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COMMITTEE ON ECONOMIC COOPERATION AND INTEGRATION

Fourth session
Geneva, 28-30 September 2009

**REPORT OF THE COMMITTEE
ON ECONOMIC COOPERATION AND INTEGRATION
ON ITS FOURTH SESSION**

CONTENTS

	<i>Paragraphs</i>	<i>Page</i>
I. ATTENDANCE	1–5	2
II. ADOPTION OF THE AGENDA (Agenda item 1)	6	3
III. POLICY DISCUSSION SEGMENT ON ECONOMIC COOPERATION AND INTEGRATION IN THE UNECE REGION (Agenda item 2)	7	3
IV. STATUS OF PROGRAMME IMPLEMENTATION (Agenda item 3).....	8–20	3
A. Creating a supportive environment for innovative development and knowledge-based competitiveness (Agenda item 3 (a)).....	9	4
B. Facilitating the effective regulatory protection of intellectual property rights and strengthening their role in innovative development (Agenda item 3 (b)).....	10–11	4
C. Promoting an enabling environment for entrepreneurship and SME development (Agenda item 3 (c)).....	12	4
D. Promoting an enabling environment for efficient financial intermediation in support of innovative development (Agenda item 3 (d))	13	5

CONTENTS (continued)

	<i>Paragraphs</i>	<i>Page</i>
E. Promoting best practice in efficient public-private partnerships (Agenda item 3 (e))	14–15	5
F. Fostering wider and deeper international economic integration in the UNECE region (Agenda item 3 (f))	16	5
G. Capacity-building activities (Agenda item 3 (g))	17	5
H. Status of CECI virtual platform for exchange of information (Agenda item 3 (h))	18–20	5
V. PERFORMANCE EVALUATION OF THE SUBPROGRAMME FOR 2008-2009 (Agenda item 4)	21–24	6
VI. PRESENTATION OF THE CHAIRPERSON'S SUMMARY OF THE POLICY DISCUSSION SEGMENT (Agenda item 5)	25–32	6
VII. ADOPTION OF CONCLUSIONS AND DECISIONS, (Agenda item 6)	33–43	10
VIII. OTHER BUSINESS (Agenda item 8)	44	12
A. Dates of the next session	44	12

I. ATTENDANCE

1. The Committee on Economic Cooperation and Integration held its fourth session on 28-30 September 2009. Representatives of the following countries participated in the session: Armenia, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Finland, Germany, Greece, Hungary, Israel, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, Poland, Romania, Russian Federation, Serbia, Slovakia, Switzerland, Tajikistan, Turkey, Ukraine, United Kingdom of Great Britain and Northern Ireland, United States of America, and Uzbekistan.

2. The European Community was also represented.

3. In attendance were representatives from the following United Nations organizations and specialized agencies: United Nations Conference on Trade and Development (UNCTAD), United Nations Department for Economic and Social Affairs (UN DESA), United Nations Development Programme (UNDP) and World Intellectual Property Organization (WIPO).

4. The following intergovernmental organizations also participated: Eurasian Economic Community (EurAsEC), International Finance Corporation (IFC), Organisation for Economic Co-operation and Development (OECD) and World Trade Organization (WTO).

5. The following non-governmental organizations, experts and private companies took part in the session: Academy of Sciences and Charles University (Czech Republic), BBWORLD Consulting Services (Switzerland), Business Europe (Belgium), Business Innovation Centre (Croatia), Centre for Economic Studies (Czech Republic), Centre for International Governance (Switzerland), Chalmers Science Park (Sweden), Du Pond de Nemours International (Switzerland), Ecole Polytechnique Fédérale de Lausanne (Switzerland), Enterprise Ireland (Ireland), European Private Equity and Venture Capital Association (Belgium), Ferring Group

(Switzerland), Go Beyond Ltd. (Switzerland), High Tech Bridge (Switzerland), IMD World Competitiveness Centre (Switzerland), Information Security Solutions (Switzerland), Innovation Promotion Agency CTI (Switzerland), Institute for Industrial Promotion (Italy), Institute of World Economy and International Relations (Russian Federation), International Development Research Centre (Egypt), International Investment Centre (Russian Federation), International Road Federation (Switzerland), International Society for Professional Innovation Management (Finland), JSC “Kazakhstan Centre for Public-Private Partnership” (Kazakhstan), Kauffman Foundation (United States of America), Le Réseau (Switzerland), Maastricht University (Netherlands), Marketing Research Foundation (Russian Federation), National Academy of Sciences (Ukraine), OPORA Europe (Russian Federation), Russian Corporation of Nanotechnologies (Russian Federation), Russian Venture Capital Association (Russian Federation), St. Petersburg Regional Foundation (Russian Federation), Stanford University (United States of America), Technofi (France), University of Geneva (Switzerland), University of Melbourne (Australia), United States National Academy of Sciences (United States of America) and World Economic Forum (Switzerland).

II. ADOPTION OF THE AGENDA (Agenda item 1)

Documentation: Annotated provisional agenda for the fourth session (ECE/CECI/2009/1)

6. The Committee adopted the provisional agenda, as contained in document ECE/CECI/2009/1.

III. POLICY DISCUSSION SEGMENT ON ECONOMIC COOPERATION AND INTEGRATION IN THE UNECE REGION (Agenda item 2)

7. The Policy Discussion Segment was organized as a High-level International Conference on Promoting Innovation-based Entrepreneurial Opportunities in the UNECE Region. The Conference was welcomed by the UNECE Executive Secretary Mr. Ján Kubiš who emphasized the relevance of the themes to be discussed at the Conference under the conditions of the ongoing economic and financial crisis, when science, technology and innovation increasingly determine economic performance, new employment opportunities and the competitiveness of industries and nations. He expressed hope that the High-level Conference would be an important step in the policy debate seeking to identify, on the one hand, new and more efficient policies and business practices to promote innovation and knowledge-based development, and, on the other hand, ways and means of integrating these policies and practices into effective anti-crisis responses by governments and private enterprises. The Chairperson's summary of the Policy Discussion Segment is presented under Agenda item 5.

IV. STATUS OF PROGRAMME IMPLEMENTATION (Agenda item 3)

8. The Chairperson of the Committee introduced the work accomplished since the third session under sub-items (a)-(h) of the agenda. He drew the attention of the delegations to a greater importance attached to integrated activities cutting through several thematic areas and a growing role of capacity-building in the implementation of the work programme in 2009. During the period under review, the efforts of the Teams of Specialists and networks of experts increasingly focused on capacity-building, drawing on the results of normative work, and

on combining the exchange of good practices in different substantive areas with elements of training.

A. Creating a supportive environment for innovative development and knowledge-based competitiveness (Agenda item 3 (a))

Documentation: Report on the International Conference on Knowledge-based Development (ECE/CECI/CONF.5/2)

Report on the International Conference on Technological Readiness for Innovation-based Competitiveness and Promoting an Enabling ICT Policy and Regulatory Framework (ECE/CECI/CONF.6/2)

9. The Committee took note of the results of the work of the Team of Specialists and the progress achieved in the implementation of this subprogramme.

B. Facilitating the effective regulatory protection of intellectual property rights and strengthening their role in innovative development (Agenda item 3 (b))

Documentation: Report on the International Conference on Ways and Means of Attracting External Finance for New Innovative Enterprises (ECE/CECI/CONF.4/2)

10. The Committee took note of the results of the work of the Team of Specialists and the progress achieved in the implementation of this subprogramme.

11. Under the agenda sub-items 3(a) and 3(b), the Teams of Specialists on Innovation and Competitiveness Policies and on Intellectual Property met with the Committee. This session discussed the organization of the work of the two teams in 2010, including issues of linking the capacity-building activities cross-cutting the two focus areas to the global challenges facing the member States. In particular, the participants thought productive to address the issues of innovation in the context of global social challenges, such as climate change, and access to information and communication technologies. The session also discussed the issue of maintaining and strengthening the participation of team members in capacity-building activities in the context of rapid change in professional affiliations. It was proposed to actively seek government nominations of experts to the teams in order to replace those who have moved on to different positions. The delegates also exchanged views on the process of preparation of the programme of work in the next programming cycle and agreed that the teams could discuss proposals to this effect at their next sessions.

C. Promoting an enabling environment for entrepreneurship and SME development (Agenda item 3 (c))

Documentation: Report on the International Conference on Ways and Means of Attracting External Finance for New Innovative Enterprises (ECE/CECI/CONF.4/2)

12. The Committee took note of the results of the work under this thematic area and the progress achieved in the implementation of the related subprogramme.

D. Promoting an enabling environment for efficient financial intermediation in support of innovative development (Agenda item 3 (d))

Documentation: Report on the International Conference on Ways and Means of Attracting External Finance for New Innovative Enterprises (ECE/CECI/CONF.4/2)

13. The Committee took note of the results of the work under this thematic area and the progress achieved in the implementation of the related subprogramme.

E. Promoting best practice in efficient public-private partnerships (Agenda item 3 (e))

Documentation: Report on consultative meeting between the Government of the Republic of Kazakhstan and the Business Advisory Board on Public-Private Partnerships (ECE/CECI/2009/3)

14. Several delegations supported the demand-driven capacity-building activities in this area. The session discussed prospects for the establishment of an UNECE-based centre for capacity-building in public-private partnerships that would address the growing demand of member States for capacity-building services. Several delegations emphasized the need for further reflection on the modalities of operation of such a centre, in particular on issues related to its mandate, sources of funding, and ways and means of avoiding conflicts of interests between governments and the private sector. The Committee agreed that more focused and effective training of civil servants dealing with public-private partnerships was one of the priorities and invited the Team of Specialists on PPPs to reflect on this initiative.

15. The Committee took note of the results of the work under this thematic area and the progress achieved in the implementation of the related subprogramme.

F. Fostering wider and deeper international economic integration in the UNECE region (Agenda item 3 (f))

16. The Committee took note of the results of the work under this thematic area and the progress achieved in the implementation of the related subprogramme.

G. Capacity-building activities (Agenda item 3 (g))

Documentation: Report on capacity-building activities (ECE/CECI/2009/4)

17. The Committee took note of the progress report on capacity-building activities.

H. Status of CECI virtual platform for exchange of information (Agenda item 3 (h))

18. The secretariat reported on the progress in developing and expanding the CECI virtual platform for exchange of information.

19. The Committee took note of this progress report and encouraged the continued use of the virtual platform in the course of programme implementation.

20. The decisions on agenda item 3 are presented under agenda item 6.

V. PERFORMANCE EVALUATION OF THE SUBPROGRAMME FOR 2008-2009 (Agenda item 4)

Documentation: Performance evaluation of the subprogramme for 2008-2009
(ECE/CECI/2009/5)

21. The secretariat introduced this item and brought to the attention of the Committee the results of the performance evaluation of the 2008-2009 Programme of Work. Several delegations found this exercise useful for evaluating the Committee's outputs and for elaborating the future programme of CECI. The Committee took note of this report and discussed possible directions of work for 2011–2012.

22. It was noted that CECI should continue its cooperation with subregional international organizations and with local business networks, for example business angels' networks. One of the outputs of such cooperation could be the participation of Teams of Specialists and expert networks in the implementation of demand-driven projects at the regional level. In the future, the Committee could broaden the scope of advisory services to governments as part of its capacity-building activities. The secretariat should endeavour to enhance the virtual platform for exchange of information and explore possibilities for distance learning. Capacity-building activities should take into account good practices from different parts of the world, including those from Asian countries, and draw on synergies obtained through the cooperation with relevant international organizations. To have a better idea of member States' needs in the future, the secretariat could carry out surveys among stakeholders and keep record of examples pertaining to the results of its capacity-building work, for instance, the national laws revised in line with and/or incorporating CECI recommendations.

23. The Committee noted that there was the need to align its future programme of work with the budget cycle for the next biennium. To this end, the next programme of work of CECI should be either annual or triennial.

24. The decision on agenda item 4 is presented under agenda item 6.

VI. PRESENTATION OF THE CHAIRPERSON'S SUMMARY OF THE POLICY DISCUSSION SEGMENT (Agenda item 5)

25. The Chairman presented the following summary of discussion organized under the Policy Discussion Segment (Item 2 of the Agenda):

26. The Policy Discussion Segment under agenda item 2 was organized as a High Level International Conference on the topic "Promoting Innovation-based Entrepreneurial Opportunities in the UNECE region". The Committee on Economic Cooperation and Integration

was honoured by the participation of high-level policymakers, senior corporate executives, top academics and other distinguished experts from the UNECE region.

27. The Conference identified **a number of key policy issues and conclusions that merit being brought to the attention of national and international policymakers**, in particular:

- (a) The global economic and financial crisis opens windows of opportunity to raise public support in addressing issues targeting medium and long-term objectives that require strong political will. Policies targeting knowledge-driven development are among such issues.
- (b) Access to finance by innovating companies, especially SMEs, has rightly been identified as the most pressing issue at a time of crisis. The public sector needs to take the lead in demonstrating its long-term commitment to support innovation and guiding private investors towards important social goals.
- (c) At the same time, public financial support is by no means the only policy option. Thus, there is a need to radically reconsider traditional policy models that tend to reflect a rather simplistic picture of innovation.
- (d) Innovation in the modern economy is a very complex phenomenon that involves large numbers of stakeholders, and cooperation among them is one of the keys to success. Preserving and strengthening knowledge networks during a time of crisis is a key challenge to policymakers.
- (e) Another important task of policymakers, especially at this point in time, is to reduce as much as possible administrative barriers to innovation. Often these are unintended barriers, or barriers of which policy-makers are unaware; therefore they need to increase their efforts in identifying such barriers.
- (f) Learning from each other – both from our successes and from our failures – is an important mechanism for improving the effectiveness of policymaking. Therefore knowledge-sharing among innovation policy makers, practitioners and other stakeholders is a key ingredient of international debates.
- (g) At the same time, it is not possible to blindly copy models that have been successful in other countries. Each country needs to identify its own optimal innovation model, which reflects its own specificity and environment.

28. The Conference also discussed some of **the effects of the global economic and financial crisis** on innovation activity, namely, that:

- (a) Innovation is generally suffering in the downturn, because of the emphasis on cost-cutting, the difficulties in raising finance, increased risk aversion and declining competition due to consolidation.
- (b) The financial crisis has had a profound impact on banks, which have been forced to rebuild balance sheets and have become more risk averse.

- (c) Reflecting these changes, funding costs for companies have increased despite government intervention.
- (d) The financial crisis has lowered valuations of companies in which business angels and venture capital companies invested.
- (e) More recently, there are signs that investors are returning to the market. The expertise of business angels and venture capitalists is being sought by banks and the public sectors to reach entrepreneurs. The crisis is encouraging new forms of collaboration among stakeholders.
- (f) The venture capital industry is undergoing a major transformation as a result of the crisis and regulatory changes that are underway, both of which are driving consolidation in the sector.
- (g) The existing cross-border investment restrictions put further constraints to the venture capital industry in a globalized economy.

29. The Conference devoted most of its attention to debating **policy measures to foster innovation** in the current difficult environment and practical ways and means of making policies more effective. The discussion focused on the following issues:

- (a) Fostering innovation has also been part of the policy responses to the crisis, sometimes in combination with other objectives.
- (b) The financial crisis has exacerbated other global challenges, such as climate change, ageing and the effects of globalization. These multiple challenges call for a reconsideration of policies but also create new opportunities for innovation.
- (c) The crisis creates opportunities to rethink traditional policies and break old moulds. New views on public intervention that reflect adequately the complexity, dynamic character of interactions between innovation partners are required.
- (d) In particular, there is a need to reflect on the linkage between innovation policies and public intervention in other sectors and the appropriate scope of innovation policies. It was suggested that a more suitable focus on the current circumstances would be “policies for innovation” (horizontal, cross-sectoral), rather than “innovation policies”.
- (e) In the face of critical social and environmental challenges, there is a need to think on policies that aim not only to increase the rate of innovation but also target the direction of innovation.
- (f) Given these challenges, there is a need for a balance between policies that support the generation of new technologies and those that promote the diffusion of innovation.

- (g) Targeting global economic and social challenges such as climate change, clean technology or ageing may be an efficient way of promoting innovation while dealing with the problems associated with the prioritization of scarce resources.
- (h) Policies supporting existing industries in times of crisis should not undermine competitive pressures, locking-in old economic structures.
- (i) New financial regulations are unavoidable fallout of the financial crisis. However, these need to take into account the specificity of early stage financing in order to avoid a detrimental impact on fund-raising and returns.
- (j) There is a need for new regulatory mechanisms that facilitate the acceptance of intellectual property and other intangibles as collateral by the banks.
- (k) An active policy response helped to avoid an implosion of the financial sector. However, it is necessary now to support innovation and go beyond this general intervention and address the specific financial problems of SMEs. These companies are essential for economic dynamism and change.
- (l) Policymakers should pay greater attention to overcoming unnecessary regulatory or institutional constraints.
- (m) Despite the opportunities created by globalization, national perspectives continue to dominate policy agendas on innovation. Major efforts remain focussed on research policy, with a supply-side view of innovation that does not duly take into account the importance of other factors in the generation and dissemination of innovation.
- (n) The implementation of innovation measures needs to be tailored to the national specificity and context.
- (o) There is a need to match increased allocation of resources for innovation purposes with improved governance capacity to ensure efficient outcomes.

30. The Conference also highlighted the growing **need for cooperation between the public and private sectors and for cooperation across borders** in addressing the challenges of the crisis, stressing issues such as:

- (a) Public-private sector cooperation is likely to increase in the future in all aspects of innovation promotion.
- (b) Synergies between government interventions and private sector responses should be encouraged.
- (c) There is a need to create effective mechanisms of collaboration between the public and private sectors, including through risk sharing schemes.
- (d) New instruments of collaboration between business angels, venture capital firms and the public sector need to be explored, taking into account the changing financial landscape.

- (e) Networking and collaboration among stakeholders, including through international cooperation, has a critical importance for innovation, which does not happen in isolation. This is an aspect particularly emphasised in open innovation models.
- (f) Scale effects are relevant for research and innovation and these can be boosted through various forms of international cooperation, both within and outside formal integration initiatives.
- (g) There are many different institutional models of innovation, which differ depending on the degree of centralisation, the roles of public research organizations and private companies or the importance of international links. Both the public and private sectors should encourage experimenting with these different models.

31. The Committee extended its gratitude to the speakers for their valuable contribution to the policy debate on these challenges. The Committee also thanked the moderators and expressed appreciation for the efforts of the secretariat in organizing this policy discussion on these interesting and highly relevant topics.

32. The decision on agenda item 5 is presented under agenda item 6.

VII. ADOPTION OF CONCLUSIONS AND DECISIONS (Agenda item 6)

33. The Committee agreed on the following conclusions and decisions:

34. Having examined the status of programme implementation, the Committee noted that the main objectives and outputs envisaged in the CECI Programme of Work over the period ending in September 2009 had been successfully achieved.

35. The Committee also noted with appreciation the quality of the applied policy-oriented documents produced during the reporting period, in particular “Policy Options and Instruments for Financing Innovation: a Practical Guide to Early-Stage Financing” and “Enhancing the Innovative Performance of Firms: Policy Options and Practical Experience”. It thanked the respective Teams of Specialists and networks of experts for their active participation in the preparation of those documents.

36. The Committee welcomed a growing volume of technical cooperation services and capacity-building activities provided by CECI to countries with economies in transition (ECE/CECI/2009/4) and encouraged member States to fully benefit from the opportunities offered by its international expertise in various thematic areas. It asked the secretariat to continue seeking synergies between the activities and capacity-building events organized by different Teams of Specialists and networks of experts.

37. The Committee thanked the donors, namely the Government of the Russian Federation, United States Patent Office, Dolby Laboratories and Pfizer, which have contributed financial and in-kind resources into its capacity-building activities and enabled CECI to increase their scope. It called on member States, and other stakeholders and potential donors to explore the possibilities for strengthening their support to capacity-building activities. It also asked the secretariat to further strengthen cooperation with other relevant international organizations, so as to develop

synergies and facilitate transforming the results of its normative work into capacity-building, including training materials and modules.

38. The Committee took note of the secretariat's briefing on the status of the CECI Information Exchange Platform and encouraged stakeholders to share their experiences and good practices through this instrument of cooperation.

39. The Committee noted with satisfaction the emphasis made by its Teams of Specialists and networks of experts on identifying and disseminating good practices for the purposes of alleviating the impact of the global financial and economic crisis. It encouraged these sectoral groups of experts to continue exploring challenges and opportunities for knowledge-based development emerging as a result of the crisis. In view of the dynamism in professional affiliations, the Committee invited the secretariat to review the membership in the Teams of Specialists and, wherever necessary, to approach member States with a request for new nominations of Team members.

40. The Committee took note of the proposal to establish a Public-Private Partnerships (PPP) Centre under the aegis of UNECE put forward by the joint meeting of the United Nations Economic Commissions for Asia and the Pacific, Europe and Africa (Interregional Expert Group Meeting on Public-Private Partnerships in Infrastructure Development) in February 2009 and supported by the Meeting on Promoting Capacity-Building in PPPs jointly organized by the Team of Specialists on Public-Private Partnerships and PPP Forum in September 2009. It invited the Team of Specialists on PPPs to further consider this proposal at its next session in December 2009, taking into account the experience and good practices accumulated by the UNECE Gas Centre.

41. The Committee took note of the report by the secretariat on the results of the 2008-2009 biennial performance evaluation (ECE/CECI/2009/5) and of the proposals to improve its work that it contained. It noted with satisfaction that in several countries good practices and policy recommendations developed by CECI had been incorporated into national legislation and regulations, and that a large number of national experts had benefited from capacity-building and training activities, which had led to a number of follow-up events. The Committee thanked the Teams of Specialists and networks of experts for their contributions to the evaluation process. It invited the secretariat, Teams of Specialists and networks of experts to use in their future activities the proposals by the participants of this process aimed at raising the effectiveness of the Committee's work.

42. The Committee took note of the issues raised during the International Conference "Promoting Innovation-based Entrepreneurial Opportunities in the UNECE Region" (Policy Discussion Segment) and the proposals regarding its future work and asked the Teams of Specialists and the networks of experts to take them into account when implementing the programme of CECI in the future.

43. The Committee noted the need to start preparatory steps related to the CECI programme of work in the next programming cycle in the lead up to the next Committee session. It invited the Teams of Specialists to consider proposals for their future work at their next sessions in 2010 and submit them to the CECI session. The Committee invited the Bureau to discuss with the

secretariat possible directions of work in the next programming cycle and provide guidance to the Teams of Specialists to facilitate their deliberations on proposals regarding their future work.

VIII. OTHER BUSINESS (Agenda item 7)

A. Dates of the next session

44. The Committee decided that its fifth session would take place on 1-3 December 2010 (Wednesday – Friday).

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