Innovation strategies articulating supply side and demand side aspects

University of Athens, Department of Economic Sciences
Prof. Lena Tsipouri
The main message

- Innovation strategy is crucial for effective policy in today’s complex and competitive environment
- Strategy cannot rely on supply–side measures alone; they need to be complemented with demand–side interventions
Strategies are needed to
- maximise economies of scale and scope at the company level
- achieve economies of agglomeration at the spatial level.

Market forces alone are insufficient

**Successful strategies incorporate externalities**
(clusters and networks to generate linkages and maximise spill-overs)
Strategy Design: Experiences

All EU Member States have explicit Innovation Strategies

- The National Reform Programmes
- The National Strategic Reference Frameworks
- Operational Programmes for Competitiveness
- Smart Specialisation

How compatible/complementary are these strategies and how good is their implementation?
## Indicative special strategies

(Source EW/TC database)

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Road to innovation leader Strategy 2020</td>
</tr>
<tr>
<td>Belgium</td>
<td>Flanders: Policy Plan Science Communication 2012-2014 Belgian Position Paper on Horizon 2020</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>National Strategy of Scientific Research to 2020</td>
</tr>
<tr>
<td>Finland</td>
<td>Government Statement on Innovation Policy</td>
</tr>
<tr>
<td>France</td>
<td>2011 Yellow Paper on National Policies in Research and Higher Education Training National Strategy for Research and Innovation</td>
</tr>
<tr>
<td>Germany</td>
<td>High tech strategy 2020</td>
</tr>
<tr>
<td>Hungary</td>
<td>Science Innovation Programme</td>
</tr>
<tr>
<td>Ireland</td>
<td>Report of the Research Prioritisation Steering Group Innovation Ireland, the report of the Innovation Taskforce</td>
</tr>
<tr>
<td>Latvia</td>
<td>Priority scientific areas for funding fundamental and applied research in 2010-2013</td>
</tr>
<tr>
<td>Lithuania</td>
<td>Lithuanian Innovation Strategy for 2010-2020 Lithuanian Progress Strategy 2030</td>
</tr>
<tr>
<td>Netherlands</td>
<td>To the top: Enterprise policy in action(s) Stability Programme of the Netherlands April 2012 Update</td>
</tr>
<tr>
<td>Poland</td>
<td>National Scientific Research and Development Programme Poland 2030 - Development Challenges Science Strategy in Poland until 2015</td>
</tr>
<tr>
<td>Slovakia</td>
<td>The Fenix Strategy: Update of the Long-Term Objective of the State Science and Technology Policy up to 2015 Long-term Objective of the State S&amp;T Policy up to 2015</td>
</tr>
<tr>
<td>Sweden</td>
<td>The Swedish Innovation Strategy (2012)</td>
</tr>
</tbody>
</table>
Demand-side policies are those that can induce investment in technologies by enlarging markets for them.
They leverage private innovation funding.
It is necessary to establish shared visions and roadmaps between the public sector and firms.
This requires investments in skills and competencies in public administration, as well as organisational and cultural change.
Types of demand side instruments

Public procurement
- Public procurement of innovation
- Pre-commercial public procurement (although there are doubts expressed to the extent to which this type is really a demand-side instrument)

Regulation
- Use of regulations
- Standardisation

Supporting private demand
- Tax incentives
- Catalytic procurement
- Awareness raising campaigns

Systemic policies
- Lead market initiatives
- Support to open innovation and user-centred innovation
Experiences with demand side

- Public procurement of innovation (experiences in several Member States in particular in ICT, energy and environment)
- Lead Market Initiative (at the EU level in six areas incorporating policy instruments that deal with regulation, public procurement, standardisation and supporting activities)
Barriers on the demand side

- Risks for policy makers (making the wrong decisions; substitute market failure with government failure)
- Need for skills
- Reluctance in implementation

This all leads to a lower uptake of demand-side policies that suggested in strategy documents.
Three crucial questions

- When designing innovation strategies are demand and supply side aspects equally taken into consideration?

- How are demand side aspects implemented (in connection with strategic priorities)?

- What are the experiences with demand side instruments?