# Economic Commission for Europe

Committee on Economic Cooperation and Integration

**Seventh session**
Geneva, 5-7 December 2012

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

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I. Attendance

1. The Committee on Economic Cooperation and Integration held its seventh session on 5-7 December 2012. Representatives of the following countries participated in the session: Armenia, Azerbaijan, Belarus, Canada, Croatia, France, Germany, Greece, Indonesia, Ireland, Israel, Italy, Japan, Kazakhstan, Korea, Kyrgyzstan, Latvia, Mexico, Poland, Portugal, Republic of Moldova, Romania, Russian Federation, Slovakia, Spain, Sweden, Switzerland, Tajikistan, Turkey, Ukraine, United Kingdom, United States of America, and Uzbekistan.

2. The European Union was also represented.

3. In attendance were representatives from the following United Nations organizations and specialized agencies: International Trade Centre, UNIDO, and WIPO. United Nations Office at Geneva was also represented.

4. The following intergovernmental organizations also participated: European Bank of Reconstruction and Development (EBRD), European Free Trade Association (EFTA), Eurasian Economic Commission, Eurasian Economic Community, European Commission, Organisation for Economic Co-operation and Development (OECD).

5. Representatives from the following non-governmental organizations, academic institutions, and private sector entities took part in the session: Agency for Public Private Partnership (Croatia), Babcock International Group (United Kingdom), BNG-Dutch Municipal Bank (Netherlands), Centre for Innovation Studies, University of Economics and Management (Czech Republic), Centre for S & T Potential Studies and Science History Studies (Ukraine), Deka Kommunal Consult GmbH (Germany), Earth Institute, Columbia University (New York, USA), ECORYS International (Netherlands), European PPP
II. Adoption of the agenda (Agenda item 1)

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

6. The UNECE Executive Secretary opened the seventh session of the Committee. He highlighted the major accomplishments of the work on innovation and public-private partnerships conducted under the auspices of the Committee since its establishment. The accumulated expertise in the indicated areas nurtures the growing demand for policy advice and capacity-building initiatives from the UNECE member States, which continue to expand. The developing range of the Committee’s activities is supported by the extrabudgetary resources provided by the stakeholders from different parts of the region. The Executive Secretary called on the Committee to continue to respond in a flexible manner to the demands of its member States.

7. The Committee adopted the provisional agenda.

III. Election of officers (Agenda item 2)

8. The Committee thanked outgoing Vice Chair Mr. Craig Reilly for his guidance and contribution to the CECI programme’s implementation.

9. The Committee elected Ms. Kris M. Easter (United States) as Vice Chair of the Committee.
IV. Substantive Segment Part 1: Innovation Performance Review of Ukraine (Agenda item 3(a))

Documentation: Conference Room Paper 1 “Main conclusions and recommendations of the Innovation Performance Review of Ukraine”.

10. The UNECE Executive Secretary introduced the first part of the Substantive Segment. He highlighted that the innovation performance reviews conducted by UNECE influence the national policy debate and that their recommendations feed into national innovation initiatives. The reviews provide a framework for capacity-building activities to support the implementation of these recommendations and foster national innovation systems and competitiveness.

11. The Chair presented the first part of the Substantive Segment of the seventh session of CECI, dedicated to the Innovation Performance Review of Ukraine undertaken by the UNECE secretariat at the request of the Government of Ukraine. The project was implemented by a group of international and national experts, in close cooperation with the national authorities, under the methodological guidance of the UNECE secretariat.

12. The Ambassador of Ukraine welcomed the session, thanked the authors of the Innovation Performance Review and expressed hope that this report would contribute to the sustainable economic development and further integration of Ukraine into the global economy.

13. Several delegations expressed their appreciation of the results of this project and commended the participating experts for their professionalism. The results of the discussion and review recommendations are summarized in the Chair’s summary (see paragraphs 35-41).

V. Substantive Segment Part 2: UNECE/UNOG Special Session on Public-Private Partnerships (PPPs) (Agenda item 3(b))

Documentation: Conference Room Paper 2 “Assuring the quality of policy advice on PPPs: The role of the UNECE Public-Private Partnership Initiative”.


14. The UNECE Executive Secretary introduced the second part of the Substantive Segment. He emphasized the role of the PPP approach in infrastructure development, including the renovation of buildings. He confirmed the willingness of UNECE to provide advice to UNOG on the feasibility of using the PPP approach in the renovation of the Palais des Nations and welcomed the future cooperation between these two organizations in this matter. Mr. Joshua Lincoln, speaking on behalf of the Director-General of the United Nations Office at Geneva, expressed his appreciation to the UNECE for its cooperation in assisting UNOG with exploring PPPs for the renovation of the Palais des Nations and for UNECE’s contribution to the Strategic Heritage Plan.

15. The second part of the substantive segment was organized in the form of a special session to discuss the role of PPPs in the renovation of public buildings, with a special emphasis on the applicability of the PPP approach to the renovation of the Palais des Nations.

16. The Committee welcomed the opportunity to explore PPP options to renovate the Palais des Nations, and took note of the various PPP models and case studies of public buildings in Europe and the United States presented at the session, renovated through the
PPP approach. The Committee encouraged the Team of Specialists on PPPs and the secretariat to continue their cooperation with UNOG on this project, and to explore further issues raised during the special session at the forthcoming session of the Team of Specialists on PPPs.

17. The Committee also welcomed the offer to undertake a pre-feasibility study, and thanked the Toyo University of Japan for its financial support of this study.

18. The results of the discussion and recommendations of the special session are summarized in the Chair’s summary (see paragraphs 43 – 46).

VI. Review of the implementation of the programme of work since the sixth session (Agenda item 4)

19. The conclusions on agenda item 4 are presented under agenda item 8.

20. The Chair provided an overview of the status of programme implementation.

A. Team of Specialists on Innovation and Competitiveness Policies (Agenda item 4(a))


Main conclusions and recommendations of the Innovation Performance Review of Ukraine (Conference Room Paper 1).

Regional Dimensions of Innovation Policies (ECE/CECI/2012/3).

21. Several delegations noted the quality of the policy document Regional Dimensions of Innovation Policies (ECE/CECI/2012/3) and supported further work on this area. Several delegations expressed their appreciation of the recent capacity-building events organized under the United Nations Development Account (UNDA) project "Building the capacity of SPECA countries to adopt and apply innovative green technologies for climate change adaptation". The delegation of the Republic of Belarus thanked the Team of Specialists on Innovation and Competitiveness Policies for the follow-up activities supporting the implementation of the national Innovation Performance Review.

22. The delegation of Armenia invited the secretariat to consider undertaking an innovation performance review for this country.

23. Several delegations supported the activities under this thematic area and informed the Committee on the relevant planned events.

24. The Committee took note of the results of the work of the Team of Specialists and the progress achieved in its programme implementation.

B. Team of Specialists on Intellectual Property (Agenda item 4(b))


Good practices and policy recommendations: Intellectual Property and Competition Policy as Drivers of Innovation (ECE/CECI/2012/4).
25. Several delegations thanked the Team of Specialists on Intellectual Property and the secretariat for their work, including for the document on good practices and policy recommendations (ECE/CECI/2012/4), as well as capacity building activities undertaken during the period under review. They expressed their support for this work to continue, emphasizing the importance of this thematic area in the context of policy options fostering the knowledge-based economic development.

26. The Committee took note of the results of the work of the Team of Specialists and the progress achieved in its programme implementation.

C. Team of Specialists on Public-Private Partnerships (Agenda item 4(c))


Governance procedures and practices of the UNECE International PPP Centre of Excellence (Conference Room Paper 3).

27. Several delegations supported the work being undertaken in this area and thanked the Team of Specialists on Public Private Partnerships for conducting PPP readiness assessments in Belarus, Kyrgyzstan and Tajikistan. The delegation of the Republic of Korea informed the session that its country was considering establishing a PPP Specialist Centre in Seoul as part of the UNECE International PPP Centre of Excellence, and offered its support to the Team of Specialists in the preparation of pre-feasibility studies of PPP projects. It was noted that the UNECE International PPP Centre of Excellence should analyze both successes and failures in PPP projects so as to facilitate the accumulation of relevant information.

28. The Committee took note of the results of the work under this thematic area and the progress achieved in programme implementation.

D. Other focus areas (Financing for Innovative Development, and Entrepreneurship and Enterprise Development) (Agenda item 4(d))

Documentation: Information Notice on the Third UNECE Forum of Women Entrepreneurs “Building partnerships to close the entrepreneurship gender gaps in the UNECE region”, Baku, Azerbaijan, 14-15 November 2012 (ECE/CECI/2012/5).

29. The delegation of Azerbaijan thanked the secretariat for co-organizing the Third Forum of Women Entrepreneurs in Baku.

30. The Committee took note of the results of the work under the other thematic areas and the progress achieved in programme implementation.

E. Capacity-building activities (Agenda item 4(e))

Documentation: Report on capacity-building activities (ECE/CECI/2012/6).

31. The Committee took note of the results of the capacity-building work and the progress achieved in this area.
VII. Programme of Work and Draft Strategic Framework (Agenda item 5)

Documentation: Draft updates to the Programme of Work for 2013 (ECE/CECI/2012/7).


32. The secretariat presented the proposed updates to the programme of work for 2013 to be discussed and approved by the Committee, explaining that the conclusions under agenda item 5 would be without prejudice to the outcome of the Review of the 2005 UNECE reform. The draft strategic framework for the biennium 2014-2015 was also provided to the Committee for information. The Draft programme of work and Biennial performance evaluation had been discussed at the sixth session (cf. Report of the Committee on Economic Cooperation and Integration on its sixth session ECE/CECI/2011/2) and were presented to the Committee in their revised format.

33. The secretariat briefed the Committee on the status of the Review of the 2005 UNECE reform. Several delegations expressed their appreciation for the quality, effectiveness and impact of the work undertaken under the subprogramme on Economic Cooperation and Integration, and their support for maintaining the Committee in its current form and its work in all current thematic areas.

34. The conclusions on agenda item 5 are presented under agenda item 8.

VIII. Presentation of the Chairperson’s summary of the policy discussion segment (Agenda item 6)

35. The discussion of the Innovation Performance Review of Ukraine (Substantive Segment, Part 1) and the UNECE/UNOG Special Session on Public-Private Partnerships (PPPs) (Substantive Segment, Part 2) highlighted a number of key policy issues and conclusions. The Chairman presented the following summary of discussion organized under the Substantive Segment (Items 3(a) and 3(b) of the agenda).

A. Innovation Performance Review of Ukraine

36. Innovation is increasingly acknowledged in Ukraine as a major source of economic competitiveness that can address key policy challenges, such as the need of raising energy efficiency. There are ongoing attempts to streamline the legal framework and improve policy coordination but sustained efforts are required. Implementation of policy is sometimes undermined by the lack of appropriate multiannual funding in budget plans.

37. Monitoring and evaluation are essential phases of the policy cycle which should be part of any public initiative. Such integral consideration would facilitate a better understanding of the impact of innovation efforts and improve future policy design. In particular, strategic evaluation, which examines the alignment between different policy goals, is particularly useful. International benchmarking should be used to assess progress.
38. Ukraine recognized early the importance of a vibrant innovation culture. Participants agreed that work in this area offers potentially large returns and should be strengthened further, including through education initiatives.

39. Innovation policy facilitates structural change. Any measures should take into account both the potential and the limitations of the existing situation. The involvement of all stakeholders facilitates large-scale, sustained transformation. Existing mechanisms to receive input from stakeholders on legal reforms should be complemented by consultation platforms on various innovation issues.

40. The recent progress in improving framework conditions was noted by participants. This is an area that requires continued attention and should be considered as a priority when considering policy sequencing issues. However, it was also acknowledged that, while the improvement of framework conditions is essential, measures may be needed to address specific barriers to growth in sectors that show development potential.

41. Participants acknowledged that industry-science linkages are weak in Ukraine and that the commercialization of research is a major challenge. There is evidence of some successful initiatives by knowledge organizations but there is no significant targeted policy support to encourage further strengthening of these linkages. Further development of the institutional structures and incentive mechanisms to encourage the commercialization of research is required.

42. FDI can be a major source of new technology, management practices and human capital upgrading. Policies could be deployed to facilitate FDI and the linkages with the domestic economy, building on existing investment promotion institutions. The possibilities offered by increased external links, including at the regional level, should be exploited fully.

B. UNECE/UNOG Special Session on Public-Private Partnerships (PPPs)

43. A number of internationally-used PPP models and selected case studies of public buildings renovated through the PPP approach were presented by representatives of governments and the private sector, highlighting the advantages and some of the challenges faced in procuring these projects as a PPP. The case studies presented included: the UK Treasury, and the Ministries of Defence of France and the UK. These case studies were selected on the basis of the similarities with key features of the Palais des Nations, in terms of size, use and architectural heritage.

44. The Team of Specialists on PPPs provided a number of preliminary recommendations to UNOG and member States on the premise that the PPP model may be the more efficient way to renovate the Palais des Nations. The reasons for this position were as follows:

- Value for Money and Efficiency;
- Flexibility and likelihood of achieving core objectives of the Strategic Heritage Plan;
- Certainty of outcomes: the ability to ensure that the private partner provides a high quality product on time and within budget;
- Innovation in a most sustainable way possible; and
- A guaranteed high-level maintenance and upkeep of the building.

45. The Team of Specialists pointed out that not all PPPs led to such desirable outcomes, and that the objective going forward was to secure the highest value for money during the life cycle of the project, bearing in mind the critical importance of keeping the aesthetic appearance of the Palais des Nations intact. At the same time, ensuring that the contract was suitably flexible to ensure that technological changes can be easily
incorporated into the outcomes specified in the contract. To ensure this desirable outcome, there was a need to emphasise, in particular, the following five aspects:

- **Models:** the model selected needed to provide flexibility, the ability to obtain external finance, and contractual compliance to guarantee performance;
- **Financing:** the main concern of member States was that the amount of money being earmarked for the refurbishment of the Palais des Nations was excessive and that there was a high probability that there would be cost overruns and delays, as evidenced in similar scale traditional procurement projects. PPP demonstrated that the refurbishment of the Palais des Nations can be done in a cost effective way with contractual commitments and in-built mechanisms that ensured that the project was delivered on time and within the budget;
- **Procurement:** the interactive tender process was recommended as this led to: lower bid cost; reduced bid time; higher quality outcomes, and the selection of the best possible partner;
- **Implementation:** it was essential that business continuity be maintained throughout the renovation process, and that the procurement process be structured to present the UNOG outcomes in terms of output specifications; and
- **Alignment of interests:** a key underlying critical success factor in most successful alternative finance projects over the last thirty years has been a balanced allocation of risk and reward and a resulting proper alignment of interests.

46. The Team of Specialists on PPPs reiterated UNECE readiness to continue providing independent neutral advice to UNOG and member States. It was proposed that the comments that were made during the session be addressed at the next session of the Team of Specialists on PPPs on 5-6 February 2013. Finally, the Team of Specialists on PPPs confirmed its willingness to undertake a comprehensive pre-feasibility study of using the PPP approach as an option to renovate the Palais des Nations. This study will be generously funded by the Toyo University of Japan.

**IX. Rules of procedure of CECI (Agenda item 7)**


47. The secretariat briefed the Committee on the discussions of the Bureau on the Committee’s rules of procedure, as requested by the Committee at its 6th session in 2011, and on the status of the discussions at the Executive Committee on Guidelines for Procedures and Practices of UNECE Bodies.

**X. Adoption of conclusions and report (Agenda item 8)**

48. The Committee adopted the draft report of the seventh session of the Committee on Economic Cooperation and Integration. The conclusions contained in this report are preliminary and subject to the outcome of the review of the 2005 UNECE Reform.

**A. Conclusions under item 2 of the agenda**

49. The Committee thanked outgoing Vice Chair Mr. Craig Reilly for his guidance and contribution to the CECI programme’s implementation.
50. The Committee elected Mrs. Kris M. Easter (United States) as Vice Chair of the Committee.

B. Conclusions under item 3 of the agenda

51. The Committee noted with satisfaction the completion of the draft “Innovation Performance Review of Ukraine”, and thanked the participants for the reports presented to the first part of the Substantive Segment of the CECI session. It thanked the Government of Ukraine for its excellent cooperation with the secretariat 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.

52. The Committee took note of the main conclusions and draft recommendations of the Innovation Performance Review of Ukraine (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 Ukraine, possible follow-up steps to facilitate the implementation of recommendations contained in the Review.

53. The Committee welcomed the interest expressed by the Government of Armenia for an innovation performance review to be undertaken in Armenia.

54. The Committee welcomed the topical special session on “Exploring PPP options to renovate buildings: a review of best practices and their applicability for the Palais des Nations” (as presented in Conference Room Paper 5) and noted with satisfaction that this event was part of a broader cooperation between the UNECE and UNOG in considering PPP options in the renovation of the Palais des Nations. The Committee commended the UNECE secretariat and TOS PPP for cooperating with UNOG in this project, and encouraged them to continue this dialogue in the future.

C. Conclusions under item 4 of the agenda

55. The Committee noted the Report of the Team of Specialists on Innovation and Competitiveness Policies on its fifth session (ECE/CECI/ICP/2012/2), as well as the conclusions and draft recommendations of the Innovation Performance Review of Ukraine, as discussed under item 3 of the Agenda.

56. The Committee noted the Report on the sixth session of the Team of Specialists on Intellectual Property and noted the Report on Consultations between the secretariats of UNECE and WIPO and the agreed plan for cooperation annexed to that report (ECE/CECI/IP/2012/2).

57. The Committee noted the Report of the Team of Specialists on Public-Private Partnerships on its fourth session (ECE/CECI/PPP/2012/2), and the outcomes of consultations with member states regarding the governance procedures and practices of the UNECE International PPP Centre of Excellence (Conference Room Paper 3).

58. The Committee also took note of important recent developments under the UNECE Public Private Partnerships (PPP) Initiative. In particular it commended the setting up of the International PPP Centre of Excellence, the success of PPP Days where a large number of governments from around the world shared their experiences and good practices in PPPs, and the major commitment of the Government of the Philippines to join this work by hosting a specialist Centre for PPPs in the health sector. The Committee welcomed the positive results already achieved by this initiative with respect to improving the quality of advice on PPP (as presented in Conference Room Paper 2), and the conducting of a number
of PPP Readiness Assessments designed to strengthen the Governments’ capacity to implement projects successfully.

59. The Committee noted with satisfaction the quality and relevance of the applied policy-oriented documents prepared for the seventh session of CECI, in particular, “Regional Dimension of Innovation Policies” (ECE/CECI/2012/3) and “Intellectual Property and Competition Policy as Drivers of Innovation” (ECE/CECI/2012/4). It took note of CECI publications released in 2012 and thanked the respective teams of specialists and networks of experts for their contributions in the preparation of these documents. The Committee invited the secretariat to broadly disseminate them among all interested parties, and make use of their conclusions in capacity building activities and policy advisory work.

60. The Committee welcomed the positive results of capacity-building activities undertaken after the sixth session, in particular, field-based events organized upon request from the member States (ECE/CECI/2012/6), and encouraged countries to fully use the potential of its teams of specialists and networks of experts in the relevant thematic areas.

61. The Committee thanked the donors, which made voluntary contributions in 2012, in particular the Governments of the Netherlands, the Russian Federation and Switzerland (SECO), the United States Patent and Trademark Office, as well as Vneshekonombank - the Bank for Development and Foreign Economic Affairs of the Russian Federation, Eurasian Development Bank and Toyo University of Japan. 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.

62. The Committee expressed its appreciation for the work of the teams of specialists and networks of experts operating under CECI and thanked them for the policy-advisory and capacity-building activities organized during the period under review.

D. Conclusions under item 5 of the agenda

63. The Committee discussed and approved the Draft updates to the Programme of Work for 2013 (ECE/CECI/2012/7) without prejudice to the outcome of the review of the 2005 reform of UNECE.

64. The Committee noted the Draft Strategic Framework for the biennium 2014-2015 of the Subprogramme on Economic Cooperation and Integration (ECE/CECI/2012/8), the Draft Programme of Work of the Subprogramme on Economic Cooperation and Integration for 2012-2013 (ECE/CECI/2011/5/Rev.1) and the Biennial Performance Evaluation of the Subprogramme for 2010-2011 (ECE/CECI/2011/6/Rev.1), which were provided for information.

65. The Committee noted the ongoing review of the 2005 UNECE Reform and its possible implications for the future work of the Committee.

E. Conclusions under item 6 of the Agenda

66. The Committee took note of the Chairperson’s summary of the discussion during sections (a) and (b) of the Substantive segment.
F. Conclusions under item 7 of the Agenda

67. The Committee took note of the briefing by the secretariat on the outcome of the discussion by the Bureau of Rules of Procedure for CECI. It further took note of the draft Guidelines on Procedures and Practices for UNECE bodies under discussion by the Executive Committee. The Committee asked the secretariat to prepare in consultation with the Bureau the draft of the Rules of Procedure for CECI to be adopted at its next session.

XI. Other business (Agenda item 9)

68. The Committee decided that its eighth session would take place in Geneva on 4 - 6 December 2013 (Wednesday to Friday).