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Team of Specialists on Innovation and Competitiveness Policies

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Inter-sessional Implementation Plan for 2022-2023

Supporting UNECE member States in building national innovation systems that effectively contribute to sustainable development: an overview of fundraising needs and opportunities

Note by the secretariat

I. Background

1. Innovation is an essential driver of sustainable development, including its economic, environmental, and social dimensions. Innovation can create new points of competitive advantage and consolidate and strengthen existing ones to spur progress towards the Sustainable Development Goals (SDGs), the transition to a circular economy, and digital and green transformations. Innovation is also a crucial factor in building resilience to crises such as the Covid-19 pandemic.

2. UNECE supports member States in building high-quality national innovation systems, setting up effective innovation policies and support mechanisms, as well as the institutions and processes to design and run them efficiently. Activities include, among others:

- i. policy dialogues at regional and sub-regional level to exchange experience, including through networks,
- ii. the development of international good practices including through UNECE's normative machinery,
- iii. policy analyses such as national Innovation for Sustainable Development Reviews (I4SDRs) and the sub-regional Innovation Policy Outlook (IPO) to develop policy recommendations based on international good practice, and
- iv. capacity building to assist member States in their reform processes and implement the recommendations from the I4SDRs and IPO.

3. UNECE also provides policy analyses, advice and capacity building in the framework of the Working Group on Innovation and Technology for Sustainable Development under the UN Special Programme for the Economies of Central Asia (SPECA).

4. While certain policy dialogues and development of good practices are covered by the UN regular budget, country and issue-specific policy analyses and the subsequent capacity-building support, are provided at the request of individual member States and are subject to extrabudgetary funding. This is particularly so, for the work undertaken in the framework of SPECA, supporting Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan or the Eastern Partnership countries. This also applies to work on specific topics, such as transformative innovation.

5. Over the past years, demand from member States for policy analysis and capacity building at the national and sub-regional level has been growing. The secretariat has raised significant extrabudgetary funding in response, but more will be needed to meet demands in a timely and effective manner. For example, UNECE has received requests from the following countries during the fifteenth session of the Bureau of the Committee on Innovation, Competitiveness and Public-Private Partnerships (CICPPP) in May 2022:

- i. From the governments of Armenia, Azerbaijan, Georgia, Kyrgyzstan, Ukraine, and Uzbekistan to continued policy advisory and capacity-building services on innovation policies, including in support of the implementation of recommendations from Innovation for Sustainable Development Reviews and the Innovation Policy Outlook, and as part of the UNDA project “Accelerating the transition towards a Circular Economy in the ECE region”;
- ii. From the governments of Albania, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova, North Macedonia, Serbia, Tajikistan, Ukraine, and Uzbekistan in conducting regular meetings of the IPO national focal points to exchange good policy practices and build government capacity to implement the IPO 2020 policy recommendations and participating in full-fledged IPO assessments in EESC and SPECA.

6. Following the first IPO in the Eastern Europe and South Caucasus (EESC) countries, the Governments of Armenia, Azerbaijan, Georgia, the Republic of Moldova and Ukraine have requested a second IPO assessment aimed at institutionalising regional dialogue, good practice exchange and cooperation on topics emerging from the IPO assessment. This second IPO is planned for 2024, provided sufficient extrabudgetary funding can be secured. Importantly, the second edition of the publication will track progress over time, especially in the context of the Covid-19 pandemic and regional conflict.

7. The Governments of Kazakhstan, Tajikistan and Uzbekistan have requested a sub-regional IPO for Central Asian countries. The review would build on the experience of the SPECA Working Group on Innovation and Technology for Sustainable Development to help member states achieve sustainable innovation-led development. The project would also leverage the tried and tested IPO methodology to guide innovation policy in the region, create a benchmarking tool for the member states, and promote regional dialogue and cooperation. The Government of Uzbekistan has requested national capacity building following the publication of the I4SDR focusing on building state capacity to implement the recently introduced innovation roadmap, whereas the Government of Kazakhstan and the Government of Tajikistan have requested national support for improving innovation governance.

8. Following UNECE support to SPECA, including through the handbook “Supporting Innovative High-growth Enterprises in the SPECA Sub-region” and initiation of a SPECA Network of Business Incubators and Accelerators for Sustainable Development, the Government of Kyrgyzstan has requested technical assistance for promoting innovation at district level, and for strengthening the role of educational institutions in the National Innovation System.

9. The Governments of Azerbaijan, Turkmenistan and Ukraine have requested national I4SDRs, each targeted to their specific development needs. In the case of Turkmenistan, the I4SDR could be conducted in parallel with a Study on Regulatory and Procedural Barriers to Trade (RPBT) under the UNECE Trade sub-programme in order to maximize synergies and support the country’s recently initiated process of acceding to the World Trade Organization. In the case of Azerbaijan, the study would focus on the topic of digital trade and innovation for digitalisation. In the case of Ukraine, the review would provide recommendation to support innovation-led reconstruction and recovery efforts.

10. Five Western Balkan countries (Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, Serbia) have expressed support for national-level analytical work and a sub-regional publication. This would support Western Balkan member States in their transition to knowledge-based economies, towards intra-regional integration and reconciliation, and to adopt the SDGs.

11. The demand for further work in the SPECA and EESC regions reflect the success of UNECE's earlier work and its positive impact on the member States. As revealed in conversations with member states focal points, the IPO process has, for example, influenced national innovation strategies in member states (including the Republic of Moldova, and Armenia), created a notable peer-learning dynamic, and overall helped member States mitigate the negative economic consequences of the pandemic. On a national level, UNECE's work in Uzbekistan has supported the development of the strategy for innovation development and the corresponding roadmap. Uzbekistan's recent performance in the Global Innovation Index (GII) ranking is a manifestation of the success of this cooperation in supporting the country's innovation-led development.

II. Current status of fundraising activities

12. To address the growing demand by UNECE member States for enhanced technical assistance and capacity building, as well as broader cooperation on innovation at the national and sub-regional levels, the Innovative Policies Development Section (IPDS), hosted in the Economic Cooperation and Trade Division of the UNECE secretariat, has devised a plan to raise additional extrabudgetary funds. Based on donor mapping and subsequent exploratory meetings, the process examined the existing donor presence in EESC, Central Asia and the Western Balkans, and identified the leading official development assistance (ODA) providers for each country or sub-region. Through these initial steps, the secretariat identified and liaised with several potential donors, shared concept notes explaining the importance of innovation for each region or individual member State and organized three fundraising missions. Among others, the secretariat is in ongoing funding discussions with the European Commission, Italy, Sweden, the Central European Initiative, and the Adriatic Ionian Initiative.

13. During the outreach stage, the secretariat worked closely with the permanent missions in Geneva, embassies in the Central Asia and Western Balkans sub-regions, as well as the UN Resident Coordinator Offices (UN RCOs). Several discussions indicated the growing interest of donors in strengthening national and sub-regional innovation systems.

14. To explore donor interests more closely and build stronger relationships with potential partners, the secretariat made use of several missions to meet with donors in person:

- i. In May 2022, a one-day mission to Brussels, offered opportunities to meet with various European Union institutions including the Eastern Partnership and Western Balkans team at the Directorate-General for Neighborhood and Enlargement Negotiations, the Central Asia team at the Directorate-General for International Partnerships, the Directorate-General for Research and Innovation, and the Regional Cooperation Council.
- ii. Also in May 2022, as part of the donor-reporting process, the secretariat met with the development cooperation agency of Sweden (Sida), to update the agency on progress under the ongoing extrabudgetary project sponsoring the IPO of the EESC region and the I4SDRs of the Republic of Moldova and Armenia. During the mission, also explored the potential of the second EESC IPO and spoke to the Western Balkans unit at Sida about the possibility of cooperation on a similar study for that sub-region.
- iii. In June 2022, the secretariat visited Rome to meet with the Italian Ministry of Foreign Affairs and International Cooperation and the Italian Agency for Development Cooperation to discuss a potential IPO for the Western Balkans. As a result of the mission, submitted a proposal outlining the need for innovation-led

sustainable development in the region and the potential for future cooperation between Italy and UNECE.

15. In addition to bilateral engagement with donor agencies, the UNECE secretariat has developed a project proposal to assist Uzbekistan in fostering innovation in the textile and garment sector. Based on the findings and recommendations of both the I4SDR of Uzbekistan and existing UNECE support to Uzbekistan in the textile and cotton industry, the suggested project would focus on how to strengthen innovation to spur growth and sustainable development in the sector. UNECE has already developed a concept note, explaining the need to develop such innovation, and outlining a potential approach, which will be thoroughly discussed with the Government of Uzbekistan to align with the strategic priorities and preferences of the country.

16. As a result of donor outreach, considerable interest has been received to fund a sub-regional IPO in the countries of Central Asia. Funding for an IPO for the Western Balkans is being closely explored with Italy. Potential collaboration is being explored to conduct I4SDRs in selected countries of the Western Balkans and Central Asia. UNECE is organizing a mission to Turkmenistan to further discuss the structure of the proposed I4SDR and RPBT study and meet with potential donor agencies on the ground.

III. Next steps

17. To address the growing demand for policy analysis and capacity building expressed by member States, and to help implement relevant decisions¹ taken by the CICPPP at its fifteenth session in May 2022, the secretariat proposes the following plan of action:

- i. To continue developing and presenting concrete programme proposals for donors to assist UNECE member States for 2023-2027 based on the above demands;
- ii. To travel to potential donor countries to discuss cooperation with line ministries and development agencies.

18. Members of the Team of Specialists on Innovation and Competitiveness Policies are invited to discuss this fundraising plan at the fourteenth session of the Team on 14 and 15 November 2022, and to support fundraising efforts, e.g. by informing relevant line ministries and agencies about funding needs and opportunities and liaising between the UNECE secretariat and relevant national or international partners.

¹ [ECE/CECI/2022/2](#), decisions 2022 – 5.4 and 2022 – 5.5