



Economic Commission for Europe**Committee on Innovation, Competitiveness and Public-Private Partnerships****Team of Specialists on Innovation and Competitiveness Policies****Fifteenth session**

Geneva 22 and 23 November 2023

Item 2 of the provisional agenda

Review of the work of the Team of Specialists on Innovation and Competitiveness Policies since its fourteenth session**Results of the Innovation for Sustainable Development
Review of Armenia****Note by the secretariat¹****I. Introduction**

1. The Innovation for Sustainable Development Review of Armenia publication was launched at a high-level meeting on 7 June 2023 in Yerevan. The publication is the culmination of 15 months of research and analysis and cooperation with three Armenian line ministries: Ministry of High-Tech Industry, the Ministry of Economy and the Ministry of Education, Science, Culture and Sports.

2. The implementation of these types of reviews started in 2010, when ECE began a programme of Innovation Performance Reviews (henceforth Reviews).² 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, ECE Innovation for Sustainable Development Reviews (henceforth I4SDR) were completed and published for Belarus, Kyrgyzstan, Georgia, the Republic of Moldova, Uzbekistan, and Armenia. ECE plans to continuously reform, upgrade and streamline the Review process by further aligning it with other relevant work streams, such as the ECE 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.

¹ This document has not been formally edited.

² 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 reforms. Following an international peer review and publication, ECE works with the country in question to support subsequent reform efforts.

3. At its thirteenth session (25-27 March 2019), the ECE 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.

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

II. Status of the project

5. In October 2021 the I4SDR of Armenia project was launched at an online meeting organised jointly with the Ministry of High-Tech Industry. Following the launch of the project, a coordination group was formed, which included the ECE 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 met regularly to provide updates and discuss progress.

6. During the first half of 2022, and with the support of the I4SDR coordination group, ECE conducted desk and background research for the first chapters of the publication. On 3-7 October 2022, ECE and project experts conducted an in-person fact-finding meeting in 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. Subsequent to the research, the I4SDR publication manuscript was drafted by the secretariat with the support of international experts.

7. The I4SDR publication was launched at a high-level meeting on 7 June 2023 in Yerevan, which was attended by 85 participants. It involved high-profile representatives from government, agencies, and international organizations. The I4SDR launch event was opened by Ms. Olga Algayerova, ECE Executive Secretary, His Excellency Mr. Robert Khachatryan, Minister of High-Tech Industry, His Excellency Mr. Rafayel H. Gevorgyan, Deputy Minister of Economy, Mr. Arthur Movsisyan, Deputy Chairman of the Science Committee, His Excellency Mr. Patrik Svensson, Ambassador of Sweden to Armenia, and Mr. Niels Scott, Interim United Nations Resident Coordinator in Armenia. “Getting innovation governance and support mechanisms right is not easy. Innovation governance must support trying out, piloting, and learning from ideas. This is at the core of our review. Innovation is indeed unpredictable and risky, but these risks also open up opportunities for great rewards. We see this in the remarkable growth of the IT sector in Armenia, a testament to the innovation potential of the country,” said UN Executive Secretary Olga Algayerova at the launch event.

8. Findings and recommendations were also presented at the fifteenth session of CICPPP in 2023. They were well-received and endorsed by the CICPPP.

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

III. Key findings of the I4SDR of Armenia

10. Despite geopolitical and economic instability since gaining independence, Armenia has become one of the regional leaders in innovation, especially, but not only, in the IT service sector. The past two decades alone have seen the creation of more than 1,000 start-ups providing a range of IT services and developing new, innovative products on their own. The sector grew from 1.2% of GDP in 2010 to 5.1% in 2020. This success demonstrates Armenia potential for innovation-driven sustainable development through the IT sector and beyond. Several factors underpin this potential including some of the highest education levels in the region, a strong culture of entrepreneurship, and a high-level political commitment to innovation.

11. A series of ambitious reforms have radically improved the business environment, especially for high-risk ventures, over the past years. Nevertheless, maintaining, spreading,

and reinforcing this momentum calls for supporting innovation in all sectors of economy and addressing structural economic constraints. These include high levels of unemployment and underemployment, inequality in access to opportunities, a living standard gap, low market competitiveness, and a narrow export basket. In this context, fostering innovation systematically across the economy is necessary to empower both the public and private stakeholders to explore new ways of generating value and finding solutions to these issues.

12. The challenge of supporting countries in harnessing the potential of innovation lies in understanding how innovation works and what public support can and cannot accomplish. There are no recipes or easy answers for successful innovation governance. Nonetheless, there is a wealth of examples and case studies of how other countries have addressed these issues. Experts have acquired this knowledge during several decades of informal and inter-governmental dialogue and exchange. Understanding the specific opportunities and constraints on innovation in each country and applying lessons learned from other economies with similar challenges is the fundamental requirement for designing effective support.

13. Central recommendations of the report include:

- addressing limited funding availability for innovation and research;
- integrating and coordinating innovation support initiatives across the different sectors and ministries;
- improving the quality of education and training programmes to reflect the needs of the labour market;
- increasing the currently limited capacity of the private sector to absorb and implement new technologies - this issue, combined with low levels of R&D investment and underdeveloped science-industry linkages, leaves the economy commercialization potential untapped;
- creating an overarching strategic vision for innovation infrastructure and greater coordination to address the issues of talent retention and lack of support for non-ICT start-ups;
- drafting unified innovation policy strategy, improved inter-ministerial coordination, and more attention to process innovation in less productive sectors like agriculture. collecting and using statistics for assessing policies and their implementation;
- systematically supporting diaspora engagement in innovation.

IV. Next steps

14. The findings and recommendations of the I4SDR will support the government of Armenia in shaping and improving innovation policies in line with the strategic policy priorities of the government. In consultation with relevant line ministries, ECE has developed an actionable roadmap for implementing the recommendations of the I4SDR. This roadmap will be the basis for future cooperation and a key document to shape innovation policy efforts in Armenia.

15. The implementation of the I4SDR recommendations and potential capacity-building efforts will play a crucial role in addressing the identified challenges and driving further innovation-led sustainable development in Armenia. The aim is not only to address current challenges but also to build a robust innovation ecosystem that can adapt and thrive in the face of future changes and opportunities. ECE stands ready to work hand-in-hand with Armenia on these issues and calls on ECE member States, development partners, and other donors to provide extrabudgetary funding to support this collaboration effort.