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Innovation and Technology Can Help Revitalize Economies in Emerging Europe and Central Asia

New World Bank report recommends actions for igniting innovation in the region

Moscow, October 10, 2011 – A new World Bank report released today in Moscow, *Igniting Innovation: Rethinking the Role of Government in Emerging Europe and Central Asia*, calls on the region to take dramatic steps to position itself closer to the scientific and technological frontiers and regain the lead in regional or even global settings. Innovation and technology absorption are widely recognized as main sources of economic growth for emerging and advanced economies alike.

Governments can play an important role in bringing innovation and technology to markets in Emerging Europe and Central Asia (ECA), but badly designed or badly implemented government interventions can further hamper the development of an innovative and entrepreneurial culture among businesses and research communities, says the report.

As such, it is vital for governments to choose the right policies and country examples to follow rather than implementing innovation support measures which do not suit the country context. For example, lessons accumulated from supporting innovation in new EU member states have helped to design new context-specific methodologies and innovation strategies, which will be implemented at the regional level in Russia.

“We see innovation as a possible catalyst for revitalizing post-transition economies in the ECA region, which was hit hard by the recent financial and economic crisis,” said **Gerardo Corrochano, World Bank Sector Director, Europe and Central Asia, Private Sector Development** in his opening remarks during the official launch of the report. *“We hope that the report will help governments in the region avoid pitfalls and implement policies that will effectively make innovation and technology adoption a central part of the national development and growth strategies.”*

The region has a tradition of excellence in learning and basic research which can provide the base for future commercial innovation. However, going from a strong research foundation to economically productive commercial applications remains a critical missing link. The legacy of central planning has yet to be fully resolved, as many of the public research and development (R&D) institutes are still operating as standalone entities, often disconnected from the realities of the markets.

The new report explores ways in which governments can build on the region’s strong research foundation to support commercialization. It analyzes four aspects of the innovation system – international collaboration, research and development institutions, government financial support instruments, and the investment climate – and concludes that the following steps are necessary for igniting innovation in ECA:

- **Supporting the collaboration of local researchers and foreign inventors—and attracting foreign R&D investment.** To enhance integration into the global R&D community, governments should support local co-inventors in obtaining international patent protection before they negotiate the ownership of their joint patents with their western co-inventors.
- **Restructuring research and development institutes.** To better focus R&D and commercialize its outputs, policymakers should ensure that international structures, funding and governance focus on the real potential of each organization and the local and global demand for their outputs.

- **Rethinking financial support instruments.** To promote risk-taking and stimulate markets for private risk capital, policymakers should evaluate support instruments and develop new ones based on international good practices—such as matching grants, minigrants, loans, and venture capital.
- **Facilitating trade, FDI and entrepreneurial start-ups and spinoffs.** For reforms in innovation to make a difference, governments need to improve the ease of doing business in ECA in measurable ways—with a special emphasis on those aspects that are vital for FDI, start-ups and spinoffs, such as starting a business, protecting investors, and getting credit and enforcing contracts.

The report examines lessons learned from public institutions and programs for innovation, both successful and failed, from emerging Europe and Central Asia as well as China, Finland, Israel, and the United States. It identifies policies that have an adverse affect on innovation as well as policy gaps that, if filled, could have a catalytic effect on private sector innovation.

The World Bank has accumulated a substantial amount of operational and analytical experience in the region, including technical assistance projects that are currently being prepared in Poland, Bulgaria, and Romania. The Bank's work with the Croatian government in developing and implementing its new comprehensive science and technology policy is one example of how the Bank applied its experience in implementation and monitoring of innovation projects for success.

The results and recommendations offered by the report are intended to contribute to the discussion about the role of government in innovation policy, and how to make innovation and technology adoption a central part of the development and growth strategies of post-transition countries.

Contacts:

In Moscow: Marina Vasilieva (7-495) 745-7000 ext. 2045, mvasilieva@worldbank.org

In Washington: Elena Karaban, (202) 473-9277, ekaraban@worldbank.org

For Broadcast Requests: Natalia Cieslik, (202) 458-9369, ncieslik@worldbank.org

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www.worldbank.org/eca/innovation

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