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Committee on Innovation, Competitiveness and Public-Private Partnerships

### Ninth session

Geneva, 3-4 September 2015

## Report of the Committee on Innovation, Competitiveness and Public-Private Partnerships<sup>1</sup> on its ninth session

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<sup>1</sup> At its seventy-fifth meeting on 10 February 2015, the Executive Committee, with reference to paragraphs 13,14 and 31 (g) of Commission Decision A(65) on the outcome of the Review of the 2005 reform of ECE and paragraph 24 of the Chairman's conclusions of the Executive Committee meeting of 6 February 2014, agreed to: (a) rename the Committee on Economic Cooperation and Integration as the Committee on Innovation, Competitiveness and Public Private Partnerships; and (b) revise the terms of reference, as contained in the annex to document ECE/EX/24.

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## I. Overview

1. The ninth session of the ECE Committee on Innovation, Competitiveness and Public-private Partnerships (CICPPP) was held from 3 to 4 September 2015.

2. The Executive Secretary of the ECE opened the meeting by noting that the international community would soon adopt a new global development framework with the United Nations Sustainable Development Goals (SDGs) – at its core. This post-2015 development agenda would reinforce the shared commitment of United Nations member States to poverty eradication and sustainable development, with a single comprehensive and coherent framework for delivery and results. It is focused on practical action and universality. This last term “universality” refers to the commitment by all countries, both developed and developing, to implement the SDGs within their own borders. Innovation and Public Private Partnerships (PPPs) – were cross cutting issues that would be key mechanisms for implementing all 17 of the Goals for Sustainable Development. In addition, the work of this Committee was at the heart of Goal 9 which calls for countries to “Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”.

## II. Attendance

3. A total of 112 delegates participated in the meeting. The session was attended by representatives from the following ECE countries: Armenia, Austria, Azerbaijan, Belarus, Bulgaria, Finland, France, Georgia, Germany, Greece, Israel, Italy, Kyrgyzstan, Poland, Portugal, Republic of Moldova, Romania, Russian Federation, Spain, Sweden, Switzerland, Turkmenistan, Ukraine, United Kingdom of Great Britain and Northern Ireland, United States of America and Uzbekistan.
4. Representatives of Afghanistan, Bangladesh, China, Congo, Côte d'Ivoire, the Democratic Republic of the Congo, Gambia, Ghana, Haiti, India, Indonesia, Iraq, Japan, Kuwait, Pakistan, Papua New Guinea, and the Philippines, participated under article 11 of the Commission's terms of reference.
5. Representatives of the International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD) and United Nations Development Programme (UNDP) were in attendance.
6. The following specialized agencies in the United Nations system were represented: United Nations Educational, Scientific and Cultural Organization (UNESCO) and World Intellectual Property Organization (WIPO).
7. The following intergovernmental organizations were represented: African Development Bank and Central European Initiative (CEI).
8. Other organizations (academic institutions and private sector entities) represented at the invitation of the secretariat were: ADEC Innovations (United States of America), Airport Development Partners Alstom Transport (France), Annemasse Agglo (France), APM Group Ltd (United Kingdom), Belarusian Innovative Foundation (Belarus), BPP University (United Kingdom), Bulgarian Construction Chamber (Bulgaria), Centre for Socio-Economic Development (Switzerland), Ecrent (Switzerland), Entreprises Générales de France (France), European Chamber of Economics, Global Solutions 4U (Portugal), Health-Bio-Pharm Group (Switzerland), ICES Foundation (Switzerland), IDEA Society of the Bulgarian Chamber of Commerce and Industry (Bulgaria), Indonesia Infrastructure Guarantee Fund (Indonesia), Infrastructure training & advisory (Spain), Institute for the Industrial promotion (Italy), Institute of Economics and Forecasting (Ukraine), International Association TIP, International Association TIP (Georgia), International Centre of Excellence Concessions and PPP "Policies, Laws and Institutions" (France), International Institute for Sustainable Development (Switzerland), International Investment Center (Russian Federation), International Law Institute (United States of America), International Organization for Knowledge Economy and Enterprise Development (Sweden), IPStudies SARL (Switzerland), Legal Counsel PPP EMEA (Germany), KPMG (France), Kuwait Foundation for the Advancement of Science (Kuwait), L.N. Innovative Technologies (Israel), MaHeCon (Germany), Nagoya University (Japan), National Academy for Planning and Development (Bangladesh), National Academy of Sciences of Ukraine, Open Joint Stock Company "Federal Center for Project Finance" (FCPF) of the Russian Federation, Opora Russia (Russian Federation), PM Blanchard Consulting SAS (France), PPP COMSATS Faculty of Business Administration (Pakistan), Republican Union of Employers (Armenia), Russian Venture Capital Association (Russian Federation), SBI Capital Market Limited (India), Specialist Centre on PPPs in Smart and Sustainable Cities (Spain), Squire Patton Boggs LLP (United Kingdom), Teva Pharmaceuticals Industries (Israel), TR Associates Ltd. (Switzerland), Ukrainian PPP Center (Ukraine), University 21 (Germany), University of Geneva (Switzerland), Veolia (France), Vnesheconombank (Russian Federation), World Organization of Creditors (Russian Federation).

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

Documentation: Annotated provisional agenda for the seventh session (ECE/CECI/2015/1).

9. The director of the Economic Cooperation and Trade Division informed the Committee that the mandates of the two Teams of Specialists working under its auspices were due to expire and proposed to add the renewal of their mandates under agenda item 6. She also informed the Committee of ongoing work on the Draft Strategic Framework of the Economic Cooperation and Integration subprogramme for 2018-2019 and proposed that the Draft Strategic Framework be tabled for information under agenda item 8.

#### **Decision 2015 - 1**

The Committee adopted the agenda for its ninth session with the following additions: (1) renewal of the mandate of the Team of Specialists on Innovation and Competitiveness Policies (TOS-ICP) under agenda item 6(a); (2) renewal of the mandate of the Team of Specialists on Public-Private Partnerships (TOS-PPP) under agenda item 6(b); and (3) Draft Strategic Framework of Economic Cooperation and Integration subprogramme for 2018-2019 under agenda item 8.

### **IV Election of officers (Agenda item 2)**

10. At its previous, eighth session, the Committee had elected for a two year term Mr. Sharon Kedmi (Israel) as Chairperson and Mr. Salvatore Zecchini (Italy) as Vice Chairperson. The chairman informed the Committee that two of its Vice Chairpersons, Mr. Andrei Popov (Belarus) and Mrs. Kris M. Easter (United States of America) had left their previous position and, therefore, had stepped down from the Bureau of the Committee. The Committee thanked the outgoing Vice Chairpersons for their valuable contributions to the Committee. Elections were held for new Vice Chairpersons.

#### **Decision 2015 - 2**

The Committee elected Mr. Arthur L. Smith (United States of America), Ms. Maria Yarmalchuk (Russian Federation), and Mr. Piotr Baltrukovich (Belarus) as Vice Chairs for a two year term of office.

### **V. High-level substantive segment on Innovation, Competitiveness and Public-Private Partnerships- their essential role in the United Nations Sustainable Development Goals (Agenda item 3)**

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

- (i) Innovation for Sustainable Development
- (ii) International PPP Standards for the SDGs

The presentations are available at the following Internet address: <http://www.unece.org/ceci-welcome/cecimeetings/ceci/sessions/2015/committee-on-innovation-competitiveness-and-public-private-partnerships/doc.html#/>

12. The Committee thanked the speakers and the participants in the High-level substantive segment for their contributions to the discussion of the role of innovation, competitiveness and Public-Private Partnerships in achieving the SDGs.

**Decision 2015 - 3-1**

The Committee invited its Bureau and the secretariat to further explore specific ways in which the Committee might contribute to achieving the SDGs, in cooperation, as appropriate, with other ECE inter-governmental bodies.

**Decision 2015 - 3-2**

The Committee requested that the Chairperson's summary of the high-level substantive segment to be annexed to the report of the ninth Session of CICPPP (Annex I).

## **VI. Chairpersons' summary of the discussions during the High-Level International Conference on 2 September 2015 on Unlocking the Economic Potential for Sustainable Development (Agenda item 4)**

13. The Chairperson presented a summary of the discussions at the High-Level Conference on "Unlocking the Economic Potential for Sustainable Development: the Role of Trade, Innovation and Public Private Partnerships" which had taken place on the previous day.

**Decision 2015 - 4-1**

The Committee requested its Bureau and the secretariat to explore further ways to enhance awareness on the role of innovation, competitiveness and PPPs in achieving the United Nations Sustainable Development Goals.

**Decision 2015 - 4-2**

The Committee encouraged the Bureau and the secretariat to take into account the discussions and recommendations of the Conference when developing its future work in support of Sustainable Development.

**Decision 2015 - 4-3**

The Committee requested that the Chairpersons' summary of the high-level international conference be annexed to the report of the ninth Session of CICPPP (Annex II).

## **VII. Matters arising (Agenda item 5)**

Documentation:

75th meeting of the ECE Executive Committee: Chairman's Conclusions (EXCOM/CONCLU/75)

Renaming the Committee on Economic Cooperation and Integration and revising its terms of reference (ECE/EX/24)

Decision on the establishment and terms of reference of the ECE Steering Committee on Trade Capacity and Standards (ECE/CTCS/2015/3)

14. The Director of the Economic Cooperation and Trade Division briefed the meeting on the decisions made by the Economic Commission for Europe which had resulted in the change of the Committee's name from the "Committee on Economic Cooperation and Integration" to the "Committee on Innovation, Competitiveness and Public-Private Partnerships," and related changes to its terms of reference.

**Decision 2015 – 5**

The Committee took note of the matters arising from the 66th session of the Economic Commission for Europe, and the EXCOM's decisions affecting the Committee including the decision to rename the Committee on Economic Cooperation and Integration to the Committee on Innovation, Competitiveness and Public Private Partnerships and the decision to revise its terms of reference (ECE/EX/24).

**VIII. Implementation of the programme of work since the eighth session of the Committee on Economic Cooperation and Integration (Agenda item 6)****A. Team of Specialists on Innovation and Competitiveness Policies (Agenda item 6(a))**

Documentation:

Report of the Team of Specialists on Innovation and Competitiveness Policies on its seventh session (ECE/CECI/ICP/2014/2)

Main conclusions and recommendations of the Innovation Performance Review of Tajikistan (ECE/CECI/2015/CRP.1)

Smart specialization strategies for sustainable development (ECE/CECI/2015/4)

Innovation in the public sector (ECE/CECI/2015/5)

Good practices and policy recommendations on aligning entrepreneurship and innovation policies (ECE/CECI/2015/6)

Decision approving the establishment of a Public-Private Partnership Business Advisory Board and the revised mandate and terms of reference of the Team of Specialists on Innovation and Competitiveness Policies" (ECE/EX/16).

15. The secretariat briefed the Committee on the activities of the TOS-ICP since the last session, including new best practices that were developed on Innovation and Entrepreneurship, Innovation in the Public Sector, and Smart Specialisation Strategies. The results of this work were reflected in the following documents prepared for the ninth session of CICPPP: "Smart specialization – strategies for sustainable development" (ECE/CECI/2015/4); "Innovation in the public sector" (ECE/CECI/2015/5); and "Good practices and policy recommendations on aligning entrepreneurship and innovation policies" (ECE/CECI/2015/6).

16. In addition, the secretariat briefed the Committee on the policy recommendations from the Innovation Performance Review of Tajikistan, and the follow-up policy advisory and capacity building activities carried out in Belarus, Kazakhstan and Armenia. The related presentation with more details can be found on the Internet at: [http://www.unece.org/fileadmin/DAM/ceci/documents/2015/CECI/Presentations/ICP\\_review\\_of\\_work\\_2015.pdf](http://www.unece.org/fileadmin/DAM/ceci/documents/2015/CECI/Presentations/ICP_review_of_work_2015.pdf).

17. The Committee expressed its appreciation for the concrete and useful work of the TOS-ICP. It also thanked all those experts who had contributed to its work through their participation in the policy-advisory and capacity-building activities of the TOS-ICP during the period under review.

18. The secretariat drew the attention of the Committee to the Report from the seventh session of the TOS-ICP (ECE/CECI/ICP/2014/2) and the Main Conclusions and Recommendations of the Innovation Performance Review of Tajikistan (Conference Room Paper 1).

**Decision 2015-6a-1**

The Committee took note of the Report of the TOS-ICP on its seventh session (ECE/CECI/ICP/2014/2).

**Decision 2015 - 6a-2**

The Committee invited the secretariat to electronically disseminate CICPPP publications and the session's applied policy documents (ECE/CECI/2015/4; ECE/CECI/2015/5; and ECE/CECI/2015/6), and to make use of their conclusions in capacity-building activities and policy advisory work.

**Decision 2015 - 6a-3**

The Committee requested that the secretariat follow up, subject to available extrabudgetary funding, on the interest expressed by the Governments of Armenia, Belarus and Ukraine in policy advisory and capacity-building services to support the implementation of recommendations from the Innovation Performance Reviews. The Committee also requested that the secretariat follow up, subject to available extrabudgetary funding, on the interest expressed by the Government of Kyrgyzstan in undertaking a national Innovation Performance Review, and other Governments in undertaking second round Reviews to assess progress in implementing policy recommendations.

**Decision 2015 - 6a-4**

The Committee took note of the revised mandate of the TOS-ICP, contained in the ECE Executive Committee document (ECE/EX/16 Annex II). Given the useful work carried out by the TOS-ICP, the Committee recommended to renew its mandate for two years.

## **B. Team of Specialists on Public-Private Partnerships (Agenda item 6(b))**

Documentation:

Report of the Team of Specialists on Public-Private Partnerships on its sixth session (ECE/CECI/PPP/2014/2)

Draft Report of the Team of Specialists on Public-Private Partnerships on its seventh session (ECE/CECI/PPP/CRP.3)

Process for developing international PPP standards (ECE/CECI/2015/7)

Future intergovernmental status of the Team of Specialists on PPPs (ECE/CECI/2015/3)

Report of the Committee on Economic Cooperation and Integration on its Second Session (ECE/CECI/2007/2)

19. The Chairperson drew the attention of the Committee to the Report of the TOS-PPP on its sixth session (ECE/CECI/PPP/2014/2) and the draft report on its seventh session

(ECE/CECI/PPP/CRP.3), which contains adopted conclusions and decisions from the seventh session<sup>2</sup>.

20. The secretariat reported to the Committee on the work of the International PPP Centre of Excellence, focusing on the International Specialist Centres established in Spain, France and Japan. These Centres, and others in the process of being established, provide essential contributions to the work on PPP standards through the identification of international best practices and case studies. The secretariat also reported on the status of the international PPP standards under preparation based on the methodology agreed by TOS PPP. The standards development process was also described in some detail and the Committee was requested to approve the process as described in document ECE/CECI/2015/7.

21. The secretariat also provided information on the work of the ECE PPP Business Advisory Board, the establishment of which had been approved by the Executive Committee in April 2014. The Business Advisory Board assists the project teams in the standard setting process as well as helping countries with the implementation of the standards.

22. The representative of the Russian Federation proposed that the Committee focus on developing an interconnected chain of PPP standards in public administration and education, as well as step-by-step guidance on the establishment of PPP institutions using awareness raising and educational webinars.

23. The Chairperson of TOS PPP explained how the PPP work had evolved since the TOS PPP was established in 2007, especially with the addition of PPP standards to its mandate and how the Bureau of the TOS PPP was of the view that it made much more sense for the PPP work to be undertaken by a body that has a longer-term mandate than the two years given to teams of specialists. As a result, the Bureau was planning for the Team of Specialists to discuss a possible request for changing its intergovernmental status. This change would be resource neutral. The Committee agreed that TOS PPP should first discuss this issue in more detail and then make a recommendation to the Committee for its consideration.

24. The Committee expressed its satisfaction with the focus of the PPP work on developing PPP standards and best practices in preparation for the SDGs and on assisting countries with their implementation. It also took note of the International Specialist Centres established since the last session in Spain, France and Japan as well as those in the process of being established in countries in order to support this work.

25. The Committee expressed its appreciation for the useful and concrete work of the TOS-PPP. It also thanked all the experts who had contributed through their active participation in the standards-development, policy-advisory and capacity-building activities of the TOS-PPP during the period under review.

#### **Decision 2015 - 6b-1**

The Committee took note of the Report of the TOS-PPP on its sixth session (ECE/CECI/PPP/2014/2), and the draft report on its seventh session (ECE/CECI/PPP/CRP.3), which contains adopted conclusions and decisions of the seventh session.

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<sup>2</sup> The draft report will be submitted as a pre-session document to the eighth session of the TOS-PPP for approval.



**Decision 2015 - 6b-2**

The Committee considered and approved the process for developing international standards in PPPs, the template for project proposals, the template for PPP sectors, and the Intellectual Property Rights Policy governing the development and use of the PPP standards, as elaborated by TOS PPP (ECE/CECI/2015/7).

**Decision 2015 - 6b-3**

The Committee requested that, at its eighth session, TOS-PPP discuss issues related to its future intergovernmental status and provide recommendations to the Committee at its tenth session.

**Decision 2015 - 6b-4**

The Committee took note of the mandate of TOS-PPP, contained in the report of the 2nd session of Committee on Economic Cooperation and Integration (ECE/CECI/2007/2 Annex I). Given the useful work carried out by the TOS-PPP, the Committee recommended to renew its mandate for another two years.

**C. Capacity-building activities (Agenda item 6(c))**

Documentation:

Report on capacity-building activities (ECE /CECI/2015/8)

26. The secretariat presented the Report on capacity-building activities (ECE/CECI/2015/8). The Committee welcomed the positive results and the relevance of the capacity-building activities undertaken during the reporting period.

27. The Committee expressed appreciation to the donors who had made voluntary contributions during the reporting period and, in particular, the Governments of: France, Israel, the Netherlands, and the Russian Federation, the European Union; as well as the Eurasian Development Bank, the Bank for Development and Foreign Economic Affairs of the Russian Federation (Vnesheconombank), and Toyo University, Japan.

**Decision 2015 - 6c-1**

The Committee emphasized the importance of the financial and in-kind contributions for the success of its capacity-building activities, policy advisory services and for extending their outreach. It invited member States to continue to provide support to its capacity-building activities.

**Decision 2015 - 6c- 2**

The Committee welcomed the interest expressed by the following Governments in capacity-building activities to be organized in their countries: Armenia, Azerbaijan, Belarus, Republic of Moldova and Ukraine. It requested that the secretariat examine the feasibility of carrying out these activities, on the understanding that their implementation will be subject to the availability of extra-budgetary resources.

**Decision 2015 - 6c-3**

The Committee encouraged member States to take advantage of the potential of the Committee to provide policy advisory and demand-driven capacity-building activities in the work areas covered by its terms of reference.

## **IX. Reports from other ECE bodies and international organizations on areas of potential collaboration or of common interest (Agenda item 7)**

Documentation:

Programme of Work 2016-2017: Subprogramme 6-Trade (ECE/CTCS/2015/7)

Cooperation with other ECE bodies and international organizations (ECE/CECI/2005/CRP.5)

28. The director of the Economic Cooperation and Trade Division briefed the Committee on current and prospective future cooperation with other ECE bodies, other United Nations organizations and other international organizations (ECE/CECI/2005/CRP/5).

29. The Representative of the country office of the UNDP in Belarus expressed his appreciation for the excellent cooperation with the ECE on a project promoting Public-Private Partnerships in Belarus.

30. The delegations from the United States of America and the Russian Federation expressed their wish to discuss the Memorandum of Understanding with UNITAR in the ECE Executive Committee.

31. The Committee noted the useful and important cooperation with the World Bank Group and other Multilateral Development Banks in jointly organizing the 2015 PPP Days in London. It also took note of the preparatory work being carried out at the ECE in order to contribute to the achievement of the SDGs and noted the potential for collaboration between the work of CICPPP and that of other ECE inter-governmental committees, as well as other international organisations, in this regard.

### **Decision 2015 - 7**

The Committee agreed that it is well placed to make a strong contribution to sustainable development by improving competitiveness through its support to public-private partnerships, entrepreneurship and innovation. In this context, the Committee invited its Bureau and the secretariat to further explore possibilities for collaboration with other ECE inter-governmental bodies, as well as other United Nations and international organizations.

## **X. Programme of Work (Agenda item 8)**

Documentation:

Draft Programme of Work of the Subprogramme on Economic Cooperation and Integration for 2016-2017 (ECE/CECI/2014/9)

Intersessional implementation plan for 2015-2016 (ECE/CECI/2015/10)

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

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

Draft Strategic Framework for the biennium 2018-2019 of the Subprogramme on Economic Cooperation and Integration (ECE/CECI/2015/INF.1)

32. The director of the Economic Cooperation and Trade Division introduced this agenda item, explaining that the intersessional implementation plan provided more detailed

information on the specific activities envisaged under the Programme of Work for 2016 - 2017.

**Decision 2015 - 8-1**

The Committee adopted the proposed Programme of Work for 2016-2017 (ECE/CECI/2015/9), including the annexed lists of publications and promotional materials, and recommended it for approval to the Executive Committee of the ECE.

**Decision 2015 - 8-2**

The Committee approved, subject to any changes that the EXCOM might make to the 2016-2017 Programme of Work (ECE/CECI/2015/9), the Intersessional implementation plan for 2015-2016 (ECE/CECI/2015/10).

**Decision 2015 - 8-3**

The Committee noted the Draft Strategic Framework for 2018-2019 (ECE/CECI/2015/INF.1). The Committee requested delegations to send any comments they might have on the Draft Strategic Framework to the secretariat for consideration by the Bureau prior to 19 October 2015.

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

Documentation:

Rules of procedure of the Committee on Innovation, Competitiveness and Public-Private Partnerships (ECE/CECI/2015/11)

33. The secretariat introduced the agenda item. Several delegations argued that the work and activities of the Committee were not significantly different in nature from the work and activities carried out in other subprogrammes at the ECE, and, therefore, the existing Guidelines on Procedures and Practices for ECE bodies would be sufficient to guide the Committee on matters of procedure, and a separate set of Rules of Procedures would not be necessary.

**Decision 2015 - 9**

The Committee agreed to apply the Guidelines on Procedures and Practices for ECE Bodies (Commission Decision A (65), document E/2013/37, E/ECE/1468, Annex III).

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

**Decision 2015 - 10**

The Committee agreed that its tenth session would provisionally take place in Geneva from 13 to 15 July 2016, contingent upon being held back to back with the session of the Steering Committee Trade Capacity and Standards.

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

**Decision 2015 - 11**

The Committee adopted the report of its ninth session and requested the secretariat to publish it in English, French and Russian.

## Annexes

### Annex I

#### Chairperson's summary

#### **High-level substantive segment on Innovation, Competitiveness and Public-Private Partnerships – their essential role in the United Nations Sustainable Development Goals (Agenda item 3)**

1. The high-level substantive segment examined the role of Innovation, Competitiveness and Public Private Partnerships (PPPs) in achieving the United Nations Sustainable Development Goals (SDGs) and the Committee's role going forward in: demonstrating the applicability of its work to SDG implementation; adapting its existing tools and activities to further align them with the SDGs; and, where appropriate, developing partnerships and contributing to new tools and activities in support of the SDGs.

2. Achieving most, if not all, of the SDGs will require massive investments in infrastructure and innovation. At the same time, SDG 9 is clearly the goal where the Committee can make the greatest contribution as it calls for countries to, "build resilient infrastructure, and promote inclusive and sustainable industrialization and foster innovation".

#### *Innovation and Competitiveness*

3. Science, technology and innovation have featured prominently throughout the process of developing the SDGs, from the political declaration, through the actual SDGs, to the means of implementation, and the accountability framework.

4. In order to contribute to the achievement of the SDGs, innovation and competitiveness policies need to address a number of challenges which, to some extent, were already in evidence during the process of pursuing the Millennium Development Goals. Among these challenges are:

- Insufficient policy coordination and contradictory policies which simultaneously promote innovation for sustainability and subsidize unsustainable legacy industries and practices;
- A lack of market demand for environmentally friendly products
- A lack of funding for research and development as well as for investment in green and clean innovation;
- Weak information systems and certification practices,
- A lack of accountability; and
- Insufficient internalization of positive and negative externalities resulting in weak or even counter-productive incentives.

5. On a positive note, rising incomes and technological progress also create new opportunities for meeting the sustainability challenge. Rising incomes fuel demand for environmentally sound and healthy products, services and production processes. Advances in information and communication technologies (ICTs) lead to more transparency; more real-time data on the state of eco-systems; more data on the impacts of production and consumption processes on the environment; and, thus, better inputs to policy development

and implementation. By dramatically improving connectivity, ICTs also greatly expand the problem-solving capacity of human ingenuity. Moreover, the rates of return on green and clean investments are high, attracting significant funding.

6. There was a discussion on the measurement of innovation and the need to reflect in these measurements not only traditional technology-based innovations, but also innovations in services, innovation in the public sector, social innovation, and the “soft” aspects of an effective innovation eco-system, including knowledge, intangibles, networks, demand, geographical clusters focusing on specific technology areas, management techniques, dynamics in risk versus return as well as between systems.

7. Funding for innovative solutions to sustainability issues was also discussed. There are examples of private investors, such as venture capital funds, specializing in this kind of investment, and, indeed, there is a growing market for such investment. At the same time, private financing falls short of that needed for solving sustainability issues because, due to positive externalities, private investors may not be able to capture the full return from such investments. For example, the social benefit from improved health for the general population is not fully reflected in the financial returns from investing in pollution-reducing technology. This results in the need to develop public-private co-financing models.

8. On the question of how the Committee might better contribute its expertise to the SDG process; there were proposals for ECE to establish a focal point for cooperation with the Secretary General’s Scientific Advisory Board, and to develop triangular cooperation with UNESCO and the Directorate General for Research and Innovation of the European Commission.

*International PPP standards for the SDGs<sup>9</sup>.*

This part of the high level substantive segment was devoted to progress reports on the development of international PPP standards by project teams working under the auspices of the ECE International PPP Centre of Excellence and the Team of Specialists on PPPs in sectors that support the SDGs, such as healthcare, water and sanitation, airports and zero tolerance to corruption.

10. Delegates recognised the unique contribution of the ECE to the development of international PPP standards and their potential contribution to assisting governments in achieving the SDGs. There was a clear consensus that this work was very timely and necessary. Experts also agreed that these standards are voluntary in nature although it was also pointed out that there should be a clear, implicit recognition of the need for these standards to be implemented.

11. The participants appreciated the quality of the presentations made which represented a variety of different perspectives, ranging from the public sector to the private sector and NGOs. There was also clear agreement that it was imperative for standards to take into account the interest of end users and for the standards development process to involve the representatives of end users in order to better ensure that standards meet the real needs of stakeholders and to make them more broadly acceptable.

12. Delegates agreed that the speed by which standards are being developed is justified given the strong interest and the unprecedented need by governments for innovative financial mechanisms to support the implementation of the SDGs. At the same time, delegates recommended that standards be based on sound empirical research and international PPP best practices collected from as wide a constituency as possible, including from emerging economies.

13. The following draft standards were discussed in detail (ECE/CECI/2015/CRP.3):

- (i) Draft Charter on Zero Tolerance to Corruption in PPP Procurement:

- (ii) Mechanism for compliance with the Charter on Zero Tolerance to Corruption: Examiner's checklist of issues for PPP units and similar public sector bodies;
  - (iii) Incorporating PPPs into a health policy framework;
  - (iv) PPPs in water supply and sanitation; and
  - (v) PPPs in airports
14. Commenting on the scheme being designed to evaluate the compliance of PPP units and similar public sector bodies with good governance principles, including zero tolerance to corruption on PPPs, representatives from Belarus, Kyrgyzstan, Republic of Moldova and Ukraine recognised that the scheme has the potential to assist public sector entities to improve their visibility with investors and could be a useful tool to boost their PPP programmes. The delegations expressed their desire to explore the possibility of having their public sector institutions evaluated by international experts. The representative from Belarus remarked that Belarus will be the first country to have its PPP unit evaluated by international experts, and added that her delegation looked forward to working closely with international experts on this important project.

## Annex II

### Chairperson's summary

#### **High-level International Conference on Unlocking Economic Potential for Sustainable Development on 2 September 2015 (Agenda item 4)**

##### *Introduction*

1. At the end of September 2015, the United Nations will adopt 17 Sustainable Development Goals (SDGs) that will challenge the global community to achieve economic prosperity, environmental sustainability and social inclusion by 2030. This high-level conference discussed the role of trade, innovation and PPPs in unlocking the economic potential for sustainable development and supporting the achievement of SDGs.
2. Successful achievement of the SDGs will depend on member States having adequate financial resources and means of implementation. Three key instruments for unlocking the economic potential for sustainable development are: Public - Private Partnerships, Innovation and Trade.
3. Public-Private Partnerships are critically important for addressing the very wide infrastructure gap that must be closed in order to meet most of the SDGs. Innovation will be essential for increasing a countries' capacity to create the products and services needed to meet the SDGs. For example, the potential economic and social benefits of innovation in renewable energy, low cost medical equipment, and innovative finance are enormous. Finally, Trade is a principle enabler of sustainable economic growth, poverty reduction and the integration of low income countries into the global economy. When combined with appropriate policy, trade can be an important source of employment and create the basis for economic diversification.
4. The possible synergies between these economic activities and other aspects of sustainable development were highlighted. One example given was of countries that moved early in setting higher standards to clean up polluting industrial sectors and, as a result of that action, stimulated innovation and the adoption of new technologies, thus creating a first mover advantage and greater economic competitiveness. This is precisely what unlocking the economic potential for sustainable development is about.

##### *Increasing the economic benefits from agriculture trade*

5. Three areas are important from the farmers' perspective for increasing the economic benefits from agricultural trade. The first area is simplification of procedures. Cutting red tape is crucial and as traceability becomes more and more important so does being able to ensure traceability in a cost effective manner. The second area is reducing food wastage. Here an analysis needs to be undertaken to identify the main causes and verify if food is being wasted because of the need to meet public and/or private quality standards. The third area concerns ensuring benefit to farmers from export growth. Benefits from export growth do not always trickle down to them. In addition, facilitating imports can be a threat, especially for small farmers in developing countries, as it brings competition.
6. Increased use of standards contributes to safer and better utilization of food and thus contributes to food security. However, the emergence of private standards can be a problem for farmers, and especially small farmers, since they create an additional layer of standards and costs both for meeting the standards and for certification.

*Perspectives from two countries were presented*

7. Albania - For Albania, the challenge has been to guarantee sustainable export growth. Agriculture is very important as half of the population is dependent on agriculture and only 10 percent of the farmers are large farmers. Albanian businesses need more information on market standards. Harmonization of their national standards with those of the EU was a major work area that still needed attention as the country was preparing to become a member of the EU. Moreover, there were still procedural bottlenecks for exporters. In addition, they suffered from a lack of professional capacity for implementing free trade agreements. All these areas warranted greater involvement by the ECE and other international organizations. Both the government and the private sector needed to work together to reap benefits from free trade in both exports and imports.

8. Kazakhstan – Trade policy is part of industrial policy in Kazakhstan which has a State Policy that covers trade and integration into the multilateral trading system for the period of 2014 to 2020. Important trade issues for the country include: counterfeit goods, which are a major source of problems and the imperative for using common technical standards in the Eurasian Customs Union. In conclusion, the following key topics were highlighted as being instrumental for increasing the economic benefits from agriculture trade: reducing possible waste; access to greater information and advanced training on food and agricultural quality standards; improved coordination among border agencies in order to avoid multiple inspections; strengthening the capacity of inspection agencies with expertise and best practices in the area of trade facilitation; strengthening trade support institutions with the required knowledge, resources and expertise so that they can design tailor-made services that address the immediate and long-term needs of traders and food producers; supporting farmers' associations, where these exist, and promoting the establishment of such associations as a strategic vehicle for improving the quality of agricultural products..

9. Streamlining and simplifying trade processes will not lead to automatic increases in exports unless farmers improve their productivity and meet international quality standards as well as health and safety requirements. Training is needed to encourage farmers to pool efforts and resources for investment. In addition, more needs to be done to capture the manner in which trade-related procedures and regulations impact farmers' ability to export. Most studies focus on traders and enterprises and not the farmers, so that initiatives are designed without a clear understanding of the channels through which trade actually influences agricultural development and income generation, especially in rural areas.

*Faster, Cheaper and More Efficient Trade in Support of Equitable Growth*

10. One important area for making trade more efficient is Sanitary and Phytosanitary (SPS) measures which may vary depending on the trading partner. In this context, three recommendations have been put forward. First, countries should regularly review their SPS measures, and use the tools provided by the SPS Agreement, and, particularly, provisions regarding the implementation/enforcement of SPS measures. . Second, border agency cooperation, and especially between customs and SPS agencies, needed to be strengthened in order to ensure that inspections are based on risk and unnecessary fees are removed, while at the same time maintaining adequate protection and ensuring safe trade. Third, resources for promoting trade and improving the trade environment should be allocated based on prioritization. Partnerships with the private sector should be undertaken where the private sector can act as a source of expertise and as a partner in implementation and not just as a source of funding. Implementation of these recommendations should be based on a well-articulated SPS strategy, perhaps focused on specific products with export potential that is linked to broader development efforts and targets poverty reduction and export promotion.



11. Cheaper and more efficient trade cannot be realised without high-level and dedicated support by the Government. There is a need to assist Governments in developing new approaches for steering trade development. Training on adherence to international best practices in the area of trade facilitation and the WTO Agreement on Trade Facilitation is an important step in that direction. There is also the need for developing quality control and quality assurance infrastructure for many countries, including testing and calibration laboratories, standard setting agencies and conformity assessment bodies. Coordination between donor agencies and international specialized agencies is also needed in order to ensure proper resource mobilisation efforts and assist countries in benefiting from relevant initiatives, such as the WTO Aid-for-Trade (AfT) initiative.

*Perspectives from two countries were presented*

12. In Kyrgyzstan three important elements for economic growth in the country are migration, remittances and trade. Being landlocked and with mountainous terrain, the impact of increased costs coming from non-tariff barriers was particularly negative for businesses and impacted competitiveness negatively. The latest ECE study on regulatory and procedural barriers to trade, which was on Kyrgyzstan, had provided recommendations on access to information, quality infrastructure and trade facilitation. Based on these recommendations, a plan of activities had been completed and resources were being mobilized. For example, a national electronic single window was in the process of being developed.

13. In Albania an ECE Study on Regulatory and Procedural Barriers to Trade had been initiated and was ongoing. Two key suggestions had emerged so far, these being the need for: (i) effective collaboration between customs and other agencies; and (ii) bringing knowledge and experience to farmers in order to create networks or associations. Both developed and developing countries could share lessons on how farmers could be associated in order to improve their ability to participate in international trade.

14. In conclusion, the discussions pointed to several themes, among these being the need for:

- a) Effective coordination among members of the international community and between national ministries and agencies working on trade;
- b) Engaging the private sector in financing trade-related infrastructure development projects within the context of sector focused, or issue-focused strategies, such as SPS;
- c) Focused training to shift the focus of Governments towards increased emphasis on trade facilitation concerns;
- d) Creating synergetic approaches that address both trade facilitation and quality concerns.

*Innovation for sustainable development*

15. To drive innovation for sustainable development, there is a need for policies to address the market and coordination failures arising from the public good characteristics and externalities inherent in sustainable development, including moral hazard and strategic behaviour at the level of individual actors. While first mover advantages are often sufficient to encourage innovation in other fields, this may not be the case for innovations in areas critical for sustainable development because of regulatory uncertainty and demand-side risks.

16. Policy objectives need to be set clearly, with environmental policies mainstreamed across other relevant policy areas. It is crucial to identify a clear leader in the public sector, with delegated responsibility and accountability. This has increasingly been local

municipalities (e.g. for recycling), who have the ability to coordinate consumers and enterprises in order to ensure that sustainability concerns are met, while taking into account local specificities. In addition to economic instruments such as taxes, subsidies or pollution permits aimed at getting market prices to reflect the true social costs and benefits of economic activity, legal sanctions for violations of mandated sustainable practices are becoming increasingly important as an incentive for innovation. Education and awareness building among the broader population also have an important role to play.

17. There is a need for pluralism and diversity in funding mechanisms, with an important role for public funding and business angels at the early stages of the innovation process in order to address what is typically a phase of severe funding constraints for innovative start-up companies. Without public support at the early stage, start-ups in some sectors would likely be absent, particularly in areas critical for sustainable development, where market and coordination failures are especially severe. Pre-incubation also can be important to ensure a sufficient flow of new projects from universities and research centres to incubators.

*Putting PPPs on the path to sustainable development*

18. Public-Private Partnerships (PPPs) will play a crucial role in achieving the SDGs in particular in areas which require important infrastructure investments such as energy, healthcare, education, affordable Internet/broadband, and safe drinking water. The SDG targets cannot be met without a high-level of private sector engagement especially given the huge infrastructure gap, and the enormous amount of financing on an unprecedented scale that has to be raised from a variety of sources and, in particular, from the private sector.

19. PPP Standards will play a crucial role in guiding governments as they look to attract private finance for their infrastructure needs. A critical element in mobilizing private finance on an unprecedented scale will be much clearer guidance to governments, which up until now has not been available. A key lesson learned from countries that have successfully implemented PPPs at the national level is that standards have been the means by which PPPs became a mainstream vehicle in their infrastructure policy. In the same way, global standards can make PPPs a key framework for the delivery of the SDGs. These standards cannot, however, be copied blindly, they need to be adapted to national circumstances.

20. It is crucial to raise SDG awareness among the private sector. There was strong support during the Conference for a proposal made by a member of the ECE PPP Business Advisory Board encouraging governments and the private sector to demonstrate in their activities an awareness of the SDGs. Participants considered that this, in itself, would be a major achievement and a first step towards creating confidence in PPP projects by making them supportive of and compliant with the SDGs.

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