

## ANNEX 1 - IPO Approach to Innovation

EESC countries face an increasing discrepancy between innovation inputs and outputs. For example, the region has caught up to Central Europe and the Baltics on tertiary degree enrolment rates and has a positive growing trend in the number of scientists and young researchers. However, innovation inputs do not get translated into outputs at a fast-enough rate, as evident from the stagnating share of high-tech exports and the gradual decrease in patent applications. The way innovation policy is governed, the composition of the innovation policy mix and the underlying policy processes – the three pillars of the IPO - goes some way in explaining this discrepancy between innovation inputs and outputs and is at the heart of the IPO analysis.

*Figure 1 - Efficiently translating innovation inputs into innovation outputs requires strong innovation governance, targeted innovation policy tools and effective innovation policy processes.*

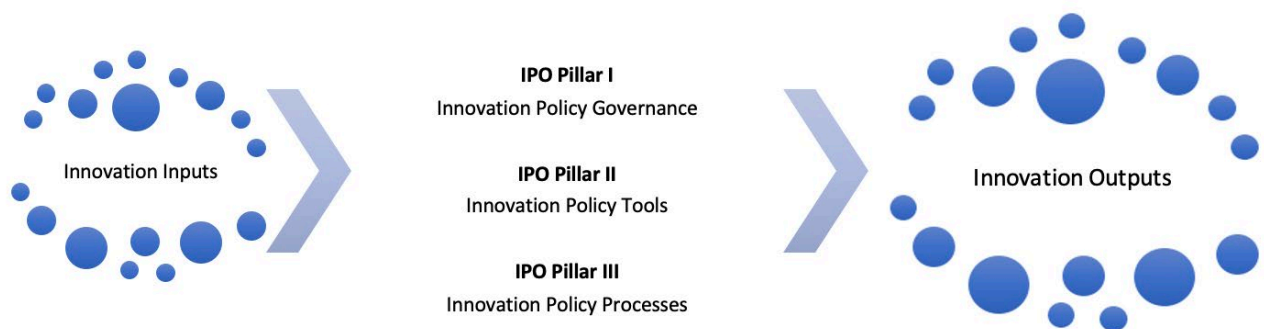


Figure 2 – The IPO analysis captures the essence of innovation policies in three pillars and 11 sub-pillars.

