

Economic Commission for Europe

Sixty-fift







## VII. Innovation and structural change: “smart specialisation” strategies

25. The collaboration between the public and private sectors is a key element in the design and implementation of innovation-based strategies to promote changes in the sectoral productive specialisation towards higher economic diversification and value activities with growth potential. These “smart specialisation” strategies, which are being pursued at both the national and sub-national levels, focus on specific sectors, which are considered particularly important to increase competitiveness.

26. Typically, patterns of productive specialisation dominated by primary products are considered less conducive to innovation. There are, however, examples of countries that have developed strong innovation capabilities from a primary product base, underscoring the importance of having a broad view of innovation.

27. Innovation-based strategies differ from the old industrial policies of “picking winners”. The emphasis is placed on the public support to a process of entrepreneurial discovery that leads to the emergence of new comparative advantages on the basis of existing strengths and collaborative efforts between different stakeholders. In this process, the returns that could be captured by individual entrepreneurial pioneers are limited, so investments would be low in the absence of public backing. A number of complementary activities may also need to be developed simultaneously. These are beyond the reach of the



(d) Services and, in general, technological aspects are very important to develop compelling commercial proposals. However, these issues are often neglected in policy. How can the excessive focus of innovation policies on technological issues be corrected? How can ICT and other general purpose technologies be used to facilitate innovation in different sectors, including through the adoption of new business models?

(e) What lessons can be drawn from international experiences on the use of policy instruments to encourage the demand for innovation? How standards and the regulatory processes can be used to encourage innovation?

(f) What is the role that economic openness plays in innovation processes? What complementary policy measures are necessary for countries to fully benefit from the internationalization of their economies? How can advanced countries support the efforts of emerging and developing economies to build capacities, institutions and competences for innovation? What are the existing experiences on the use of development assistance to support these efforts?

(g) What are the multiple roles that international cooperation can play in promoting innovation? How can this cooperation be facilitated, including at the regional and subregional level? What are the most suitable mechanisms for effective border policy learning?

---