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COMMITTEE ON ECONOMIC COOPERATION AND INTEGRATION

Meeting of Experts on Financing for Innovative Development

Geneva, 3-4 May 2007

ANNOTATED PROVISIONAL AGENDA OF THE MEETING OF EXPERTS *

To be held at the Palais des Nations, Geneva **,
starting at 10 a.m. in Room V on 3 May 2007

I. INTRODUCTION

1. The UNECE Committee on Economic Cooperation and Integration (CECI) adopted at its first session held in Geneva on 27-28 September 2006 the Programme of Work for 2007-2008 (document ECE/CECI/2006/6) which envisages, inter alia, a number of activities and outputs in the area of “Promoting an Enabling Environment for Efficient Financial Intermediation in Support of Innovative Development”, which is one of the five CECI focus areas in this period.

* This document was submitted late to reflect the outcome of the first meeting of the UNECE Team of Specialists on Innovation and Competitiveness Policies, Geneva, 8-9 March, 2007.

** Delegates attending meetings at the Palais des Nations should complete the registration form, downloadable from <http://www.unece.org/ie/welcome/dc/regfe.pdf> and transmit it to the secretariat either by email (ceci@unece.org) or by fax (+41 22 917 01 78). Prior to the session, delegates (with the exception of delegates from the Geneva-based Missions) are requested to present themselves with a valid identification card/passport at the Pass and Identification Unit of the UNOG Security and Safety Section, located at the Pregny Gate, Avenue de la Paix 8-14, (a map is attached to the registration form) for the issuance of an identification badge. Delegates encountering problems in accessing the Palais des Nations should contact the secretariat at ceci@unece.org or +41 22 917 15 55. Additional information for delegates is available on the UNECE website at <http://www.unece.org/ceci/addinf.html>.

2. One of the key events envisaged in the Programme of Work for 2007 is a Meeting of Experts on experience gained in efficient financial intermediation in support of innovation and knowledge-driven development (Financing for Innovative Development).

3. The results of this Meeting of Experts will serve as an input for the preparation of a “Synopsis of good practices in financial intermediation in support of innovation and knowledge-driven development”, which is due to be discussed and adopted at the annual session of the CECI, 5-7 December 2007. The outcomes of the meeting will also be reflected in the debates on reducing the financing barriers to entrepreneurship that will take place in the context of the International Conference on “Reducing barriers to entrepreneurship and encouraging enterprise development: policy options”, which will be held in Geneva on 18-19 June 2007, as part of the CECI activities in the focus area “Promoting an Enabling Environment for Entrepreneurship and SME Development”. The discussions on Financing for Innovative Development will also provide a background for the meeting on “IPR protection and Transforming R&D Outputs into Intangible Assets”, which will take place in Geneva on 25-26 July 2007.

II. PROVISIONAL AGENDA

1. Election of Officers.
2. Adoption of the Agenda.
3. Substantive Segment: “Financing for Innovative Development”.
4. Adoption of the Report of the Meeting.

III. ANNOTATIONS TO THE PROVISIONAL AGENDA

Item 1. Election of Officers

4. It is recommended that the Meeting of Experts elects a Chairperson and one or more Vice-Chairpersons.

Item 2. Adoption of the Agenda

5. A detailed programme will be made available one week before the meeting.

Item 3. Substantive Segment: “Financing for Innovative Development”

6. The main focus of the Meeting of Experts will be on the provision of early stage/expansion financing to innovative enterprises with a view to identifying policy options aiming at facilitating the access of these enterprises to early finance. Innovating enterprises face particular difficulties in raising finance, as they tend to rely on intangible assets while cashflows are unproved and unpredictable. Innovation activity has limited collateral value and its success may depend on continued capital injections. These features define a high risk profile. Equity and grants are better suited than loans to finance innovative activities, since the fixed schedule of

repayment of a loan may be difficult to reconcile with uncertain cash flows. The emphasis of the meeting, therefore, will be put on equity financing provided by business angels and venture capitalists, looking at the diversity of national experiences to draw policy recommendations and on policies seeking to establish an enabling environment for this type of financial intermediation. In addition to providing financial resources, business angels and venture capitalists are also a source of management and technical expertise.

7. The development of national venture capital industries has often received government support as a component of general innovation policies. National initiatives have been adopted against the background of the increasing globalization of risk capital. Exchange of experiences and discussion of good practices in this area will also be considered in the substantive segment of the meeting.

8. The distinction between debt and equity is not always clear in practice for many of the financing instruments available to innovative enterprises, as these instruments may have both debt and equity features. Moreover, in some countries, where equity markets are underdeveloped, companies may be forced to rely on debt financing to carry out innovative activities. Therefore, the meeting will also consider non-equity forms of financing.

9. The following are among topics envisaged to be discussed at the meeting:

- (a) Overall financial conditions for investment in innovation;
- (b) Main trends of business angel financing and the venture capital industry related to the financing of innovation;
- (c) Other forms of early stage/expansion financing: debt and hybrid instruments;
- (d) National approaches and experiences in financing innovative development: policy options and good practices;
- (e) Factors that are supporting or impeding the development of early stage financing for innovation, both on the supply and the demand side;
- (f) International dimensions of the activities of innovative companies and their financing;
- (g) Specific problems faced by transition economies in this area;
- (h) The role of the public sector in improving the access to finance for innovative enterprises; and
- (i) Policy recommendations to foster further the development of these forms of early financing for innovative development.

10. Experts are expected to prepare brief presentations on these topics. These papers will be made available at the meeting in the form and language in which they are received by the secretariat.

11. Invited participants include national experts and country representatives from UNECE members States, investors and private companies with experience on these fields, experts from international and regional organizations, including, among others, the United Nations Conference on Trade and Development, the United Nations Department of Economic and Social Affairs, the United Nations Industrial Development Organization, the Organization of the Black Sea Economic Cooperation, the European Bank for Reconstruction and Development, the Eurasian Economic Community, the European Commission, the European Investment Fund, the International Finance Corporation, the Organization for Economic Co-operation and Development, representatives of the academic community and NGOs. In addition, a number of industry associations, including the European Private Equity and Venture Capital Association, the European Business Angel Network and national equivalents, are also expected to participate in this meeting.

Item 4. Adoption of the report of the meeting

12. The secretariat proposes that the report be prepared not later than ten days following the meeting. The report will be prepared by the secretariat and reviewed and adopted by Chairperson and Vice-Chairpersons on behalf of the Meeting of Experts.

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