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What are the demands for innovation policy?

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0. Questions

- We have been invited to answer three fundamental questions:
  1. What are the most pressing demands relating to innovation policy over the next decade? **What are the challenges concerning innovation policies**?
  2. What questions regarding **innovation policy can best be addressed from a cross-country perspective**?
  3. What are the **right approaches to innovation policy?** How can **innovative approaches to policy**, such as ***policy experimentation*** and testing, be promoted while containing risks?
- I would like to start addressing the **question on right approaches to innovation policy** and **innovative approaches to (research) and innovation policy** because I consider this is the most relevant question we must face.

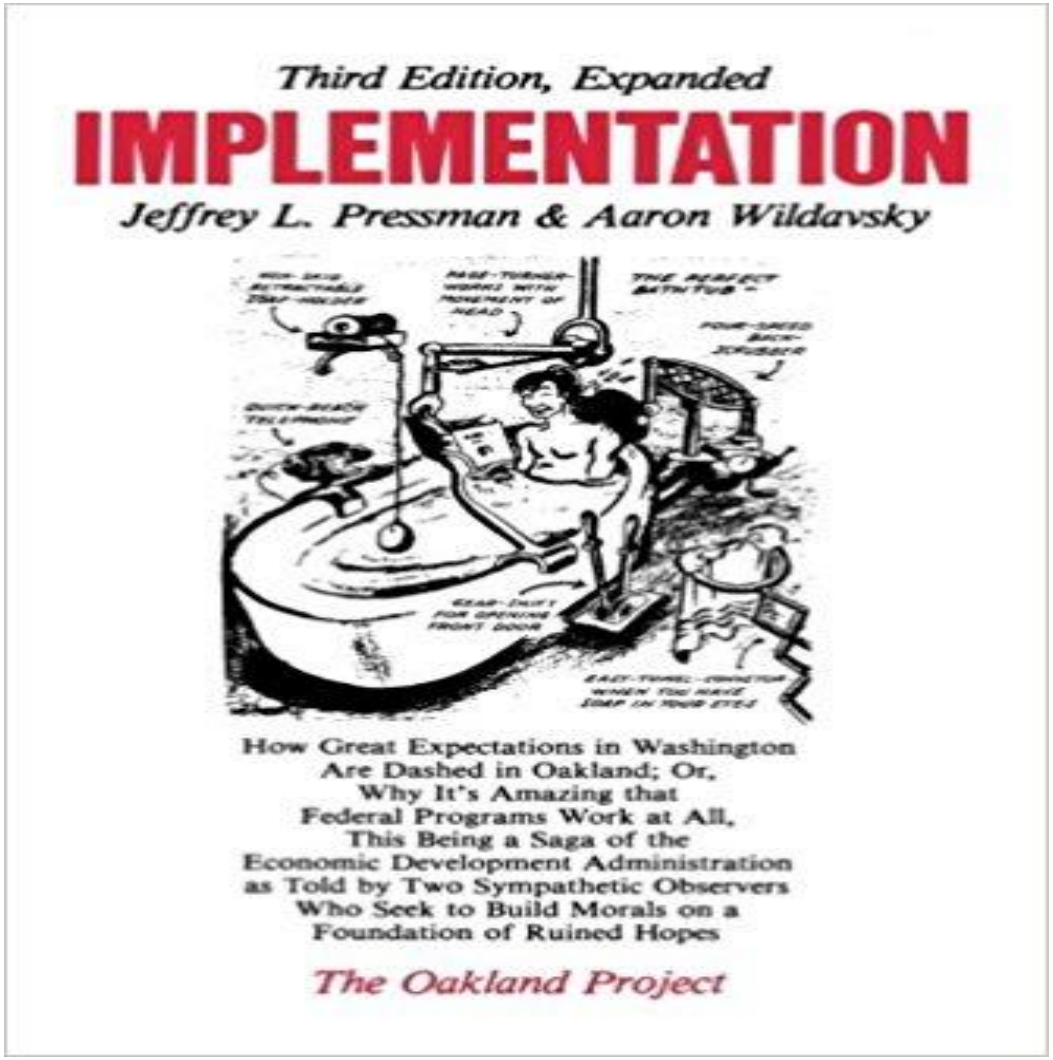
1. Framing the questions

- TIP & OECD, over the years, have told us **narratives** about how to frame the S&T policy and histories about what we should be doing? (e.g. National innovation systems, "sectorial innovation systems", "policy mixed for STI", "inclusive innovation", etc,).
- However, there is tension between the "**what should be done**" (from the point of view of our R&I Systems or Innovation Ecosystems) and **"what could be done"** (considering the political economy of the research and innovation policy domains and the interests of the relevant actors).
- In fact, to identify the "trends and challenges" **more knowledge is needed** in particular to succeed in the implementation.

1. Framing the questions

- As much as I try to provide you with some lessons on what **we/I** have learnt, I am interested in **the options we have to change current actions**, I am more interested in knowing not what we should do but **how to do it**.
  - Politics is pretty much about **Who Gets What, When, and How (**Harry Lasswell, 1935)
- A new narrative will help but is not enough because we need first to address what are the factors that explain the puzzling set of innovation (policies) instruments in place in many of our countries.
- To address how to innovate in innovation policy we should be framed innovation in a more realistic POLICY context. We need to know more and more specific about the instruments and the "unobserved" institutional features, to consider the policy mixes as appropriate for our countries
- Examine your own countries and think twice: Do we have a coherent policy mix? Or we do have a "jeringonza"?

1. Framing the questions



- Do we take into account, when making recommendations, all **relevant factors for implementing an effective policy**?

- Differences between "designing" and "implementing" a policy have been analyzed in public policy as a general problem.

1. Factors shaping innovation policy (1): the concept

1. Starting point: **innovation is an "elusive" concept**
   - From technological innovation to social innovation, including policy innovation, organizational innovation, education, and so forth.

- **Different perspectives** or approaches to innovation (policy):
  - Academia
  - Think Tanks, OECD
  - Stakeholders
  - Policy makers
  - Public administrators

- Innovation policy represents the compound result of different contributions, and the **common element today is that we frame innovation within the family of economic policies** (competitiveness) and, therefore try to capture the impact of innovation policy thru standard economic indicators mainly GDP growth and productivity (mostly labor productivity and ideally TFP), and so forth.

1. Factors shaping innovation policy (2): the theory

2. **Academic models and ideas** represent an important input in the process of strategic policy thinking and design:

   - A **conceptual and analytical framework** that integrates different pieces of research representing different theoretical approaches, methodologies and **puzzling evidence (** including feedback in monitoring innovation policies).
   - **Analysis and discourse** organized in a sort of coherent framework to provide policy recommendations and general solutions (*recipes*) that we consider useful to **legitimate policy design** (and decisions).
   - …but often we have got also the **hypes, fads and fashions** that characterize the academic/publishing business.

1. Factors shaping innovation policy (3): the actors

3. Stakeholders

- Innovation policy represents a niche in which different actors have different and **competing interests**
- **Differentiation** is critical in the competition race for **public resources** (economic rents and public relevance)

4. Policy makers

- **Compete in the policy agenda** with country specific issues from labor market reforms, to education policies, etc.
- **Face power, reputational** and political competition, and need clear social targets to be translated into achievements.
- **Are constrained by administrative boundaries: ministerial vertical structures vs. horizontal policies (i.e. innovation).**
- **… innovation policy is also economic policy –market regulations- and budgetary policies!!!**

2. What can be done to innovate in innovation policy? (1)

- The three domains in which we need to innovate in innovation policy:

1. **Strategy**: design, prioritization, participation, forward looking, previous commitments, policy cannibalization, etc.
   - National governments derive their priorities on R&I from the **interests of their constituencies**
   - To **place R&I policies on top of the agenda**
   - Uncertainty and **thickness of information** shape priority setting as much as political interests
   - **Causal ambiguity** derived from the strategic (and conceptual framework).
2. **Monitoring, impact and policy learning**: short term political pressures vs. long term outcomes and impact, structural reforms in R&I and the policy cycle, etc.

2. What can be done to innovate in innovation policy? (3)

3. **Implementation**: institutional/organizational boundaries, design, capabilities, inertia and path dependence, role of routines, IT systems, mechanisms for budget allocation, … and administrative constraints.

- **Synchronized policy goals and actions** (i.e. IPR legislation and OS/OI, industrial and innovation policies, etc.)
- **Institutional (and political) structure** and the allocation of innovation competences across different Ministries.
- Administrative **culture and rules** prevent from risk taking approaches. **Inertia** and sub optimal equilibrium. Different competing **policy and managerial traditions** ***(i.e.*** instruments and incentives for research and for innovation).
- **Complexity of instruments and actions leads to delays and bureaucratic runarounds**.

2. What can be done to innovate in innovation policy? (4)

- The role of the state and innovation policy:
  - Funding R&I is not a matter of "*faith*" and "*belief*". It has to be based on "trust", "confidence" and "commitment".
  - The role of public funding in the creation of public goods is better understood in the context of basic research. What is the role of public funding to support innovation and economic rents that will be appropriable by private actors?
  - Funding R&D is not about subsidizing and it has to be based on transparent rules and competition to improve efficiency.
  - R&D funding and complementarities vs. substitution effects.
  - Low competition levels, size and critical mass matter!!!!!

3. Final remarks

- As result innovation policy **is today the addition of different dimensions that needs to be revisited**
  - From the old and most classic and economic rationale on market failures supporting public investment in research to the role of patents (and intellectual monopolies), R&I tax credits, and other forms of direct and indirect interventions.
  - From fragmentation of stakeholders' interests to a common innovation policy framework.
  - Review of instruments that emerged and perpetuate in spite of its lack of effectiveness and impact.
  - New programs require organizational capabilities and often new organizations.
- Therefore, **innovation policy needs a new political impulse to legitimate** its role and to scale up in the global policy agenda.