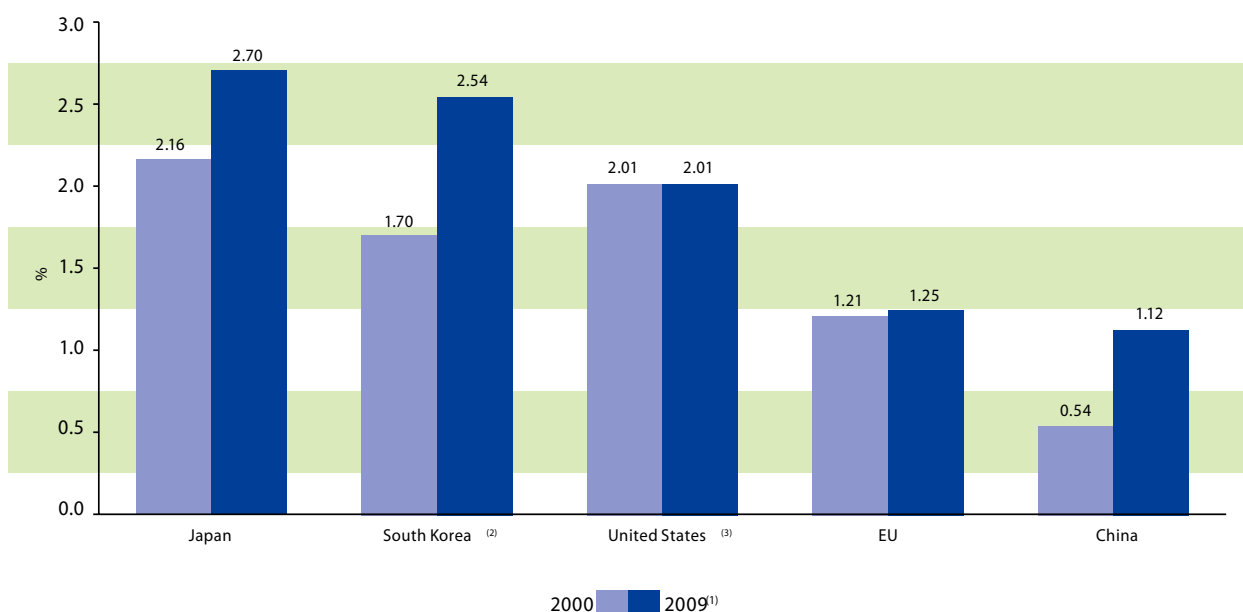


Participation in global R&D - % share



Source: [Innovation Competitiveness Report 2011](#)

BERD Intensity (Business enterprise expenditure on R&D (BERD) as % of GDP), 2000 and 2009



Source: [Innovation Competitiveness Report 2011](#)



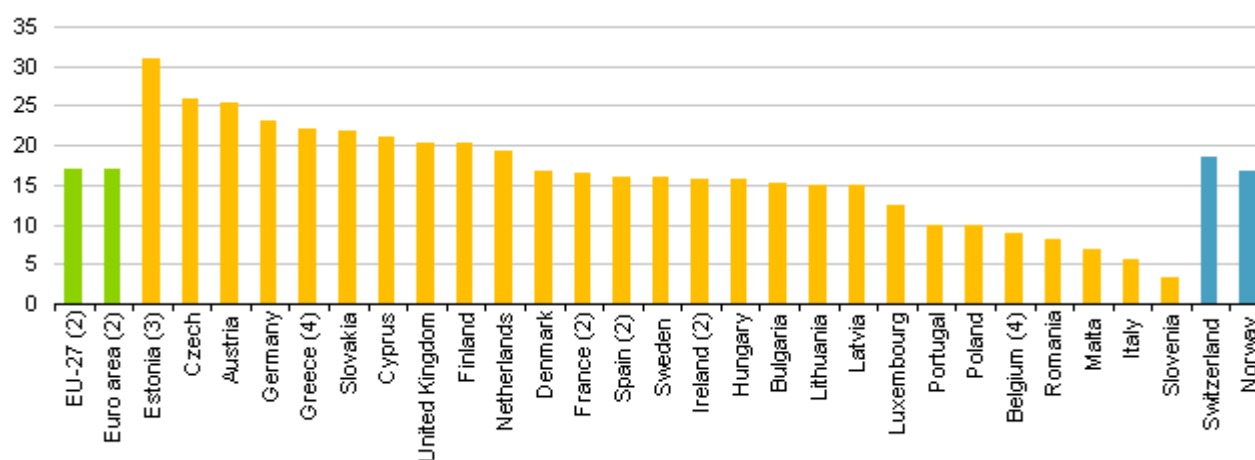
GDP per capita in PPS, 2010, EU27 = 100

GDP per capita in PPS, 2010, EU27 = 100

Luxembourg ³	283	Czech Republic	80
Netherlands	134	Slovakia	74
Denmark	125	Estonia	65
Ireland	125	Hungary	64
Austria	125	Poland	62
Sweden	123	Lithuania	58
Germany	119	Latvia	52
Belgium	118	Romania	45
Finland	116	Bulgaria	43
United Kingdom	113	Norway	179
Euro area (EA17) ⁴	108	Switzerland	146
France	107	Iceland	110
Spain	101	Croatia	61
Italy	100	Turkey	48
Cyprus	98	Montenegro ⁵	40
Greece	89	Former Yugoslav Republic of Macedonia	35
Slovenia	87	Serbia	35
Malta	83	Bosnia and Herzegovina	30
Portugal	81	Albania	29

Source: [Eurostat News Release on 21 June 2011](#)

The unadjusted Gender pay gap, 2009 (% difference between average gross hourly earnings of male and female employees, as % of male gross earnings, unadjusted form)



Source: [Eurostat](#)



KEN Forum 2011 Resolution

Following KEN Workshops and the annual Forum, the following resolution was drafted and adopted at the KEN Forum 2011 - Human Capital Development for Knowledge Economy: Mobilising Innovation Potential – including Gender Balance - on 7 June 2011. Further suggestions and comments are more than welcome, please email sinkovec@knowledge-economy.net

- (1) Awareness of the importance of knowledge economy in the domains of tertiary education, R&D, innovation, and entrepreneurship is growing, but only some countries and regions have achieved important results. In spite of declarations, most countries and regions fail to confirm their commitment through effective action and necessary reforms creating a growing implementation deficit.
- (2) Following the evolution of knowledge economy debate, the creation of KEN (successor of EREF) as a global network, was a natural and logical step in the direction of enabling existing and future members to better mobilize their resources for both internal restructuring and for closer international collaboration with the aim of strengthening knowledge-based competitiveness.
- (3) Scope of changes required to achieve smart, inclusive and sustainable development demand a new paradigm and an important shift in our mindsets. Modern democracies leave very limited space for political voluntarism. More active involvement of civil society, including experts and professional public will contribute to better quality of legislation and decision-making in general.
- (4) Intensified global competition requires that organizations permanently use peer review and benchmarking through objective, scientifically verified criteria and indicators.
- (5) Corporate Social Responsibility is not only a moral category but an imperative for sustainable development and economically viable corporate governance - not only in the long run, but even in short-term business perspective. Besides responsible performance of managers, it is important that regulatory framework and policy instruments effectively reward proper conduct and penalize those who disregard vital interests of their immediate and broader societal environment.
- (6) Risk and venture capital are essential instruments of supporting early stage innovative enterprises and they depend primarily on general investment conditions and entrepreneurial culture. Regional and national authorities have to create measures stimulating capital formation and readiness to invest, as well as to nurture risk taking, and destigmatize business failure.
- (7) A large part of present day tertiary education does not fully reflect the current and future needs of labor markets, let alone human capital requirements of knowledge economy. The urgently needed changes can be achieved only through open dialogue and closer collaboration among universities, business and other social actors and authorities. Cooperation among universities at macroregional level on designing and implemented EU wide area strategies in the EU 2020 perspective can also play a pivotal role.
- (8) Regional innovation policy has to be an organic part of development strategy, corresponding to specific conditions and opportunities, paying particular attention to human capital. Due to their proximity to key stakeholders, the regions are in an advantageous position to mobilize and involve them in formulating and implementing instruments of innovation policy, thanks to EU cohesion policy made available



for all European regions in the next programming period. These instruments have to be consistent with EU and national framework policies (namely EU 2020) and regulations, but should also provide additional specific measures to respond to particular needs and conditions in the respective region.

- (9) Gender equality is not only a question of fundamental rights, but an economic necessity. In the decision-making processes women are highly underrepresented and this certainly does not contribute to the quality of decisions, be it in politics, business or other domains of public life. Knowledge Economy Network endorses the “Women on the Board Pledge for Europe” and recommends companies to follow this important initiative of Vice President of the European Commission Viviane Reding.
- (10) The process of gradual integration of South-eastern Europe into the EU is very incremental, and orientation towards knowledge economy

carries double benefits: it facilitates economic integration, and contributes to making a stronger, more competitive Europe. Additional efforts on both sides are urgently needed. Regional development agencies in the area have an important role in this process.

- (11) Diminishing European competitiveness is partly also the consequence of slow pace of integration. By increasing the efficiency of its integration Europe will also regain its attractiveness for future candidates, including those in SE Europe.
- (12) Forum-2011 participants supported the proposal for the topic of Forum-2012 to be “Building Knowledge Economy through partnerships”. The Forum will take place in Maribor, Slovenia on 11-12 June 2012, while the preparatory workshops should be organized with partners between November 2011 and April 2012.