

**ECONOMIC COMMISSION FOR EUROPE**

**EXECUTIVE COMMITTEE**

135th meeting  
Geneva, 9 September 2024

Item 3(a) of the provisional agenda

Informal document No. **2024/23**

**Meeting with the Chair of the Committee on Innovation, Competitiveness and  
Public-Private Partnerships (CICPPP)**

**Report by the Chair**

## **Report by the Chair of the Committee on Innovation, Competitiveness and Public-Private Partnerships**

1. The Chair of the Committee on Innovation, Competitiveness and Public-Private Partnerships (Committee), Mr. George Katapodis (Greece), is pleased to submit his report to the 135th meeting of the Executive Committee on 9 September 2024.

### **I. Introduction**

2. This report describes the main achievements of the Committee and its subsidiary bodies over the last twelve months, as well as major activities planned for the remainder of 2024 and 2025. The Committee's activities in the reporting period are based on:

- The programmes of work of the Economic Cooperation and Integration (ECI) subprogramme for 2023 and 2024 (ECE/CECI/2022/5 and ECE/CECI/2023/5); and
- The Intersessional Implementation Plans for 2023-2024 and 2024-2025 (ECE/CECI/2023/2, Annex II and ECE/CECI/2024/2, Annex II).

3. This report provides key highlights of past and planned activities and their impact, in line with the Committee's mandated thematic focus: innovation and infrastructure financing through Public-Private Partnerships (PPPs). A more complete summary of the Committee's achievements and plans is contained in the report of its seventeenth session (ECE/CECI/2024/2).

#### ***Relevance***

4. The Committee supports the 2030 Agenda for Sustainable Development by developing policy guidance for member States, analysing national innovation policies, assessing PPP projects against sustainability criteria, and building national capacity for innovation policy and for Public-Private Partnerships (PPP) project design and delivery.

5. Never has the need for finding innovative solutions and for mobilizing financing for the SDGs been greater than today. And nowhere is this clearer than in the case of climate action:

- Each one of the past twelve months has been the hottest such month on record;
- The cost of extreme weather events, such as devastating floods, wildfires, and storms, in terms of destroyed infrastructure and lost output could double this decade.

6. To be sure, there has been some progress. The prices of wind and solar energy have come down. The CO<sub>2</sub> intensity of GDP in the ECE region has declined by 31 per cent from 2010 to 2020. And this progress has been driven by investment in innovation:

- Global public and private spending on research and development has grown almost 5 per cent annually in the 2011-2021 period, outpacing global GDP growth;
- Innovation-driven venture capital investments in clean technologies have grown tenfold.

7. But progress remains too slow. Clearly, the ECE region needs to step up its efforts to mitigate climate change. And it needs to do much more to adapt to its consequences. The public and private financing needed to make critical infrastructure sustainable and resilient alone are estimated at USD 6.9 trillion per year. And yet, international project finance, which is the main source of finance for PPP projects, has stagnated over the last decade, reinforcing the need for more sustainable and better structured projects.

8. The Committee is well-placed to contribute to the cross-cutting theme for the seventy-first session of the Economic Commission for Europe "Climate action and resilient infrastructure for a sustainable future". In preparation, the Committee already held an international policy dialogue on this topic at its seventeenth session.

*Spotlight on AI*

9. As one outcome of this policy dialogue, the Committee, in decision 2024 – 9, identified Artificial Intelligence (AI) as a new general-purpose technology that will be key to accelerating climate action and the circular economy transition, and to making infrastructure more resilient for a sustainable future.

**II. Achievements over the past 12 months****Innovation and Competitiveness***International policy guidance: harnessing the transformative power of innovation*

10. Accelerating progress on the SDGs requires truly transformative innovation – that is innovations in many different technologies that complement each other to cumulatively move the needle on the sustainability of large socio-economic systems, such as the built environment, energy, or transport. The challenge for policy makers lies in the complexity of the coordination that this requires. Transformative innovation calls for new innovation ecosystems, and for a new, innovative approach to policy itself, an approach centred on experimentation, agility and learning.

11. The UN ECE Transformative Innovation Network (ETIN), with financial support from the Government of Germany under a multi-year XB project, has helped to unleash the transformative power of innovation for sustainable development.

- As a UNECE-coordinated platform, ETIN promotes peer learning and the exploration of innovative policies and practices, leveraging evidence-based analyses.
- Since its launch in 2022, ETIN has grown to over 40 members, from 15+ countries, and is currently expanding to the Western Balkans, Eastern Europe, South Caucasus, and Central Asia areas.
- ETIN has hosted 8+ workshops, released 23 Innovation Matters podcast episodes, and launched 11 Innovation Circle live discussions with key themes covering circular economy/platforms, strategic learning groups, and policy discussions on innovation-enhancing procurement.

12. ETIN is inspiring work in the Committee and in its subsidiary bodies. Drawing on the work of ETIN, the Team of Specialists on Innovation and Competitiveness Policies (ToS-ICP) developed new policy guidance on “Digital and green transformations: exploring the strategic dynamics of experimentation and learning”.

*National and sub-regional policy reviews: creating impact on the ground*

13. With financial support from the Government of Sweden, ECE/the Committee provided support to countries in Southern Caucasus and Eastern Europe (SCEE). Examples of concrete impact achieved include:

- Based on the recommendations from its national I4SDR Review, Armenia is currently developing a new strategy for high-tech industries. It has requested ECE support for implementing this new strategy.
- Based on recommendations from the I4SDR of Georgia and the sub-regional IPO of the EESC subregion and subsequent capacity building support, Georgia has created new initiatives on promoting innovation in agri-tech and in AI.
- Following the sub-regional IPO, Ukraine expressed its appreciation for ECE’s support on innovation policy reform through the ongoing I4SDR, including inputs into the national innovation strategy and a new strategy on intellectual property rights that are being developed.

14. According to a recent evaluation, beneficiaries rated the Sweden-funded XB project highly on effectiveness and very highly on relevance, efficiency and sustainability (positive response rates between 86 and 94 per cent). The evaluation recommended inter alia to seek

follow-on funding for innovation policy support to Eastern Europe and the South Caucasus and for replicating the project in other sub-regions, such as the Western Balkans and Central Asia.

15. With financial support from the UNDA, the ECE/the Committee serviced the Working Group on Innovation and Technology under the UN Special Programme for the Economies of Central Asia (SPECA), also yielding concrete impact at the country-level:

- Following the roadmap on innovation infrastructure development drawn up with ECE support, Kyrgyzstan opened its first innovation centre at the Kyrgyz National University. A new law on Venture Capital financing was drafted and is being reviewed by the Cabinet of Ministers before adoption.
- As part of the SPECA Network of Business Incubators and Accelerators, Uzbekistan expanded policy support for start-ups and entrepreneurship and several Venture Capital funds set up operations in the country. Uzbekistan is also participating in ETIN.
- Following policy recommendations from its national I4SDR, Uzbekistan has strengthened innovation policy coordination, increased state funding for research commercialization and invested heavily in improving the quality of universities and increasing student enrolment in tertiary education.

### **Spotlight on AI**

16. Initial discussions at the seventeenth session of the Committee showed that AI can speed up truly transformative innovation in climate critical areas by helping to cope with the complexities of driving sustainability transitions and by modelling the responses of complex socio-economic systems to policy changes. At the same time, many AI applications also have high energy and environmental footprints, and there is a need for innovation to prevent the expansion of AI from undermining climate action.

### **Public-Private Partnerships**

17. PPPs are crucial for mobilizing financing. But PPPs are not straight forward – things can go wrong. This is why ECE developed its PPP for the SDGs approach with its five outcomes. Since 2017, the ECE Guiding Principles on PPPs in support of the SDGs provide the normative basis for ECE’s work on PPPs.

*Building on policy guidance: PIERS and the International PPP Forums as new flagships*

18. Building on this normative basis, in 2023, the Committee adopted the PIERS methodology (PPP and Infrastructure Evaluation and Rating System) (ECE/CECI/2023/4). During the past two years, PIERS has gained popularity and established itself as a flagship tool for assessing the sustainability credentials of PPP and infrastructure projects.

- To date, PIERS has been used in over 230 projects, and there is strong demand for assistance by ECE member States to use PIERS on their projects.
- In December 2023, ECE launched the PIERS digital platform. In just over six months, 93 projects from 44 countries across 18 sectors, totalling USD 41.4 billion, were assessed using PIERS.
- PIERS is at the core of a campaign to collect 500 case studies that demonstrate the ECE PPP for the SDGs outcomes. Over 230 case studies have been collected so far and scored against the five PPP for the SDGs outcomes.
- In cooperation with the Economic Commission for Africa and the Economic Commission for Latin America and the Caribbean, ECE promotes the use of the PIERS in six Member States through specialised training and the evaluation of 40 projects.

19. With PIERS at the core, the annual International PPP Forum has become a core event of ECE. Discussing topical PPP issues to help close the SDG infrastructure gap at national

and city levels, as well as across borders, the annual International PPP Forum takes a multi-stakeholder approach. The 8th edition of the International PPP Forum was held in Istanbul, Türkiye, on 8–10 May 2024, co-organised with the Government of Türkiye. It attracted over 600 participants from 93 countries, including at ministerial and CEO levels. Among others, the Forum:

- Showcased PPP and infrastructure projects from around the world. More than 20 projects were submitted and evaluated using PIERS, 15 of which were presented.
- Covered a range of topics, including digital and green transformations, economic recovery and reconstruction, climate resilience, road safety, small-scale PPPs and the role of AI in lowering project costs.
- Championed a human-rights based approach to PPPs, gender equality, inclusivity and women's empowerment, equal access to public services, and stakeholder engagement.

*CICPPP's normative machinery: tools that respond to today's priorities*

20. Over the years, the Committee delivered on PPP normative tools to respond to the two most recent cross-cutting Commission themes (i.e. promoting circular economy and sustainable use of natural resources in the ECE region (69th session), and digital and green transformations for sustainable development in the ECE region (70th session). The Committee also delivered normative tools on priority topics such as sustainable economic recovery and reconstruction, corruption in PPPs, food security, women's empowerment, climate resilient infrastructure, access to essential public services, and accelerating achievement of the SDGs in the ECE region.

21. The Committee approved one new normative document:

- The Guidelines on delivering PPP projects for sustainable economic recovery and reconstruction in support of the SDGs (ECE/CECI/WP/PPP/2023/10).

22. Nine PPP standards and guidelines are currently under preparation, with the four launched in 2023 expected to be finalised in 2024, and work on five new workstreams launched in 2024 on the following topics:

- Enhancing stakeholder engagement in PPPs for the SDGs;
- Supporting the use of off-grid rural electrification renewable energy and energy efficient PPP solutions for the SDGs;
- Promoting gender equality and women's empowerment through PPPs for the SDGs;
- Promoting climate resilient PPP and infrastructure projects in support of the SDGs; and
- Promoting international best practices in small-scale PPP projects in support of the SDGs.

*Spotlight on AI*

23. In anticipation of the Committee's seventeenth session, where it welcomed policy discussions on the role of AI in accelerating innovation and infrastructure PPPs (ECE/CECI/2024/2, decision 2024 – 9), the 8th UNECE PPP Forum initiated a discussion on the role of AI in accelerating and bringing down the costs of PPP projects. This is particularly relevant for small-scale projects whose high development costs make them economically challenging to implement.

### III. Major activities planned for 2024 and beyond

24. The following paragraphs provide some highlights on planned activities, including over a multi-year horizon. A more complete list of activities planned for the coming twelve months is included in ECE/CECI/2024/2, Annex II. Recognizing that capacity building activities are contingent on the availability of extra-budgetary funds, the secretariat has stepped up efforts to mobilize such funds. Among others, the secretariat:

- Developed a resource mobilization strategy and is in a dialogue with potential donors.
- Submitted to the Committee document ECE/CECI/2024/INF.4, which contains a detailed account of country and sub-region specific requests for support received by May 2024.
- Included relevant further request made at the CICPPP in the inter-sessional implementation plan annexed to the report of the Committee on its seventeenth session (ECE/CECI/2024/2).

25. In view of the strong demand for additional support from ECE programme countries the Committee is calling on member States to consider providing additional extra-budgetary funding.

### **Innovation and Competitiveness**

26. Priority entry points to mobilize extra-budgetary funds for the continued delivery of technical cooperation activities include:

- A second IPO for the Eastern Europe and South Caucasus sub-region, second national I4SDRs for Georgia and the Republic of Moldova, capacity building support for Armenia and Ukraine;
- Replicating the sub-regional IPO from EESC countries in other country groups, such as the Western Balkans, and SPECA participating States;
- Ensuring sustainability of funds invested and further nurturing the vibrant and dynamic ETIN, with a focus on innovation eco-system development, strategic policy learning, and innovation-enhancing procurement.

#### ***Spotlight on AI***

27. At its session on 19–20 November 2024, ToS-ICP will develop additional policy guidance on i) promoting AI-enabled innovations to accelerate SDG progress and mitigate climate change and on ii) promoting innovations that reduce the climate footprint of AI itself, while respecting fairness, trustworthiness, and ownership concerns, and issues related to access, data security, and privacy.

### **Public-Private Partnerships**

28. The eighth session of the Working Party on PPPs will be held in Geneva on 25-26 November 2024. Four practical guides will be submitted for adoption (see above).

29. The 9th edition of the International PPP Forum will be organised by ECE in May 2025. It will showcase the results of the campaign to reach 500 PPP for the SDGs case studies, including through the biannual competition for the best PPP and infrastructure projects organised by the secretariat with a focus on digital and green transformations in support of sustainable development.

#### ***Spotlight on AI***

30. The Working Party on PPPs will continue discussions on lowering transaction costs with the aim of developing additional guidance on how policy can facilitate the use of AI in PPPs and accelerate the financing of climate-resilient infrastructure.

## **IV. Any proposed change to the subsidiary structure of the Committee**

31. There are no changes proposed to the subsidiary structure of the Committee. The organizational structure of the Committee is shown in the annex to this report. Draft decisions presented for the consideration of the Executive Committee are contained in document ECE/EX/2024/L.8.

## V. Follow-up to the 2023 session of the Economic Commission for Europe

32. The Committee and its subsidiary bodies delivered on the cross-cutting theme of the 2023 session of ECE, “Digital and green transformations for sustainable development in the ECE region” within their mandates. They developed policy guidance and facilitated knowledge sharing through policy dialogues, workshops and sessions at ToS-ICP, ETIN, the Working Party on PPPs, and the International PPP Forum. Specifically:

- The Committee adopted new policy guidance on “Digital and green transformations: exploring the strategic dynamics of experimentation and learning”.
- The Working Party is in the process of finalizing two guides on digital transformation, and one on green PPP procurement.
- The secretariat also launched a digital platform for PIERS.

## VI. Inter-sectoral activities: new activities and/or progress in existing inter-sectoral activities

33. The Committee looks forward to cooperating with other sectoral committees on the new cross-cutting theme of the 2025 Commission session ECE, i.e. “Climate action and resilient infrastructure for a sustainable future”.

### *Spotlight on AI*

34. The Committee already dedicated part of its policy dialogue at its seventeenth session to the role of AI in mitigating climate change and adapting to its impact and held a discussion with the Steering Committee on Trade Capacity and Standards, UN/CEFACT, the Committee on Environmental Policy and the Committee on Sustainable Energy.

35. This dialogue revealed that synergies can be created with the work of UN/CEFACT on blockchains for sustainable value chains, with the Working Party on Regulatory Cooperation and Standardization Policies around their new recommendation on regulatory compliance of goods with embedded AI or other digital technologies, and with the Committee on Sustainable Energy on innovations in critical raw materials for green transformations, and on PIERS as a tool to mobilize climate finance.

## VII. Technical cooperation activities

### **Innovation and Competitiveness**

36. Overall, over 280 policy makers and practitioners from Azerbaijan, Kazakhstan, Kyrgyzstan, Montenegro, North Macedonia, Republic of Moldova, Serbia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan benefitted from technical cooperation activities.

37. These activities have translated into concrete policy reforms in Armenia, Georgia, Ukraine and Uzbekistan as detailed in section II above. Armenia, Montenegro and Uzbekistan expressed strong demand for additional technical cooperation on innovation policy which the Committee reflected in its inter-sessional implementation plan.

### **Public-Private Partnerships**

38. Overall, over 1,000 policy makers and practitioners benefitted from PPP capacity building and policy advisory activities with the participation of government officials from the ECE 17 programme countries and the involvement of international partners.

39. These activities have translated into concrete changes in the way PPP projects are prepared in Kyrgyzstan, Tajikistan and Ukraine as detailed in section II above. Azerbaijan and Kyrgyzstan expressed strong demand for additional technical cooperation on the use of the PIERS methodology to ensure that from their inception, PPPs contribute to the SDGs and can attract sustainable finance.

## **VIII. Cooperation with other organizations**

40. Details on ongoing and future cooperation are included in section VI of the report of the Committee on its seventeenth session (ECE/CECI/2024/2).

### ***Spotlight on AI***

41. The secretariat will also explore cooperation opportunities with the International Telecommunication Union (ITU) under the AI for Good initiative under the Committee's mandates on innovation and PPPs.



## Annex

### **The organizational structure of the Committee on Innovation, Competitiveness and Public-Private Partnerships**

