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
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

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Economic Overview

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

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!