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## Economic Commission for Europe

Committee on Economic Cooperation and Integration

### Eighth session

Geneva, 12-14 February 2014

## Report of the Committee on Economic Cooperation and Integration on its eighth session

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## I. Overview<sup>1</sup>

1. The ECE Committee on Economic Cooperation and Integration held its eighth session on 12-14 February 2014.

2. The ECE Director of the Economic Cooperation, Trade, and Land Management Division delivered the opening message of the ECE Executive Secretary. This message highlighted the importance of innovation as it is essential for enhancing national competitiveness, increasing productivity and laying the foundation for sustained economic growth. At the same time, a well-developed infrastructure avoids bottlenecks to economic expansion and creates a favourable business environment. These two key areas of work are supported by the Committee on Economic Cooperation and Integration through programmes on innovation and public-private partnerships for infrastructure development. The Executive Secretary called on the Committee to continue responding in a flexible manner to the growing demands of its member States in these substantive areas of work.

## II. Attendance

3. A total of 202 delegates participated in the meeting, including representatives from the following ECE countries: Armenia, Azerbaijan, Belarus, Belgium, Canada, Croatia, Czech Republic, France, Georgia, Germany, Hungary, Israel, Italy, Kazakhstan, Kyrgyzstan, Lithuania, Luxembourg, Netherlands, Portugal, Republic of Moldova, Romania, Russian Federation, Spain, Sweden, Switzerland, Tajikistan, Turkey, Turkmenistan, Ukraine, United Kingdom, United States of America and Uzbekistan.

4. The European Union was also represented.

5. Representatives of the Central African Republic, Democratic Republic of Congo, Ghana, Haiti, India, Indonesia, Morocco and Philippines participated under article 11 of the Commission's terms of reference.

6. Representatives of the United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP), United Nations Industrial Development Organization (UNIDO) and the following specialized agencies and intergovernmental organizations participated in the session: Asian Development Bank (ADB), Eurasian Development Bank, Eurasian Economic Commission, European Bank of Reconstruction and Development (EBRD), European Central Bank, International Trade Centre (ITC), Organisation for Economic Co-operation and Development (OECD), Organization for Security and Co-operation in Europe (OSCE), World Bank, World Intellectual Property Organization (WIPO) and World Trade Organization (WTO).

7. Representatives from the following non-governmental organizations, academic institutions and private sector entities took part in the session: Academy of Public Administration under the President of the Republic of Azerbaijan (Azerbaijan), Alstom (Israel), Andrade Gutierrez (Portugal), Armenian State University of Economics (Armenia), BTA Bank (Kyrgyzstan), Bundesverband Public Private Partnership (Germany), Caucasus Peoples' Friendship Institute (Russian Federation), Cazalet Consult (France), Centre for Innovation Studies, University of Economics and Management (Czech Republic), Confederation of International Contractors' Association (France), DADCO

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<sup>1</sup> The decisions made at the eighth session of the Committee are without prejudice to the upcoming discussions and decisions on the revision of the mandate of and the question whether to merge or not the Committees on Trade and Economic Cooperation and Integration.

Consulting, Inc. (United States), Deloitte (Ireland), Deltares (Netherlands), EcoLomics International (Switzerland), ECORYS International (Netherlands), EPFL-SIA (Switzerland), Euro-Mediterranean Center for Climate Change (Italy), European Alliance for Innovation (Belgium), European Business Angel Network (Belgium), European Investment Fund (Luxembourg), European PPP Expertise Centre of the European Investment Bank (Luxembourg), Fraunhofer Institute for Systems and Innovation Research (Germany), Freann Financial Services Ltd. (Ghana), Frilet & Associés (France), Gide Loyrette Nouel (Russian Federation), Global Strategy Centre (Russian Federation), Görgen & Köller GmbH (Germany), Iberdrola Group (Spain), IKU Innovation Research Centre Financial Research Ltd. (Hungary), Indonesia Infrastructure Guarantee Fund (Indonesia), Infogroup (Congo), Infrastructure Journal (United Kingdom), Institute for Economic Growth and Legal Reform (Italy), Institute of International Business and Law (Russian Federation), International Federation of Private Water Operators (France), International Investment Center (Russian Federation), International Project Finance Association (United Kingdom), International Road Federation (Switzerland), Intervistas Consulting Group (Netherlands), IP Studies SARL (Switzerland), JSB UGORIA Insurance Company (Russian Federation), JSC RusHydro (Russian Federation), Kanzlei Preuss Legal Counsel PPP EMEA (Germany), Koninklijke Philips N.V. (Netherlands), KPMG (United Kingdom), KPMG LLP (United States), Landesbank Baden-Wuerttemberg (Switzerland), Limak Investments (Turkey), Logotech S.A. (Greece), Lundin Petroleum (Switzerland), Marketing Research Foundation (Russian Federation), McKenna Long & Aldridge LLP (United States), MNT Healthcare Moldova (Republic of Moldova), Moscow State Regional University (Russian Federation), New Vision International (Congo), Norton Rose Fulbright (United Kingdom), Public Services International (France), Republican Union of Employers of Armenia (Armenia), Respublico (Switzerland), Romanian Association for Technology Transfer (Romania), Russian Venture Capital Association (Russian Federation), Scottish Futures Trust (United Kingdom), Skanska Infrastructure Development (Sweden), Timmermans & Siemons International Business Lawyers (Netherlands), University College London (United Kingdom), University of Geneva (Switzerland), University of Oklahoma (United States of America), ValleyRoad Capital and Swiss Private Equity and Corporate Finance, (Switzerland), VECTA (Spain), Veolia Environment (France), Versus & Versus (France), VINCI Concessions (France), Warnowquerung GmbH & Co. KG (Germany), World Economic Forum (Switzerland), World Federation of Engineering Organizations (Switzerland), XS-Axis Consulting (Germany), Yehuda Raveh & Co. Law Offices (Israel), Zentrum für Soziale Innovation (Belgium) and Zeughaus PPP AG (Switzerland).

### **III. Election of officers (Agenda item 2)**

#### **Conclusions and decisions:**

8. The Committee thanked the outgoing Chair Mr. Matti Pietarinen for his leadership and contribution to the CECI programme's implementation.

9. The Committee elected Mr. Sharon Kedmi (Israel) as the Chair and Mr. Andrei Popov (Belarus), Ms Kris M. Easter (United States) and Mr. Salvatore Zecchini (Italy) as Vice Chairs. This election is for the period 2014-2015 and is without prejudice to decisions to be made on the future of the Committee on Economic Cooperation and Integration by EXCOM.

### **IV. Adoption of the agenda (Agenda item 1)**

Documentation: Annotated provisional agenda for the seventh session (ECE/CECI/2012/1).

10. The representative of the European Union and its member States requested deletion of proposed agenda item 9 (Rules of Procedure) and could agree to the rest of the proposed agenda noting that all discussions and any possible decisions, conclusions and recommendations for all agenda items would be without prejudice to the upcoming discussions on the updated ECE mandate on trade and the possible merger between the trade and economic cooperation committees.

11. In this respect, he reiterated the position, already expressed on behalf of the EU and its member States at the Executive Committee, that the ECE should, in a focused and integrated way, help ECE member States to translate their innovative ideas into local productive capacity and export opportunities, thus delivering concrete results that help create jobs and economic growth in the ECE Region. This objective would also be important for better streamlined future capacity building and technical cooperation activities as well as regional advisory services, which should focus primarily on the needs of countries in the region. Second, that a request be made to the Bureau to pro-actively produce a paper with possibilities and ideas on synergy, as early as possible in 2014; third, that the programme of work and respective work plans be adopted after completion of the discussions on the updated mandate (agenda item 8); fourth, that a specific time slot be set aside for the Committee (representatives of the member States) to agree on the proposed decisions and most of the report (proposed agenda item 11).

12. The Russian Federation supported the agenda of the session. They believed that the session would allow the expert community of the ECE member States to formulate agreed approaches to filling the programme of work of the Committee. The Russian Federation proceeds based upon the fact that the expert recommendations would be aimed at increasing economic competitiveness, accelerating innovative development and at strengthening regional economic integration processes. The Russian Federation believes that it is necessary to duly reflect those recommendations. The delegation of the Russian Federation referred to the Commission decision A(65) and the need to revise mandates and terms of reference of the Committees.

**Conclusions and decisions:**

13. The Committee adopted the agenda for its eighth session in the light of these discussions.

**V. High-level substantive segment on the emerging landscape for innovation and PPP financing (Agenda item 3)**

14. Under this agenda item, the following panel discussions were held:

- The emerging landscape for innovation and PPP financing.
- The role of public-private partnerships in financing the post-2015 United Nations Development Agenda.
- UNECE International PPP Centre of Excellence.

**Conclusions and decisions:**

15. The Committee thanked the contributors to and participants in this first part of the High Level segment and agreed that a Chair's summary of the discussions under this agenda item should be annexed to the report and posted on the ECE website.

## **VI. High-level substantive segment on Innovation Performance Review of Armenia (Agenda item 4)**

Documentation:

Main conclusions and recommendations from the Innovation Performance Review of Armenia (ECE/CECI/2014/CRP.1)

### **Conclusions and decisions:**

16. The Committee noted with satisfaction the completion of the draft “Innovation Performance Review of Armenia”, which was also welcomed by the Government of Armenia, and thanked the experts for the reports presented. It also thanked the Government of Armenia for its excellent cooperation in implementing this project and expressed its appreciation to the Team of Specialists on Innovation and Competitiveness Policies and the secretariat for their contributions to the Review.

17. The Committee agreed that a Chair's summary of the discussions under this agenda item should be annexed to the report and posted on the ECE website.

18. The Committee took note of the Main Conclusions and Draft Recommendations of the Innovation Performance Review of Armenia (Conference Room Paper 1). It invited the secretariat to take into account the views and proposals put forward during the substantive segment when preparing the Review for publication. The Committee proposed to the secretariat to consider, in consultation with the Government of Armenia, possible follow-up steps to facilitate the implementation of recommendations contained in the Review.

## **VII. Presentation of the Chairperson’s summary of the discussion during the high-level substantive segment (Agenda item 5)**

### **Conclusions and decisions:**

19. The Committee thanked the Chairperson for his summary, in annex, of the discussions during the high-level substantive segment under items 3 and 4.

## **VIII. Matters arising (Agenda item 6)**

Documentation:

Economic Commission for Europe – Biennial Report (E/2013/37 - E/ECE/1464)

Outcome of the review of the 2005 reform of the Economic Commission for Europe (E/RES/2013/1)

Overview of the UNECE Committee on Trade and Committee on Economic cooperation and Integration (ECE/CECI 2014/CRP.3)

20. The director of the Economic Cooperation, Trade, and Land Management Division introduced the agenda item. She informed the Committee that member States agreed in principle that the Committees on Trade and on Economic Cooperation and Integration should further synergize their work. In addition, the ECE Commission and EXCOM had invited the secretariat to prepare a report so as to allow EXCOM to take a decision, before 1 December 2014, on whether or not to merge CECI and the Committee on Trade.

21. The delegations of the Russian Federation, Tajikistan, Belarus, Kazakhstan and Ukraine expressed their reservations concerning a possible merger of the two committees,

arguing that the areas of expertise, programmes of work and constituencies of the two committees are incompatible, and expressing concerns that a merger would result in a loss of expertise.

**Conclusions and decisions:**

22. The Committee took note of the outcome of the Review of the 2005 Reform of ECE (E/ECE/1464, Annex III) and the understanding reached by EXCOM that: 1) the Committee on Trade and the Committee on Economic Cooperation and Integration may meet – on an exceptional basis – during the week of 10 February 2014 in accordance with Commission Decision A(65) and that consultations on revised mandates/terms of reference will have to be undertaken after those meetings; and that 2) paragraph 31g of Commission Decision A(65) provides amongst others that the secretariat will draw up a report by the summer of 2014 so as to allow EXCOM to take a decision, before 1 December 2014, on whether or not to merge the two Committees.

23. The Committee agreed to submit the revised terms of reference of the Team of Specialists on Innovation and Competitiveness Policies, in annex, for approval to the Executive Committee.<sup>2</sup>

24. The Committee requested that the Bureau of the Committee on Economic Cooperation and Integration (preferably, in cooperation with the bureau of the Committee on Trade) produce a paper for EXCOM as early as possible in 2014, with suggestions and ideas on how ECE's work on trade and economic cooperation could be synergized, taking into account the views expressed by member States.

## **IX. Review of the implementation of the programme of work since the seventh session (Agenda item 7)**

### **A. Team of Specialists on Innovation and Competitiveness Policies (Agenda item 7(a))**

Documentation:

Report of the Team of Specialists on Innovation and Competitiveness Policies on its sixth session (ECE/CECI/ICP/2013/2)

Innovation in the public sector (ECE/CECI/2014/3)

Main conclusions and recommendations of the Innovation Performance Review of Armenia (ECE/CECI/2014/CRP.1)

Good Practices and policy Recommendations on Aligning Entrepreneurship and Innovation Policies (ECE/CECI/2014/9)

25. The delegation of Belarus expressed its satisfaction with the work of the Team of Specialists on Innovation and Competitiveness Policies and the Innovation Performance Review it completed in 2011 for Belarus and informed the Committee of the successful implementation of policy recommendations as a result of follow-up support from ECE. Belarus also requested a second Innovation Performance Review in Belarus to evaluate the degree to which previous recommendations have been implemented.

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<sup>2</sup> Delegates acknowledged that sectoral committees make recommendations to the ECE Executive Committee for approval.

**B. Team of Specialists on Public-Private Partnerships (Agenda item 7(b))**

Documentation:

Report of the Team of Specialists on Public-Private Partnerships on its fifth session (ECE/CECI/PPP/2013/2)

26. The delegation of Belarus thanked the secretariat for the PPP Readiness Assessment of Belarus, and the follow-up events organized as part of the ongoing capacity-building project “Capacity Development to Support the Implementation of PPPs in Belarus,” supported by the European Union and UNDP.

27. The Eurasian Development Bank noted the progress made in countries such as Kazakhstan, which has created a PPP centre and started a PPP programme as a result of policy advisory services provided by ECE with financial support from EADB.

28. A private-sector representative (candidate member of the proposed ECE PPP Business Advisory Board) welcomed the focus of ECE’s PPP work on contributing to the achievement of the post-2015 sustainable development goals. He emphasised the important role of the UNECE International PPP Centre of Excellence as an exemplary platform which builds trust and understanding between the private and public sectors.

**C. Other work areas (Agenda item 7 (c))**

29. This agenda item was presented and discussed together with the Agenda item 7(a).

**D. Capacity-building activities (Agenda item 7(d))**

Documentation:

Report on capacity-building activities (ECE /CECI/2014/4)

30. The delegation of Israel expressed its appreciation for the collaboration between the Israeli Agency for International Development Cooperation (MASHAV) and ECE since 2006. The most recent example of this cooperation was the high-level policy seminar in green technology in Haifa in 2013, which provided an opportunity for Israel to share its good practices in innovative technologies and related policy making.

31. The delegation of the Russian Federation expressed its satisfaction with the technical assistance provided by ECE, particularly to the countries of Central Asia, which serves to improve their competitiveness and local productive capacity, and announced that the Russian Federation will continue to provide extra-budgetary financial support to these activities.

**Conclusions and decisions for 7a through 7d**

32. The Committee expressed its appreciation for the work of the teams of specialists and networks of experts operating under CECI and thanked them for their participation in the policy-advisory and capacity-building activities organized during the period under review. The Committee took note of the Report from the sixth session of the Team of Specialists on Innovation and Competitiveness Policies and recommended that EXCOM approve its revised terms of reference (ECE/CECI/ICP/2013/2, Annex I). The Committee also noted the Report of the Team of Specialists on Public-Private Partnerships on its fifth session (ECE/CECI/PPP/2013/2).

33. The Committee noted the Main Conclusions and Recommendations of the Innovation Performance Review of Armenia (Conference Room Paper 1) as discussed under item 4 of the Agenda.

34. The Committee took note of CECI publications released in 2013 and thanked the respective teams of specialists and networks of experts for their contributions to the preparation of these documents. The Committee invited the secretariat to electronically disseminate them among interested parties, and to make use of their conclusions in capacity-building activities and policy advisory work.

35. The Committee welcomed the positive results of capacity-building activities undertaken after the seventh session and thanked the donors, which made voluntary contributions in 2013, in particular the Governments of Israel, the Netherlands, and the Russian Federation as well as the European Union, the Eurasian Development Bank, Toyo University, Japan, the United Nations Educational, Scientific, and Cultural Organization (UNESCO), and Vnesheconombank (Bank for Development and Foreign Economic Affairs, the State corporation of the Russian Federation). It emphasized the importance of these financial and in-kind contributions for the success of its capacity building activities and policy advisory services and for extending their outreach.

## **X. Programme of Work and Draft Strategic Framework (Agenda item 8)**

Documentation:

Draft Programme of Work of the Subprogramme on Economic Cooperation and Integration for 2014-2015 (ECE/CECI/2014/5)

Biennial Performance Evaluation of the Subprogramme for 2012-2013 (ECE/CECI/2014/6)

Biennial Evaluation Plan 2014-2015 (ECE/CECI/2014/7)

Publication Plan for 2014-2015 (ECE/CECI/2014/8)

Draft Strategic Framework for the biennium 2016-2017 of the Subprogramme on Economic Cooperation and Integration (ECE/CECI/2014/CRP.2)

Overview of the UNECE Committee on Trade and Committee on Economic Cooperation and Integration (ECE/CECI/2014/CRP.3)

36. The delegation of Tajikistan invited the secretariat to consider undertaking an innovation performance review for this country. The delegation also requested the ECE International PPP Centre of Excellence to provide assistance on the development of the legal and regulatory framework for and the implementation of PPPs.

37. The delegation of Kazakhstan made two proposals for capacity-building support from ECE on linkages between science and industry and on risk financing.

38. The delegation of Ukraine proposed to include in the Programme of Work a continuous item on the implementation of policy recommendations from its Innovation Performance Review, and suggested further work on the regional dimension of innovation and on the green economy.

39. The delegation of Belarus requested that the secretariat to undertake a second Innovation Performance Review of their country. They also proposed as topics for future work: the development of venture capital and other forms of innovation financing; eco-innovation; foresight exercises and technological forecasting. The delegation also requested

to include in the programme of work a master class on PPPs for high-level officials in Belarus, to be held at the Palais des Nations in July 2014.

40. The delegation of the United States requested that the focus on developing best practices and international standards on PPPs discussed under agenda item 3 be reflected in the Programme of Work.

41. The delegation of Israel invited the ECE to jointly organise further high level events possibly on green technology, entrepreneurship, or another relevant topic related to innovation in 2014 and 2015.

42. The delegation of the Russian Federation requested that the support for SPECA be strengthened.

43. The delegation of Azerbaijan requested that ECE jointly organize an international conference on innovation policy in Baku in October 2014 and invited members of CECI to participate in this conference.

**Conclusions and decisions:**

44. The Committee noted the interest expressed by the Government of Tajikistan in an innovation performance review for that country. It also noted the interest from the Government of Belarus in a follow-up review, and from the Governments of Ukraine and Kazakhstan for follow-up activities. The Committee looks forward to receiving proposals in this regard for approval by member States.

45. The Committee appreciated the special award received by the UNECE International PPP Centre of Excellence at the Global South-South Development Expo 2013 in Nairobi.

46. It recommended the setting up of a PPP Business Advisory Board to implement ECE PPP best practices and standards and is looking forward to a proposal for approval by member States. It also looks forward to receiving proposals on future demand-driven capacity building and technical assistance activities, as well as regional and PPP advisory services, for approval by member States, which primarily benefit the countries in the ECE Region, as well as countries of other regions subject to extrabudgetary resources from those regions.

47. The Committee noted the proposed policy recommendations on Innovation in the Public Sector (ECE/CECI/2014/3) and Good Practices and Policy Recommendations on Aligning Entrepreneurship and Innovation Policies (ECE/CECI/2014/9) and agreed that these will be circulated to member States and relevant stakeholders for further elaboration by means of interactive electronic discussions.

48. The Committee noted the Biennial Performance Evaluation of the Subprogramme for 2012-2013 (ECE/CECI/2014/6) and the proposed Biennial Evaluation Plan 2014-2015 (ECE/CECI/2014/7), without prejudice to decisions to be made on the ECE evaluation policy and future of the Committee on Economic Cooperation and Integration by EXCOM.

49. The Committee reviewed the proposed Programme of Work for 2014-2015, as found in the Annex, and agreed that it should be indicative for the work to be undertaken in 2014 and that it should be finalized, as regards the part for 2015, before the end of 2014, in the light of the results of EXCOM's discussions on the revision of the mandate and the future of the Committee.

50. The Committee agreed that the Outcome of the Review of 2005 ECE Reform should be fully reflected in the revised mandates and terms of reference as well as work programmes and work plans that are to be submitted to the Executive Committee of ECE for approval.

51. The Committee requested that the secretariat focus its demand-driven capacity building and technical assistance activities and regional advisory services on helping the ECE member States translate innovative ideas into jobs and economic growth by improving local productive capacity and infrastructure.

52. The Committee requested that the secretariat prepare, and update as appropriate, a list of its capacity building and technical assistance activities including PPP advisory services and regional advisory services, setting out the cost, sources of finance and expected outcomes for approval by member States. It is understood that further activities can be added if and when extra-budgetary resources become available.

53. The Committee discussed and adopted the list of publications 2014-2015 (ECE/CECI/2014/8), without prejudice to the decisions to be made on the future of the Committee on Economic Cooperation and Integration by EXCOM.

54. The Committee noted the Strategic Framework for the biennium 2016-2017 of the Subprogramme on Economic Cooperation and Integration (Conference Room Paper 2).

55. The Committee welcomed the interest expressed by the following Governments for activities that could be organized in their countries: Azerbaijan, Belarus, Israel, Kazakhstan, Tajikistan and Ukraine.

56. The Committee took note of the conclusions of the discussion on synergies between the work of the Committee on Trade and that of the Committee on Economic Cooperation and Integration, which took place at the Sixth session of the Committee on Trade from 10 to 12 February 2014.

57. The Committee discussed possible synergies with the work of the Committee on Trade. The Committee requested that the Bureau of the Committee produce a paper for EXCOM as early as possible in 2014, with suggestions and ideas on how ECE work on trade and economic cooperation could be synergised taking into account the views expressed by member States, and where appropriate other views.

Following the Committee Decisions and Conclusions for Agenda Item 8

58. The representative of the European Union and its Member States re-iterated their position that synergies can be developed by focusing the economic cooperation and integration subprogramme and the trade subprogramme on activities that help member States to translate innovative ideas into the development of local productive capacity, and to export locally produced goods to world markets, resulting in new jobs and economic growth.

59. The delegations of Belarus, Kazakhstan, Russian Federation, Tajikistan and Ukraine expressed their reservations and concerns about negative practical implications of the possible merger of the Committee on Economic Cooperation and Integration and the Committee on Trade.

## **XI. Rules of Procedure of CECI (Agenda item 9)**

Documentation:

Draft rules of procedure of the Committee on Economic Cooperation and Integration (ECE/CECI/2014/10)

60. The Committee agreed not to discuss this agenda item at its eighth session.

## **XII. Other business (Agenda item 10)**

61. There were no decisions under this agenda item.

## **XIII. Adoption of the report (Agenda item 11)**

62. The EU and its member States are ready to examine proposals for technical assistance and capacity building activities and regional advisory services that outline for each project a list of intended activities and, per activity, the estimated costs and expected outcome.

63. The Russian Federation stresses that issues of technical assistance, capacity building and regional advisory services must be addressed similarly in all project activities within all subprogrammes and sectoral committees of the ECE.

### **Decision:**

64. The Committee adopted the report of its eighth session, and requested that it be electronically published in English, French and Russian.

## Annexes

### Annex I

#### **Chairperson's summary of the discussion during the high-level substantive segment (Agenda item 5)**

##### **I. The emerging landscape for innovation and PPP financing**

###### **A. Igniting growth: the financing of innovation**

The following points were made by one or more participants:

Developing innovation capacity is increasingly recognized worldwide as an important part of the economic development agenda, and so is innovation financing. The financial crisis of 2007-2008 has changed the playing field. Risk aversion has risen, regulation has tightened, capital markets have become more fragmented, and the cost of capital has increased. These developments present particular challenges for innovative early-stage companies and SME financing.

Bank lending, in particular to SMEs, has fallen sharply. This is in spite of efforts by central banks, including in the Eurozone, to address the effects of the financial crisis through general provisions to increase liquidity. In some countries, this shortfall in bank lending has been partially offset by increased corporate bond issuance. However, direct bond issuance is not an option for SMEs. Securitization of SME loans provides an alternative way to access capital markets, but this requires increased financial transparency, including the use of credit registers.

Other financing possibilities, facilitated by information technologies, have emerged, such as crowd funding, peer-to-peer lending platforms and network bonds. These have enjoyed very strong growth; but from a very low base.

Government funding constraints also have become increasingly important. As a result, policies have tended to focus more on improving framework conditions, and on tax incentives rather than on loans or grants, for example. Participants stressed the importance of collaboration between the public and private sectors through appropriate risk-sharing schemes in order to increase the leverage of public funding. It was also suggested that the public sector refrain from directly financing companies, and rather provide indirect support through financial intermediaries, including through mechanisms such as funds of funds.

In Europe, since the financial crisis began, heightened risk aversion among financial intermediaries has resulted in both a large decrease in the overall venture capital market and a large increase in the share financed by Government agencies (with only a very small increase in the actual amount of financing from governments). Within this context, there is a need to also focus on early stages of the innovation funding cycle that tend to receive less Government support, such as business angel activities and seed financing.

Finance may not be the only constraint to the development of innovative activities. It is necessary to look at the whole innovation ecosystem in order to identify other issues requiring policy attention. This means considering, in addition to the availability of financing, the factors that influence demand. The tax system, bankruptcy legislation and,

more broadly, a culture that punishes failure and discourages risk taking (i.e. an anti-entrepreneurial culture), have a large impact on the willingness of potential entrepreneurs to establish companies and seek financing.

Public programmes need to have clear criteria for evaluating success and be large enough to have an impact. However, a certain degree of diversity and policy experimentation is necessary, so a variety of schemes can be useful for addressing different problems and avoiding the dangers of “putting too many eggs in one basket”. In any case, governments need to be prepared to revise or abandon programmes, depending upon their outcomes.

## **B. The role of Public-Private Partnerships (PPPs) in the financing of the post-2015 United Nations Development Agenda**

This part of the High level substantive segment:

- Explored the role of PPPs in the achievement of the Millennium Development Goals (MDGs) and their prospective role in meeting the new challenges that are emerging from the elaboration of the Sustainable Development Goals (SDGs) that will be agreed in 2015;
- Examined how international PPP best practices and standards in health, renewable energy, and water and sanitation can maximise the developmental impact of PPPs in supporting the MDGs and SDGs; and
- Discussed ways and means for the UNECE International PPP Centre of Excellence and its Business Advisory Board to assist countries in implementing these international PPP best practices and standards.

The following points were made by one or more participants:

PPPs played a role in the achievements of the MDGs. It is very likely that they will play an even more critical role in meeting the new SDGs. These are expected to contain ambitious targets for improving access to basic public services, such as healthcare, safe drinking water and energy. The financing available to governments will not be adequate for meeting these objectives, so the financial participation of the private sector will also be needed. Of course, the private sector does not provide only financing, it also provides management, technology and a clear appreciation of the need to lower the costs of production inputs and increase efficiency. Economic development is closely linked to infrastructure development and PPPs are an important option available to governments for funding infrastructure.

Improving the capacity of governments to deliver those PPPs that are linked to SDGs will require the development of international best practices, especially in the sectors that are going to have the greatest development impact, such as health, renewable energy, water and sanitation. Existing best practices, identified by the PPP community, were almost exclusively national best practices from a handful of countries in the developed world. These experiences could not always be transferred into other national environments so it would be valuable to see the development of international standards and best practices for use by a wide range of governments.

Best practices from PPP implementations in developing countries could also provide very useful models to follow for other developing countries and countries with economies in transition. In this context, South-South and triangular cooperation were paradigms that should be explored by the UNECE International PPP Centre of Excellence. The Bureau of

the UNECE Team of Specialists on PPPs, as represented by its co-Chairpersons, fully supported the sectoral focus of the UNECE International PPP Centre of Excellence in the coming months (health, renewable energy, water and sanitation, ICT, roads) and its horizontal focus in all of its outputs on transparency in procurement and zero tolerance to corruption.

The UNECE International PPP Centre of Excellence would help governments by producing international best practices and standards for PPPs which have close linkages to implementation of the SDGs and would help governments to implement these best practices and translate them into bankable projects. To support this work a UNECE PPP Business Advisory Board had been proposed consisting of volunteer experts coming from leading companies active in sectors critical to the SDGs. Collectively, these experts could represent a tremendous resource and demonstrate a clear commitment by the business community to work with governments in order to realize concrete, practical projects. The Business Advisory Board would also add significant value to the Committee's work on PPPs as an independent and neutral body representing neither a single country nor a single corporate interest.

## **II. Innovation Performance Review of Armenia**

Armenia has already made considerable progress in developing the components of a national innovation system to support progress towards a knowledge-based economy. Further integration into the global economy will require a focus on innovative development, with success already evident in certain sectors, most notably information and communication technologies.

Similarly to other transition economies in the region, efforts are needed to ensure that the components of the system work together in order to produce the desired outcomes at the systemic level. Strategic choices are required in order to focus on priorities and strengthen weak or missing links.

Governance remains fragmented, with a particular need for enhanced coordination between research and innovation policies. A narrow interpretation of innovation prevails, with too much focus on "frontier" innovative developments. Non-technological forms of innovation, including social and management innovations, should be given more attention.

There are significant weaknesses in information gathering, statistics and programme evaluation. This makes it difficult to assess the existing situation and the impact of policy initiatives.

Public budgets tend to go largely to academic research rather than innovation resulting in a "science-push" approach being predominant. A greater policy focus on increasing industry demand for innovation is required, with a potential role for public procurement, innovation vouchers and appropriate tax incentives for innovation expenditures.

Awareness building and developing an innovation culture is also important, as is increasing innovative activity in the private sector, while strengthening applied R&D and commercialization in the public research sector.

There is also a need to improve industry-science linkages. For example through adequate early-stage financing, improved training for technical experts on how to bring innovations to market, and more general upgrading and modernization of skills and of academic curricula.

Banks play the predominant role in financing. Other forms of financing, with higher tolerance for risk, are necessary in order to support innovative activities.

The national innovation system of a small open economy, like Armenia, has specific features, including a more significant role for international aspects. This makes integration into global value chains, including through foreign direct investment, of even greater importance.

Innovation intermediaries in Armenia remain at an early stage of development, but progress has been made in terms of international linkages, with a strong role for the diaspora that should be further expanded.

EU funding possibilities should be maximised, for example through investigating Armenia's potential association with the Horizon 2020 EU initiative. There is also a need to develop bilateral funding mechanisms with the Customs Union and other CIS countries, and to ensure that this is linked to more general regional economic integration.

## Annex II

### Team of Specialists on Innovation and Competitiveness Policies

#### Mandate and Terms of Reference

##### I. Introduction

1. The Programme of Work of the Committee on Economic Cooperation and Integration (CECI) stipulates the establishment of a Team of Specialists to support the implementation of its work in the area of “Strengthening the competitiveness of member States’ economies by promoting the knowledge-based economy and innovation” and taking into account cross-cutting issues related to innovation and competitiveness.

##### II. Mandate

2. The Team of Specialists on Innovation and Competitiveness Policies (TOS-ICP) supports the implementation of the Programme of Work of CECI. The TOS-ICP addresses issues related to the creation of a supportive environment for innovative development and knowledge-based competitiveness in UNECE member States, with a specific focus on transition economies. Its activities aim at facilitating the exchange of experience and lessons learned, as well as of good practices in these areas, among UNECE member States. In its work, the TOS-ICP responds to the needs of Governments, and takes into account the needs of consumers, and the academic and business communities.

##### III. Areas of work

3. To support CECI in achieving its objectives, the TOS-ICP engages in the following activities:

(a) Organizing an international policy dialogue on knowledge-based economic development in the UNECE region with the aim of identifying international good practices and policy recommendations on selected key issues within the mandate of the Team. As part of this policy dialogue, the Team will hold applied policy seminars as part of its annual sessions;

(b) Preparing synopses of good practices and policy recommendations on selected key issues within the Team’s mandate for discussion and endorsement by CECI;

(c) Broadly disseminating the above good practices and policy recommendations;

(d) Subject to the availability of extrabudgetary resources, and on request from Governments, carrying out assessments of national innovation systems and policies (“Innovation Performance Reviews”) with the aim of providing peer-reviewed policy recommendations to improve national innovation performance;

(e) Subject to the availability of extrabudgetary resources, and on request from Governments, providing advice on the implementation of policy reforms in areas within the mandate of the Team;

(f) Subject to the availability of extrabudgetary resources, and in cooperation with Governments of countries with economies in transition, organizing technical assistance and capacity-building activities on issues within the mandate of Team. These activities will be organized on a national and a sub-regional basis.

#### **IV. Membership**

4. The TOS-ICP comprises government experts, as well as experts from relevant research and academic institutions, the business community and NGOs. National experts are nominated by the respective government authorities responsible for cooperation with CECI. In accordance with United Nations procedures, the TOS-ICP is also open for other experts from intergovernmental organizations, national and international business and research institutions and associations who wish to contribute to the implementation of its work plan.

#### **V. Modalities of operation**

5. The TOS-ICP operates in accordance with the Guidelines for the Establishment and Functioning of Teams of Specialists within the UNECE (ECE/EX/2/Rev.1) and the Guidelines on Procedures and Practices for ECE Bodies (E/2013/37 E/ECE/1464, Annex III, Appendix III).

6. The TOS-ICP is established for a period of two years with a possibility of extension if so decided by CECI, and approved by the Executive Committee of the UNECE. CECI may modify the Terms of Reference of the TOS-ICP as required, subject to approval by the Executive Committee of UNECE.

7. Secretariat support to the TOS-ICP is provided by the UNECE secretariat.

8. The TOS-ICP develops its plan of work and reports to the annual session of the Committee on its implementation.

9. Expenses associated with the implementation of the TOS-ICP plan of work are supported through extrabudgetary contributions of member States and other stakeholders, and are to be provided, managed and used in accordance with United Nations rules and regulations.

## Annex III

### **Programme of Work of the Subprogramme on Economic Cooperation and Integration for 2014 - 2015**

#### **I. Introduction**

1. The present document sets out the draft programme of work of the subprogramme on Economic Cooperation and Integration (“the subprogramme”) for 2014–2015. The Committee on Economic Cooperation and Integration (“the Committee”) is invited to consider the programme and recommend it to the Economic Commission for Europe (ECE) Executive Committee for approval. The Committee will have the opportunity to adjust its programme of work during the course of the biennium and such adjustments will be reflected in a separate document.
2. The draft programme of work applies a results-based approach. It comprises for each cluster of activities an expected accomplishment and a list of outputs/activities proposed to be carried out in 2014–2015. The delivery of these outputs/activities is expected to contribute to achieving the expected results.
3. The grouping of activities into clusters is exactly the same as used by the Committee for the biennial evaluation of its subprogramme performance. The correlation between the ECE Strategic Framework and the cluster framework used for the subprogramme biennial evaluation for 2014–2015 is shown in Annex II to the present document.
4. Furthermore, the outputs/activities listed in this document correspond with the ECE proposed programme budget for 2014–2015 and are complemented by additional items to reflect the more recent developments and needs of ECE member States. For easy reference, such new outputs/activities have been clearly indicated as “additional”.
5. The outputs/activities have been listed under the cluster of activities to which they belong according to the following main categories: (a) meetings and related parliamentary documentation; (b) publications and other information material; and (c) technical cooperation, including, seminars, workshops, training sessions, advisory services.
6. The relevant indicators of achievement, together with baseline and target data, against which performance will be measured are presented in Annex II to this document in order to facilitate the task of the Committee to assess whether all outputs which are necessary to achieve the expected result have been included in the plan.
7. Finally, Annex I to the present document lists the ECE overall legislative mandates and those specific for the subprogramme.

#### **II. Objective and strategy**

8. The objective of the subprogramme is to promote a policy, financial and regulatory environment more conducive to economic growth, innovative development and higher competitiveness of enterprises and economic activities in the ECE region.
9. The responsibility for the subprogramme is vested in the Economic Cooperation and Integration Division. In order to achieve its objective, the subprogramme will take up key aspects of economic development and integration and focus mainly on countries with

economies in transition. It will facilitate the application of experience gained, lessons learned and good practices conducive to economic growth and innovative development.

10. Building on the normative work carried out within the subprogramme and reflecting the changing needs of member States, recommendations will be drawn up aimed at improving policies, as well as developing a sound financial and regulatory environment for economic development, investment and innovation.

11. Drawing on progress achieved during the period 2010-2011, policy advisory services and capacity-building activities to requesting countries will be organized on the basis of the related policy dialogue, exchange of experiences and good practices as well as guidelines and other policy-related documents. Efforts will be made to raise further the profile of technical cooperation activities under the subprogramme while preserving a balance between policy-oriented normative work and technical cooperation.

12. Building, inter alia, on relevant work carried out by other organizations and institutions, as well as contributions from external experts, advisers and decision makers, in particular those from countries with economies in transition, an enhanced exchange of experience and policy debate among member States and other stakeholders will be prioritized.

13. Thematic teams of specialists and networks of experts involving representatives of Governments, international organizations, business associations and other stakeholders will provide a platform for the exchange of national policy experience and the identification of good practices.

14. Subsequently, member States are expected to apply these outputs in drawing up relevant policy recommendations, guidelines and other regulatory and normative measures. The results of the subprogramme's work will be broadly disseminated to all interested stakeholders and will serve as the basis for technical cooperation activities organized by the secretariat in cooperation with member States, such as policy advisory services and capacity-building workshops, including within the framework of the United Nations Special Programme for the Economies of Central Asia.

15. Drawing on the achievements in policy-oriented normative work and advisory technical cooperation services, wider implementation of policy recommendations developed under the subprogramme will be pursued.

### III. Outputs/activities to be delivered in the 2014–2015 biennium

#### Cluster 1

#### **Formulation of policy recommendations and good practices on innovative, knowledge-based development in the UNECE region**

<i>Description of cluster (optional)</i>	<i>Expected accomplishments from this cluster</i>
	Increased knowledge of good practices and policies targeting a financial and regulatory environment conducive to economic growth, innovative development and higher competitiveness of enterprises and economic activities leading to the formulation of related CECI policy recommendations

## Outputs/activities

### (a) *Meetings and related parliamentary documentation*

1.1 Eight (12-14 February 2014) and ninth (2015) annual sessions of the Committee on Economic Cooperation and Integration (CECI) (10).<sup>3</sup>

#### *Documentation:*

Reports of the sessions of the CECI (2) and other documents (10), in particular: Capacity-building reports (2), Synopses of good practices, policy recommendations and guidelines (4), Draft programme of work for 2015-2016 (1), Biennial Evaluation Report (1), Biennial Evaluation Plan (1), Publications Programme (1).

1.2 Seventh (16-17 October 2014) and eight (2015) sessions of the Team of Specialists on Innovation and Competitiveness Policies (8).<sup>4</sup>

#### *Documentation:*

Annotated Agendas (2) and Reports of the sessions of the Team of Specialists (2).<sup>5</sup>

1.3 Other expert group meetings (6). These will be organized as a series of policy-oriented international conferences and seminars under the common theme "Policies for Innovation and Knowledge-based Development in the 21st Century". Proposed topics of individual conferences include:

- (a) Smart specialization strategies, with an emphasis on processes that enable regions to promote structural change and develop comparative advantages;
- (b) Evaluation of the impact of innovation policies;
- (c) Development of standard indicators for the assessment of innovation, with due regard to existing methodologies and taking into account data availability
- (d) Impact of the internationalization of innovation on national and regional innovation policies;
- (e) Measures to encourage collaboration between industry, universities and scientific institutions;

<sup>3</sup> In the Programme Budget Narrative, 12 half-day sessions were budgeted. This will be reduced to 10 because of the request of member States in the outcome document of the Review of the 2005 ECE Reform to hold the sessions of the Committee on Economic Cooperation and Integration back to back with those of the Trade Committee. As a result and in accordance with the Chairman's Conclusions of the 63<sup>rd</sup> meeting of the UNECE Executive Committee (EXCOM/CONCLU/63 p.3), both annual sessions will be reduced from 3 to 2.5 days (6 to 5 half-days).

<sup>4</sup> In the Programme Budget Narrative, 12 half-day sessions were budgeted under this cluster, 6 for the sessions of the Team of Specialists on Innovation and Competitiveness Policies, and 6 for the sessions of the Team of Specialists on Intellectual Property. However, the mandate of the Team of Specialists on Intellectual Property has expired and the annual sessions of this Team will therefore not be held. At the same time, member States decided that, in the future, reports of the sessions of the Commission and its subsidiary bodies should be adopted at the end of the sessions rather than thereafter (E/RES/2013/1, Appendix III, p.19, para.20). To allow sufficient time for the discussion of session reports before their adoption, the number of half-day sessions of the Team of Specialists on Innovation and Competitiveness Policies has been increased from 6 to 8. Relative to the Programme Budget Narrative the total number of half-day sessions of Teams of Specialists under this cluster will thus be reduced by 4 from 12 to 8.

<sup>5</sup> The number of Annotated Agendas and Reports is reduced by 2 each relative to the Programme Budget Narrative because of the discontinuation of the Team of Specialists on Intellectual Property.

(f) Foresight and forecasting of innovation opportunities and priorities, including those focused on green technologies and the policies that support them.

(g) Financing of start-ups and innovative companies, including measures to provide early-stage financing, and policies to encourage angel investors and private- and state-supported venture capital, with due consideration to the ecosystem in which these companies develop.

*Documentation:*

Annotated Agendas (2) and Reports of the conferences (2).

(b) *Publications and other information material*

1.4 Innovation Performance Review of Armenia (1)

1.5 Innovation Performance Review of Tajikistan (subject to availability of extrabudgetary funding) (1).

1.6 Guidebook on Innovation in the Public Sector (1).

1.7 Policy briefs on selected topics related to the knowledge-based economy, building on the outcomes of meetings (electronic only) (2).

1.8 Annual sets of newsletters on innovation-related issues, presenting the activities of the sub-programme and open to external contributions (electronic only) (2 additional).

1.9 Annual sets of press releases (electronic only) (2).

1.10 Maintenance of the website of the Economic Cooperation and Integration Division (2).

## Cluster 2

### **Formulation of policy recommendations and good practices targeting a policy, financial and regulatory environment conducive to successful public-private partnerships (PPPs)**

<i>Description of cluster (optional)</i>	<i>Expected accomplishments from this cluster</i>
	Increased knowledge of good practices and policies targeting a legal and regulatory environment conducive to successful PPPs leading to the formulation of related CECI policy recommendations

#### **Outputs/activities**

(a) *Meetings and related parliamentary documentation*

2.1 Sixth (23-24 June 2014) and seventh (2015) sessions of the Team of Specialists on Public-Private Partnerships (8).<sup>6</sup>

*Documentation:*

<sup>6</sup> Together with the sessions under Cluster 1, this brings the total number of half-day sessions to 10, 2 less than in the Programme Budget Narrative for the reasons explained in footnote 2 above.

Annotated Agendas (2) and reports of the sessions of the Team of Specialists (2)

(b) *Publications and other information material*

- 2.2 Guidebook on Public Private Partnerships (2014) (1).
- 2.3 Comparative Review on PPPs (2015) (electronic only) (1).
- 2.4 Newsletters on PPP-related issues, presenting the activities of the sub-programme and open to external contributions (electronic only) (2).
- 2.5 Annual sets of press releases (electronic format) (2).

### Cluster 3

#### Implementation of CECI policy recommendations and good practices on innovative, knowledge-based development in the UNECE region

<i>Description of cluster (optional)</i>	<i>Expected accomplishments from this cluster</i>
	Enhanced implementation of CECI policy recommendations targeting a financial and regulatory environment conducive to economic growth, innovative development and higher competitiveness of enterprises and economic activities

#### Outputs/activities

(a) *Technical cooperation*

The following policy advisory activities are envisaged:<sup>7</sup>

- 3.1 Field-based policy advisory workshop to present and discuss the main findings and conclusions of the Innovation Performance Review of Armenia (1).
- 3.2 Field-based fact-finding mission to prepare the Innovation Performance Review of Tajikistan (subject to the availability of extrabudgetary funding) (1).
- 3.3 Field-based policy advisory workshop to present and discuss the main findings and conclusions of the Innovation Performance Review of Tajikistan (subject to the availability of extrabudgetary funding) (1).
- 3.4 Policy advisory seminar in follow-up to the Innovation Performance Review of Tajikistan (subject to the availability of extrabudgetary funding) (1).
- 3.5 Field-based fact-finding mission to prepare an Innovation Performance Review of a country with economy with transition (subject to expression of interest by a requesting country and availability of extrabudgetary funding) (1)

<sup>7</sup> The total number of policy advisory activities is reduced by 2 relative to the plans reflected in the Programme Budget Narrative because of the discontinuation of the Team of Specialists on Intellectual Property and the reduction of posts available to service the subprogramme, which was decided after the submission of the Programme Budget Narrative.

## Cluster 4

### Implementation of CECI policy recommendations and good practices targeting a policy, financial and regulatory environment conducive to successful PPPs

<i>Description of cluster (optional)</i>	<i>Expected accomplishments from this cluster</i>
	Enhanced implementation of CECI policy recommendations and good practices targeting a legal and regulatory environment conducive to successful PPPs

#### Outputs/activities

##### (a) *Technical cooperation*

The following policy advisory services and seminars are envisaged<sup>8</sup>:

4.1 National consultative visits of the PPP Business Advisory Board to advise governments on existing challenges in the development of PPPs in countries with economies in transition and developing countries (2).

4.2 National policy advisory workshops in countries with economies in transition on the results of their respective PPP assessment undertaken by the UNECE (2).

4.3 Delivery of demand-driven policy advisory services in the area of PPPs (1).

## Cluster 5

### Building national capacity to adapt, adopt and implement CECI policy recommendations and good practices on innovative, knowledge-based development in ECE member States

<i>Description of cluster (optional)</i>	<i>Expected accomplishments from this cluster</i>
	Strengthened national capacity in countries with economies in transition to promote good practices and implement CECI policy recommendations targeting a financial and regulatory environment conducive to economic growth, innovative development and higher competitiveness of enterprises and economic activities

#### Outputs/activities

##### (a) *Meetings and related parliamentary documentation*

5.1 Sixth and seventh sessions of SPECA Project Working Group on Knowledge-based Development (2 additional)

<sup>8</sup> Subject to demand from member States and the availability of extrabudgetary funding.

*Documentation:*

Reports of the sessions (2 additional)

*(b) Publications and other information*

5.2 Training materials and toolkits on policies to promote innovative, knowledge-based development, subject to the availability of extrabudgetary funding (electronic only) (1 additional).

*(c) Technical cooperation*

The following capacity-building and training courses are envisaged:

5.3 Ongoing series of seminars and workshops to enhance the capacity of policymakers and other innovation stakeholders to promote innovative, knowledge-based development and implement policy recommendations (subject to demand from member States and the availability of extrabudgetary funding) (5).<sup>9</sup>

The following field projects will be implemented:

5.4 Projects related to the Project Working Group on Knowledge-based Development of SPECA (in cooperation with ESCAP) (1).

## Cluster 6

### **Building national capacity to adapt, adopt and implement CECI policy recommendations and good practices targeting a policy, financial and regulatory environment conducive to successful PPPs**

<i>Description of cluster (optional)</i>	<i>Expected accomplishments from this cluster</i>
	Strengthened national capacity in countries with economies in transition to promote good practices and implement CECI policy recommendations targeting a financial and regulatory environment conducive to successful PPPs

#### **Outputs/activities**

*(a) Publications and other information material*

6.1 Development of training materials in the area of PPPs (electronic only) (1 additional).

*(b) Technical cooperation*

The following capacity-building and training courses are envisaged:

<sup>9</sup> The number is reduced by 2 relative to the plans reflected in the Programme Budget Narrative because of the discontinuation of the Team of Specialists on Intellectual Property and the reduction of posts available to service the subprogramme, which was decided after the submission of the Programme Budget Narrative.

6.2 Sub-regional and national capacity-building and knowledge sharing consultative visits, conferences, seminars, master classes and workshops on policies for promoting efficient PPPs (subject to demand from member States and the availability of extrabudgetary funding) (3).

6.3 Awareness raising activities and familiarisation visits to promote the further development of PPPs in countries with economies in transition (subject to demand from member States and the availability of extrabudgetary funding) (2).