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## Report of the International Conference

# Laying the foundation in the UNECE region for economic integration and sustainable development towards 2030

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Minsk, 26-27 October 2016

### Introduction

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Further economic cooperation and integration in the region of the United Nations Economic Commission for Europe (UNECE), based on peaceful coexistence and respect for international law, can make an important contribution towards implementing the 2030 Sustainable Development Agenda. Despite the current tensions and sanctions in Europe, there is space for technical cooperation on issues related to trade, regulation, transport, infrastructure, energy and innovation in support of greener, more efficient and more sustainable economies and improved standards of living for citizens throughout the region.

This was the message from the October 2016 International Conference organised by the Ministry of Foreign Affairs of the Republic of Belarus and UNECE in Minsk. The Conference brought together policymakers, academics and civil society representatives in a forward-looking discussion. The topics discussed relate directly to the UNECE's mandate to facilitate concerted action for the economic development and integration of Europe, to raise the level of European economic activity and to maintain and strengthen the economic relations of the European countries both among themselves and with other countries of the world. **This note summarises the issues raised by participants at the Conference, including some proposals for the future work of the UNECE.**

**Agreeing on a common vision for the successful economic development of the UNECE region as part of the implementation of the 2030 Sustainable Development Agenda has a special urgency** against the backdrop of an uncertain global economic outlook and the rise of geopolitical tensions. If divisive forces prevail and new dividing lines emerge, the benefits that economic cooperation and integration can offer for all will be undermined.

The aim of all regional integration efforts is to create broader, integrated markets for goods, services, capital and labour. Integration efforts can make a positive contribution to economic modernization, including through enhanced industrial and technical cooperation, as well as increased investment. The abolition of customs borders reduces transaction costs for business and results in increased competitiveness. The European Union (EU) has moved far in its economic integration. Now the Eurasian Economic Union (EEU) also is reaching significant milestones in its integration efforts: in 2016, a single market for medical devices and drugs will be achieved; by 2019, there are plans to create a single electricity market; and, no later than 2025, single markets for oil, gas and petroleum products. Therefore, despite challenges, the recent crises have not derailed integration efforts as members have not imposed protectionist measures against each other in the face of economic difficulties.

**Speakers from the Eurasian Economic Union (EEU) emphasized their interest in developing relations with other countries and integration initiatives, looking at both European and Asian partners.** Under the presidency of Kazakhstan, 2016 was declared the year of deepening of economic relations of the EEU with third countries and key integration associations. More than 25 memoranda on cooperation have already been signed with different countries.

Given the growing economic importance of Asia and the opportunities opened by the “One Road, One Belt” initiative, emphasis was placed on the importance of forming a larger Eurasian partnership involving a wide range of different integration initiatives including, among others, the Association of Southeast Nations (ASEAN), the EU and the Shanghai Cooperation Organisation (SCO).

For 70 years UNECE has facilitated economic integration in Europe. This mandate is as relevant as ever.

**Mr. Christian Friis Bach,  
Executive Secretary, UNECE**

Belarus advocates...the harmonization of integration processes through an "integration of integrations." We need to avoid an unnecessary and dangerous confrontation of integration models to ensure their synergies and complementarity.

Such activity should be based on joint projects in the sphere of trade and standards, transport and infrastructure, energy and "green" economy, investment and innovation.

**H.E. Mr. Vladimir Makei, Minister of Foreign Affairs of the Republic of Belarus**

A positive desire was also expressed for, steps to be taken to create closer cooperation between the EEU and the EU. Recent trade dynamics are not as favourable as they could be, so a stronger and more fruitful dialogue could be established. This could contribute to a balanced and deeper integration across Asia and Europe. It was mentioned that UNECE, as an unbiased economic platform, could be a “vehicle” for this dialogue.

**At the same time, it was felt that a spirit of competition rather than cooperation between the EU and EEU prevails now, amid a difficult geopolitical situation.** According to the Russian Federation, special economic measures, introduced by the Russian Federation, were a reaction to the EU unilateral sanctions initiated against Russia. Structural differences, including trade imbalances, complicate further the background for economic interaction between the two. On the other hand, the potential benefits of closer cooperation are generally acknowledged, especially if they could take into account relations with China and its New Silk Road initiative. **Strengthening economic cooperation between UNECE member countries, including within the framework of existing integration agreements, could make a contribution to advancing sustainable development goals.**

The EEU was preparing a report, for the end of 2016, to assess the implementation, in all five member states, of the sustainable development goals and the role of integration in achieving them. The already existing EEU work programme and strategy also identify many SDG-related priorities and tasks. The EEU aims for a convergence of per-capita incomes among its members, which would support the achievement of the SDGs and there is already some evidence of this process happening.

UNECE for 70 years has remained a unique international platform for depoliticized dialogue on economic cooperation. This frank, constructive and lively exchange of views should be further increased.

**H.E. Mr. Vassily Nebenzia, Deputy Minister  
of Foreign Affairs  
of the Russian Federation**

The development of a “common economic space” between the EU and EEU may avoid the need for countries to choose between EU or EEU.

**Ms. Tatyana Valovaya, Member of the  
Board (Minister) for  
Integration and Macroeconomics,  
Eurasian Economic Commission**

**However, it must be acknowledged that, globally, there is a general backlash against integration.** This shows that integration should not be taken for granted and that it can be reversed. In order to understand and possibly tackle this negative trend, **there is a need to recognize that integration is not an end in itself but a means towards achieving higher living standards.** The creation of solid institutions and effective policies to ensure that integration leads to sustained productivity growth and poverty reduction should be an

important concern everywhere. Structural policies should aim to create a good business climate and to support entrepreneurship and innovation. On the other hand, it was noted that the backlash against integration and, more generally, globalization, had led to more protectionism and this, in turn, was putting economic growth at risk.

**In the past, regional integration has succeeded in overcoming domestic resistance to liberalization and productivity-enhancing reforms.** Now, this can no longer be taken for granted and it may be advisable to explore complementary approaches for taking advantage of existing opportunities. So, in addition to discussions within and between existing integration initiatives, it may be useful to also “think small” and consider opportunities for closer cross-border interaction at the local level, where benefits may be more easy to identify and positive experiences could be later scaled up.

Integration creates more business opportunities, both domestically and internationally.

**H.E. Mr. Robert Harutyunyan, Deputy Minister of Foreign Affairs of the Republic of Armenia**

**While, at a political level, there are ongoing concerns about a backlash against integration, the perspective from the point of view of the firm is quite different. At the business level there is actually a lot of integration, as can be seen in the increasingly sophisticated fragmentation of production processes within global value chains.** Macroeconomic factors such as real exchange rates are unable to explain or accurately reflect the

positions of different countries in these value chains and, hence, their competitiveness. Instead, there is a need to look at structural factors and to capture differences in “non-price competitiveness”. Business sophistication and innovation are among the most important drivers of productivity and competitiveness in today’s business world. Policy should nurture these factors with the aim, not only to facilitate integration into global value chains, but also to move up the value chain and increase domestic value-added. For this to occur, sound institutions, mutual trust and transparency are required. The policy challenge is to understand this global allocation of production across value chains and to identify those policies that are needed in order to benefit the most from it, rather than trying to fight these changes.

## Trade and Standards: putting in place the building blocks of commerce

**Addressing regulatory differences is a central issue when considering how to facilitate economic integration.** The convergence of regulatory practices drives down trade costs and reduces time to market, increasing the competitiveness of local industries. It also ensures that products are safe while contributing to environmental conservation and public health.

We do not actually have the option of closing our borders. Most of the products we import are used as inputs in our production and our exports... Integration into global value chains empowers states through high technology and technical know-how and opens the way for sustainable and inclusive economic growth.

**H.E. Mr. Fatih Metin, Deputy Minister of Economy of Turkey**

**Barriers to trade are increasingly related to the cost of different regulations and procedures (not tariffs).** Regulators have mandates, such as the protection of consumers or of the environment, that are not directly linked to the facilitation of cross-border exchanges. However, **the emergence of global value chains means that regulators now need to think beyond their borders.** Given the impact of regulations on trade, there are incentives for cross-border cooperation, nonetheless, policies are still very much country and sector focussed. At the same time, from the perspective of firms, this does not make much sense, as being competitive demands that different considerations and perspectives be integrated across sectors and policy domains. The costs imposed on firms due to differences in regulations are particularly large in

some areas, which implies that potential benefits are also large. A cross-sectoral approach, bringing together different policy fields (for example, standards, trade facilitation and logistics) can be particularly useful in materialising these benefits.

**An integrated approach to the development of policies that support participation in global value chains requires the participation of the private sector.** Pragmatic cooperation, resulting from close collaboration between the public and the private sectors, can serve to identify problems and propose solutions for the development of value chains, following a non-hierarchical, top-down approach. Trust is the essential requirement for this inclusive approach to work and this may require the involvement of trusted intermediaries and facilitators, such as the UNECE.

**There is a case to be made for the joint consideration of regulatory and trade issues, leading to a focus on global value chains.** From this perspective, UNECE studies on Regulatory and Procedural Barriers, which up until now have focussed on country-level analyses, could be modified to cover selected cross-border, multi-country value chains. These studies and the implementation of resulting recommendations could be supported by National Trade Facilitation Committees (whose establishment is required under the WTO Trade Facilitation Agreement).

**The current situation is characterised by deep regulatory fragmentation accompanied by high rates of non-conformity in markets.** There is a significant proliferation of low quality and counterfeit products, in particular of consumer products, pharmaceuticals, high-tech equipment used in plants, factories and aircrafts and electronic equipment of all kinds. UNECE is strongly involved in facilitating regulatory cooperation through its Working Party on Regulatory Cooperation and Standardization Policies. In particular, its Recommendation L sets out a model for regulatory cooperation that is comprehensive and includes both pre and post market dimensions, such as common regulatory objectives, references to international standards, mutual recognition of test results and market surveillance cooperation. References to standards and international conformity assessment schemes help regulatory authorities save resources and take advantage of existing expertise.

**The challenge for regulators is to go beyond the convergence of individual regulations and standards and to move towards the international harmonization of regulatory systems,** including cooperation in conformity assessment and surveillance/enforcement. For this, it is necessary to avoid duplication of testing while enhancing the safety and the competitiveness of industries. Cooperation among conformity assessment and enforcement agencies helps to improve the methodologies used for assessments and the quality of laboratory and agency accreditations while also preventing the dumping of non-compliant goods found on one market onto other markets.

**Technical regulations can become obstacles to trade and, therefore, it is important that some form of harmonization and convergence takes place as well as cross-border cooperation.** The Eurasian Economic Union is developing a regulatory framework that incorporates the establishment and application of common requirements for products in technical regulations, a single procedure for conformity assessment and the voluntary application of standards. A more active involvement of stakeholders in drafting technical regulations, lists of standards and sanitary requirements is being sought. Requirements are based on international and regional standards. In addition, Regulatory Impact Assessment procedures for technical requirements and standards are being introduced. The Eurasian Economic Union is looking at the experience of the EU when developing regional standards, borrowing from the best practices available.

Greater economic cooperation in the UNECE region offers a model for growth for all the countries. We need to intensify cooperation and trade because trade...not only brings economic gains but also... expands connections and cultural ties among nations.

**H.E. Mr. Ilija Isajlovski, First Deputy Minister of Foreign Affairs of the Republic of Macedonia**

Ongoing initiatives at the EEU include the preparation of drafts on the application of equivalent approaches to market surveillance, the improvement of product safety and the establishment of mechanisms for the elimination of technical barriers to trade with third countries. These drafts, which are being developed by groups that include experts from authorized bodies and representatives from the industry and business community, take into account EU regulations and directives and/or are based on WTO principles. In the Russian Federation, harmonization with international standards plays a critical role in the development of new standards (around 70 per cent are harmonized) and, in general, international cooperation in technical regulation is regarded as essential.

**Standards are a form of self-regulation, where interested parties come together and agree voluntarily on technical matters in the EU.** This allows more efficient competition by ensuring the interoperability of products and creates a level playing field that facilitates trade. However, standards are not legislation, as they are voluntary and consensual, not imposed by law. In the EU, standards are drafted by a number of independent organizations. **The indirect reference to standards in EU legislation is a “new approach” that allows market operators to react more flexibly.** However, sometimes EU legislation makes a direct reference that imposes conformance with a standard on a product, although this is exceptional and requires revision of the legislation every time the standard is changed. The new, indirect, approach seeks to facilitate the free movement of goods in the internal EU market while ensuring a high level of protection for consumers. The ultimate aim is the elimination of barriers to trade through technical harmonisation. Most commonly, conformity assessment is done by self-assessment.

EU is open to continuous technical cooperation with the EEU and here UNECE can play a role

**Mr. Tomas Kuchtik, Policy Coordinator CIS, DG Trade, European Commission**

Overall economic integration in the UNECE region is driven by two major initiatives, the European Union and the Eurasian Economic Union. Some members of the EEU (Belarus, Armenia) are also members of the European Neighbourhood Partnership. While the European Union is supportive of worldwide trade integration, steps towards further cooperation between the EU and the EEU depend on political decisions which are in the hands of EU member States.

However, according to the EU, the political atmosphere in relations between the EU and the Russian Federation, as dominant EEU member, will naturally affect such EU-EEU cooperation. It was stressed that cooperation between the European Union and the Eurasian Economic Union would require taking into account business interests. In this respect the EU perceives critically trade restrictive measures, such as transit restrictions, introduced by the Russian Federation. At the same time there are areas where different degrees of regulatory and technical cooperation and technical contacts are needed and here UNECE could play a role.

**Collaboration between the European Union and the Eurasian Economic Union is important for the prosperity of the pan-European region, given the significance of these integration initiatives.** Both groups use rules and standards created in the UNECE, which facilitates the economic interaction between them. UNECE could also produce neutral research on regulatory impact assessment that would provide an unbiased picture of the implications of different regulations and, therefore, contribute to a cross-border dialogue on those issues. The importance of a forum where trade barriers created by regulatory differences are identified in order to their simplification and elimination was emphasized.

## Transport and Infrastructure: the future of connectivity

**Economic connectivity through good transport links and free flowing trade, is critical for the prosperity of the UNECE region** and also has positive security implications. Transport can play an important role in the achievement of the SDGs, including in relation to climate change mitigation and the reduction of road accidents. Moreover, the issue of economic connectivity is becoming increasingly important, not just in terms of transport cooperation or technical aspects, but also in terms of political and security obstacles to transboundary economic activities. In South-East Europe, the work of the Regional Cooperation Council sees the development of transport as improving connectivity and increasing competitiveness but also as providing a reform impetus with an important political dimension.

The volume of transit freight transportation on the China-Europe-China line doubled in 2014-2015...The high-speed railway link between Moscow and Beijing will bring a four-fold reduction in journey time with a capacity of 1 million containers per year.

**Mr. Vadim Morozov, Senior Adviser of the Chairman, Russian Railways**

**Physical connectivity, both cross-border and domestic, is an essential condition for economic and social development, in particular for countries with less advantageous geographical positions.** The integration of different modes of transport and the facilitation of custom procedures are necessary to strengthen the connection between different integration initiatives. Although national circumstances differ, the need for co-ordinated and technically harmonised development of transport infrastructures in order to enhance connectivity and interoperability is widely shared.

**Railways, in particular, can play an important role in addressing multiple economic, social and environmental goals.** In the Russian Federation, infrastructure developments in rail aim to facilitate cross-border links, contributing to the development of international transport corridors that provide the backbone of the Eurasian economic space – from Western Europe to China. By providing new access routes to landlocked countries, it also advances the Almaty action plan for landlocked developing countries. The lack of unified railway transport law prevents faster progress in developing efficient and integrated transport corridors but further work in this direction is taking place within the UNECE Inland Transport Committee. The development of Eurasian transport links which will support the access of landlocked countries to world markets are also key priorities for the International Road Union.

**A key objective for international transport policy is the creation of an integrated intermodal transport infrastructure.** The main challenge for this policy is the lack of coordination regarding infrastructure development and the legal aspects related to various modes of transport. Combined mobility has a significant



potential that needs to be exploited. This would require investments in a smart combination of public and private transport services with options for road (flexibility) and rail (more efficient for large volumes over long distance). Harmonization in the field of passenger transport is also important, as this facilitates the development of public transport, which has positive environmental impacts.

**However, facilitating the flow of goods across borders requires more than simply improving physical infrastructure.** Waiting times at borders add significantly to total travel times. The simplification of customs formalities and the reduction of the time required to carry out customs operations is also necessary. In doing this, an appropriate balance between different public goals should be found. Belarus has made rapid progress in recent years in these areas. The use of electronic documents, as well as cooperation with the authorities of other countries and the business community, have contributed to this progress. Key areas of activity include the release of goods without the direct participation of customs officials, the implementation of centralized information processing technology and the creation of border transport and logistics centres. Various cooperation programmes are under way between EEU countries and European Union countries to facilitate border crossing.

For Belarus joint efforts to simplify transit, ensuring the smooth flow of vehicles across the border of the two largest integration associations, the EU and the EEU, are especially important.

This question is closely related to the problem of the efficient organization of data exchange between customs administrations.

**Mr. Aleksandr Bogdevich, Deputy  
Chairman of the State Customs Committee  
of the Republic of Belarus**

For example, cooperation between Belarus and Lithuania contributes to developing transport corridors between Asian and European Union countries. The port in Klaipeda is a key transport node, allowing multi-modal connections. The China-Belarus "Great Stone" industrial park will benefit from these connections. At the same time, growing trade flows from Belarus through the Klaipeda port provide the rationale for increased investment in the port's facilities.

**The development of transport infrastructure should be complemented by a "soft" connectivity agenda, that seeks to eliminate all types of barriers.** Harmonization of regulations can save money without having to invest further in infrastructure. For example, a UNECE study found that the relatively low-cost harmonization of legislation in the Eurasian region on the basis of international agreements and UN conventions would reduce the transit time for trucks going from Bishkek to Warsaw by an average of 4.1 days. This is more than the 3.9 days which will be saved by carriers using the new "road corridor Western Europe - Western China" currently being built with a total investment of more than \$28 billion.

**Better connections should also serve as catalysts to facilitate economic development, tapping into the potential created by the new infrastructure** and taking into account complementarities between different elements that need to be in place. For example, additional investments in IT infrastructure may be necessary to reduce overall costs.

Modern digital technologies can play an important role in reducing costs. A historic event and an important step towards the creation of reliable transport communications in Eurasia, was China's ratification of the International TIR Convention on 26 July 2016. China's accession will give impetus to the development of trade and transport links, and contribute to deepening the process of regional economic integration.



## Energy and the green economy: shifting to a new paradigm

**The green economy sheds light on the conditions necessary for creating the innovation, investment and competition that could lead to the emergence of new and sustainable sources of economic growth while addressing climate change and environmental pressures.** The necessary energy transition, shifting to low-carbon sources and increasing energy efficiency, presents great challenges but also opportunities. Strengthening collaboration on technologies that reduce the carbon-intensity of the energy sector and enhancing the resilience of the energy system holds great promise but tapping into this potential will require a commensurate energy policy revolution that extends beyond national and sectoral boundaries.

**Expanding infrastructure and upgrading technology in order to supply modern and sustainable energy services in the UNECE region demands substantial investments,** which will be the key drivers for transformation. Success in mobilising these resources depends on the creation of a suitable legal, policy and regulatory framework. Such a framework should facilitate the reduction of uncertainty and the sharing of risks while contributing to the creation of a market environment suitable for investments, including in a cross-border context. The mitigation of risks associated with energy-related investment and trade can play an important role in mobilising the necessary resources. An example of an important area for increased, upfront investment is residential retro-fitting to increase energy efficiency which has significant environmental and economic pay-offs. International cooperation can be an important factor driving the necessary changes and a channel for sharing best practices.

**The transition to green growth will create new jobs, including highly skilled jobs in new areas of activity.** However, some traditional jobs will be threatened, so there is a need to facilitate the reallocation of workers from declining to growing sectors, thus replacing polluting activities with cleaner alternatives or providing new environmental services. Training and retraining will be a key component of active labour market policies. Green growth strategies should also pay attention to other social issues and problems that may arise as a direct result of the transition to a green economy at the national and international level.

**Delayed action would reduce the options available and make the transition much costlier.** As the COP21 pledges for reducing greenhouse gases are translated into effective policies, the baseline trajectory of the global energy system moves closer to a 4 Degree Scenario for global warming and possibly even below. However, meeting the 2 Degree Scenario (2DS) target will require an extraordinary effort encompassing the full spectrum of low-carbon technologies. The energy intensity of the global economy will need to be 20 per cent lower, and the carbon intensity 65 per cent lower, than the 4-degree level in order to meet the 2DS in 2050. Innovation in energy technology is a critical enabler of the 2DS as it can reduce costs and even increase the performance of existing technologies.

**Renewables are playing a major role in meeting the climate change challenges.** The increased share of renewables is positive not only for climate change mitigation but also for improving health and energy security. Globally, renewables have become the largest source of new power capacity in the electricity sector. This shift is being driven not only by climate change mitigation considerations but also by the desire to reduce local air pollution and increase energy security. Overall, the International Energy Agency projects a steady increase in the share of renewables in all sectors. While less progress is expected in heat and transport, renewables will continue to dominate electricity growth.

Keeping the global temperature increase below the "safe" threshold of 2° C will require new models of investment and the shift to a low-carbon "green economy", including a tripling of the share of world energy produced on the basis of energy sources with low carbon content.

**Mr. Georgy Ermolenko, Head of the Center for Renewable Energy Development, High School of Economics, Moscow**

**The rapid decline in the cost of renewables in recent years has facilitated their expansion.** Increased cost-competitiveness means that high incentives are not necessary anymore for the continued deployment of renewables. However, appropriate regulatory frameworks and market design remain important. Renewables are generating increasing capacity per unit of investment and becoming a source of jobs. However, parts of the UNECE region are trailing behind in the global expansion of renewables. Given the multiple benefits of renewables, further policy strengthening is required. This should include appropriate strategies and action plans, the creation of a level playing field by removing fossil fuels subsidies and the de-risking of investment.

However, **it is important to ensure that renewables are sustainable.** While there are multiple instruments that can be deployed, the introduction of an appropriate carbon price is critical to supporting climate change mitigation efforts and providing the right incentives to switch to sources with a lower carbon footprint and increase efficiency. Moreover, **it is realistic to acknowledge that fossil fuels will continue to play an important role in the energy mix.** In particular, it is important to acknowledge the contribution that a shift to gas, replacing sources with a higher carbon content, could make to climate change mitigation. In the pan-European context, this may require higher awareness of the benefits of gas and increased international cooperation.

**Climate change mitigation requires a shift in the energy mix but also increases in energy efficiency.** Increased energy efficiency – which is sometimes labelled as the most important fuel - will be a significant contributor to reducing the use of fossil fuels and mitigating climate change. There are still large differences across countries in energy efficiency. While these partly reflect country specificities, there is a significant potential to reduce these disparities. In order to identify the main challenges and barriers to energy efficiency, it is necessary to involve a wide variety of institutions, business and non-governmental actors, in order to provide a solid foundation for any recommendations for action.

## Investment and Innovation: making change happen

**Innovation is a key driver of productivity and, hence, economic growth in the medium to long-term.**

Innovation is also essential to aligning economic growth with ecological sustainability and social inclusion. For innovation to succeed, an eco-system is needed in which new ideas can be generated, tested and grown. Strong innovation eco-systems feature intricate links and inter-dependencies between universities and research facilities, entrepreneurs, small and large companies, financial intermediaries, and customers. Increasingly, innovation is an open and international process, in which research, development, financing and commercialization are undertaken by partners from different countries, and in which companies' strategies are aimed at international rather than national value chains and markets.

**For countries to compete successfully and sustainably in today's innovation-driven economies, infrastructure is critical. Public-private partnerships (PPPs) are a powerful instrument** to implement projects with an impact on sustainable development, including in a cross-border context. PPPs are understood as contractual arrangements between one or more public agencies (national, state or local) and a private sector entity, under which the private party delivers a facility and/or facility-based services for public use.

**High-quality infrastructure in key sectors such as energy, water and transport, among others, is necessary to advance sustainable development.** Public-private partnerships can help overcome some of the problems that prevent sufficient investment in these areas, including the scarcity of public resources, while contributing to raising the efficiency of investment decisions.

**To promote the development of PPP in support of sustainable development, it is necessary to increase the awareness of its potential,** so it can be considered in public investment and territorial development plans. Different forms of risk-sharing with the private sector can be explored, while the legal and institutional basis should be inspired by world-best practices.

**New PPP models which are explicitly oriented to meeting sustainable development goals, such as the People First PPPs championed by UNECE, should be used to advance the 2030 Agenda.** This means also incorporating non-financial factors when assessing the impact and effectiveness of PPPs. Building trust and developing a long-term strategy are essential, so it is important to pay attention to transparent communications in all the phases of a project.

**There are several models of transnational PPPs in support of economic integration.** An infrastructure asset can span international borders or be based in one country, with outputs and benefits being shared or exported across different countries. The project's core output-producing asset may be a PPP, the distribution networks may be PPPs, or both.

**Transnational projects include an additional layer of complexity,** as different currencies may be involved both in the revenues and the financing. Given the general complexity of these projects, where there is a need to reconcile different institutional and legal approaches and establish trust among multiple and varied stakeholders, the role of neutral platforms such as that provided by the UNECE is valuable.

**The world economy is currently characterised by moderate growth, sluggish investment and low productivity increases. In this context, fostering innovation is particularly important.** Investment, innovation and integration are powerful levers to revive economic growth through four key factors:

entrepreneurship; firm collaboration; the pooling of private and public capital; and the increased effectiveness of public institutions.

**Innovation cannot be equated with increased R&D. The ultimate test of innovation is the development of products and services that find their way to the market.** As the firm is the ultimate source of innovation, governments' innovation policies should focus on firms. While innovation is generated in large firms or small tech companies, the diffusion of innovation, especially among SMEs, is crucial in order to enhance the role of innovation as a driver of growth.

The main role of government is to prod, smooth and support the innovation process in order to reach a well-working innovation system through a number of policies, from trade to free flow of knowledge.

**Mr. Salvatore Zechini, Professor,  
Università degli Studi di Roma**

**Government policies should focus on all components of the innovation system while addressing existing barriers to innovation,** including difficulties in accessing finance, an unfavourable investment climate, regulatory constraints, weak linkages between large and small companies and insufficient cooperation between universities and start-ups. In particular, governments need to cut the power of incumbent firms to prevent new ones from coming into the market. Competition should be recognised as an important component of innovation policy.

Funding tools should be diverse, including the use of public procurement and various forms of risk-sharing through collaboration between the public and private sectors.

**There are three main channels through which knowledge transfer takes place: foreign direct investment, global value chains and global innovation networks and clusters of firms.** Trade and investment promotion should be recognised as components of innovation policy. Governments should create the appropriate conditions for companies, including SMEs, to participate in global value chains. Networking large and small firms in clusters, value chains and innovation networks is important. **Overall, innovation promotion has important international dimensions and therefore would benefit from enhanced international collaboration.**

## Sustainable development and partnerships

Without economic integration, without enhanced dialogue and cooperation in all the areas we have discussed here, we will not achieve the SDGs. Hence Switzerland keeps supporting the UNECE in helping the countries of the pan-European region to convene and cooperate on norms, standards and conventions – in support of the Sustainable Development Goals (SDGs).

**H.E. Mr. Michael Gerber, Ambassador,  
Special Envoy for Global Sustainable  
Development, Switzerland**

implementing all SDGs. Achieving Goal 17 is a necessary condition to advancing the 2030 Sustainable Development Agenda in its entirety.

**There is a need to follow up on the progress (as well as any backsliding) with regard to sustainable development and the achievement of the SDGs.** This requires good data and a robust review mechanism. At a global level, the High-level Political Forum on Sustainable Development (HLPF) has been established. UN member States have also stipulated the need for a regional review component and, thus, a role for the Regional Commissions.

I would like to highlight the utmost importance of the implementation of the SDGs for Azerbaijan...the expansion of international cooperation among the countries in the UNECE will contribute to achieving the targets for the sustainable development goals by 2030.

**H.E. Mr. Sahib Mammadov, Deputy Minister of  
Economy and Industry of the Republic of  
Azerbaijan**

Kazakhstan supports the annual Regional Forum on Sustainable Development in the UNECE region.... This platform will provide an opportunity to involve stakeholders, including civil society and the private sector, in the implementation of the sustainable development goals in the UNECE region.

**H.E. Mr. Galymzhan  
Koishybayev, Deputy Minister of  
Foreign Affairs of the Republic of  
Kazakhstan**

**The UNECE can, therefore, play a role in the following up of the implementation of the 2030 Agenda in its member States.** Here the decision by member States to establish a Regional Forum for Sustainable Development is important to ensure regional review and follow-up. This will enable, for example, the exchange of information and best practices as well as the provision of expert knowledge. There are many instruments already at hand within the UNECE that can be used to support the SDGs, for example, the Environmental Performance Review (EPR) Programme. The continuously strong engagement of UNECE, building on these instruments, will allow countries in the region to implement the 2030 Agenda more effectively.

## Economic cooperation and integration: the role of UNECE

Participants in the Conference stressed the different contributions that the UNECE can make to advance economic cooperation and integration in the region and some participants made a number of specific proposals to strengthen further this role. In particular:

- Belarus proposed to use UNECE as a platform to discuss areas and ways for cooperation between different integration associations in the region. In this connection, it suggested the creation of a permanent mechanism within UNECE to discuss and make recommendations to enhance cooperation between integration associations. Kazakhstan and the Russian Federation also proposed that the issues related to economic integration and its impact on different sectors should be addressed in the future work of the UNECE.
- Kazakhstan encouraged all partners to engage in a constructive dialogue in order to restore the level of economic cooperation existing in the region before recent tensions. UNECE and other regional institutions should support this dialogue.
- Different examples of the work of UNECE were mentioned as promoting economic cooperation and integration in the region, including the elaboration of studies, the development of norms or, more generally, the provision of a platform for the exchange of views and the identification of good practices. More generally, the value of this neutral, non-political platform for building trust and facilitating dialogue was stressed.
- In addition, some new directions of activity were suggested, including the following. The realization of UNECE studies on Regulatory and Procedural Barriers on Trade covering, in addition to individual countries, specific global value chains. Neutral research on regulatory impact assessment would also contribute to a cross-border dialogue. And further progress in the development of a unified railway transport law would facilitate the emergence of transport corridors.
- UNECE also could play an important role in the regional review- and follow-up to the 2030 Agenda for Sustainable Development through its committees, its cross-sectoral work, review mechanisms, statistics and the Regional Forum for Sustainable Development.

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### Conference webpage

<http://www.unece.org/vision2030.html>

The programme can be found at this [link](#)