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International Conference „Practical steps towards a knowledge-based economy“

Session I: Innovation Performance Review of Tajikistan

# Framework conditions, innovation policies and instruments

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# Objective and content of chapter 3

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- Systematic description and analysis of innovation related framework conditions in Tajikistan
  - General business environment, Entrepreneurship and innovation culture, Human capital and education, IPR Regime, (Innovation financing: separate chapter)
- Systematic description and analysis of legal and regulatory framework for innovation
  - Focus on 8 most relevant laws, government resolutions, judgments and decrees
  - Question of priority setting and foresight exercises
- Innovation policy initiatives and instruments
  - Description and analysis of 5 most important instruments
- Strengths and weaknesses
- Recommendations

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# Methodological approach

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1. Review of existing studies and reports (e.g. The World Bank, UNDP, UNECE, OECD MSTI)
2. Review of official/policy documents by The Republic of Tajikistan (laws, decrees, strategies, decrees)
3. In-depths interviews with experts, business-, science- and government representatives
4. Systematic assessment of results and information in the form of a strengths- and weakness analysis
5. Recommendations based on main results and international experience of UNECE experts

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# Basic assumptions

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- *Innovations are market related*; most innovative countries are those where primarily private companies are the main innovators
- *Public sector innovations* and innovations by state companies can be complementary to market innovations
- *Public research organisations*, universities, teaching organizations support innovations (innovation input) but generate also demand
- *Policy: Priority-setting* crucial - given the limited public budget and manifold societal challenges; refers to different macro-policies as well as innovation support
- Importance of considering a combination of innovation support as an integrated part of (existing) macro policies and as a (new) set-up of a self-standing meso-policy
- Recommendations should be verified on the basis of these two options

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# Main Conclusions I

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- Low level of *entrepreneurship* and firm formation activities; the Tajik manufacturing sector – predestined for innovations – is characterized by a dominance of light industries with a low level of innovation, technological development and absorptive capacity for external knowledge and technologies
- *Agriculture sector* exhibits no or very little innovation activities
- *Qualification level* within the Tajik business sector quite low, with a lack of entrepreneurial and technical capabilities and managerial skills; however, expenditure on education as % of GDP increased since 2000 to 3,9%
- Despite positive trends (insolvency law, income tax rates, eliminating unnecessary procedures), *over-regulation and bureaucratic burdens* affecting business operation and entrepreneurship are still major hindrances (according “Doing Business Report” Tajikistan ranks 106<sup>th</sup>)

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# Recommendation 3.1

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## ***Advance the process of structural reform and that of improving the business environment***

- Creating a culture entrepreneurship and entrepreneurial independence in science, education, business, administration and society as a whole through the creation of favorable framework conditions
- Increasing the skill levels of the labor force – initiate a national campaign for (better) education
- Lowering bureaucratic obstacles, reducing over-regulation and harmonizing legislation
- Improve the provision of complementary advisory services (e.g. on IPR topics, business plan development, financing, technological development and innovation, marketing and sales, export

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# Main Conclusions II

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- Integration of *sector-specific policies* in general and innovation policy in specific areas not clear (e.g. labour-intensive industries like clothing, natural resource based like cotton, new sectors like ICT services)
- Many *sector-specific regulatory and administrative barriers* to company formation, investment, and innovation
- No or *fragmented value chains* with limited capacities to integrate up- and downstream tiers

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# Recommendation 3.2

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## *Removal of sector-specific obstacles*

- Providing information on specific industries and companies (database with company profiles, technologies used and needed) or through the support of joint cooperation activities
- Removing sector-specific regulatory and administrative barriers to company formation, investment and innovation (e.g. land ownership in agriculture)
- Design sector-specific investment promotion packages to attract potential investors, including upgrading of sector-specific infrastructure and capabilities
- To stimulate investment and innovation in agriculture fundamental problems like poor infrastructure, inaccessible markets, poor storage methods, lack of processing facilities etc. need to be tackled



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# Main Conclusions III

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- *Poor implementation of innovation policies* – although many laws, resolutions, decrees and strategies exist
- Given the size of the country fragmentation of support schemes and respective institutions to be avoided
- Importance of the *State Fund for Entrepreneurial Development* stands in sharp contrast to other measures which are not yet implemented – apart from the establishment of bureaucratic institutions
- *Managerial and administrative experience* and competencies with large-scale instruments (State Fund) and smaller ones (AoS, Technical University...)

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# Recommendation 3.3

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## ***Streamline and improve existing funding schemes and address poor implementation of innovation policies***

- Strengthen the role of the State Fund for Entrepreneurial Development on the basis of a solid analysis of achievements so far
- Think about implementing one large, self-standing initiative with the objective of supporting pre-commercial research, technological development, innovation and market preparatory activities
- Strengthen “successful” approaches of single institutions like the Academy of Science, the Technical University or the Agrarian University – supporting “bottom-up” initiatives, which includes a certain degree of financial and organizational autonomy
- Verifying the public procurement system in general and regarding innovation support in particular

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# Main Conclusions IV

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- *A coherent and comprehensible innovation strategy* has not been adopted yet
- A process of horizontal and vertical *coordination and cooperation within the government* system has been initiated recently but the consideration of important strategic instruments leave room for improvement
- *Lack of experience and capacity* on the level of different ministries and organisations (partly also due to a limited autonomy)
- A few strategies contain draft templates for *indicators and monitoring systems*, but no implementation yet

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# Recommendation 3.4

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## *Improve the capacity for “strategic intelligence” at all levels of the administration*

- Improve the application of strategic instruments like consulting processes, SWOT-analysis, technological roadmapping, scenario techniques, vision-building
- Initiate a strategy process on innovation policy, including cross-departmental and sectoral cooperation and coordination
- Initiate a consultation process by involving the main representatives of policy, administration, industry, science, civil society and regional authorities or agencies
- Consider including external (independent) knowledge from national or international experts as moderator and enabler of a strategy process

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# Main Conclusions V

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- On national level no *data* available indicating public budget for innovation policy and budget allocated to different ministries (no fixed budget lines)
- Reliable *data on input and output of specific innovation support programs* as well as on innovation activities in Tajikistan are missing; with the exception of the State Fund for Entrepreneurial Development no data on funded projects, organisations, budget was handed over to the expert team
- *Monitoring Data for indicators* mentioned in some policy documents are missing
- Difficult for expert team to differentiate between “wishful thinking” and reality – intransparency of funding system

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# Recommendation 3.5

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## *Improve transparency, evidence-base and policy learning*

- Generating and providing innovation-related statistics and data which fulfill international standards
- Implement systematic evaluation and monitoring systems with a focus on specific funding and support instruments
- System to include the development and application of output and impact indicators
- Guaranteeing transparency of public activities and their results
- Carrying out special analyses on particularly important developments regarding innovation and technology (e.g. sectoral studies, impact analyses, regional analyses)

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# Thank you!

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