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Letter dated 14 May 2013 from the Chair of the sixty-fifth session of the Economic Commission for Europe addressed to the President of the Economic and Social Council

As you know, the sixty-fifth session of the Economic Commission for Europe was held from 9 to 11 April 2013 in Geneva.

Under item 3 of the high-level segment, the Commission held a panel discussion on "The role of innovation in creating a dynamic and competitive economy" as a contribution to the annual ministerial review of the Economic and Social Council, which will take place in Geneva in July and whose theme is "Science, technology and innovation, and the potential of culture, for promoting sustainable development and achieving the Millennium Development Goals".

I am pleased to enclose the summary of the discussion, which I believe will constitute a valuable input to the deliberations at the Economic and Social Council (see annex). I would also like to request that the present letter and the annex be circulated as a document for consideration under item 2 (b) of the provisional agenda of the 2013 substantive session of the Council.

(*Signed*) Roderick **van Schreven**
Permanent Representative of the Netherlands
to the United Nations and the World Trade Organization in Geneva

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Annex to the letter dated 14 May 2013 from the Chair of the sixty-fifth session of the Economic Commission for Europe addressed to the President of the Economic and Social Council

2013 annual ministerial review of the Economic and Social Council

Submission from the Economic Commission for Europe

I. Introduction

1. In July 2013, the Economic and Social Council will hold its seventh annual ministerial review in Geneva. The review will focus on "Science, technology and innovation, and the potential of culture, for promoting sustainable development and achieving the Millennium Development Goals".

2. The Economic Commission for Europe (ECE), at its sixty-fifth session, from 9 to 11 April 2013, and during the high-level segment, held a panel discussion on "The role of innovation in creating a dynamic and competitive economy" as a contribution to the above-mentioned annual ministerial review.

II. Chair's summary of discussions*

3. In his keynote speech, Néstor Osorio, President of the Economic and Social Council, underlined the importance of innovation to address the interconnected economic, environmental and social dimensions of sustainable development. Science, technology and innovation were identified as key instruments to advance the vision of economic growth contained in the outcome document of the United Nations Conference on Sustainable Development, held in Rio de Janeiro, Brazil, from 20 to 22 June 2012. The 2013 annual ministerial review of the Economic and Social Council will focus on how to harness the power of science, technology and innovation, and the potential of culture, for promoting sustainable development and achieving the Millennium Development Goals. The financial crisis had a negative impact on private research and development spending, which has called for new policy responses. Further advances in innovation require strong political commitment and the adoption of a strategic approach to innovation, including a close alignment of national and regional policies. Stronger partnerships between all relevant stakeholders in innovation will also be critical to accelerate research, development and market deployment of innovations. The Council's focus on innovation can help to make innovation a policy priority, at a time when the international community is shaping the post-2015 development agenda. As acknowledged in the outcome document of the Conference on Sustainable Development, "The future we want" (General Assembly resolution 66/288), technology transfer is a key to enabling developing countries to meet those challenges. Mr. Osorio looked forward to the contribution from the panel to the annual ministerial review of the Economic and Social Council, since Europe was a major source of technology transfer, and ECE was uniquely placed to take stock of

* The text summarizes the main points made by the different participants and should not be understood as reflecting positions agreed by States members of ECE.

technological progress in Europe and to help to transfer knowledge and experience to developing and transition economies.

4. The panel session was moderated by Pierre Kladny, Managing Partner of ValleyRoad Capital and Chair of the Swiss Private Equity and Corporate Finance Association (SECA) (French chapter).

5. Yigal Erlich, Founder and Managing Partner, the Yozma Group, Israel, spoke on how to create an innovation ecosystem and the policy experiences of Israel in that regard. There were a number of important factors that influenced success, including in particular the existence of an entrepreneurial culture and the tolerance for failure. Global ambitions from the very beginning facilitated scaling-up initial efforts. The availability of high-quality human resources also played an important role. The presence of global companies also contributed to Israel's success. Government support was pivotal to the development of the venture capital industry. That support was structured in a way that led to sharing risks, while leaving investment decisions in the private sector and creating incentives for positive performance.

6. Giovanni Anelli, Chief of the Knowledge Transfer Group of the European Organization for Nuclear Research (CERN), discussed the role of research institutions in generating and diffusing new knowledge. While pursuing its ambitious fundamental physics research programme, CERN constantly innovated in many fields. The knowledge and the technologies developed while building accelerators and carrying out physics experiments could find many applications in other fields, thus having a positive impact on society. That could happen, for example, through the creation of new companies, the adoption by existing companies of some technologies to manufacture new products or introduce new services or through other dissemination channels. Some examples of disruptive innovation generated at CERN were the World Wide Web and detectors for medical imaging instruments. Research organizations had a key role to play in generating innovation that could create concrete benefits for the economy.

7. Philippe Ramet, Head of Unit, International and European Relations, Ministry of Ecology, Sustainable Development and Energy, France, reiterated the commitment of France to achieving the Millennium Development Goals and to shaping the post-2015 development agenda, the Fourth High-level Forum on Aid Effectiveness (Busan, Republic of Korea, 2011), the follow-up to the United Nations Conference on Sustainable Development and the Sustainable Development Goals. The development policy of France rested on three axes: economic development, peace and security, and safeguarding and preserving the environment, in order to eradicate poverty. In keeping with the theme of the annual ministerial review, Mr. Ramet argued that innovation for the purposes of creating a dynamic and competitive economy must be put to the service of a green and inclusive growth. He also underlined the role of culture in promoting development and access to information as essential for good governance and the promotion of democracy. In that regard, France was convinced that research to serve development and access to scientific results contributed to sustainable economic growth, and that research and development policy needed to be a part of development assistance. At the same time, the difficult current financial context put additional constraints on the public sector. France therefore encouraged the emergence of innovative modes of financing for development to complement traditional aid. The scope of the necessary changes

made it impossible for public actors to shoulder alone the associated burden of transformation and innovation. It was therefore imperative for governments to leverage synergies and to mobilize private actors and social innovation through support for fundamental research, for the diffusion of innovations, or through fiscal incentives adapted to new economic models.

8. Pawel Stelmaszczyk, Head of Unit, European Commission, Directorate General for Mobility and Transport, discussed innovations in intelligent transport systems and the mechanisms of support in the context of the European Union Horizon 2020 Strategy. The logic of intervention followed a holistic approach that recognized modal specificities, focused on societal changes and took into account the imperatives of competitiveness. Policy success required striking the right balance across multiple dimensions. A resource-efficient transport system that respected the environment required the introduction of new technologies. The aim was to create a seamless transport system that resulted in better mobility, less congestion and more safety and security. Support to transport should also result in strengthening the competitive advantages of the European transport industry in the global marketplace. Policy design had to be grounded in appropriate research that provided a good basis for forward-looking activities. International cooperation had an important role to play, addressing common challenges and facilitating the emergence of international standards and global systems.

9. Stefan Sundman, Vice-President for Corporate Relations and Development, United Paper Mills — Kymmene Corporation (UPM), Finland, spoke about innovation in a forest-based economy. Wood-based biomass played an important and constantly growing role in the bioeconomy, where raw materials and energy were derived from renewable sources. The challenges of combating climate change and resource scarcity were becoming more and more evident. One part of the solution to those challenges was to increase sustainable consumption of reusable and recyclable products based on renewable raw materials. Innovations were a foundation for renewal and development. Innovations could be deployed to both increase the productivity of existing processes and create new sustainable products to meet the needs of consumers. Existing businesses, which needed to be cost competitive, were a source of financing for the creation of new products and businesses. There were multiple business opportunities, including revolutionary technologies for the production of biofibrils, high-quality biofuels or biocomposite materials.

10. One or more speakers and participants raised the following points:

(a) Innovation should be conceived in broad terms, encompassing technological and non-technological aspects, business-model innovation, eco-innovation, demand- and user-driven innovation, innovation in services and design, and public sector innovation. A narrow view of innovation that emphasized high technologies missed the opportunities present in other areas.

(b) Innovation policy needed to be designed as an integrated, horizontal, strategic priority, cutting across all relevant areas with leadership from the highest level. Innovation policy as developmental policy should be seen as a horizontal undertaking that leaned on education and science policy but also on small and medium-sized enterprises and industrial policy.

(c) Policies should support both incremental innovation within existing technologies and disruptive innovation leading to systemic changes to the way we produce and consume.

(d) A key example of the latter was greening the economy, which was a large-scale structural transformation that required a regulatory and policy environment that encouraged innovation in many sectors.

(e) The concept of the "circular economy" was mentioned, meaning new ways of consuming and producing, which reduced waste as much as possible through innovative product design, use of renewable materials and energy, replacing products with services, and recycling.

(f) Creating an entrepreneurial culture, including through entrepreneurship education, and a tolerance for failure were highlighted as factors facilitating innovation in a broad variety of national settings. Several participants emphasized the importance of creating an ecosystem for supporting innovative small and medium-sized enterprises and start-ups.

(g) Successful innovation required collaboration between the public and private sectors, and between academia and industry. The importance of bringing different innovation stakeholders together as an important factor for successful policies was emphasized. Strong cooperation, both at the national and regional levels, between decision makers, research institutions, the business sector and civil society at large was necessary.

(h) Innovation also required removing regulatory and financial barriers, by improving, inter alia, access to financing for innovative companies. In that regard, the proper role of government in financing innovation and the appropriate mechanisms for risk-sharing between the public and the private sectors were discussed.

(i) Public-private partnerships could facilitate the mobilization of financing to develop the infrastructure and public services required to support resource-efficient, innovative and competitive economies. The collaboration between the public and the private sectors underpinned most policy instruments aiming to promote innovation. The work of the Economic Commission for Europe in that area was of great value for the region and beyond.

(j) Innovation acquired heightened importance in the face of the current economic and financial crisis as a way to improve productivity and competitiveness, and as a way to do more with less at a time of limited budgets. A good example was intelligent transport systems, which increased the carrying capacity of existing transport infrastructures and therefore reduced the need for investment in expanding networks.

(k) Some old traditional sectors, like forestry, could renew themselves through innovative solutions and lead the way towards the green economy.

(l) In a globalized economy, innovative companies must compete internationally. That meant that national innovation policies benefited from benchmarking against international good practice.

(m) At the same time, some of the societal challenges which innovation could help to solve were global in nature; solutions would therefore benefit from international cooperation.

(n) Knowledge-sharing on innovation depended on the existence of appropriate monitoring and assessment mechanisms that could provide a good foundation for policy design. ECE offered a platform for the exchange of policy experiences and assisted countries in producing tools for assessing their innovation performance.