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International Conference on Knowledge-based Development

Minsk, Republic of Belarus, 10-12 June 2009

**REPORT ON THE INTERNATIONAL CONFERENCE ON
KNOWLEDGE-BASED DEVELOPMENT**

I. FORMAT AND ATTENDANCE

1. The International Conference on Knowledge-based Development was held in Minsk, Republic of Belarus from 10 to 12 June 2009, in response to a request by the Government of the Republic of Belarus and in accordance with agreements reached between the Executive Secretary of the United Nations Economic Commission for Europe (UNECE) and the Executive Secretary of the Commonwealth of Independent States (CIS). It was jointly organized by the UNECE and the State Committee on Science and Technology of the Republic of Belarus in cooperation with the Secretariat of the CIS, the United Nations Development Programme (UNDP) Office in Belarus and the Belarusian Institute of System Analysis and Information Support of the Scientific and Technical Sphere.

2. The main objective of the Conference was to provide a platform for a broad exchange of practical experiences and lessons learned among policymakers, representatives of businesses and academia, and other experts and practitioners on good practices and policies of promoting knowledge-driven economic development. In particular, the Conference addressed issues of practical relevance to the countries in the CIS region, in line with the "Strategy for Economic Development of the Commonwealth of Independent States until 2020", which puts a strong emphasis on the role of innovation and knowledge as future engines of growth of the CIS economies.

3. The Conference brought together more than 250 participants – high-level policymakers, government experts, representatives of academia and the business sector – from 15 UNECE member States, including participants from 10 CIS countries, as well as a participant from Australia. Representatives of the UNDP, Secretariat of the CIS, World Intellectual Property Organization (WIPO) and Parliamentary Assembly of the Union of Belarus and Russia also took part in the event.

4. The Conference was welcomed by the Chairman of the State Committee on Science and Technology of the Republic of Belarus and the First Deputy Chairman of the CIS Executive Committee – CIS Executive Secretary. They stressed the importance that governments and international bodies assign on the role of innovative and knowledge-driven economic development and encouraged an active discussion during the Conference in sharing good practices and national experiences in promoting knowledge-based development.

5. The opening session of the Conference featured a general review of knowledge-oriented public policies, an overview of science, technology and innovation policy in the Republic of Belarus as well as summary of the innovation-related targets in the Strategy of CIS Economic Development until 2020.

6. The Conference programme was structured into four main thematic sessions covering different areas of the policy agenda for promoting knowledge-based development, namely:

- (a) Creating a supportive environment for innovative development;
- (b) Financing innovation;
- (c) Commercialization and protection of intellectual property; and
- (d) Public-private partnerships and innovative development.

7. Each session was broken down into two panels: the first panel included presentations by invited international experts who presented an overview of the substantive issues covered in the topic; the second panel featured presentations from Belarus and other CIS countries, which reported on national experiences in the corresponding areas. The conference programme also included a study tour to the Belarusian High Technologies Park.

8. The outcome of the Conference will be reported to the UNECE Committee on Economic Cooperation and Integration at its fourth session in September 2009.

II. SUMMARY OF DISCUSSIONS AND CONCLUSIONS

A. Creating a supportive environment for innovative development

9. The session on establishing a supportive environment for innovative development focused on issues, such as the role of national and regional innovation systems; how to make innovation systems more effective; policy options and practical instruments for enhancing the innovative performance of firms; and the role of innovation support institutions.

10. The participants emphasized that while innovation is a core characteristic of the knowledge-based economy, innovation activity requires specific conditions to emerge and thrive.

Therefore, public policy needs to devote special attention to establishing of a supportive and enabling environment for innovative development.

11. One of these conditions is the ability of both individuals and organizations (firms, research organizations, government agencies, etc.) to learn. Organizational learning drives innovation and is a key in developing and connecting the various elements of innovation systems. In this sense, the modern economy is a learning economy. One challenge for public policy, therefore, is to nurture “learning organizations”.

12. Another important precondition for innovation to thrive is collaboration among innovation stakeholders. Collaboration supports knowledge transfer and the diffusion of innovation through spillovers through proximity and face-to-face interactions between firms with complementary assets and skills. The combination of these factors stimulates the emergence of new ideas and the building of trust among stakeholders.

13. Innovation support institutions, such as science and technology parks, are important ingredients of innovation systems. They offer a good combination of factors that support innovation, including business services and physical infrastructure, social respect for entrepreneurs, freedom for business to innovate in new branches of science and technology, access to entrepreneurship skills, role models, access to finance, a qualified workforce, customers and suppliers, advice on intellectual property protection and management, etc.

14. A number of presentations discussed various national experiences in promoting an enabling environment for innovative development, including national specificities in science and technology policy; policy instruments used for this purpose; comparison of national innovation systems in the region with those elsewhere in Europe; the experience of different universities in supporting research-driven innovation and in providing relevant training for these purposes, etc.

B. Financing innovation

15. The session on the financing of innovation discussed the particular challenges that innovative enterprises face in raising finance, given the risks involved and the lack of tangible collateral. The evolving financing needs at the different stages of their development cycle require the involvement of various specialized financial intermediaries, including business angels and venture capitalists. Many presenters emphasized the fact that specialized financial intermediaries are not only a source of finance but also of expertise, providing managerial and technical support to the companies in which they invest.

16. At the very early stages of an innovation-driven venture, public grants may be the only source of external finance available to explore initial ideas and allow them to grow into commercial proposals that may be attractive to investors. In addition, state programmes of support to research and development are an essential contribution to the development of scientific and technical capabilities that facilitate the emergence of innovative ideas. In this regard, it is important to achieve an appropriate balance between the encouragement of commercialization and the needs of basic research.

17. Possible forms of public support to early stage financing were discussed, including the need to define clear criteria for the allocation of benefits and the introduction of staged financing principles, as companies meet successful development milestones. Public sector support is critical to kick-start a deal flow of potential investment opportunities that can later be attractive to private investors. Among those, the crucial role of business angels (BA) was underlined, as venture capital is reluctant to be involved in early stage financing. Given the importance of BA in promoting the development of innovative start-up firms, this form of investment may deserve public support, in particular, in the development of BA networks. These networks facilitate the pooling of financial resources to finance larger deals and address common problems.

18. The circulation of information between companies and the various types of financial providers is important to ensure that market participants are well aware of the opportunities involved. Public intervention can be used to facilitate and enhance the flow of information. Innovation fairs, which put in contact companies, universities, investors and public agencies, can play a useful role on this regard.

C. Commercialization and protection of intellectual property

19. The session on the commercialization and protection of intellectual property discussed the role of intellectual property rights (IPRs) in fostering knowledge-based development and the management and governance of IPRs in this process. Participants agreed that IPRs are an important tool enabling the disclosure, transfer and commercialization of new knowledge, and that there is a need for further improvements in the legal framework, the policies promoting IPRs and the management of IPRs at the level of public research organizations and enterprises in countries with economies in transition. Several participants reported on progress in national IP and innovation strategies.

20. Representatives of several national intellectual property (IP) agencies and WIPO stressed the importance of international cooperation in the harmonization of legal IP frameworks, including with the World Trade Organization and the European Union, and reported on the progress made in this regard in countries with economies in transition.

21. It was argued that when looking for IPR commercialization opportunities, public research organizations should look beyond national borders and attempt to reach out to international as well as national investors. At the level of the economy as a whole, success in licensing domestic technologies to foreign investors would help in counterbalancing the costs of licensing in technologies from abroad.

22. Examples were given of support services which IP agencies, technology transfer centres and techno parks can provide to inventors and enterprises. These include patent databases and databases of investment-ready technologies, electronic match-making services, tax breaks for patenting, and awareness raising and training measures. To overcome a lack of awareness and acceptance of IPRs, courses on IP basics are offered to all university students in the Republic of Belarus.

23. Among the challenges discussed in the commercialization of IPRs were a lack of innovation demand from enterprises, consumers, and governments; short investment time

horizons; low success ratios in innovation; a lack of private sector funding, including a lack of funding from business angels and venture capitalists; lack of technology transfer institutions; lack of innovative capacity at the level of both small and large enterprises; and a lack of government support for innovation.

24. While the main focus of the session was on the role of IPRs in commercialization, it was also observed that infringements of IPRs, in particular copyrights and trademarks, are a problem in several countries. In this regard, the need for specialized IP courts was also discussed.

D. Public-private partnerships and innovative development

25. The session on public-private partnerships (PPPs) discussed the particular challenges that countries face when getting started in PPPs. PPPs are modern tools for developing infrastructure and providing public services by introducing private sector funds and motivation into areas that are normally the responsibility of government.

26. Several speakers observed that PPPs have a good track record in attracting new capital to develop infrastructure. Projects using this method are being delivered on time and to budget. Moreover, in the current economic crisis, PPPs can be a valuable response to stimulate the economy and secure social stability by mitigating the effects of rising unemployment.

27. The PPP model deserves special attention in order to avoid mounting deficiencies in infrastructure becoming a barrier to economic growth. A possible solution could be a programme of well-coordinated urgent actions for the creation of conditions for the use of the PPP model in the scale proportionate to the requirements of the economy. This would require specific reforms of the regulatory framework, adaptation of PPP approaches and mechanisms to the current conditions, and a gradual expansion of the PPP model based on progress in the necessary reforms and experience gained.

28. At the same time, it was noted that getting a PPP project started may be a challenge. Participants agreed that there are a number of basic requirements for doing PPPs that must be in place for the efficient running of such projects. These include an adequate legal framework, with a strong concession law and appropriate legal conditions, such as an independent judiciary and a neutral and effective dispute resolution system, an efficient institutional framework for PPPs, including a central coordinating body, such as a PPP Unit. Another important requirement is that local stakeholders work together and have a common understanding of the PPP concept and its implications. Policy can facilitate this process by supporting relevant training of government officials involved in this process.

29. Participants shared information on different country experiences in PPP projects, which vary considerably both in the legal and conceptual aspects and in practical implementation. Speakers noted that probably there is no country where all the “best PPP practices” are in place at the same time. The United States, for example, allows each state to run its own PPP programme and there is no central coordinating PPP Unit. There are also experiences outside the UNECE region, such as Australia and the Republic of Korea, that merit attention by policymakers and practitioners.

E. Site visit

30. The site visit to the High Technologies Park in Minsk provided an opportunity for close acquaintance with the modalities of operation of this innovation support institution. The High Technologies Park is an interesting case of innovative national policies in support of technological development which could be of wider interest to policymakers and practitioners in other countries as well.

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