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**ECONOMIC COMMISSION FOR EUROPE**

**COMMITTEE ON ECONOMIC COOPERATION  
AND INTEGRATION**

Team of Specialists on Innovation and Competitiveness Policies

First meeting  
Geneva, 8 – 9 March 2007

**REPORT OF THE TEAM OF SPECIALISTS ON INNOVATION AND  
COMPETITIVENESS POLICIES ON ITS FIRST MEETING**

**I. ATTENDANCE**

1. The Team of Specialists on Innovation and Competitiveness Policies held its first meeting on 8 and 9 March 2007. Some 80 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. The meeting was attended by representatives of the European Commission.
3. A representative of Qatar participated under Article 11 of the Commission's terms of reference.
4. Representatives of the Food and Agriculture Organization of the United Nations (FAO), World Intellectual Property Organization (WIPO) and Eurasian Economic Community (EurAsEC) also attended the meeting.

## **II. OPENING OF THE MEETING**

5. Mr. Marek Belka, Executive Secretary of UNECE opened the meeting and welcomed participants from governments, academia, the private sector and intergovernmental organizations pointing out that the high level of participation attested to the significance and importance of innovation and competitiveness policies for the UNECE region and its member States.

6. The Executive Secretary stressed that the UNECE Committee on Economic Cooperation and Integration (CECI) assigned high priority to the work of the Team of Specialists. He pointed out that the envisaged work of the Team would involve an interactive stock-taking on problems and challenges that exist in the area of innovation and competitiveness policies, which could help in the identification of good practices and policy suggestions in this area. These outcomes would provide the basis for broad dissemination activities as well as capacity-building and technical assistance activities in response to demands from member States. He concluded that one of the key desired outcomes of the meeting was a clear implementation plan for the work to be carried out in 2007 and 2008.

## **III. ELECTION OF OFFICERS (Agenda item 2)**

7. The Team elected Mr. Krzysztof Gulda (Poland) as Chairperson, and Mr. Albert Link (United States), Mr. Göran Marklund (Sweden), Ms. Aliko Pappa (Greece) and Mr. Yuri Poluneev (Ukraine) as Vice-Chairpersons.

8. The Chairperson welcomed participants and outlined the challenges ahead. He invited participants to share their views on the substantive agenda items, including the key issues to be addressed in 2007-2008 and the implementation plan for 2007. He also welcomed the participation of interested intergovernmental organizations in the work of the Team.

## **IV. ADOPTION OF THE AGENDA (Agenda item 1)**

9. The provisional agenda (ECE/CECI/ICP/2007/1) was adopted.

## **V. PRESENTATION OF THE MANDATE OF CECI, ITS PROGRAMME OF WORK FOR 2007-2008 AND THE ROLE OF THE TEAMS OF SPECIALISTS (Agenda item 3)**

10. The secretariat presented an overview of the Committee's mandate and programme of work for 2007-2008 highlighting its five focus areas:

- (a) Creating a supportive environment for innovative development and knowledge-based competitiveness;
- (b) Promoting an enabling environment for entrepreneurship and SME development;
- (c) Promoting an enabling environment for efficient financial intermediation in support of innovative development;

(d) Facilitating the effective regulatory protection of intellectual property rights and strengthening their role in innovative development; and

(e) Promoting best practice in efficient public-private partnerships.

11. It was stressed that member States expected practical results from implementation of the programme of work. One of the related objectives for the Team of Specialists is to identify good practices in innovation and competitiveness policies and to facilitate their broad dissemination in member States. In practical terms, this may involve a three-stage approach in implementing the Team's programme of work:

(a) taking stock of the experiences of member States;

(b) identifying good practices and developing policy guidelines and recommendations;

(c) providing demand-driven policy advisory services and capacity-building activities in requesting countries.

12. The secretariat also introduced and demonstrated the CECI information exchange platform developed as a new technology for inter-Team communication, networking and joint work.

13. Participants praised the development of the information exchange platform and made proposals for further expansion of its capacity and features. The Chairperson highlighted the fact that this was a tool to facilitate the work of the Team of Specialists and invited members to actively use it and contribute to its content.

#### **VI. KEY ISSUES TO BE ADDRESSED IN 2007-2008 (Agenda item 4)**

14. The Chairperson pointed out that, as mandated in the Terms of Reference, the key objectives of the Team of Specialists in this period would be to identify good practices and policy options in innovation and competitiveness policies and to support their broad dissemination in UNECE member States, including capacity-building in requesting countries. Given that the thematic area is rather broad and in view of the limited time and resources available, the Team of Specialists can initially address only a limited number of issues within this broad area. It therefore has to focus its work on those aspects of innovation and competitiveness policies where multilateral cooperation could add the most value and where national experiences could be most easily adopted by other countries. Also, as the work of the Team of Specialists is an integral part of the Committee's work, it should be taken into account that some issues that might be considered relevant to innovation and competitiveness policies could be dealt with in other CECI focus areas.

15. The secretariat introduced its background document ECE/CECI/ICP/2007/3 containing a summary of the main results from the survey of experts on innovation and competitiveness policies, prepared to facilitate the Team's deliberations.

16. It was stressed that this approach provided an opportunity to help focus the Team's work on issues where it could bring the most value for most of the member States, thereby addressing member States' appeal for a demand-driven programme of work.

17. The survey questionnaire was distributed to 250 experts (including members of the Team of Specialists) from the UNECE region. The high response rate (close to 50 per cent) was indicative of the interest in the Team's work. Another encouraging outcome was the concentration of the responses by a large core of the experts onto a relatively narrow range of topics which are indicated in the background paper. This provided a good starting point for the deliberations on the key issues to be addressed by the Team in 2007 and 2008.

18. In opening the discussion, the Chairperson reminded the meeting that the main objective of these deliberations was to arrive at a common understanding of the content and focus of the deliverables the Team is mandated to produce in 2007 and 2008 in accordance with its Terms of Reference and to identify concrete steps for the activities that need to be done in order to deliver this output.

19. The following general points emerged from the discussion:

(a) National competitiveness is a multi-dimensional concept; it implies growth but also investment, financial, political will and vision as well as social inclusion. Economies in transition are generally lagging behind in national competitiveness. Among the policy questions to be considered are can competitiveness ranking of countries be useful for policy and decision-making and how can priorities in such policies be defined?

(b) The programme of work should address issues with practical relevance to policymakers. The work should not end up with declarations but with practical recommendations and pragmatic approaches that Governments could implement. Hence the Comparative Review should be demand-driven and result oriented. Ideally it should contain tools to achieve the objectives of interested parties.

(c) It is important to take into account the context, including initial conditions, level of developments, human capital, various constraints, etc. because the same policies may bring different results in different circumstances.

(d) Good practices need to be adapted to the specific conditions of each country and be based on an assessment of the specific challenges the country faces.

(e) With respect to national innovation systems, the stocktaking exercise needs to focus on the identification of structures and elements that are most effective and on common mistakes committed in setting up these systems. Incentives may work differently in a different national context.

(f) There is a need to develop (invest in) strategic intelligence in order to make better policies, in particular to systematically analyse the current situation to identify priority areas for action, and systematically evaluate the implementation and impact of policies to learn from successes and failures.

(g) The role of motivation and incentives in the innovation process (at different levels and stages) should be taken into account. The incentive structures are very important, especially as regards long-term policies and impacts.

(h) There are numerous examples of good initiatives and general policies. However, they cannot be imitated, but re-invented by adjusting to the country's context.

(i) At the same time, some countries face similar problems in a similar context; they could benefit from jointly sharing their experience.

(j) When assessing different policy experiences, there is a need to consider both cases of success and failure, drawing from actual models. Cases of failure provide important lessons.

(k) One of the relevant aspects for economies in transition is the reform in the private sector, as well as the cooperation and dialogue between public and private sectors.

(l) Emphasis should be given to market driven innovation. The impact and effectiveness of innovation policy strongly depends on the competitive environment. For example, the incentives for firms to invest in R& D strongly depend on the competitive pressure. There should be a focus on the enabling environment for enterprises and the policies to create enabling environment.

(m) The macroeconomic environment, institutional and regulatory frameworks and education systems are key for innovation and generation of technology by enterprises.

(n) It is necessary to identify "niche" for the Team of Specialists in order to distinguish its work from that of other international organizations. The team should focus on a limited number of policy-oriented topics, say 4-5 in a year.

(o) Innovation activities and competitiveness should be considered in a broader context, including the institutional background, markets, and economic environment.

(p) The role of international organizations and multinational firms should be taken into account. Innovation which is foreign direct investment (FDI) driven is very important for transition economies, but multinationals may behave differently in different countries depending on national policies.

20. Participants also made the following specific proposals regarding the focusing of the Teams' work in 2007-2008:

(a) Start with definitions. Define innovation and competitiveness for the purposes of the Team of Specialists' work. For example, there is a need to decide whether the Team deals with non-technological innovation (e.g. process innovation, system innovation, etc.) or only technological innovation. Compile a glossary with definitions of different terms.

(b) Consider applying appropriate quantitative indicators and criteria to assess the effectiveness of the innovation systems and to measure competitiveness and innovation performance. Develop indicators and criteria for innovative capacity.

(c) Compile an inventory of innovation and competitiveness policies, taking into account general innovation policies and specific innovation policies.

(d) Properly reflect the national specificities of different countries.

(e) Measuring competitiveness also implies comparisons; appropriate benchmarks may be needed for policy development and assessment.

(f) Take stock of existing national experiences (e.g. in Ukraine) of developing multi-dimensional policy objectives targeting increased national competitiveness and of prioritizing the objectives.

(g) Define criteria for success and failure in policy design and implementation.

(h) Take into account four different formation fields in innovation: science formation and production; technology formation; business formation; market formation. The latter e.g., user-producer relationships, is often neglected.

(i) To better understand how innovation is driven and developed by private sector it would be useful to attract the participation of the business sector in the Team's discussions.

21. In the course of the discussion, the Chairperson invited Mr. Slavo Radosevic (an expert invited by the secretariat) to make a presentation to the session. The presentation is available on the CECI website.

22. The Chairperson concluded discussion under Agenda item 4 by suggesting that the secretariat prepare some auxiliary documents to assist the deliberations under Agenda item 5, namely:

(a) Summary of the responses by the participants, including the available national information relevant to the mandated outputs of the Team of Specialists, and the expressions of interest in contributing to specific items of the Team's programme of work;

(b) Possible options for sequencing and main topical orientation of the work envisaged for 2007 and 2008;

(c) Draft outline of the Comparative Review mandated in the Team's work programme for 2007; and

(d) An indicative timeline for the preparation of documents due in 2007.

## **VII. IMPLEMENTATION PLAN FOR 2007-2008 (Agenda item 5)**

23. The secretariat introduced a summary of the responses collected the previous day on participants' prospective contributions to the activities of the Team of Specialists mandated for 2007. Background material for Agenda item 5 contained options for sequencing the work envisaged for 2007 and 2008, timeline of the main outputs in 2007, and a tentative outline of the Comparative Review envisaged for 2007.

24. Participants were informed that the background material, drawing on the deliberations under Agenda item 4, could be viewed as containing the elements of a tentative implementation plan for the milestone outputs in the programme of work in 2007 and 2008. The draft outline of the Comparative Review attempted to capture those issues that were highlighted as critical by a

large number of participants in the meeting and also drew from the results of the survey of experts undertaken by the secretariat.

25. It was explained that given the time available for the work to be undertaken in 2007 the directions of the immediate implementation steps needed to be clearly defined and focused on a relatively narrow range of topics. Due to this tight work schedule, some of the important issues raised at the meeting would have to be addressed at a later stage. The Bureau, in consultation with other Team members and the secretariat could discuss options regarding the further sequencing of the work with a view to addressing as many of the issues as possible that were identified as important.

26. It was also added that some of the relevant issues highlighted during the deliberations would be addressed in the context of the other Focus Areas of the CECI programme of work and, more specifically, would be discussed at the following CECI expert meetings and conferences:

(a) Financing for Innovative Development, Geneva, 3-4 May 2007;

(b) Reducing Barriers to Entrepreneurship and Encouraging Enterprise Development: Policy Options, Geneva, 18-19 June 2007;

(c) Knowledge Sharing and Capacity-Building on Promoting Successful Public-Private Partnerships in the UNECE region, Israel, 5-8 June 2007; and

(d) Intellectual Property Rights Protection and Transforming Research and Development Outputs into Intangible Assets in Economies in Transition, Geneva, 25-27 July 2007.

27. The Chairperson emphasized the need to discuss and decide on the concrete steps to be taken to implement the activities mandated in the Terms of Reference, a possible division of labour between participants, as well as a timetable.

28. The following general points regarding the Implementation plan emerged from the discussion:

(a) The proposed document was a fair reflection of the main points raised and suggestions made during the deliberations under Agenda item 4.

(b) The timeline of the activities in 2007 was ambitious, it was therefore important that the Team of Specialists stick to the deadlines.

(c) The tentative outline was a starting base, to be elaborated by the Team of Specialists in the course of its work.

(d) The Team of Specialists would rely to a great extent on the information exchange platform for the collaborative work on the Comparative Review.

(e) The Comparative Review should focus on the lessons learned from the experiences of UNECE countries, based on the existing models of innovation and competitiveness policies.

(f) The Team's joint work should be concentrated on the substantive part of the Review; conceptual and methodological aspects (such as the development of a Glossary and definitions) could be left to the secretariat. They could be annexed to the review, or not included at all; some key definitions could be inserted as Boxes.

(g) In order to reach out to a broader constituency, the final document should come with a brief summary of recommendations for high-level officials.

(h) The outputs should demonstrate to Governments that an active innovative policy is better than no policy at all.

(i) Policy recommendations could be accompanied by analytical illustrations to assist government officials and policymakers to better understand the problems.

29. Participants also made the following specific proposals regarding the outline of the Comparative Review:

(a) Alternative titles for the Comparative Review envisaged for 2007 could be: "Towards innovation-driven competitiveness in the UNECE region", or "Creating an environment conducive to competitiveness and efficient national systems of innovation".

(b) Two possible ways of structuring the Comparative Review could be:

(i) along three main issues to be addressed: (1) Policy objectives; (2) Policy instruments; and (3) Policy impacts;

(ii) in four chapters: (1) Generic and specific framework conditions; (2) Comprehensiveness, relevance and effectiveness of the innovation policy mix; (3) Building institutional capacity; and (4) Evaluation.

(c) The word "effective" should be dropped from the title in conjunction with the "organizational models of innovation development", as the Comparative Review needs to assess the actual existing models.

(d) Participants stressed the importance of a number of issues that could be more accentuated in the outline, in particular, the role of human capital, human capital development and education; the role of strategic intelligence; the role of evaluation, including feedback and impact assessment; the relationship between effective innovation policy and level of economic development (e.g. does policy target innovation at the frontier or imitation); the role of the business sector.

(e) Some participants from countries with economies in transition pointed to issues that they consider of high relevance and importance for them, in particular, the transition from R&D policy to innovation policy; international cooperation and technology transfer; effectiveness and efficiency of the policy mix and the policy process; interagency coordination; coordination between public and private stakeholders.



(f) The structure could be further streamlined by integrating some aspects of the Review. For example, the issue of incentives and incentive systems could be addressed in the context of generic or specific framework conditions (e.g. when discussing tax issues).

(g) Even if some relevant aspects (such as financing innovation, intellectual property rights and public-private partnerships) will be dealt with in other groups, they should also be highlighted in this Comparative Review due to their importance.

(h) The chart of the national innovation capacity matrix (with four main components: supply side, demand side, diffusion, absorptive capacity) contained in the presentation of Mr. Slavo Radosevic could be a useful analytical tool for the Team.

(i) The final structuring of the Comparative Review will very much depend on what inputs and analytical materials are made available by the Team of Specialists.

30. The Chairperson concluded Agenda item 5 by formulating the following conclusions, which were approved by the participants:

(a) The Team adopted the Implementation plan for 2007-2008, as circulated during the meeting and complemented during the deliberations (Annex) .

(b) The Team approved the working procedure and mechanisms for consultations, based on the CECI information exchange platform, for the drafting and finalization of the Comparative Review and the Synopsis of Good Practices envisaged for 2007.

(c) The Team endorsed in principle the draft outline of the Comparative Review of the organizational models of innovation development and competitiveness, as circulated during the meeting. The outline is to be complemented, through consultations among the Bureau of the Team of Specialists, with the proposals made during the discussions under Agenda item 5.

(d) The discussions on the topical orientation and detailed timeline for the work in 2008 will continue through networking. The related decisions will be taken at the next annual meeting of the Team of Specialists.

## **VIII. MOBILIZATION OF RESOURCES IN SUPPORT OF FUTURE CAPACITY-BUILDING ACTIVITIES (Agenda item 6)**

31. The secretariat explained that funds were available to finance the activities mandated in the programme of work, but the scope of future capacity-building activities depended on extrabudgetary resources. With additional extrabudgetary funds it would be possible to expand the scope of these activities and to increase their impact, for instance by bringing more participants to seminars, capacity-building workshops and policy advisory meetings. Support could consist not just of financial contributions, but also contributions in kind, such as making available conference facilities for meetings held in member countries. The Chairperson encouraged participants to be innovative in exploring opportunities of mobilizing additional resources.

**IX. OTHER BUSINESS (Agenda item 7)**

32. Participants agreed to hold the next meeting of the Team of Specialists during the week of 11-15 February 2008 and to allocate some time to discussing relevant substantive issues in a structured way.

33. Participants agreed that the secretariat prepare the meeting'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.

34. Participants invited the secretariat to circulate further information on access to and use of the information exchange platform as soon as it becomes operational.

## ANNEX

## IMPLEMENTATION PLAN FOR 2007-2008

## I. 2007

## A. Timeline of the main outputs:

1. Comparative review of the organizational models of innovation development and competitiveness, and of the channels through which the results of technological development and innovation diffuse in the modern economy and their role in national economic development and competitiveness
  - (a) Draft Outline 9 March 2007
  - (b) Further consultations. Agreement on the Outline end March 2007
  - (c) Team members provide inputs (national policy documents, programmes, case studies, analytical materials, statistics and other relevant information) end April 2007
  - (d) Secretariat prepares first draft of the Comparative Review end May 2007
  - (e) Consultations with the Team of Specialists on the first draft of the Comparative review June 2007
  - (f) Secretariat prepares final draft of the Comparative Review 30 June 2007
2. Synopsis of good practices in facilitating the generation and diffusion of innovation
  - (a) Agreement on an outline (based on the Comparative Review) end July 2007
  - (b) Secretariat prepares first draft of the Synopsis of good practices 10 September 2007
  - (c) Consultations with Team of Specialists on the first draft of the Synopsis September 2007
  - (d) Secretariat prepares final draft of the Synopsis 30 September 2007

## B. Outline of the Comparative Review to be delivered in 2007:

**Provisional title:** “Creating a conducive environment for higher competitiveness and effective national innovation systems. Lessons learned from the experiences of UNECE countries”

### Chapter 1. Setting objectives in innovation and competitiveness policies

- (a) Basic conditions for the success of innovation and competitiveness policies
- (b) Tools for setting policy priorities: information sources; benchmarking; identification of priorities; foresight and strategic intelligence; consultations with key stakeholders
- (c) Comprehensiveness, relevance and effectiveness of the policy mix
- (d) Building systems of incentives for support from key constituencies and stakeholders; short-term vs. long-term goals and incentives
- (e) Good practices in objectives setting

### Chapter 2. Policy instruments targeting innovation-based competitiveness

- (a) National innovation capacity and policy instruments targeting its components
- (b) Generic and specific framework conditions supporting innovation-based competitiveness (macroeconomic; tax policy; economic structure; competition policy, education, human capital development, etc.)
- (c) Bridging objectives with implementation mechanisms and instruments. Policy instruments for implementing long-term national R&D and innovation programmes.
- (d) Governance structures of national innovation systems. Functional responsibilities of government agencies and interagency coordination mechanisms. Coordination between public and private stakeholders. Building the institutional capacity
- (e) Regional approaches, policy measures and implementation mechanisms
- (f) Promoting FDI-related diffusion of innovation and technology transfer
- (g) Good practices in developing and implementing policy instruments

### Chapter 3. Assessing the effect of innovation and competitiveness policies

- (a) Criteria of effectiveness and efficiency of policymaking and governance
- (b) Evaluation of policy implementation and governance; impact assessment
- (c) Course corrections
- (d) Transferability of national experiences. The role of the national context and specificity
- (e) Good practices in evaluation and assessment

## **C. Glossary and definitions**

The Glossary will be prepared by the secretariat in consultation with the Team of Specialists and will include key terms, concepts and notions relevant to the topic such as innovation, competitiveness, innovation capacity, drivers of competitiveness, knowledge management, types of innovation policies, National Innovation Systems (NIS), benchmarking, “good practices”, criteria for identifying “good practices”, etc. It can be appended as an Annex to the Comparative Review.

## II. 2008

### **A. Main outputs, as per the Team of Specialists' Terms of Reference:**

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

### **B. Tentative topical orientation (as per the deliberations under Agenda item 4 and the results of the Survey of experts undertaken by the secretariat):**

- (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).

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