



Economic Commission for Europe

Committee on Innovation, Competitiveness and Public-Private Partnerships

Team of Specialists on Innovation and Competitiveness Policies**Fourteenth session**

Geneva (hybrid), 14 and 15 November 2022

Item 3 of the provisional agenda

Review of the work of the Team of Specialists on Innovation and Competitiveness Policies since its thirteenth session**Progress report on the Innovation for Sustainable Development Reviews of Armenia and Ukraine****Note by the secretariat****I. Background**

1. In 2010, the United Nations Economic Commission for Europe (UNECE) began a programme of Innovation Performance Reviews (henceforth Reviews)¹. Armenia, Belarus, Kazakhstan, Tajikistan and Ukraine underwent such Reviews, released as official UN publications. In 2015, the methodology was updated to reflect the Sustainable Development Goals (SDGs) by mainstreaming sustainable development more fully into the reviews and including lessons learned from past Reviews to incorporate recent advances in thinking about innovation policy. Subsequently, UNECE Innovation for Sustainable Development Reviews (henceforth I4SDR) were completed and published for Belarus, Kyrgyzstan, Georgia, the Republic of Moldova and Uzbekistan. UNECE plans to continuously reform, upgrade and streamline the Review process by further aligning it with other relevant work streams, such as the UNECE Sub-regional Innovation Policy Outlook (IPO). The Reviews can significantly spur efforts by member States towards the circular economy transition, and foster digital and green transformations.

2. At its thirteenth session (25 to 27 March 2019), the UNECE Committee on Innovation, Competitiveness and Public-Private Partnerships (CICPPP) requested the secretariat to initiate the I4SDR of Armenia, in response to the request received from the Government of Armenia.

3. At its fourteenth session (2 to 4 June 2021), the CICPPP welcomed the interest expressed by the Government of Ukraine in undertaking an I4SDR.

¹ These Reviews are country-led and participatory, with international experts assessing the national innovation system, policies and institutions and proposing a set of policy recommendations for further improvements for reforms. Following an international peer review and publication, UNECE works with the country in question to support subsequent reform efforts.

4. Extrabudgetary support for the I4SDRs of Armenia and Ukraine is provided by the Government of Sweden under the project “Promoting innovation policy capacities in Eastern Europe and the Caucasus”.

II. Status of the projects

5. In October 2021 the I4SDR of Armenia was launched at an online meeting organised jointly with the Ministry of High-Tech Industry. The choice of elective chapters was then extensively discussed with relevant national public and private actors, as well as with international experts and partners at stakeholder consultations in December 2021. Armenia selected the following elective topics for its in-depth chapters of the Review: “Strengthening the innovation infrastructure of Armenia” and “Using the large potential of the Armenian diaspora to foster innovation in the agricultural sector of Armenia”. The in-depth elective chapters are being developed together with leading local and international experts.

6. Following the launch of the project, a coordination group was formed, which includes the UNECE secretariat, international experts, and focal points from the Ministry of High-Tech Industry, the Ministry of Economy and the Ministry of Education, Science, Culture and Sports. This coordination group meets regularly to provide updates and discuss progress.

7. During the first half of 2022, and with the support of the I4SDR coordination group, UNECE conducted desk and background research for the first chapters of the publication. Between 3 and 7 October 2022, UNECE and project experts conducted an in-person fact-finding meeting to Yerevan and met with approximately 100 public and private sector representatives, including ministry departments, divisions and agencies, private sector unions and associations, the Academy of Sciences and selected firms. The fact-finding covered topics such as innovation performance; the national innovation system and its governance, institutions and policies; innovation and technology transfer infrastructure; as well as diaspora engagement for development of the agricultural sector.

8. The UNECE secretariat thanks the Government of Sweden for the project funding, and the national focal points, the Ministry of High-Tech Industry, Ministry of Economy, Ministry of Education, Science, Culture and Sports, for their continuous and valuable support during research and implementation phases.

9. The I4SDR of Ukraine was initiated in the last quarter of 2021. The initially discussed timelines have become untenable due to the war in Ukraine. There is also a need to adjust the structure and focus of the Review to ensure it meets the needs of the country. UNECE met with the Ukrainian focal point during the fourteenth session of the CICPPP in May 2022, to discuss the focus areas and the way forward for the publication in the current context. Initial meetings have also been held with the Ministry of Education and Science of Ukraine. Thus far one elective in-depth chapter on “Innovation policy monitoring and evaluation” was chosen by the Government. Desk research on this chapter has since been completed by a leading international expert.

III. Initial findings on Armenia

10. Armenia, a small landlocked upper-middle income economy located in the South Caucasus and neighbouring Azerbaijan, Georgia, Iran and Turkey, has made remarkable progress in its transition to a market-based economy following its independence in 1991. With the traditional drivers of growth running out of steam, innovation (the process of trying out new ideas to create value more systematically) emerges as a driver for increased productivity, economic competitiveness and long-term sustainable development.

11. Apart from finding ways of compensating for its landlocked status and the closed borders with Azerbaijan and Turkey, Armenia will need to address structural challenges in its economy to ensure long-term sustainable and inclusive growth. Further progress on the implementation of structural reforms is needed to develop entrepreneurship and SMEs and drive experimentation by firms beyond the already rapidly growing ICT sector. In this regard, trade and foreign direct investment are essential. At present, Armenia has substantial

untapped potential in diversifying and upgrading its exports. A large number of benefits can be reaped by exploiting the opportunities offered by foreign direct investment to transfer skills, knowledge, and ideas with the right policy frameworks, institutions, and processes.

12. Most importantly, the transition to a knowledge-based economy significantly depends on strengthening the absorptive capacity of firms, increasing investments in research and development, and supporting knowledge diffusion across the economy, for example by increasing cooperation between business and science. Along with providing the R&D sector with the necessary capacities and ensuring a high-quality education system, such cooperation could promote innovation by Armenian firms through knowledge exchange and technology transfers.

13. Preliminary findings of the I4SDR show that the path towards innovation-driven sustainable development lies in strengthening the national innovation system. With the main institutional and legal building blocks in place, the right incentives and mechanisms are needed to ensure synergies, alignment, and complementarity of innovation policy across all levels of government.

14. Currently, many of the strategies and policies that cover innovation within the national innovation system are developed in isolation, causing a fragmented and often incoherent policy environment. While strong support for high-tech start-ups has led to pockets of excellence in the ICT sector, a more comprehensive approach to innovation should be considered to offer opportunities in various sectors. Doing so can support positive spillovers and diffusion of innovation more systematically across the economy.

15. Furthermore, strengthening policy processes and institutional capacities throughout the policy cycle, in particular when it comes to stakeholder dialogue and effective monitoring and evaluation, would be important to ensure inclusive and effective innovation policy delivery. To address policy fragmentation across different ministries and agencies, a mechanism of innovation policy coordination could be considered to enhance the effectiveness of policy actions and balanced development across the territory, including at the sub-regional level.

16. The findings and recommendations of the I4SDR will support the government of Armenia in shaping and improving innovation policies in line with the strategic Government policy priorities. UNECE stands ready to continue the support to innovation policy in Armenia through subsequent national capacity building activities to assist with the implementation of the recommendations of the I4SDR.

IV. Next steps

17. The draft chapters of the I4SDR of Armenia will be developed by the end of 2022, after which they will undergo an extensive, two-stage peer review process with national and international experts and partners in early 2023. The chapters will first be subject to a technical review by the experts and stakeholders that participated in the fact-finding process, including international organizations working on the topic. Comments received during this technical review will then be addressed, and the chapters will be shared for a high-level review by international partners and the Government of Armenia.

18. Once the peer review process had been concluded, the I4SDR will be copy edited and prepared for publishing as an official UN publication in the second quarter of 2023. The publication will be presented at a high-level launch event in Yerevan. Findings and recommendations will also be presented at the fifteenth session of the CICPPP in 2023. Subsequent to the launch of the publication, UNECE stands ready to support Armenia with follow-up capacity building activities. This could, for example, include targeted support on implementing specific recommendations of the I4SDR based on the preferences and priorities expressed by the Government of Armenia.

19. For the I4SDR of Ukraine, the UNECE secretariat will maintain continuous dialogue with the Government of Ukraine to decide on a revised timeline and structure.