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Innovation for Sustainable Development Review of Belarus – Preliminary Findings

Conference room paper submitted by the secretariat

Summary

The objective of this paper is to report on the status of the Innovation for Sustainable Development Review of Belarus. It provides the background of the existing programme of national Innovation Performance Reviews, explains how this programme is being re-positioned to be able to contribute to the 2030 Agenda for Sustainable Development, summarizes the status of the Innovation for Sustainable Development Review of Belarus project, and presents some preliminary findings.

Background

1. In 2010, Belarus became the first country to undertake a UNECE Innovation Performance Review. These reviews are country-led participatory policy advisory activities, in which a team of international experts assess the country's national innovation system, its policies and performance against international good practice and makes policy recommendations for further improvements on this basis. Following an international peer review and the publication of the final review, UNECE works with the country to provide policy advice and capacity building to facilitate the implementation of selected policy recommendations. After Belarus, Kazakhstan, Ukraine, Armenia and Tajikistan also undertook such reviews.
2. In 2015, five years after its first review, Belarus requested a second review to assess progress and to make additional policy recommendations.

Innovation for Sustainable Development

3. Also in 2015, the United Nations adopted the 2030 Agenda for Sustainable Development, which puts an emphasis on innovation as a goal in itself and as a tool for facilitating the achievement of many of the other goals contained in the agenda. The 2030 Agenda also creates a new emphasis on follow-up and review to monitor and facilitate progress with implementation. This follow-up and review process is envisaged to have a regional dimension, and it is to build on existing activities in order to avoid creating excessive new reporting requirements for countries.
4. As part of this effort, UNECE is embarking on a process of re-positioning its national innovation performance reviews as Innovation for Sustainable Development Reviews by adding a focus on the role which innovation policy can play in advancing national sustainable development priorities. Belarus has now become the first country to pilot this new approach.

Status of the Project

5. The preparatory and fact finding missions for the project have taken place in close cooperation with the national project focal point, the Belarus Institute for Systems Analysis under the State Committee for Science and Technology. The UNECE secretariat expresses its appreciation for the excellent cooperation during the project. The Innovation for Sustainable Development Review will contain chapters on recent economic developments, on new developments in policy frameworks, programs and initiatives, on the measurement of innovation performance in Belarus, on innovation in the enterprise sector, and on innovation for sustainable development. First drafts of the chapters will be ready in early June, the final review will be presented to the UNECE Team of Specialists on Innovation and Competitiveness Policies at its next session in November 2016, and will subsequently be launched in the country.

Some Preliminary Findings

6. Belarus continues to make good progress towards establishing a modern National Innovation System. The authorities in Belarus consistently assign high priority to the role of innovation for socioeconomic development and progress in the country. In the period 2010-2015, important legislative and regulatory efforts were undertaken, addressing different aspects of National Innovation System development and innovation governance and filling earlier existing gaps. Many of the essential building blocks for a National Innovation System are already in place, especially as regards the role of the public sector. The portfolio of policy instruments supporting innovation activity was enriched with new ones, specifically tailored to the specificity of early stage financing. The public bodies in the National Innovation System have well defined functional responsibilities and roles in innovation governance.

7. Belarus has an excellent record of openness and transparency as regards the documents reflecting public sector rules and regulations. All public bodies, including those dealing with innovation policy and its implementation, have very well organised websites which provide easy access to all relevant documents. The enriching of the information content of the websites of the State Committee on Science and Technology and the Belarus Institute for Systems Analysis, and the launching of the National Science and Technology Portal made an important contribution towards better informing innovation practitioners and entrepreneurs of the opportunities to implement and pursue their projects.
8. Some improvements in the statistics of innovation in accordance with the recommendations of the first review have occurred, which draw on the Oslo and Frascati manuals, including indicators consistent with the EU Innovation Scoreboard and regular innovation surveys at the firm level.
9. In addition, the information brokerage functions performed by the State Committee on Science and Technology (such as support to research and development and technology oriented forums, exhibitions, fairs, etc.) facilitate linkages and match-making between innovation stakeholders thus contributing to the generation of new business opportunities targeting innovation. An important and commendable recent initiative by the State Committee on Science and Technology and the Belarus Innovation Fund is the organisation of annual national competitions for innovative projects which target young innovators. These competitions promote awareness raising on innovative entrepreneurship among young people while the winners are awarded small grants to support their further work on the projects.
10. The R&D funding system has also been reformed with the aim to balance commercial and scientific goals, to improve commercialization of public R&D, to support intramural R&D and to improve the overall framework for innovation financing. The framework puts emphasis on both direct and indirect instruments for the support of innovation activities.
11. Among these changes, an initiative to centralize innovation funds to be managed by the State Committee through a merger at the national level of 25 sector funds managed by ministries will allow to better align innovation funding to national priorities.
12. Since the time of the first review, there has been a successful growth and performance of selected innovative companies (both private and state-owned). Also, a significant and impressive growth in the activities of the High Tech Park in Minsk occurred, with several technology-based enterprises showing impressive growth on international markets. A modern business incubator at the High Tech Park was set-up, with modern innovation support services (including pre-incubation, hackathons, and matchmaking

in early stages of fund-raising). The success of this park has led the authorities to use it as a model to establish a second similar Park in biotechnology at the National Academy of Sciences.

13. At the same time, there is still significant scope for possible improvements in the functioning of the National Innovation System, in the practices of innovation policy design and implementation as well as in innovation governance. In a way, the State Programme for Innovative Development, which is the epitome of innovation policy and practice in Belarus, illustrates well both the achievements and the existing weaknesses in these areas.
14. There is often a mismatch between, on the one hand, policy objectives and declared intentions and, on the other hand, policy practice and the actual ability of policy practitioners to pursue these objectives with the available policy instruments and available finance. Bridging such gaps requires further development and upgrading of the National Innovation System and enhancement of the portfolio of policy instruments with supplementary policy tools.
15. One area of innovative activity that falls under this category is innovative entrepreneurship and the support to innovative SMEs and the related issue of early stage financing. All programmatic and policy documents do stress the need – and the declared intention – to support innovative entrepreneurs and small and medium-sized enterprises including start-ups. At the same time, in practice only a negligible fraction of the public funding earmarked for support to research and development and innovation activity backs this specific policy objective.
16. Another underdeveloped area in the National Innovation System is that of its internal connectivity and the effectiveness of linkages which are also related to the issue of the competitive market environment. Best international practice suggests that some policy instruments can be specifically designed or amended to address such systemic failures, for example, by making the funding of a project conditional on attributes such as connectivity, linkages, stakeholder collaboration. Furthermore, the promotion of connectivity, linkages and stakeholder collaboration should not be limited to domestic stakeholders. Like most countries, Belarus lacks the size and scale to successfully develop innovative activities on a purely national level so it is important for policy to support both local and international linkages and cooperation in all stages of the innovation process including commercialization.
17. Moreover, the promotion of R&D and innovation activities in the business sector and the creation of incentives for other stakeholders to engage in innovation activities remains a major challenge for the Belarusian innovation system.
18. Furthermore, cross-border technology transfer activities as well as foreign direct investments and related learning effects leave room for improvement. The concept of

infrastructure investments particular in the shape of techno-parks, incubator and technology transfer networks needs to be further developed and reconsidered in terms of structures and the financial models.

19. As regards innovation for sustainable development, the National Strategy for Sustainable Socioeconomic Development 2016-2030 foresees the promotion of science and innovation in order to introduce green technologies and move towards a green economy.
20. In recent years, grassroots social innovation activity has emerged in the form of crowdsourcing initiatives and “green” innovation contests, including with the assistance of international partners such as UNDP. One clear national sustainable development priority where innovation will be critical is energy efficiency.
21. Although Belarus shows lower rates of energy intensity than other countries with economies in transition, particularly among CIS, the level is still higher than in the average European OECD economies. Also, the fact that Belarus is a net importer of fuel energy makes the transition to renewable energy more appealing. Indeed, the authorities have signalled improvements in this sector as a priority for science and technology development.
22. In consequence, R&D programmes have been developed with funding from the national budget during recent years to support innovation in energy efficiency, including new technologies for energy conservation. There has also been an impulse to involve private sector stakeholders in this endeavour. Some support in the form of tax benefits, finance and grants has already been extended to individual firms performing research in bio-fuel production and energy conservation technologies.
23. However, some of the challenges affecting the NIS referred to above have prevented a more rapid development of the sector. These include a bias against the commercialization of research results in state funded projects and overall limited venture finance. In addition, some aspects of the regulation in the energy sector also act as a disincentive to the further development of innovations. These include an over-regulated electricity market with significant price distortions that are the result of heavily subsidized tariffs for electricity and heat; and a lack of awareness in the general population about green products that could increase demand and create more economies of scales for innovative products.
24. The UNECE Innovation for Sustainable Development Review of Belarus will provide specific policy recommendations on how to address these and other issues in the light of international good practice.