



ECONOMIC COOPERATION AND INTEGRATION

Fostering innovation

The activities of the Economic Cooperation and Integration Division (ECID) have continued to develop along three directions:

- **Policy learning** and knowledge sharing on the basis of the international experience
- **Capacity-building** to raise awareness and understanding of critical issues and increase technical competences
- **Networking**, which facilitates contacts between stakeholders and creates communities of practice through which experience and opportunities circulate.

The work of ECID has increasingly relied on developing close synergies between its different thematic areas (**innovation and competitiveness policies, entrepreneurship and enterprise development, financing for innovative development, intellectual property rights and public-private partnerships**). This approach has facilitated the mobilization of resources and the development of activities that integrate different aspects to deliver effective policy and practical advice.

The global crisis has created new challenges for policies targeting innovation and entrepreneurship, which can play an important role in promoting faster recovery and enhancing growth potential. The **International Conference on Policies to Address Financing and Entrepreneurial Challenges in High-growth Innovative Firms** (Helsinki, 2-4 June 2010), which was organized in cooperation with the Ministry of Employment and the Economy and the Ministry of Foreign Affairs of Finland, addressed the implications of this new policy environment in a practical way. This event provided a platform for a broad

exchange of practical experiences on good practices and policies on the promotion of high-growth innovative firms, in particular taking into account the new conditions that have emerged after the global economic and financial crisis. The Conference, which works with the active participation of many experts from countries with economies in transition, also made a direct contribution to capacity-building, as the learning component was reinforced by a programme of study visits to selected public and business institutions in Finland. On the basis of the discussions during the Conference and the insights gained in these visits, a *"Synopsis of good practices and policies to address financial and entrepreneurial challenges in high-growth innovative firms"* was prepared and submitted to the fifth session of the Committee on Economic Cooperation and Integration (CECI).

Innovation in the service sector accounts for the bulk of economic activity in developed countries

The promotion of innovation in services has been receiving an increased policy attention, amid the awareness that this sector, which is critical for productivity growth and competitiveness, had been relatively neglected in traditional innovation policies. The substantive discussion segment of the Third Session of the **Team of Specialists on Innovation and Competitiveness Policies (TOS-ICP)**, which took place in Geneva on 25-26 March 2010, considered various aspects regarding the special characteristics of innovation in services, the existing policy challenges and a number of national experiences in advancing innovation in this important sector, which accounts for the bulk of economic activity in developed countries. One outcome of these discussions was the publication *"Policy options for promoting innovation in the services sector"*.

Effective management and protection of intellectual property rights is an essential dimension of the innovation process. In a globalized economy where innovation stakeholders develop complex relations across borders, this is an issue with a clear international component. The fourth session of **TOS-IP** which took place in Geneva on 8-9 July 2010, discussed the international character of innovation today and the importance of a robust legal intellectual property environment, including appropriate enforcement of intellectual property rights. The discussions highlighted the challenges for intellectual property rights management in cross-border cooperation on R&D and open innovation and the contribution of international cooperation to address them. A *"Synopsis of good practices and policy recommendations on the management of intellectual property in open innovation"* was prepared on the basis of the discussions at this meeting and presented at the fifth session of CECI.

The Team of Specialists on Intellectual Property has actively contributed to a number of capacity-building events in different countries with economies in transition. A major highlight was the **International Conference on the Commercialization and Enforcement of Intellectual Property** (Moscow, 6-8 October 2010), which was organized in cooperation with the All-Russian Association of Small and Medium-sized Enterprises, Rospatent, and the United States Patent and Trademark Office.

Innovation is a complex matter that results from the interaction of multiple stakeholders. Creating strong linkages between the different actors (government agencies, entrepreneurs, investors, research institutes and universities) involved in the innovation process is a main concern of innovation policies. ECID has continued to develop activities that address this policy issue in a practical way. **"From Applied Research to Entrepreneurship: Promoting Innovation-driven Start-ups and Academic Spin-offs"**,



which took place in Kiev on 9-11 November 2010, was organized in cooperation with the Ministry of Education and Science and the National Technical University of Ukraine "Kiev Polytechnic Institute". This event was the third in a series of activities that bring together the work of ECID on entrepreneurship, financing for innovative development and intellectual property rights. The Conference included a Capacity-building Seminar dealing with intellectual property management in public research institutions.

The development of an appropriate infrastructure is an important factor

in policy efforts to increase competitiveness and economic prosperity. The interest in public private partnerships, as an effective tool to harness private resources and expertise to attend to significant infrastructure needs, remains strong in the UNECE region, in particular in countries with economies in transition. The activities of ECID and the **UNECE Team of Specialists on Public Private Partnerships (PPP)** have contributed to overcoming the skills gap that prevents a wider use of PPP by facilitating increased awareness and understanding of this form of financing. Policy aspects have also been emphasized, including the legal and institutional requirements for successful PPP, drawing lessons from international experience. Training workshops targeting participants from countries with economies in transition have been organised in a number of countries, including Uzbekistan (28-29 July 2010) and Austria (21-22 October 2010).

Promotion of economic cooperation and integration of the Central Asian and neighbouring countries has been an important agenda of ECID. Under the framework of the **United Nations Special Programme for the Economies of Central Asia (SPECA)**, ECID has actively supported the work of the **SPECA Project Working Group on Knowledge-based Development (PWG on KBD)** together with the Information and Communications Technology and Disaster Risk Reduction Division of The Economic and Social Commission for Asian and the Pacific (ESCAP). ECID took the lead in organizing capacity-building events on innovation, intellectual property rights, financing of innovative enterprises and PPP, inviting government officers and other stakeholders from SPECA member countries to various ECID events during 2010. ECID also organized jointly with ESCAP, **the third Session of the SPECA PWG on KBD and the capacity-building seminar on knowledge-based disaster management** in Astana from 28 to 30 September 2010.

ECID has contributed to the emergence of networks to facilitate the exchange of good practices. The first meeting of the **Expert Group on PPP for Central Asia** took place in Astana on 2 July 2010. This expert group was established at the International Conference "Addressing the Challenge of Doing Public-Private Partnerships (PPPs) in the Black Sea Region, the Caucasus and Central Asia: Bridging the Gap in PPP Knowledge and Skills (Istanbul, Turkey, 29 -30 April 2010). ECID also took the initiative in

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promoting the establishment of a **SPECA Network of Policymakers on Knowledge-based Development** to facilitate policy learning and knowledge sharing among its members. ECID provided the network members with access to the **CECI Information Exchange Platform**, the secure web-based networking tool for knowledge sharing and communication.

In order to support its growing capacity-building activities, ECID has continued to develop training materials in different thematic areas. The second phase of the **Private Public Partnerships toolkit** is under way. Its contents have been discussed in a number of

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international meetings and members from its wide network of experts have contributed useful case studies that will be incorporated in this training tool. This participatory process will ensure the relevance of its contents to the practical needs of practitioners and other stakeholders. A multimedia **training software** in the area of **Financing for Innovative Development** will be launched next year. This tool, which can be used for self-learning or in a class environment, builds on previous ECID publications on financing of innovative companies, thus continuing the existing approach that seeks to transform the work on the identification of good practices into practical products that support the wide dissemination of these useful experiences and increase technical skills.

The preparation of the **Innovation Performance Review of Belarus** initiated a new type of activity for ECID. The *Innovation Performance Review* is a policy oriented document aiming to provide advice to policymakers and other stakeholders in their respective country on possible policy actions to stimulate innovation and improve the overall efficiency of the national

innovation system. This pilot Review was prepared by a Team of international and national experts with the support of the government of Belarus and the wide involvement of other innovation stakeholders in the country. The recommended policy actions and measures were discussed at the fifth session of CECI in Geneva on 1 December 2010 in a joint meeting with this Team, independent reviewers, national authorities and other experts and stakeholders. The final text of the Innovation Performance Review of Belarus will be released as a UNECE publication.



The ECID **“Project on Development of Sustainable Biomass Trade and Export Opportunities for Selected Regions of the Russian Federation”** continued to implement technical cooperation services and capacity-building activities for the Russian biomass sector. An important outcome in 2010 was the development of the **first Regional Biomass Action Plan (RBAP) for the regions of the Russian Federation**. RBAPs coordinate the development of the regional biomass sector and integrate the interests of the forestry and woodworking, agricultural, electricity and municipal heating, waste and recycling sectors. Through the development of RBAPs, regional governments can develop a level playing field and governance that encourage companies to invest in the biomass sector. The cooperation between the government and private sector on the implementation of RBAPs can result in the development of branch organizations and cooperatives, and prevents excessive competition on resources and emerging markets.

The Innovation Performance Review of Belarus provides advice on possible policy actions to stimulate innovation

Another important practical output of the Sustainable Biomass project in 2010 was the **introduction of the innovative technology of algae biomass production in the Russian Federation**. Algae production does not yet exist in the Russian Federation, but the country has a substantial potential to introduce it on a large scale and thereby gain high socio-economic benefits. Algae biomass production can be used for electricity and heat production and can also be applied for biofuels production. The algae plant concept helps to clean waste water of pulp and paper mills, municipal waste sites and similar facilities, since algae can be used as bioremediation of waste water and sewage. Furthermore, algae are widely used in the pharmaceutical industry, for instance as a nutritional supplement, and application of algae biomass in this sector has also a high potential in Russia.



Future directions

ECID will continue to respond to the growing demand for capacity-building activities and other technical cooperation services from countries with economies in transition within the available resources. Recent successes in fundraising are encouraging and continued efforts will be made in this

direction. The national **Innovation Performance Reviews** may enrich the future work of ECID, involving its different Teams of Specialists and networks of experts. The assessment resulting from such reviews could serve to better identify training needs, so these can be addressed through follow-up capacity-building activities. ECID will aim to develop and strengthen further the relations with national organizations, which are a major channel for the dissemination of policy messages and the effective organization of capacity-building activities.