

Innovation for Sustainable Development Review of Moldova 2021

*Progress update and emerging
findings*

2 November
13th Session of the UNECE Team of
Specialists on Innovation and
Competitiveness Policies



Background



- ✓ Innovation for sustainable development reviews (I4SDR) are flagship publications:
 - ✓ country-led – requested by national authorities
 - ✓ participatory – engagement of a number of national stakeholders, as well as international partners at the fact-finding and review stages
 - ✓ assessment of national innovation system, policies, institutions and policy recommendations for further improvements.
- ✓ Requested by the Government of Moldova and endorsed by the 14th Session of the Committee on Innovation, Competitiveness Policies held 2-4 June 2021 (hybrid format)
- ✓ Extrabudgetary support provided by Sida under the project “Promoting innovation policy capacities in Eastern Europe and the Caucasus”.
- ✓ Carried out in the context of the COVID-19 pandemic: virtual fact-finding and peer review process

Structure of the I4SDR of Moldova



Part	Chapter	Content
Part I	Chapter 1 – Economic Overview	Economic overview (indicators and trends)
	Chapter 2 – Innovation Performance Overview	Innovative performance overview
Part II	Chapter 3 – National Innovation System and Innovation Governance	Succinct review of the national innovation system and government policies and institutions with related recommendations
Part III	Chapter 4 – Boosting science-industry linkages and technology commercialisation	In-depth chapters on specific issues engaging leading experts in the field, with recommendations
	Chapter 5 – Developing the innovation and technology transfer infrastructure	
	Chapter 6 – Leveraging the diaspora for innovation-driven sustainable development	

Economic Overview



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Main messages

- ✓ A small, open economy with substantial potential
- ✓ As early drivers of growth run out of steam, sustaining and boosting growth will be challenging
- ✓ Productivity growth has declined
- ✓ External shocks a key constraint to innovation-led productivity growth
- ✓ Using the potential of trade and investment to boost innovation and productivity growth is central to economic competitiveness and sustainable development in line with circular economy principles
- ✓ Innovation the driving force behind long-term sustainable development
- ✓ Moldova has untapped potential in diversifying and upgrading exports
- ✓ FDI is volatile, below potential, and should be better leveraged to create substantial innovation spill-over effects

Innovation Performance Overview



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Main messages

- ✓ Despite reforms, there is limited systematic innovation
- ✓ Leading constraint is limited private sector capacity to innovate – or firm absorptive capacity
- ✓ Limited firm absorptive capacity also appears to constrain positive spill-over effects from trade and investment flows
- ✓ Enhancing private sector absorptive capacity generally and promoting innovative entrepreneurship in particular is crucial
- ✓ Forging and incentivizing business-science linkages is an important step in this ambition
- ✓ Setting up the right institutions and incentives to align the education system with market needs is essential to address the widely reported skills mismatch

Innovation Policy Governance



Main messages

- ✓ Clear commitment to supporting innovation but national innovation system (NIS) remains nascent
- ✓ Key legislative and institutional building blocks in place but innovation governance is complex and policy efforts fragmented across different bodies and levels of government
- ✓ Lacking strategic cross-government coordination mechanism to guide and align policy efforts
- ✓ Innovation in the public sector limited to efforts on digitalization of government services and processes, with substantial scope for further improvement

Key recommendations

- ✓ **Reform and complement the institutional and legislative framework for innovation policy** based on a broad definition of innovation and the imperative to build and nurture effective innovation systems.
- ✓ **Strengthen policy processes and institutional capacities** throughout the policy cycle, in particular stakeholder dialogue and effective monitoring and evaluation
- ✓ **Improve policy coordination across all levels of government and policy alignment** for enhanced targeting and effectiveness of policy actions.
- ✓ Step up efforts to **promote innovation in and through the public sector** via progress on eGovernment reform and strengthened demand for innovation through introduction of innovation enhancing procurement framework.

Boosting science-industry linkages (SILs) and technology commercialisation



Main messages

- ✓ SILs mainly driven by problem solving rather than direct commercialization of research results
- ✓ 3 major sources of knowledge and technology driving SIL: foreign firms and investors (FDI), domestic firms, and public research organizations (PROs) in national R&D system
- ✓ SILs depend on capabilities of R&D organizations and absorptive capacities with policy intervention required to restructure the R&D sector, incentivize private sector innovation, enhance quality and internationalization of higher educational institutions
- ✓ Nurturing SILs based on existing “pockets of excellence” and successful business ecosystems, e.g. IT sector, Free Economic Zones, certain knowledge and technology-based firms, agri-food supply chain

Key recommendations

- ✓ **Strengthen demand side of SIL** through targeted assistance mechanisms to **increase access to and uptake of research, technology and development (RTD) services in the private sector**, aiming to enhance the relevance and impact of public R&D investment.
- ✓ **Strengthen the supply side of SIL** by increasing **funding for R&D** and ensuring an inflow of young researchers within the framework of comprehensive **reform of the R&D system**.
- ✓ **Enhance linkages between PROs and the private sector**, including FDI-funded companies, by aligning private sector needs and commercialization potential with public R&D funding; and **upgrading the ICT sector as an existing “pocket of excellence”**, through closer links with higher education.

Developing the innovation and technology transfer (TT) infrastructure



Main messages

- ✓ Innovation and TT infrastructure relatively recent but encouragingly diverse with linkages between its components in need of improvement to ensure efficiency
- ✓ ITT infrastructure under-developed with most technology transfer offices (TTOs) functioning “on paper” and in need of adequately skilled personnel.
- ✓ Enhancing linkages requires action to address bottlenecks in TT legislation, create viable innovation hubs at sub-national level, establish TTOs able to provide a pipeline of feasible TT projects
- ✓ Adequate and locally relevant regional infrastructure to close the rural-urban gap in innovation and address local socio-economic challenges

Key recommendations

- ✓ Optimize **the regulatory environment** to address current shortcomings and **barriers to innovation infrastructure development** and the introduction of new products, services and processes to market.
- ✓ Develop **sector specific technology transfer (TT) and innovation infrastructure**, linking it to national development priorities and Smart Specialization efforts.
- ✓ Support to research commercialization through a **national level Technology Transfer Office** and build **knowledge transfer skills** at individual public research organizations (PROs).
- ✓ Enable a **clear regional focus** for innovation and technology transfer infrastructure.

Leveraging the diaspora for innovation-driven sustainable development



Main messages

- ✓ Diaspora relatively young, with pre- and post-independence migration complemented by more recent migration flows; economic motivations, often lower-skilled occupations, more data required
- ✓ Successful and diverse policy experience of diaspora engagement (e.g., PARE 1+1, DAR 1+3, Diaspora Engagement Hub, Diaspora Excellence Groups) but facing sustainability issues in the long run (funding, resources and operational infrastructure, limited trust in centrally led initiatives).
- ✓ Turning “brain drain” to “brain gain” through clear diaspora policy with concrete support mechanisms and substantial backing by multilateral organizations with engagement of the private sector and diaspora

Key recommendations

- ✓ Build a **nuanced understanding of the composition**, location, professions, networks, and skills of **Moldovans abroad** by systematically collecting, updating, and analyzing statistics and surveys.
- ✓ Consolidate, leverage, and **scale up existing capacity and mechanisms for diaspora engagement**, drawing and expanding on current and past experiences, and reflecting international best practices.
- ✓ Develop and maintain a **flexible engagement infrastructure with the diaspora** to foster synergies between the diaspora project proposals for development and home country needs.
- ✓ Develop **linkages between academia in Moldova and Moldovan researchers, scientists, and affiliated organizations abroad** through the establishment of a Diaspora Science Group.
- ✓ Elaborate **policies to maintain contact and build trust with the diaspora**, while strategically engaging with Moldovans abroad for the benefit of the home country.



Thank you!