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**COMMITTEE ON ECONOMIC COOPERATION
AND INTEGRATION**

Team of Specialists on Innovation and Competitiveness Policies

Second session
Geneva, 14 – 15 February 2008

**REPORT OF THE TEAM OF SPECIALISTS ON INNOVATION AND
COMPETITIVENESS POLICIES ON ITS SECOND SESSION**

I. ATTENDANCE

1. The Team of Specialists on Innovation and Competitiveness Policies (TOS-ICP) held its second session on 14 and 15 February 2008. Some 50 experts representing government agencies, academic institutions and the private sector from twenty-eight UNECE Member States, as well as international organizations and agencies participated in the meeting.

2. Representatives of the United Nations Industrial Development Organisation (UNIDO), the World Intellectual Property Organization (WIPO), the Organisation for Economic Cooperation and Development (OECD) and the Eurasian Economic Community (EurAsEC) also attended the meeting.

II. OPENING OF THE MEETING

3. The Chairperson of the Team of Specialists Mr. Krzysztof Gulda opened the meeting and welcomed the participants.

III. ADOPTION OF THE AGENDA (Agenda item 1)

4. The provisional agenda (ECE/CECI/ICP/2008/1) was adopted.

IV. SUBSTANTIVE SEGMENT (Agenda item 2)

5. This segment took the form of an applied policy seminar on policy options and practical instruments for enhancing the innovative capacity and innovation performance of firms. The objective of this item was to stimulate a policy discussion and sharing of practical experiences between policymakers, practitioners, representatives of industry associations and academia, and other experts. The programme of the seminar included policy issues that are expected to be addressed in the Programme of Work of the TOS-ICP for 2008. The discussions were organised in four sessions, with a number of formal presentations¹ by participating experts.

6. The first session focussed on the creation of supportive framework conditions for enhancing the innovative capacity of firms. The participants discussed:

- (a) The conditions conducive to innovation, including supply and demand considerations and the existence of interaction opportunities between various stakeholders involved in the innovation process;
- (b) The role of policy and the available instruments to improve these framework conditions, with special emphasis on infrastructure and education;
- (c) The variety of instruments and interventions characterizing the innovation policy mix in Poland; and
- (d) The progress in defining innovation policies and institutions in Ukraine and the existing weaknesses and strengths of the national innovation system in this country.

7. Participants deliberated on the appropriate role of government intervention in the innovation process. It was pointed out that the costs of policy intervention need to be taken into account, and that governments should focus their interventions on what they can actually control. Since the effects of intervention are slow to materialise because of the long time it takes to diagnose problems, formulate policies and implement them, a long-term perspective should be a key principle informing innovation and competitiveness policies.

8. The importance of building evaluation mechanisms into programmes at the initial design stage was also stressed. The full impact of innovation policies can be assessed only after long time lags, which needs to be reflected in the evaluation strategy and the indicators to be used for evaluation.

9. Some participants argued that, in addition to an active innovation policy, it is also important to improve the general business climate. This might actually do more to foster innovation than specific innovation policies, depending on the exiting initial conditions.

¹ All presentations and submissions by participants are available on the CECI website (<http://www.unece.org/ceci/>).

10. The second session debated the role of seed-and-breed innovation promotion institutions. A number of points were raised during this discussion:
- (a) The role of clusters in promoting innovation, including their transnational dimension, with specific reference to the activities of the Baltic Sea Region Innovation Network in this area;
 - (b) The potential conflict between the objectives to increase innovation and enhance regional cohesion and the contribution that cluster policies can make to reconcile these targets;
 - (c) The policy instruments targeting cluster development and their limitations;
 - (d) Science parks: the objectives of various stakeholders involved (business, research institutions, governments) and the models of successful development of these institutions;
 - (e) The progress in the development of an innovation infrastructure in the Russian Federation (support programmes, technoparks, business incubators) and the challenges ahead;
 - (e) The options for improving the functioning and effectiveness of innovation intermediaries;
 - (f) The role of governments as facilitators in the innovation process and the relevance of strategic intelligence in policymaking;
 - (g) The importance of system-based approaches which are context-specific and emphasise the links between various components of the innovation system; and
 - (h) The contribution made by business incubators to support innovative entrepreneurship in a practical way.
11. Participants emphasised the existence of different types of small and medium-sized enterprises, which require different types of government support. In addition, it was noted that innovation does not necessarily always have to be based on new technologies, but can also take place in “traditional” sectors. By the same token, it would be inappropriate to focus only on the generation of innovation. Instead, policy efforts should also seek to improve the diffusion of existing innovations and the capacity to absorb and adapt them.
12. The important role of large multinational enterprises was stressed by some participants. These enterprises not only carry out a significant part of research and development (R&D) expenditures but also play a significant role in international knowledge diffusion. They are a main source of innovation demand as large customers of small innovative firms. In addition, they tend to spin out new high-tech firms based on in-house research they do not want to commercialize themselves and provide an important exit route for business angels and venture capital investors in new high-technology firms, since multinational enterprises frequently buy up such firms to acquire technology.
13. It was acknowledged that intellectual property rights regimes play a critical role for innovation performance. However, it is crucial to strike an appropriate balance between the need to grant innovators exclusive rights so that they can recover upfront investments, and the need to allow for the diffusion of innovations throughout the economy. The appropriate strategy on how to protect intellectual property depends on what can be effectively enforced in a given economy.

14. The third session considered various approaches to strengthen the links between industry and science, including:

- (a) The inadequacy of the linear model of innovation for implementing effective commercialisation strategies;
- (b) The importance of providing appropriate support to functions and links, not just organizations;
- (c) The consideration of other types of linkages within the national innovation system to increase the impact of policy interventions;
- (d) The lessons derived from the United States SBIR programme and the factors that influence its favourable effect on the commercialization activities of small companies;
- (e) The role of educational and research institutions in fostering innovation and the mechanisms to facilitate cooperation between the academic and business sectors;
- (f) The importance of suitable incentives and appropriate framework conditions to strengthen the relations between industry and science;
- (g) Innovation as a way to foster competitiveness, with particular reference to the experiences of the Czech Republic;
- (h) The experiences of a wide range of science cities and the factors behind successful experiences; and
- (i) The specific innovation processes and incentives in the software sector.

15. The fourth session considered the importance of human capital and skills on innovation, drawing attention to a number of issues, including:

- (a) The role of education not only in promoting the generation of innovation but also in increasing absorption capacity and diffusion;
- (b) The different returns on various types of education according to the degree of technological development; and
- (c) The long-term nature of any intended change on the skill structure and the importance of long-life learning.

16. The moderator emphasised that the wealth of ideas discussed during this substantive segment and the complexity of innovation processes made it difficult to provide a summary. However, some points clearly emerged during the debates:

- (a) Innovation policies need to be discussed in the context of market versus government failures. Government intervention and market-led innovation are not mutually exclusive alternatives but complementary elements of successful innovation policies.
- (b) Context-specific approaches that take into account local conditions are essential;
- (c) An appropriate policy mix that addresses various factors with an impact on innovation, including those with more general implications, such as the business climate, is required;
- (d) Openness matters for the promotion of innovation, including the foreign direct investment and the trade regimes; and
- (e) Evaluation programmes should be included in the design of policy programmes.

17. The Chairperson thanked speakers and acknowledged the good work of the secretariat in organising the policy seminar. He encouraged the members of the Team to make good use of the discussions and material in their future work.

V. REVIEW OF THE WORK DONE SINCE THE FIRST SESSION (Agenda item 3)

18. The secretariat briefed the Team members on the outcomes of the work done in 2007 in this and other thematic areas of the Committee on Economic Cooperation and Integration (CECI) Programme of Work, as reported to the second session of the CECI on 5-7 December 2007 (ECE/CECI/2007/2).

19. In the area of innovation and competitiveness policies, the main outputs, which were the result of the collective work of the Team, were the preparation of:

- (a) Comparative review “Creating a conducive environment for higher competitiveness and effective national innovation systems. Lessons learned from the experiences of UNECE countries”; and
- (b) Synopsis of good practices in facilitating the generation and diffusion of innovation.

20. The secretariat also briefly presented the work done in other CECI focus areas:

- (a) Entrepreneurship and enterprise development;
- (b) Financing innovative development;
- (c) Public-private partnerships;
- (d) Commercialization and protection of intellectual property rights; and
- (e) Other aspects of economic cooperation and integration.

21. The Chairperson remarked that the links between different thematic areas are very important in order to generate synergies and avoid overlapping and encouraged members of the Team to become acquainted and benefit from the activities carried out in other areas.

VI. IMPLEMENTATION PLAN FOR 2008 (Agenda item 4)

22. Before starting the discussions under this item of the agenda, the Chairperson gave the floor to the delegation from Montenegro, which for the first time joined the work of the Team. The new Team members briefly informed the session on the economic situation in Montenegro and expressed their wishes to actively collaborate with the future work of the Team.

23. The secretariat recalled that in accordance with the CECI Programme of Work in focus area “Creating a supportive environment for innovative development and knowledge-based competitiveness”, the TOS-ICP is expected to contribute to the following main activities and outputs in 2008:

- (a) Comparative review of government policies facilitating technological development and innovation; and
- (b) Synopsis of policy options for creating a supportive environment for innovative development.

24. It was also recalled that at its first session held in Geneva on 8-9 March 2007, the Team adopted an Implementation Plan for its work in 2007-2008 contained in document ECE/CECI/ICP/2007/2 which suggests the following topical orientation for the mandated outputs in 2008:

- (a) Public policy measures aimed at enhancing the innovative and absorptive capacities of firms: selected issues;
- (b) Good practice in the establishment of seed-and-breed innovating institutions (science/technology parks, centres of excellence, technology incubators, innovation centres, etc.); the role of public policy; and
- (c) Creating supportive framework conditions (related to the above).

25. These topics informed the content and structure of the substantive segment under item 2 of the Agenda. The deliberations under this item emphasized the importance of a number of additional issues, which will be taken into consideration in the future work of the Team.

26. Some of the relevant issues highlighted during the deliberations will be addressed in the context of the other focus areas of the CECI Programme of Work and, more specifically, will be discussed at a number of upcoming CECI expert meetings and conferences, including:

- (a) First session of the Team of Specialists on Public-Private Partnerships (TOS-PPP), Geneva, 28-29 February 2008;
- (b) International Conference on Investing in Innovation: Promoting New Opportunities in the UNECE Region, Geneva, 10-11 April 2008;
- (c) Applied Policy Seminar on Early Stage Financing and "Investment Readiness" of Innovative Start-ups, Moscow, May 2008;
- (d) Third session of the Team of Specialists on Intellectual Property (TOS-IP), Geneva, 2-4 July 2008; and
- (e) Third session of the Committee on Economic Cooperation and Integration, Geneva, 3-5 December 2008.

27. A number of delegates underlined the need for the Comparative review to be user-friendly and accessible to government officials of various levels of expertise. The report could include questions and answers sections and practical experiences to facilitate understanding. In particular, negative experiences and failures could be included to a larger extent to better inform future policy actions. The Comparative review could also benefit from more structured feedback, including through the use of questionnaires. Surveys would make the report more practical and answers could be collected through web-based schemes.

28. The secretariat welcomed these comments and invited the members of the Team to actively contribute to the work on the Comparative review in line with these suggestions. Comparative reviews will be eventually translated into more practical instruments, such as

guidebooks and toolkits. As such, Comparative reviews could be seen as an intermediary stage in the preparation of these final products which will be eventually used in capacity-building activities. It was also recalled that the information exchange platform is an effective tool to receive feedback and facilitate interaction between Team members and other stakeholders.

29. The Team adopted the Implementation plan of its Programme of Work for 2008 as detailed in the Annex (including timeline and working procedure) and taking into account proposals made during the deliberations. It invited the secretariat to propose, in consultations with the Team, a detailed Outline of the Comparative review due in 2008 by the end of February, taking into account the papers and discussions at the applied policy seminar under Agenda item 2. The Chairperson invited the members of the Team to participate actively in the collaborative work on the Comparative review and the Synopsis of policy options by providing relevant and timely inputs.

VII. CAPACITY-BUILDING ACTIVITIES (Agenda item 5)

30. The secretariat recalled that CECI noted at its second session the importance of future capacity-building work, as reflected in document ECE/CECI/2007/11: “The CECI Terms of Reference stress the importance of capacity-building activities in the mandated areas of work. Starting from 2009, capacity-building activities in requesting countries/subregions will be assigned greater emphasis in the Programme of Work.” In relation to that, the Committee requested the secretariat to “... facilitate transforming the results of normative work into capacity-building tools, including training materials and modules” (ECE/CECI/2007/2).

31. The secretariat briefed the Team on the prospects for future capacity-building activities generally and, more specifically, in the thematic area of innovation and competitiveness policies. These activities depend on the available funding, in particular, extrabudgetary resources. It was stressed that contributions can also include in-kind support, including the participation of national experts and the provision of facilities for hosting regional seminars.

32. The delegate from Belarus informed the session of the prospects to organize a regional seminar in this thematic area in Belarus in the first half of 2009. A dialogue with the secretariat will be established regarding the materialisation of this possibility.

33. The delegate from the Czech Republic stated that policies on innovation and technology will be priorities of the future Czech Presidency of the European Union. A conference on this topic is envisaged to take place in the Czech Republic in 2009 and there is interest to invite wide participation to this conference. The Czech delegate will keep the secretariat informed on the organization of this event and will explore the possible support by the Government of the Czech Republic to future capacity-building activities of the Team.

VIII. OTHER BUSINESS (Agenda item 6)

34. Participants agreed to hold the next session of the Team of Specialists in the second half of March 2009, subject to the approval of the Programme of Work of the Committee on Economic Cooperation and Integration on its third session to be held on 3-5 December 2008 and the avoidance of any clash with other events.

35. Participants agreed that the secretariat prepare the session's report no later than 15 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

IMPLEMENTATION PLAN FOR 2008

Timeline of the main outputs:

1. Comparative review of government policies facilitating technological development and innovation.

Provisional title: “Enhancing the Innovative Performance of Firms: Policy Options and Practical Instruments”

Main topics to be addressed:

- (a) Creating supportive framework conditions for enhancing the innovative capacity of firms;
- (b) Strengthening industry-science linkages;
- (c) Raising the efficiency of seed-and-breed innovation-promotion institutions;
- (d) Promoting innovation clusters: practical dimensions; and
- (e) Supporting firms’ innovation skills and human capital.

Draft Outline	15 February 2008
Further consultations on a detailed Outline	end February 2008
Team members provide inputs (national policy documents, programmes, case studies, analytical materials, statistics and other relevant information)	March-April 2008
Secretariat prepares first draft of the Comparative review	end May 2008
Consultations with the Team of Specialists on the first draft of the Comparative review	June 2008
Secretariat prepares final draft of the Comparative review	30 June 2008

2. Synopsis of Policy Options for Creating a Supportive Environment for Innovative Development

Agreement on an Outline (based on the Comparative review)	end July 2008
Secretariat prepares first draft of the Synopsis of policy options	10 September 2008
Consultations with Team members on the first draft of the Synopsis	September 2008
Secretariat prepares final draft of the Synopsis	30 September 2008