

## *Foreword*

Innovation is the cornerstone of sustained economic growth and prosperity. We often think of innovation in terms of breakthrough inventions – but it can also be linked to organisational changes and technology diffusion. In a globalised world, in which countries and firms compete fiercely to buy and sell their products and services, innovation is a key driver of competitiveness.

We see this today in the critical role innovation plays in the rapid growth of emerging economies, as well as lagging growth when innovation is absent. There are strong signs, for instance, of increasing innovation activity in China and other fast-growing emerging economies, and it is certainly playing a role in their convergence with more advanced economies.

At the same time, the global financial crisis has given focus to the issue of the sustainability of existing growth and innovation models, while increasing the relevance of better understanding the role that innovation can play in restoring sustainable growth.

The OECD and the World Bank Group are adding to this better understanding.

Currently, the OECD is working on an “Innovation Strategy” to help countries develop policies to boost innovation ([www.oecd.org/innovation/strategy](http://www.oecd.org/innovation/strategy)). This project is built around evidence-based analysis and benchmarking. It will include policy principles to guide the design and implementation of policies for innovation, new indicators on the innovation-economic performance link, initiatives for innovation-friendly business environments, and the development of best practices and policy recommendations. This work is also expected to contribute to the G20 initiative to enhance sustainable growth.

The Growth Commission’s recent report ([www.growthcommission.org](http://www.growthcommission.org)), supported by the World Bank Group, highlights the need for country-specific policies to jump-start technological learning in developing countries to fuel innovation. The World Bank Group has also developed numerous other studies addressing the economics of innovation and technological change (such as the 2008 Global Economic Prospects report, *Technology Diffusion in the Developing World*) and financed many science and technology projects over the years. The Bank Group’s Poverty Reduction and Economic Management (PREM) Network, in particular, is committed to further exploring the implications of innovation policies for inclusive growth.

Based on this work, as well as the practical experience of advanced and emerging economies, we know that markets alone cannot always offer the private sector sufficient incentives to innovate. Governments can play an essential role in fostering innovation. The importance of a multilateral framework to co-ordinate these efforts only adds to the value of a shared understanding of global best practices in the area of innovation policy.

The OECD and the World Bank Group are partnering in an effort to advance our understanding of the economics of innovation. This volume introduces some of the key issues and information directly relevant to this agenda. The ideas explored in the

following chapters were initially presented at a joint conference on **Innovation and Growth in a Globalised World** ([www.oecd.org/innovation/wbconference](http://www.oecd.org/innovation/wbconference)), held in Paris in November 2008. The OECD and the World Bank Group will continue to address these themes as we further explore the role of innovation in promoting sustainable growth in developed and developing economies.

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