



OECD Innovation Strategy: Key Findings (SG/INNOV(2010)1)

BIAC COMMENTS

General comments

- BIAC has strongly supported the development of the horizontal OECD Innovation Strategy, recognizing the OECD's unique role in providing new insights into the effectiveness of different countries' environments for innovation and in developing a comprehensive and a forward-looking innovation policy framework to address economic, environmental and social challenges.
- The draft Ministerial report covers the wide variety of key issues that are important for innovation processes, both in the private and public sectors. We appreciate the clear call for an integrated policy approach. The horizontal focus of the Innovation Strategy is highly welcomed and important for reflecting the cross-sectoral, inter-disciplinary and complex nature of innovation. The OECD Innovation Strategy builds upon a wide range of analyses from different parts of the OECD, thus presenting a broad and comprehensive base for its policy recommendations.
- In BIAC's view, the OECD has played and should continue to play an important role by documenting innovation trends, by providing new information with better measurement, and by helping countries create the right overall policy framework that is most conducive to innovation. In view of the dual challenge that we are facing of recovering from a serious economic crisis and addressing major global challenges, the long-term policy objective of sustaining innovation must remain at the forefront of attention and receive the necessary high-level political attention.
- The work on measuring and monitoring innovation is very much appreciated as it is key to helping policy makers assess performance and monitor implementation of the Innovation Strategy. New innovation indicators for better governance and evidence based for innovation policy are of crucial importance. Such indicators must be in line with the broadening aspects of innovation, e.g. business models, services, design and organisational developments.
- We encourage the OECD to take a forward-looking approach to putting the Innovation Strategy in practice by (1) providing the building blocks for innovation through concrete

“innovation toolkits” and best practices; (2) anticipating new trends and assisting policy makers to get ahead of the curve; and (3) providing new measurement tools and benchmarks for innovation.

Specific comments

Additional emphasis on the importance of non-member economies in driving innovation

The shifting geography of innovation in major non-OECD countries provides new transitional challenges, but also huge opportunities for growth. Major non-member economies are becoming increasingly involved in global developments towards knowledge-based growth. As enhanced engagement of major non-member economies is an over-arching priority for the OECD, we encourage the OECD to reflect the shifting geography of innovation more fully in the key findings of the Innovation Strategy.

Underline the importance of continued investment and access to financing

A key component of any innovation activity is access to financing and policies to support capital formation. Vast amounts of financing will be necessary to encourage the necessary investments. In particular in times of economic downturn or slow economic recovery, both public and private entities need to be encouraged to sustain investment in R&D activities. We encourage the OECD to put further emphasis on ways to ensure that the necessary investments and financing come forward.

Highlight the role of intellectual assets

The process of value creation is continuously changing, and new sources of growth are emerging. Our economies, therefore, have to develop new mixes of resources and skills within new innovation eco-systems to adapt to the changing processes of value creation. BIAC welcomes OECD’s analysis of the changing role of intellectual assets for growth, including in the context of work on knowledge markets and networks. BIAC believes that work on intellectual assets should remain high on the agenda to further improve the understanding of their contribution to value creation and should be more fully reflected in the OECD paper on key findings of the Innovation Strategy.

Box 1: Policy principles

While the policy principles mentioned in box 1 are all important, they are quite general in nature. Many useful details are contained later on in the text and the background reports. It would be useful to specify some of the policy recommendations and provide more concrete guidelines or a checklist.

Point 2 mentions the importance of sound framework conditions that are conducive to innovation and mutually reinforcing. In view of the importance of the overall policy framework for innovation, we would recommend that the description about framework conditions be more detailed and elaborate further on the various points mentioned later in the text. We specifically recommend adding the following main factors of such a policy framework: free international trade, an effective IPR regime, sound investment policies and investment liberalization as well as international collaboration in technology.

While the principles address both innovation in firms and in public research systems separately, greater emphasis should be placed on public-private collaboration to foster R&D.

Under **point 4** on technology transfer, it should be underlined that in many cases, technology dissemination takes place in the context of commercial transactions. The main vehicle for the deployment of technology will be the private sector, through its day-to-day business activities of technology development, foreign direct investment and technology sales and dissemination. The OECD should support a policy framework that encourages sustainable business activities for global and social challenges.

Point 5 mentions the importance of ensuring policy coherence by treating innovation as a central component of government policy, with strong leadership at the highest political levels. While this is the last point in the list of policy principles, we believe it should be further highlighted that governments have a key role in setting a coherent business-friendly policy environment that encourages innovation in the broad range of business sectors and ensures a smooth functioning of the market.

IPR

Access to finance (paragraphs 38-42): Policy makers should ensure that a legal regime enabling secured financing for the protection of intellectual property rights exists to promote better access to finance by innovators.

Paragraph 43 lists sound framework conditions to enable innovation. The importance of an effective intellectual property rights protection and enforcement regime that complies with accepted international standards should be mentioned in this context.

Paragraph 57: Policies need to recognize the opportunities and challenges associated with new ICT technologies in the context of IPR, taking into account policies aimed at promoting the development of infrastructure to support these services.

Paragraph 62: It is unclear what is meant by “sporadic nature of these exchanges”.

Paragraph 63: We appreciate that the report clearly mentions that effective protection of IPR is required to provide incentives to innovation, investment and trade. However, the sentence at the end of this paragraph mentioning that “*inappropriately strong IPR could unduly hamper the use of protected knowledge to the detriment of competition*” could be wrongly interpreted as meaning that competition sometimes requires the loosening of IP rights. We therefore strongly recommend replacing the last two sentences with: “*Patent systems need*”

to be properly tailored to ensure the proper balance between incentives for innovation and the public benefit that flows from dissemination of the knowledge into the marketplace”.

In BIAC's view, an effective and efficient IPR regime serves as a critical enabling tool for innovation. It provides incentives to take risks and encourages the creation and adoption of new technologies in all areas. This requires a robust IPR regime to maintain the balance between exclusive protection for a defined period and disclosure of IP in accordance with internationally established IPR policies. BIAC suggests that it would be useful to add this concept to the text.

Paragraph 64: We request deletion of this paragraph. The implication of strengthened cooperation could imply that competition authorities would have a say in how patents are granted, which is not appropriate.

Global challenges

Several global major challenges are mentioned, including climate change, health and food security. However, there are many other global challenges for which innovation is crucial, such as resource-related challenges (water, resource efficiency, sustainable agriculture, etc.), security, energy (in part addressed under climate change), ageing, managing the convergence of technologies, etc. We recommend that these other goals be mentioned.

New forms of innovation

The OECD has carried out major work in this area, which should be reflected in the Ministerial report. In every national innovation strategy, product innovations, process innovations, business model innovation, design innovation, social innovation and others should be addressed. A clear recommendation in the OECD key messages paper on this would be helpful.

Education

While the paper correctly underlines the importance of education and training systems to equip people with the foundations to learn and develop the broad range of skills needed for innovation, more emphasis should be put on the importance of vocational education and training (VET). The OECD Education Directorate recently completed a study on systemic innovation in VET.

Entrepreneurship

Entrepreneurial policies make a critical difference for innovation and increasingly provide new comparative advantage for growth. The OECD has an important role to play in analyzing the contribution of entrepreneurship to innovation and job creation. A better understanding is needed of the role of public policy in enabling entrepreneurship for

innovation and the role of entrepreneurial firms in providing new sources of innovation and growth.

In this context, we would like to express concern about the recommendation that certain companies should get higher regulatory and policy incentives, such as lower regulatory barriers as well as administrative, social and tax requirements which rise with the size of the company. While start-ups play a crucial role, this approach does not recognize the important role of big firms as drivers of innovation as well as economic growth. It should also be noted that big companies often act as enablers for smaller companies. Asymmetric benefits would create competitive advantages for some and competitive disadvantages for others, which should be avoided. We would appreciate changes to the text to reflect this concept.

Paragraph 19 mentions that close to half of the world's R&D expenditure is accounted for by only 700 firms. Further consideration should be given to the fact what this means for national policy making and innovation strategies.

Invest in knowledge-supporting infrastructure (p 56-61)

Stress should be added to the investments required for the development of an infrastructure tailored to the needs of innovation in particular to support important e-services, such as health care, which require significant bandwidth. Governments need to be particularly mindful of the capitals needed to deliver the infrastructure required for such services. Thus, they should promote policies and regulatory approaches that foster the necessary incentives to invest in infrastructures that will allow for innovation to grow.

Need for a careful consideration of the conditions required to develop state of the art technologies and their convergence

The emphasis of the paper on the development of market-friendly approaches to support business innovation that has high social returns as well as a reliable knowledge infrastructure that supports innovation is very much welcomed. In this context, it is particularly important to promote ICT as a general platform for innovation and knowledge sharing as well as a means to address environmental challenges, foster mobility and provide social services. Two specific comments:

P. 156, § 2, first sentence: Substitute "support open access to networks and competition in the market" by "support both investment in broadband networks and competition on the market."

P. 156, § 2, (a) final sentence: Substitute "Governments need to ensure that broadband is universally available" by "Governments need to encourage broadband coverage throughout their territory."

NB: The above-mentioned comments should also be reflected in the other background papers concerning the Innovation Strategy.