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Towards a sub-regional Index on Innovation Policies

Note by the secretariat

I. Introduction

1.   ECE's series of national innovation reviews show the strong need for concerted efforts to upgrade innovation policy in ECE transition countries – from better co-ordination over efficient integration of the legacy of applied research institutions across the region, to a stronger focus on technology absorption as the leading potential driver of sustainable economic growth.

2.   This is particularly important in view of emerging global and regional trends. The Fourth Industrial revolution, the digital economy, the decline of manufacturing, and the rise of Global Value chains open up a range of opportunities that these countries could benefit from, building on its unique advantages – including high levels of education, a well-established tradition of applied research, and economic integration opportunities through the Eastern Partnership, the Eurasian Economic Union, and the One Belt One Road initiative. But they also face the risk of missing the train. Innovation policy will play a leading role in promoting those opportunities while mitigating the risks that they pose.

II. Role of the proposed sub-regional Innovation Policy Index

3.   Leading benchmarking instruments, such as the Global Innovation Index, are necessary but not sufficient: they capture input and output measures well, but fall short of assessing central issues such as institutional capacities and policy design. As innovation policy often involves targeted public support for specific projects, these issues are of utmost importance to ensure that scarce public resources are put to optimal use.

4.   A sub-regional Innovation Policy Index (IPI) could fill this gap for economies in transition in the ECE region and facilitate this restructuring process with a comparative framework that captures the scope and quality of policies, the implementing institutions,

and the decision-making and evaluation processes at different levels. IPI will serve both as a tool for assessment, for monitoring and evaluation, and for EaP policy dialogue.

5.   This exercise would build on and complement national Innovation for Sustainable Development Reviews (I4SD). The index would cover key issues explored in further depth in the reviews.

6.   A workshop with representatives from Ukraine, Belarus, Moldova, Georgia, and Armenia (with Azerbaijan consulted separately), served to review the potential methodology and scout interest and engagement for an IPI. The discussion yielded highly useful feedback on the methodology and the assessment process. At the end, all participants expressed their interest and commitment to allocating the necessary resources to participate in the assessment process.

III.   Structure of the proposed Index

7.   The IPI would cover the essential features and insights developed in ECE national innovation policy reviews. It could have 4 policy pillars, each with a range of dimensions and indicators. The pillars are rooted in the notion of governance, which 'concerns the systems and practices that governments use to set priorities and agendas, implement policies and obtain knowledge about their impacts and effectiveness' (OECD, 2005)[1]. The notion of innovation governance assumes that managing innovation processes is an activity where boundaries between and within public and private sectors are blurred. Innovation is not driven by sole inventors but is the outcome of the interaction between individuals and organisations involved in collective action.

8.   The table below gives an overview of the proposed structure.

Innovation governance structure	Innovation policy instruments	Innovation policy process (policy cycle)	Institutional capacity for innovation policy
Institutional framework	Promotion of technology absorption	Agenda setting and prioritization	Strategy setting capabilities
Organizational framework	Promotion of innovation and knowledge generation	Decision making about policies and programs (policy design)	Policy coordination capabilities
Inter-organizational links	Promotion of intra-country linkages	Policy implementation	Policy implementation capabilities
Organizational Structure	Promotion of international innovation linkages	Policy evaluation	Monitoring & Evaluation capacities
	Promotion of technology diffusion		
	Promotion of demand for research and development and innovation		
	Policy mix		

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[1] OECD (2005) Governance of Innovation Systems: Volume 1: Synthesis Report, Paris

IV.   Proposal for implementation

9.   After developing and validating the methodology, it would be tested in selected pilot countries to optimise it further. The IPI would be generated through a combination of data mining, government self-assessments, an in-depth expert mission in each country, and peer validation. The process draws on inputs from government agencies, the private sector and other innovation policy stakeholders.

10.   A flagship report would present the data in detail, with chapters on specific areas and detailed country profiles. Three to four analytical chapters could build on the insights generated as part of a broader analysis of common concerns, global and regional trends and opportunities, and recommendations for regional co-operation. Complementary sub-regional dialogues could support countries in translating these recommendations into reforms and new policies, using the underlying indicators to measure their progress.

11.   The analysis could be repeated, as a standing feature under the Committee's intergovernmental dialogue, on a regular basis to measure progress and foment further regional policy dialogue and cooperation. It will complement in-depth national reviews, in particular ensuring the ability to cover a broader range of countries and strengthening the framework for monitoring progress on recommendations.