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Discussion on progress with the Innovation for Sustainable Development Review of Georgia

Progress report on the Innovation for Sustainable Development Review of Georgia

Note by the secretariat

I. Introduction

1. In 2011, ECE under the auspices of the Committee on Innovation, Competitiveness and Public Private Partnerships and the Team of Specialists on Innovation and Competitiveness Policies initiated a programme of national Innovation Performance Reviews.
2. Based on requests from Governments, these Reviews, which are undertaken by international expert teams in close cooperation with national focal points, provide an analysis of national innovation policies and performance in light of international good practices as developed by ECE, derive recommendations for improving innovation policies, and then offer follow-up policy advice and capacity building to facilitate implementation of policy reforms.
3. In 2015, the United Nations adopted the 2030 Agenda for Sustainable Development in 2015, a clarion call to action for all Member States to achieve, by 2030, economic prosperity, within planetary boundaries, for all. Innovation has been identified in this Agenda as one of 17 Sustainable Development Goals, and also as a key means of implementing the Agenda as a whole. Inter alia, the 2030 Agenda includes a number of specific quantitative targets pertaining to innovation, that the international community is called upon to achieve on the road to Sustainable Development by 2030.
4. In response, ECE began to incorporate sustainable development aspects into its work on innovation, including the Reviews, re-positioning them as Innovation for Sustainable Development Reviews. The new approach was applied for the first time to Belarus in 2016, and then to Kyrgyzstan in 2017.

5. As per document ECE/CECI/ICP/2018/INF.1, the Review methodology has been updated, (i) in order to mainstream sustainable development more fully into the reviews, and (ii) in order to incorporate recent advances in thinking about innovation policy, including lessons learned from past Reviews.

6. In the case of Georgia, consultations on a Sub-regional Innovation Policy Outlook (18-22 March 2019 and 5-9 May 2019 in Tbilisi, Georgia) provided the opportunity to agree topics for elective chapters to closely reflect national sustainable development priorities under Agenda 2030, and the areas of innovation policy requiring greatest attention.

II. Agreed scope of Review

7. The structure of the Innovation for Sustainable Development Review of Georgia, as agreed between UNECE secretariat and the Government, is as follows:

(a) Executive summary of main findings, conclusions and recommendations

(b) Introduction: Main objectives, structure and content.

(c) Part 1. Recent economic and innovation performance

Chapters on economic overview and innovation performance. Structural characteristics of the Georgian economy including: productive specialization; education and skills; recent output dynamics and international economic relations; factors driving economic performance; structural issues, including changes in output composition; technological development, science and research, innovation performance; and international comparisons.

(d) Part 2. National innovation system and innovation governance

Main institutional actors and stakeholders in the national innovation system; generation, diffusion and absorption of innovation; international dimension of the national innovation system; institutional connectivity and linkages between key actors; governance of the national innovation system; major legislation and regulations defining the innovation system and its governance; and decision-making processes.

(e) Part 3. Elective chapters

Selected following consultations with national stakeholders

Chapter 1. Industry-science linkages and collaboration in the innovation process

Rationale: While Georgia has retained a network of public research institutions and sports a few areas of research excellence, as noted in the Horizon 2020 review of 2018, there is a marked lack of collaboration with the private sector, entrepreneurs, and foreign entities to turn research findings into commercial projects. Similarly, the potential for these research entities to address problems in the private sector and propose solutions is rarely exploited. A deeper look into this issue would complement and build on previous work and yield concrete policy recommendations for reforming existing and designing new instruments to use this potential better.

Scope of the chapter: This chapter will, against international best practice, assess the current situation, analyse existing policy instruments, and draw up concrete near, medium, and long-term recommendations for measures that could be taken. Local case studies may be drawn upon as areas of strength to be targeted for scale up.

Chapter 2. Public procurement and financing as drivers of innovative development

Rationale: Public procurement, or anything the government buys, directly or through SOEs and agencies, makes up, depending on the calculation method, up to 20% of aggregate

demand in the economy. Additionally, there is public support to innovation, higher education and R&D. These can be a highly potent lever to boost innovative development, including among micro- and SMEs, at times using some of the existing support mechanisms. This often requires rethinking the way procurement and disbursement of public support is handled, shifting from defining parameters in detail to making the objectives clear and leaving bidders substantial scope for proposing solutions.

Scope of the chapter: This chapter will examine different approaches to public procurement and financing with the objective of boosting innovation, based on international best practice, including possible pilot projects that could be put into practice in the near-term. Particular attention will be paid to public expenditure on innovation and R&D support, including funding criteria and allocation mechanisms.

Chapter 3. Private sector dynamics and capabilities for innovative development

Rationale: Private sector dynamics and capabilities appear to be leading constraints to innovative development in Georgia. The dynamics, such as firm entry and exit, show that there is little experimentation with new ideas and a tendency to stick within existing parameters. A possible reason for this may be firm capabilities, especially management and organisational capabilities. Understanding these issues, both at the macro-level, and, through company case studies, micro-level is essential to guide and to provide metrics for evaluating policies and measures to promote private sector innovation.

Scope of the chapter: ECE will draw on existing data from a number of sources, including in-depth company and sector case studies, various enterprise surveys, international best practices, and recent work on firm dynamics in Georgia done in connection with the ECE Review of regulatory barriers to trade (2018), to do an in-depth analysis of firm dynamics. This may be used as a basis for more in-depth interviews with a smaller number of firms to inform the work in this chapter, supplemented by other data and desk research. ECE will then analyse the extent to which existing mechanisms target these constraints and make concrete recommendations for reform and redesign to fill the gaps.

III. Current status and next steps

8. UNECE secretariat, together with a team of international experts, conducted a fact-finding mission, 8-15 November 2019 in Tbilisi. This was conducted with the support of the Georgia Innovation and Technology Agency as the governmental contact point for the Innovation for Sustainable Development Review of Georgia. Interviews were held and information exchanged with key stakeholders of the national innovation system of Georgia.

9. International experts and UNECE secretariat will produce an initial draft of the Review with policy recommendations. These will be peer reviewed during a meeting to be held in the first half of 2020.

10. The Review will then be finalised to reflect the peer review process, with a launch event to be held in Georgia. The Review will be issued as an official UN publication.