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## Economic Commission for Europe

### Committee on Economic Cooperation and Integration

#### Team of Specialists on Innovation and Competitiveness Policies

##### Third session

Geneva, 25–26 March 2010

## Report of the Team of Specialists on Innovation and Competitiveness Policies on its third session

### I. Attendance

1. The Team of Specialists on Innovation and Competitiveness Policies (TOS-ICP) held its third session on 25 and 26 March 2010. Some 50 experts representing government agencies, academic institutions and the private sector from twenty-four UNECE member States, as well as international organizations and agencies participated in the session.

### II. Adoption of the agenda and election of officers (agenda item 1)

2. The provisional agenda (ECE/CECI/ICP/2010/1) was adopted.

3. The Team elected Mr. Dominique Foray (Ecole Polytechnique Fédérale de Lausanne, Switzerland) and Ms. Liudmyla Musina (Adviser to the Minister of Economy, Ukraine) as new Vice-Chairpersons. The Team noted down that Mr. Yuri Poluneev, President of the International Management Institute and President of the Competitiveness Council of Ukraine, cannot continue to be an active member of the Bureau due to other commitments and relieved him of his duties as Vice-Chairperson. The Team expressed its gratitude to Mr. Poluneev for his service to the Bureau. In the absence of the Chairperson of the Team, Ms. Musina chaired the third session of the Team.

### III. Substantive segment (agenda item 2)

4. This segment took the form of an Applied Policy Seminar on policy options and practical instruments for promoting innovation in the services sector. The objective of this item was to stimulate a policy discussion and sharing of practical experiences between policymakers, practitioners, academics and other experts.

5. The discussions were organized in three sessions, with a number of formal presentations by participating experts. The Applied Policy Seminar was moderated by a representative of the Technology, Innovation and Entrepreneurship at the National Academies, United States. Three main areas were covered:

- (a) Concepts, measurements and general policy challenges related to the promotion of innovation in the services sector;
- (b) National policy experiences in different countries; and
- (c) Business perspectives and problems of specific subsectors.

6. It was generally recognised that services have a significant role in knowledge-based economies. In particular, knowledge-intensive services can make an important contribution to productivity growth and innovation in other sectors. However, service innovation policies remain underdeveloped. In countries with economies in transition, the challenges may be particularly serious when trying to overcome the relative neglect of services in traditional innovation policies. There is a need to increase the awareness of services as growth drivers and overcome an excessive focus on purely technological aspects.

7. Some distinctive features of innovation in services were highlighted, including:

- (a) Lower reliance on research and development (R&D);
- (b) The importance of non-technological forms of innovation, including organizational and marketing aspects and the development of new business models;
- (c) The critical role of demand and interactions with users in driving innovation;
- (d) The time to bring to the market the results of innovation in services may be very short;
- (d) The complementary character of service innovation in relation with innovation in manufacturing when developing successful commercial proposals and the narrowing distinction between services and manufacturing;
- (e) The incremental nature of the changes associated with innovation in services; and
- (f) The contribution of staff skills and lifelong learning to foster innovation.

8. The measurement of innovation in the services sectors creates specific challenges, given the importance of non-technological forms of innovation and the problems with data availability. The assessment of the impact of innovation is particularly problematic. Attempts to capture services innovation through specific indexes have brought mixed results. R&D in the services sector is difficult to record because of its decentralized character and the inadequate concepts being used. These challenges have negative implications for the effectiveness of public programmes supporting R&D.

9. A number of presentations covered different aspects of national innovation experiences in UNECE member countries, including:

- (a) The evaluation of the use of voucher schemes to accelerate innovation in services linked to the renewable energy sector in France;
- (b) The various activities carried out by TEKES, the Finnish innovation agency, on service innovation, including innovation policies and strategies, programmes and projects;
- (c) The main features of the German programme “Innovation with Services” and the “Plan of Action Services 2020”, which is embedded in the national strategy to strengthen innovation;

(d) A number of innovation programmes for services in the Netherlands, covering service innovation and information and communication technologies (ICT) as well as logistics and supply chains;

(e) The features of the services sector in Portugal and the creation of public institutions and interfaces to foster innovation; and

(f) Different projects carried out by the Swedish innovation agency VINNOVA, including a template for new user oriented process for service development, service innovation design and user-driven development in the transport sector;

10. Participants also discussed the concept of the “creative economy”, its potential to make a positive contribution to innovation and growth, the linkages with territorial development, technology, trade and entrepreneurship and the associated policy challenges in view of the complexity and heterogeneity of the sector.

11. The members of the Team and other experts deliberated on the justification and rationale of innovation policies aimed at the service sector and how these can be integrated with broader innovation policies in order to develop appropriate synergies. The significance of policies in other areas such as competition, regulation, trade and education was also stressed.

12. It was noted that national characteristics and priorities would determine concrete choices regarding the type of initiatives to adopt, including the possible targeting of specific subsectors. Services are very heterogeneous and some subsectors may require special conditions to develop and flourish. The support to innovation in services may take place at different levels, targeting types of activities, the innovation capacity of the firm, the business environment for a specific subsector or overall market conditions, including aspects such as consumer protection or standards.

13. It was agreed that services innovation requires the mobilization and coordination of all relevant stakeholders. Taking into account the interaction between various types of activities facilitates the adoption of a strategic approach towards innovation. The design and implementation of policies benefit from learning by doing. The sharing of experiences, including at the international level, is particularly important, as the evidence available on this area is still limited.

14. The moderator thanked speakers and acknowledged the good work of the secretariat in organizing the policy seminar. He encouraged the members of the Team to benefit from the outcome of the discussions and the circulated material in their future work.

#### **IV. Review of the work carried out since the second session (agenda item 3)**

15. The secretariat briefed the Team members on the outcomes of the work done in 2008-2009. These include a major publication, a policy document presented to the Committee on Economic Cooperation and Integration (CECI) and contributions to various conferences and other capacity-building activities:

(a) Comparative review “Enhancing the Innovative Performance of Firms. Policy Options and Practical Instruments” (ECE/CECI/8);

(b) Synopsis of policy options for creating a supportive environment for innovative development (ECE/CECI/2008/3);

(c) Contribution to the International Conference on Knowledge-based Development, Minsk, Republic of Belarus, 10-12 June 2009 (ECE/CECI/CONF.5/2);

(d) Contribution to the International Conference on Promoting Innovation-based Entrepreneurial Opportunities in the UNECE Region, Geneva, 28-29 September 2009 (ECE/CECI/2009/2) ; and

(e) Contribution to the Regional Capacity-building Seminar on Financing Innovative Enterprises, Commercialization of Intellectual Property and Public-Private Partnerships, Bishkek, Kyrgyzstan, 10–11 November 2009.

16. The CECI Programme of Work for 2009-2010 (ECE/CECI/2008/2) envisages the development of training materials and modules on the basis of policy-oriented normative documents approved by the Committee to be used in capacity-building seminars and training courses. The secretariat informed the Team's members on the progress in the elaboration of training modules on promoting entrepreneurial opportunities and growth in new innovative firms and also in the related area of financing for innovative development. These modules could be used both for self-learning activities, with the support of an appropriate software platform, and in a classroom environment.

17. At its last session, CECI suggested considering an integrated approach in some policy-oriented and capacity-building activities by addressing specific issues and topics that cut across several focus areas. The secretariat also briefly presented integrated activities cutting across other thematic areas, such as:

- (a) Entrepreneurship and enterprise development;
- (b) Financing innovative development; and
- (c) Commercialization and protection of intellectual property rights.

18. The Chairperson of the session remarked that the Team was satisfied with the progress achieved so far in the implementation of the programme of work and underlined the usefulness of the materials produced as a result of the collective efforts of its members.

## **V. Implementation of the mandated work in 2010 (agenda item 4)**

19. In accordance with the CECI Programme of Work for 2009-2010 (ECE/CECI/2008/2), the Team is expected to contribute to the preparation of the document "Policy options for promoting innovation in the services sector" which will be submitted for consideration of the CECI at its fifth session on 1-3 December 2010. This document will draw on the main conclusions of the substantive segment of this session, the Applied Policy Seminar "Promoting Innovation in the Services Sector".

20. Participants agreed that the secretariat will prepare an initial draft that will be developed and refined further through a process of consultations with Team's members and other experts. In order to observe the deadlines for formal submission of this document to the fifth CECI session, a first draft will be prepared by the end of June. After receiving the comments of the Team's members, a second draft will be circulated by the end of July.

21. The Team supported the preparation of an extended publication on the promotion of innovation in services, on the basis of the contributions of experts participating in the Applied Policy Seminar and other interested parties, provided that a sufficient number of individual commitments are obtained. It invited the secretariat to actively explore this possibility and provide the necessary logistic and editorial support for this publication. Other types of written outputs, such as short policy briefs, could also be considered.

22. The Chairperson of the session invited the Team's members to participate actively in the preparation of the mandated policy document and the possible extended publication on

the same topic. She noted that dissemination of the results of the collective work of the Team is very important to enhance the impact of its activities and encouraged the exploration of alternative dissemination channels that could facilitate this.

## **VI. Capacity-building activities (agenda item 5)**

23. The secretariat informed participants of projected capacity-building and advisory activities to be implemented in 2010, in collaboration with other Teams of Specialists and networks of experts, including:

(a) International Conference on Policies to Address Financing and Entrepreneurial Challenges in High-growth Innovative Firms, Helsinki, Finland, 2-4 June 2010 (ECE/CECI/CONF.7/1);

(b) International capacity-building event on Intellectual Property Enforcement and Intellectual Management in Open Innovation, Moscow, Russian Federation, 6-8 October 2010;

(c) Contribution to the V Kazan Venture Fair, Republic of Tatarstan, Russian Federation, 23 April 2010; and

(d) Contribution to the III Astana Economic Forum, Astana, Republic of Kazakhstan, 1-2 July 2010.

## **VII. Future programme of work (agenda item 6)**

24. The Chairperson of the session noted that, at its fourth session (28-30 September 2009), CECI stated the need to start preparatory steps related to the CECI programme of work in the next programmatic cycle and invited the Teams of Specialists to consider at their next sessions in 2010 proposals for their future work and submit them to the fifth CECI session to be held on 1-3 December 2010.

25. The secretariat briefed participants on the outcomes of consultations with the Team's Bureau and other stakeholders with a view to identifying key issues regarding the possible directions of future work in the next programmatic cycle.

26. On the basis of these consultations, a tentative conceptual framework for the future work of the Team, which can be found in Annex I to this report, was proposed for the consideration of participants.

27. In addition to the proposed thematic orientations outlined in this framework, which were valued as highly relevant, participants proposed to consider additional themes to be covered in the future work, including:

(a) Innovation infrastructure;

(b) International cooperation in innovation and other international aspects of the innovation process;

(c) Relations between education and research institutions, the industry and the government (the "knowledge-triangle");

(d) Social innovation;

(e) The role of human capital and education in promoting innovation;

(f) Innovation in banking and financial services;

(g) Innovation in the healthcare sector; and

(h) Innovation in the provision of public services.

28. In view of the specialised character of the work to be carried out, participants supported the proposal to consider the creation of task forces to work on specific topics or undertake concrete assignments. These task forces would report to the TOS-ICP and the CECI. A concrete proposal was made by the representative from Sberbank, a financial institution from the Russian Federation, to set up a task force on innovation in financial services.

29. Participants agreed that future publications could include comparative reviews, policy briefs on specific topics and training materials to be used in future capacity-building activities. The contribution of individual authored inputs to some TOS-ICP publications would be encouraged.

30. The secretariat briefed participants on the preliminary consultations regarding the undertaking of National Innovation Performance Reviews as a possible focus for future activities of the Team. These Reviews will be carried out by a group of international and national experts mobilized by the UNECE in consultation with the national authorities. The aim of a Review is to identify policy actions aiming at stimulating innovation activity, enhancing innovation capacity and improving the efficiency of the national innovation system. Annex II provides more details on the concept of the National Innovation Performance Review and the stages of work in its preparation.

31. Participants agreed on the relevance and usefulness of these Reviews, which would target countries with economies in transition which have not been so far covered by this type of exercises. The secretariat was encouraged to seek forms of collaboration with other international organizations in order to benefit from the expertise available and develop a common understanding of the concepts used.

32. The delegate from the Republic of Belarus informed participants that the Government of his country strongly supported the preparation of an Innovation Performance Review of the Republic of Belarus and was willing to facilitate the necessary steps for its successful completion. The Review and its recommendations would make a positive contribution to support the innovation potential of the country and its integration into the world economy.

33. The secretariat informed participants that significant progress had already been achieved in mobilizing extrabudgetary financial support and ensuring the logistic conditions for undertaking this first pilot review and thanked the Government of the Republic of Belarus for its support.

34. Delegates from Israel and Ukraine expressed interest in hosting future meetings and seminars organized by the Team in their respective countries during the next programmatic cycle. The secretariat noted with gratitude these expressions of interest and undertook the commitment to follow on them in the process of preparing proposals for the future activities of the Team.

35. The Chairperson of the session thanked the participants in the discussion under Agenda item 6 for very useful and relevant comments and proposals made. Delegates agreed that the Bureau would review the outcomes of this discussion and on this basis would prepare, in consultation with the secretariat, proposals for the future work of the Team which would be submitted for consideration by the fifth session of CECI.

## **VIII. Other business (agenda item 7)**

36. The Chairperson of the session reminded participants that CECI at its fourth session invited the secretariat to review the membership in the Teams and, wherever appropriate, approach member States with a request for new nominations. The secretariat informed participants that it had received expressions of interests by experts and approached other individuals who could make a positive contribution to the work of the Team. An expanded membership list had been communicated to the Permanent Missions to the United Nations Office at Geneva in order to inform them and be notified of any objections.

37. The secretariat informed participants that the date of the fourth session of the Team depends on CECI decision on the renewal of the mandate of the Team and the adoption of the future programme of work. Participants agreed that, if the mandate is renewed, the date will be determined in discussions with the Bureau after the fifth CECI session.

38. Participants agreed that the secretariat should prepare the session's report no later than 10 days following the meeting and that it be reviewed and adopted by the Bureau members on behalf of the Team. The report would then be circulated to all members of the Team.

## Annex I

### **Tentative conceptual framework for the future TOS-ICP work**

#### **I. Thematic orientation**

Policy-oriented work could be organized around specific topics within the broad framework of innovation and competitiveness policies.

Possible thematic areas include, but are not limited to, the following:

- Eco-innovation; innovation in clean/climate-friendly technologies;
- Innovation at the (subnational) regional level; territorial aspects of innovation policies;
- Open innovation and user-driven innovation;
- Innovation in delivering public services;
- Innovation and sustainable development;
- Women in the knowledge-based economy; etc.

Work under such themes would be undertaken in a consecutive manner, developing theme after theme. The thematic structuring does not preclude parallel work on overarching broad innovation and competitiveness policies. The selection of thematic areas and their sequencing is subject to discussions within the TOS-ICP and CECI.

#### **II. Task forces**

Work under specific topics would be undertaken by task forces of experts with relevant background and expertise, which could be established to carry out one-off assignments within a given period of time. TOS-ICP members would be welcome to join task forces depending on their professional interests. In case of need, external experts with relevant background and expertise could also be invited to join the task forces. Task forces may hold specialized expert meetings or seminars on the topics they address. They would report the results of their work to the TOS-ICP and CECI.

#### **III. Activities and meetings**

The thematic structuring of the work would imply more focused expert meetings (seminars, workshops, etc.). The substantive content of these meetings (presentations and related discussions) could form the core substance of possible thematic publications. In parallel, there could be larger and broader conferences (e.g. in conjunction with CECI sessions) to present final outputs.

Another follow-up activity could be thematic policy-oriented, capacity-building seminars related to the results of TOS-ICP work. These could also be part of integrated policy-oriented, capacity-building seminars. There would also be targeted capacity-building activities supporting training in connection with national Innovation Performance Reviews (see below). The scope and outreach of capacity-building activities and technical



cooperation services will depend on the availability of extrabudgetary resources in support of such work.

#### **IV. Outputs and publications**

The general modality of TOS-ICP work envisaging outputs, such as the identification and dissemination of good practices in innovation and competitiveness policies followed by related capacity-building activities and other technical cooperation services, would be preserved. The identification and dissemination of good practices would continue to be based on extensive policy discussions and reflected in UNECE publications.

There would be an increasing focus on capacity-building activities and other technical cooperation services based on the results of TOS-ICP policy-oriented work. The development of training materials and modules for undertaking capacity-building activities can be regarded as a separate TOS-ICP output.

The thematic variety of TOS-ICP work may imply a greater diversification of some outputs. The range of publications may include, in addition to Comparative Reviews, the following publications:

- National Innovation Performance Reviews (as presented in Annex II);
- Thematic/sectoral reviews of innovation and competitiveness policies;
- Policy briefs on specific topics/issues; and
- Training materials and modules to be used in capacity-building activities.

## **Annex II**

### **National innovation performance review**

The national Innovation Performance Review is a policy-oriented document seeking to provide advice to the government of the respective UNECE member State on possible policy actions aimed at stimulating innovation activity in the country, enhancing its innovation capacity and improving the overall efficiency of the national innovation system.

The work on the Innovation Performance Review is a participatory policy advisory service undertaken at the request of the respective UNECE member State government (later referred to as national authorities). The Review is prepared by a group of international and national experts on innovation policy mobilized by the UNECE secretariat in consultation with the national authorities. The content of the Review follows an Outline agreed upon between the Expert Group and the national authorities.

In the main implementation phase, the Expert Group performs a field assessment of innovation performance in the respective country. During this assessment, the national authorities undertake to assist the Expert Group in its work by providing access to all relevant national information necessary for the Review and facilitating consultations with national innovation stakeholders as needed. The Expert Group undertakes to share and discuss its findings on national innovation performance with the national authorities.

In the next implementation phase, the Expert Group summarizes its findings on innovation performance in the respective country and formulates draft policy advice on possible policy measures seeking to stimulate innovation activity in the country, enhance its innovation capacity and improve the overall efficiency of the national innovation system. The draft

findings and policy advice are communicated to the respective national authorities to eliminate possible inaccuracies.

In a following peer review process, the key findings of the report are evaluated by leading international experts in the respective areas who have not participated in the drafting of the report.

The recommended policy actions and measures are then discussed at a joint meeting between the independent reviewers, the Expert Group, national authorities and other UNECE experts with a view to reaching a common understanding on these recommendations.

The Innovation Performance Review, which contains the findings on innovation performance and the policy advice as agreed upon with the national authorities is published as an official UNECE publication. It is to be provided to national innovation stakeholders in the country reviewed for reference and use in their further practice, and is also to be widely disseminated internationally to relevant UNECE stakeholders.

At the request of the respective UNECE member State government, the two sides may agree on joint follow-up actions. These may include future capacity-building activities targeting specific issues identified in the review. Other follow-up actions could aim at evaluating the implementation of the Review recommendations, innovation performance in the period after implementation, and the effect of new policy measures in the areas covered by the Review.

Undertaking an Innovation Performance Review would require mobilizing additional extrabudgetary resources to finance related field missions and the compensation of participating non-secretariat experts.

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