

Institutional Framework for the Knowledge Economy in Developing Countries

Matjaž Nahtigal

University of Primorska, Faculty of Management, Slovenia

matjaz.nahtigal@fm-kp.si

The purpose of this research is to conceptualize a new institutional framework for the developing countries aspiring to reach the levels of inclusive knowledge economy and society which are known in some of the most developed regions in the world.

Even in the most developed parts of the world a growing gap between the technological, organizational and financial advanced firms and the rest of the economy can be observed. A strong concentration of knowledge, technologies, advanced production is taking place only in a handful of leading companies. The rest of the economy and society remain organized in the traditional economic, social and managerial framework. The challenge for the policy-makers in these advanced economies and societies is how to disseminate the advanced practices to the excluded sectors of economy and society. As shown by the recent OECD report on Knowledge Economy, such a restructuring would require a major shift in institutional organization of the market economy. Strengthening of competition policy, improvements of technological policies, establishment of decentralized strategic partnership between the public and private sector, institutional innovations in ownership structures are necessary elements in spreading the benefits of the knowledge economy to the overall economy and society.

From the perspective of developing countries – including the current and prospective EU members from the Central, Eastern and Southern Europe – the task of the policy-makers is even more challenging: how to overcome the development gap between the developed and developing countries and at the same time how to establish inclusive modern knowledge economy and society. Establishment of high-quality public institutions, accountable and proactive public sector, development of decentralized strategic partnership between the public and private sector, as well as institutional imagination can lead to such a path of inclusive development. The probabilities to rise from the (semi)periphery are increasingly smaller after several decades of missed opportunities during the period of transition, but the stakes remain high. Only a successful institutional, economic and social restructuring of developing countries can lead toward more balanced, more sustainable and more diverse development of the world economy.

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