2013 Annual Ministerial Review of the Economic and Social Council

Submission from the Economic Commission for Europe

I. Introduction

In July 2013, the United Nations Economic and Social Council will hold its seventh Annual Ministerial Review in Geneva, Switzerland. The Review will focus on "Science, technology and innovation, and the potential of culture, for promoting sustainable development and achieving the MDGs".

The Economic Commission for Europe, at its 65th session on 9 -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 [1]

Keynote speech: Mr. 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 Rio+20 outcome document. 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 the achievement of the MDGs. 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 Economic and Social 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 Rio+20 Conference, "The Future We Want", technology transfer is a key to enabling developing countries to meet these challenges. Mr. Osorio looked forward to the contribution from the panel to the Annual Ministerial Review of the Economic and Social Council, since Europe is a major source of technology transfer, and ECE is uniquely placed to take stock of technological progress in Europe and to help transfer knowledge and experience to developing and transition economies.

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

Mr. 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 this regard. There are a number of important factors that influence success, including in particular the existence of an entrepreneurial culture and the tolerance for failure. Global ambitions from the very beginning facilitate scaling-up initial efforts. The availability of high-quality human resources also plays 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. This 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.

Mr. 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

[1] The text summarizes the main points made by the different participants and should not be understood as reflecting positions agreed by ECE member States.

innovates in many fields. The knowledge and the technologies developed while building accelerators and carrying out physics experiments can find many applications in other fields, thus having a positive impact on society. This can 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 are the World Wide Web and detectors for medical imaging instruments. Research organizations have a key role to play in generating innovation that can create concrete benefits for the economy.

Mr. 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 MDGs and to shaping the post-2015 Development Agenda, the Busan Forum, the Rio+20 follow-up and the SDGs. The development policy of France rests 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 this regard, France is convinced that research to serve development and access to scientific results contribute to sustainable economic growth and that R&D policy needs to be a part of development assistance. At the same time, the difficult current financial context puts additional constraints on the public sector. France therefore encourages the emergence of innovative modes of financing for development to complement traditional aid. The scope of the necessary changes makes it impossible for public actors to shoulder alone the associated burden of transformation and innovation. It is 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.

Mr. 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 EU Horizon 2020 Strategy. The logic of intervention follows a holistic approach that recognizes modal specificities, focuses on societal changes and takes into account the imperatives of competitiveness. Policy success requires striking the right balance across multiple dimensions. A resource efficient transport system that respects the environment requires the introduction of new technologies. The aim is to create a seamless transport system that results 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 has to be grounded in appropriate research that provides a good basis for forward- looking activities. International cooperation has an important role to play, addressing common challenges and facilitating the emergence of international standards and global systems.

Mr. 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 plays an important and constantly growing role in the bio-economy, where raw materials and energy are derived from renewable sources. The challenges of combating climate change and resource scarcity are becoming more and more evident. One part of the solution to these challenges is to increase sustainable consumption of reusable and recyclable products based on renewable raw materials. Innovations are a foundation for renewal and development. Innovations can be deployed to both increase the productivity of existing processes and create new sustainable products to meet the needs of consumers. Existing businesses, which need to be cost competitive, are a source of financing for the creation of new products and businesses. There are multiple business opportunities, including revolutionary technologies for the production of biofibrils, high-quality biofuels or biocomposite materials.

One or more speakers and participants raised the following points:

1. 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 emphasizes high technologies misses the opportunities present in other areas.

2. Innovation policy needs 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 leans on education and science policy but also on small and medium enterprises, and industrial policy.

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

4. A key example of the latter is greening the economy, which is a large-scale structural transformation that requires a regulatory and policy environment that encourages innovation in many sectors.

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

6. 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 eco-system for supporting innovative small and medium enterprises and startups.

7. Successful innovation requires 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 national and regional level, between decision makers, research institutions, the business sector and civil society at large is necessary.

8. Innovation requires also removing regulatory and financial barriers, by improving inter alia, access to financing for innovative companies. In this 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.

9. Public-private partnerships can 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 underpins most policy instruments aiming to promote innovation. ECE's work in this area is of great value for the region and beyond.

10. Innovation acquires 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 are intelligent transport systems which increase the carrying capacity of existing transport infrastructures and therefore reduce the need for investment in expanding networks.

11. Some old traditional sectors, like forestry, can renew themselves through innovative solutions and lead the way towards the green economy.

12. In a globalized economy, innovative companies must compete internationally. This means that national innovation policies benefit from benchmarking against international good practice.

13. At the same time, some of the societal challenges which innovation can help to solve are global in nature; solutions will therefore benefit from international cooperation.

14. Knowledge sharing on innovation depends on the existence of appropriate monitoring and assessment mechanisms that can provide a good foundation for policy design. ECE offers a platform for the exchange of policy experiences and assists countries in producing tools for assessing their innovation performance.

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