



26th ECONOMIC AND ENVIRONMENTAL FORUM

“Promoting economic progress and security in the OSCE area through innovation, human capital development, and good public and corporate governance”

FIRST PREPARATORY MEETING

Vienna, 22-23 January 2018

CONSOLIDATED SUMMARY

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LIST OF ABBREVIATIONS

AIT	Austrian Institute of Technology
BPR	Business process reengineering
CBM	Confidence-building measure
EAEU	Eurasian Economic Union
EEC	Economic and Environmental Committee
EED	Economic and Environmental Dimension
EEF	Economic and Environmental Forum
EU	European Union
FATF	Financial Action Task Force
FinTech	Financial technology
GDP	Gross Domestic Product
ICT	Information and Communication Technology
ISP	Internet Service Provider
IT	Information Technology
NGO	Non-governmental organization
NPR	Next Production Revolution
OCEEA	Office of the Co-ordinator of OSCE Economic and Environmental Activities
OSCE PA	OSCE Parliamentary Assembly
PCU	OSCE Project Co-ordinator in Ukraine
pS	participating States
SDG	Sustainable Development Goal
SME	Small and medium-sized enterprise
UN	United Nations

EXECUTIVE SUMMARY

The First Preparatory Meeting of the 26th OSCE Economic and Environmental Forum (EEF) on “Promoting economic progress and security in the OSCE area through innovation, human capital development, and good public and corporate governance” took place in Vienna on 22-23 January 2018.

During the two-day-meeting, the following thematic topics were addressed:

- Digital economy as a driver for growth and connectivity
- Boosting innovation, competitiveness and employment through digital economy
- Enhancing good governance, transparency and the fight against corruption through digitalization
- Security implications of digital economy
- Boosting sustainability through digital economy.

More than 200 participants, including representatives of OSCE participating States, OSCE field operations, institutions and partners for co-operation as well as experts from international, regional and non-governmental organizations (NGOs), the business community and academia attended the Forum and engaged in constructive discussions throughout the Sessions.

The discussions elaborated on the link between digitalization, economic changes and challenges and security. The digital economy was considered as a unique opportunity to enhance dialogue and trust in the OSCE area. Innovation can become a means for enhancing connectivity, in terms of new economic opportunities and inclusive political confidence-building. Challenges of the Fourth Industrial Revolution have to be elaborated to make sure that the benefits of globalization and technological change are equally shared among countries and people. Potential risks and opportunities associated with digitalization need to be, as well, debated within the framework of multilateral organizations such as the OSCE.

During the sessions, emphasis was put on explaining e-governance models and their role in strengthening good economic governance, fighting corruption and simplifying customs and business procedures, bridging the digital divide and taking concerted efforts to combat cybercrimes. Digitalization, as a driver for growth and competitiveness, has an enormous impact on trade, commerce, entrepreneurship and social prosperity. The digital economy has a positive role as a growth multiplier. The internet can help SMEs in competing with larger companies. However, the digital economy requires collective action and collaboration, essential for creating an efficient and fair governance system. During the discussions, concern was raised over the impact of innovation and the Fourth Industrial Revolution on the labour market. Training on digital skills needs to be ensured to avoid talent shortage, unemployment and inequality. Respecting intellectual property rights as well as the need to prevent cybercrimes and address the gender digital divide were mentioned.

Several participating States shared experience and provided best practices on digital transformation and digitalization, while focusing on modernizing public services e.g. to have data provided to a public authority only once. Proper legal frameworks need to be ensured (especially on audiovisual media content, digital contract or copyright). Venture capital is required to support technological innovation.

Removing barriers towards innovation, creating a secure investment climate, guaranteeing consumer protection and protection against cyber-attacks, while creating international and interoperable standards were highlighted. Therefore, international collaboration in multilateral fora is very useful.

In conclusion, the 26th Economic and Environmental Forum could contribute to channel the gap between scientific knowledge and political wisdom in view of innovation, human capital development, and good public and corporate governance. A successful co-operation can only be built on the principles of equal partnership, complementarity and mutual interest, and through co-operation the participating States could successfully address the growing digital gap.

Opening Session

Welcoming remarks:

- **Ambassador Alessandro Azzoni**, Chairperson of the OSCE Permanent Council, Permanent Representative of Italy to the OSCE, 2018 OSCE Italian Chairmanship
- **Ambassador Thomas Greminger**, OSCE Secretary General
- **Ambassador Vuk Žugić**, Co-ordinator of OSCE Economic and Environmental Activities

Moderator: **Ambassador Alessandro Azzoni**, Chairperson of the OSCE Permanent Council, Permanent Representative of Italy to the OSCE, 2018 OSCE Italian Chairmanship

Rapporteur: **Ms. Giulia Manconi**, Advisor for the Economic and Environmental Dimension, Permanent Mission of Italy to the OSCE, 2018 OSCE Italian Chairmanship

Ambassador Alessandro Azzoni, Chairperson of the OSCE Permanent Council, Permanent Representative of Italy to the OSCE, 2018 OSCE Italian Chairmanship, introduced the main priorities of the Italian Chairmanship in the second dimension and emphasized the importance of discussing challenges and opportunities posed by digitalization in the context of the OSCE Economic and Environmental Forum (EEF). He highlighted the existence of a strong link between digitalization, economic challenges and security. Amb. Azzoni concluded his welcoming remarks by inviting participating States (pS) to start considering the digital economy as a unique opportunity to enhance dialogue and trust in the OSCE area.

Ambassador Thomas Greminger, OSCE Secretary General, highlighted that the OSCE can be a platform for embracing technological change and can direct the organization towards a future that reflects participating States' common objectives and values. The Secretary General underlined the importance of ensuring that innovation becomes a means for enhancing connectivity among participating States, both in terms of new economic opportunities and inclusive political confidence-building. Moreover, he stressed that potential risks and opportunities associated with digitalization need to be discussed and managed by pS in the framework of multilateral security organizations like the OSCE.

Ambassador Vuk Žugić, Co-ordinator of OSCE Economic and Environmental Activities, thanked the Italian Chairmanship for having included “digitalization” among the topics of the 26th Economic and Environmental Forum. Amb. Žugić recognized the importance of discussing the challenges and opportunities of the Fourth Industrial Revolution in order to make sure that the benefits of globalization and technological change are shared equally among countries and people. While mentioning the 15th anniversary of the Maastricht Strategy, Amb. Žugić expressed his hope that the 26th Economic and Environmental Forum

would contribute to bridge the gap between scientific knowledge and political wisdom, thus reinforcing the vision of the Maastricht Strategy.

The floor was opened for discussion.

A representative of the Republic of Belarus stated that the digital economy is a powerful tool for developing trade partnerships, expanding business contacts and thereby facilitating connectivity and integration in the OSCE area. In particular, he underlined the important role that the digital economy can play in strengthening economic connectivity and deepening contacts among the various integration associations existing within the OSCE area.

A representative of Kazakhstan thanked the Italian Chairmanship for having included digitalization among the main topics of the 26th Economic and Environmental Forum cycle. She said that the EXPO 2017 – Future Energy – in Astana had already demonstrated the important link existing between green technologies, environmental co-operation and security. While acknowledging the opportunities associated with technological innovation, Kazakhstan also stressed the importance of paying attention to the security implications of digitalization.

A representative of the Russian Federation commended the Chairmanship's intention to focus the first preparatory meeting on the digital economy. She recognized that the use of technology may affect traditional areas of the OSCE's work such as combating corruption, money laundering and the financing of terrorism. The need to more carefully analyse and explore the multifaceted aspects of the security implications of digitalization was particularly emphasized.

A representative of the Republic of Azerbaijan said that the inclusion of the digital economy into the OSCE's deliberations in the second dimension was topical and timely. Particular emphasis was put on e-governance models and their role in strengthening good economic governance, fighting corruption and simplifying customs and business procedures. Azerbaijan also stressed the importance of bridging the digital divide and taking concerted efforts to combat cybercrimes.

A representative of the Holy See commended the decision of the Italian Chairmanship for having included human capital development among the topics of discussion of the 26th Economic and Environmental Forum. In this regard, the Holy See raised its strong concerns over the impact that innovation and the Fourth Industrial Revolution will have on the labour market. The emphasis was put on the need to ensure the circulation of digital skills in order to avoid talent shortage, unemployment and inequality. To conclude, the Holy See welcomed the increased attention given to anti-corruption and thanked Italy for having appointed Prof. Paola Severino as Special Representative of the OSCE Chairperson-in-Office on Combating Corruption.

A representative of Switzerland expressed appreciation towards discussing challenges and opportunities associated with the digital economy in the context of the OSCE second dimension of security. He underlined the implications of digitalization for security and co-operation of the OSCE participating States. Switzerland believes that the OSCE is well positioned to provide a platform of dialogue where pS can exchange their best practices on this topic through a multi-dimensional approach to security.

A representative of Turkey stressed the importance of having included the digital economy among the topics of discussion. The added value of the second dimension as a platform to increase awareness and encourage pS in managing the digitalization process in a co-operative manner was underlined. Turkey considered the digital economy as a driving force for growth and connectivity as well as an opportunity to decrease the inequality gap in an ever globalizing economy. The importance of investing adequately on education and infrastructure to achieve beneficial results in an efficient and fair manner was particularly highlighted.

*Bulgaria, on behalf of the European Union*¹, informed that the creation of a “Single Digital Market” is one of the key priorities on the political agenda of the EU. The EU emphasized the importance of the digital economy in boosting competitiveness and opportunities for start-ups and other businesses as well as the positive impact that digitalization can have in making our economies greener and more sustainable.

A representative of the Republic of Armenia stressed that ensuring economic freedom is an essential prerequisite to the development of human capital and innovation. Armenia stressed that, within the context of the OSCE, the digital economy has a key and untapped confidence-building potential. It can help promoting connectivity and economic participation in the OSCE area, including along dividing lines and closed borders.

A representative of Slovakia thanked the Italian Chairmanship for having included these topics among the priorities of the Italian Chairmanship in the economic and environmental dimension. Slovakia would build upon the work of the previous Chairmanships next year to strengthen the importance of the second dimension.

A representative of the United States of America welcomed the decision of the Italian Chairmanship to devote the First Preparatory meeting to innovation as a driver of economic growth as well as an excellent tool in the fight against corruption. He underlined the positive role of the digital economy as a growth multiplier as well as the fact that internet can help small and medium-sized enterprises (SMEs) in competing with larger companies. The importance of respecting intellectual property rights was also raised as well as the need to prevent cybercrimes and address the gender digital divide.

¹ Albania, Andorra, Armenia, Bosnia and Herzegovina, Georgia, Liechtenstein, Moldova, Montenegro, San Marino, Serbia, and Ukraine aligned to this statement.

Session I: Digital economy as driver for growth and connectivity

Moderator: Ms. Maja Handjiska Trendafilova, Coordinator of SEE 2020 Strategy, Regional Cooperation Council

Rapporteur: Mr. Kurban Babayev, Associate Anti-Corruption Officer, Office of the Coordinator of OSCE Economic and Environmental Activities

Speakers:

- **Prof. Andrea Gumina**, Expert on Innovation, Digital Economy, Next Production Revolution, 2017 Italian G7 Presidency, Italy
- **H.E. Karine Minasyan**, Member of Board, Minister in charge of Internal Markets, Information Support, Information and Communication Technology, Eurasian Economic Union
- **Prof. Boris Otto**, Managing Director, Fraunhofer Institute for Software and Systems Engineering, Germany
- **Mr. Vladimir Basko**, Director General, Infopark Association, Vice-Chairman, Confederation of Industrialists and Entrepreneurs, Belarus

The Moderator, *Ms. Maja Handjiska Trendafilova, Coordinator of SEE 2020 Strategy, Regional Cooperation Council*, highlighted the importance of digitalization as the driver for growth and competitiveness. She also stressed that digitalization has an enormous impact on trade, commerce, entrepreneurship and social prosperity. However, the challenges that are brought by the digital economy require collective action and collaboration in a number of policies that touch upon the entire ecosystem of the digital economy, and which are essential for creating an efficient and fair governance system. This correlates with one of the main goals of the OSCE to support sustainable economic progress and development as one of the main pillars of its comprehensive approach to security.

Professor Andrea Gumina, Expert on Innovation, Digital Economy, Next Production Revolution, 2017 Italian G7 Presidency, Italy, shared the outcomes of the 2017 Italian G7 Presidency, which was focused on innovations as a source of prosperity, sustainable development and inclusive growth. He called upon pS to recognize the opportunities and the challenges linked to the Next Production Revolution (NPR) and commit to spreading its benefits in accordance with the G7 People-Centered Action Plan on Innovation, Skills and Labour, which consists of nine key policy priorities centered around three pillars, namely: Innovation in Production; Knowledge-based Capital and Enabling Infrastructure; and Future of Work. Prof. Gumina shared some concrete suggestions on how to reap the benefits of NPR:

- Put people at the centre of any transformation;

- Build and integrate the infrastructure for the next century;
- Set together a fair, common playground for people, business, scientists to accede the NPR;
- Rebalance the platform economy.

In order to respond to the challenges posed by the digitalization, the Italian government has created a new governmental body – the Commissioner for Digital Agenda - under the Presidency of the Council of Ministers, composed of experts with different technology skills to design a strategy and technology path for the digital transformation of the country, and to supervise the activities of the existing digital agency.

H.E. Ms. Karine Minasyan, Member of Board, Minister in charge of Internal Markets, Information Support, Information and Communication Technology, Eurasian Economic Commission, shared the experience in digital integration and implementation of the digital agenda in the Eurasian Economic Union (EAEU). She underlined that the digitalization is closely linked with technological innovations and it requires the use of large volumes of data. The process of digital transformation is of dual nature; it leads to challenges on one hand and opens up new opportunities on the other hand. H.E. Ms. Minasyan shared the main points and main principles of the EAEU's digital agenda – 2025, which include equitable partnership and synergy, inclusive dialogue and engagement of all stakeholders, competitive environment, interoperability and equal access to data. The potential effects of the implementation of the agenda could result in additional 1% of yearly GDP growth, 8 million additional jobs and about 50 billion USD in business savings. She also spoke about the creation of a single digital space in the Euro-Asian region, which would connect the countries of the region through digital transport corridors. The OSCE could be a good platform for co-operation in the area of digital transformation since all EAEU countries are as well participating States of the OSCE. However, the successful co-operation can only be built on the principles of equal partnership, complementarity and mutual interest, and only through co-operation the countries could successfully address the growing digital gap.

Prof. Boris Otto, Managing Director, Fraunhofer Institute for Software and Systems Engineering, Germany, focused on data sovereignty and the conflict of interest between the demand to share data and the need to protect it. He underlined that the digital economy drives innovation in various sectors, including healthcare, mobility, retail and manufacturing, making data a valuable key resource in these innovative scenarios. The usage of data gives rise to the emergence of new ecosystems where data sharing is becoming a key to success since the sharing of data accompany the entire product life cycle and raises the question of balancing between the demand to share data and to protect data. Professor Otto introduced the concept of data sovereignty, which is the capability of a natural person or corporate entity for exclusive self-determination with regard to its economic data goods and their ability to attach usage restrictions to shared data. He underlined that data sovereignty is a key prerequisite for the digital economy. It allows individuals and businesses to benefit from their data and thus, from the digital economy. It also enables data sharing while keeping control over it, hence, fostering digital trade and business interactions.

Mr. Vladimir Basko, Director General, Infopark Association, Vice-Chairman, Confederation of Industrialists and Entrepreneurs, Belarus, focused on the threats posed by digitalization and digital transformation. Besides economic growth and increased connectivity, the digital transformation could bring some disadvantages and reinforce economic disparities through the creation of new types of unemployment related to the lack of proper skills to adjust to the

changing requirements of digital economy. He also noted that in many countries certain systems, such as education and healthcare systems, become disconnected from the process of digitalization since they no longer match the pace of transformation. He pointed out that the process of digital transformation is extremely important and, in order to successfully minimize the threats and expand the benefits of digital economy, the involvement and joint actions of all of the OSCE pS are required. Mr. Basko shared ideas for potential priorities for the OSCE to focus on. These include the convergence of the digital agendas of the OSCE pS, the creation of conditions for the formation of a single digital market, the unification of regulations and procedures, and the elimination of digital barriers.

The floor was opened for discussion.

A representative of Ukraine responded to one of the examples provided by Mr. Vladimir Basko and highlighted some success stories in the country as a result of digital transformation. Ukraine is successfully developing its IT cluster. Last year the country received 3.6 billion dollars through IT associated exports and is also working towards simplifying its custom procedures and speeding up the delivery of State's services.

A representative of the United States of America provided statistical figures on the benefits of digitalization and its positive impact on job creation and GDP growth. The representative underlined the importance of digitalization and business sovereignty, especially for small businesses since the use of innovations allow them to compete with large corporations. Referring to the presentation of Mr. Basko, the representative noted that it is too early to discuss the single digital market in the OSCE region due to different approaches to governance, rule of law, and intellectual property rights among the OSCE participating States.

A representative of Kyrgyzstan fully supported the main points presented by Mr. Basko. The challenges, particularly the issue of new types of unemployment due to the lack of skills required for new digital economy, "disconnected" national education and healthcare are very important and should be properly addressed, since they may lead to potential unrest within societies. Mr. Basko's plea that the OSCE should support the digital transformation was reiterated.

A representative of Slovakia stated that the digital transformation is high on the global agenda, and in order to maximize the benefits of digital transformation it is important to improve the existing policy frameworks and to implement different digital strategies. The implementation of these strategies remains a major challenge for participating States. Digitalization also presents an opportunity to enhance connectivity and co-operation in the OSCE region.

A representative of Armenia noted that digitalization of the economy and co-operation in this field can create an environment of trust and enhance connectivity. The OSCE, with its comprehensive approach to security, can enable such co-operation between regional economic organizations and their member states. He also underlined the importance of data-sharing and data sovereignty.

Session II: Boosting innovation, competitiveness and employment through digital economy

Moderator: Ambassador Kairat Sarybay, Chairperson of the OSCE Economic and Environmental Committee, Permanent Representative of the Republic of Kazakhstan to the International Organizations in Vienna

Rapporteur: Mr. Alistair Hodson, First Secretary/Political, United Kingdom Delegation to the OSCE

Speakers:

- **Prof. Ingela Sölvell**, Researcher, Stockholm School of Economics, Center for Advanced Studies in Leadership, Sweden
- **Mr. Martin Bailey**, Head of Unit, Digital Policy Development and Coordination, Directorate-General for Communications Networks, Content and Technology, European Commission
- **Dr. Simon Jäggi**, Deputy Head, Economic Policy Directorate, Federal Department of Economic Affairs, Education and Research, State Secretariat for Economic Affairs, Switzerland
- **Ambassador Pierre von Arx**, Head of the OSCE Programme Office in Bishkek

The Moderator, *Ambassador Kairat Sarybay Chairperson of the OSCE Economic and Environmental Committee and Permanent Representative of the Republic of Kazakhstan to the International Organizations in Vienna*, emphasized the impact of this discussion given that the world was experiencing a period of profound and rapid change – a fourth industrial revolution. He noted that the President of the Republic of Kazakhstan had underlined the importance of the transformation towards a digital economy and outlined some of the measures that the Republic of Kazakhstan was using to address this requirement (including through modernizing exports and focusing on new technologies). Amb. Sarybay emphasized that this session's focus on boosting innovation and competitiveness should draw out lessons on maximizing social inclusion, identify best practices to be shared, increase the OSCE's interaction with the private sector and suggest means of stimulating economic activity in the OSCE region.

Professor Ingela Sölvell, Centre for Advanced Studies in Leadership, Stockholm School of Economics, Sweden, stressed the importance of collaboration in fostering innovation. Digitalization was leading to the rapid emergence of threats and opportunities. In order to respond to them, it was vital to have an open mind about where innovation might arise and to allow for the development of a variety of formats for collaboration (such as trade associations, consortia and coalitions). Policy-makers had a main role to play in fostering

such collaborations through developing, for instance, technology clusters or funding incubators for new ideas. The key to promoting innovation was sharing knowledge and promoting collaboration (across both national and organizational borders). Prof. Sölvell gave the example of a project in the city of Lund, Sweden, in which traditional leadership models failed to make best use of the introduction of a free-to-use network of sensors. With 50 separate organizations all involved, a different model of leadership was needed. To promote innovation, Prof. Sölvell recommended that leaders should not focus on one strategic goal but rather be comfortable with letting a strategy emerge around them. The OSCE could support the identification of what skills, capabilities and attributes a leading figure in this new era will require.

Mr. Martin Bailey, Head of Unit, Digital Policy Development and Coordination, Directorate-General for Communications Networks, Content and Technology, European Commission, stressed that the digital economy was already here. 79.2 percent of EU citizens used the internet regularly and 30 percent of all economic growth in the EU between 2001 and 2011 could be attributed to information and communication technology (ICT). To support innovation, the EU was focusing on ensuring that proper legal frameworks were in place (for instance, audiovisual media content, digital contracts and copyright). Connectivity (of people and ideas) was key, and just as important as funding in terms of promoting innovation. The EU would soon launch (with the European Investment Bank) a venture capital fund of funds to support technological innovation. Mr. Bailey stressed that it was important to manage the impact of the digital transformation which, while providing new opportunities, was also perceived by many as threatening existing jobs. Supporting people to learn the skills they would need for the modern world was vital, and the EU had therefore created a digital opportunities scheme for graduates and established a 'Digital Skills and Jobs Coalition'. Mr. Bailey noted that following a recent review of the EU's Digital Single Market Strategy, more focus would be applied to areas of strength for the EU, such as healthcare, energy, transport and finance. The EU was also focusing on modernizing public services so that data needed to be provided to a public authority only once. Equally important was to invest in the future – the EU was not yet a leader in high performance computing, but was aiming to become one to support deeper and richer data analysis. It was critical, however, to make sure that the benefits of such investments were extended to all businesses, not just the biggest and best.

Dr. Simon Jäggi, Deputy Head, Economic Policy Directorate, Federal Department of Economic Affairs, Education and Research, State Secretariat for Economic Affairs, Switzerland, outlined the Swiss approach to managing the impact of digitalization. Digital innovations could contribute significantly to the economy but also posed challenges. Existing businesses were already coming under real pressure (travel agencies, taxis, insurance, banks, etc.). Automation and the "end of work" could lead to unemployment and the social challenges associated with that, new technologies carried with them risks (e.g. cyber vulnerabilities) and two-sided markets (where the winner takes all) were common. The Swiss government's approach to these issues was to focus on creating the framework conditions for innovation (through developing a skilled labour force and having favourable regulation). To support this, the Swiss government had reviewed the existing legal framework and barriers to innovation in Switzerland. The review found that new regulation was not often necessary. It also found that digitalization was not pushing unskilled workers out of the economy but rather was leading to a general upskilling of the workforce. However, there were some gaps (such as in high class research or barriers to entry from financial technology (FinTech) companies) that the Swiss government was working to address. The review stated that not all government services were available online, and Switzerland could therefore do more in this

area. Priorities for the government included a redesign of customs procedures, developing the legal basis for an e-ID and setting up an online “one-stop shop” for companies.

Ambassador Pierre von Arx, Head of the OSCE Programme Office in Bishkek, provided an overview of the activities of the Programme Office in Bishkek. He noted that the work of the Programme Office in Bishkek benefitted from strong co-operation with the host government. The office emphasized economic activities in its work under the second dimension. This work fit under the Kyrgyz Government’s ‘Taza Koom’ initiative, which sought to foster an open society, to increase the quality of life for all and to boost the business environment. The OSCE Programme Office was assisting in the implementation of this initiative through advising on the regulatory environment, supporting the development of digital infrastructure and engaging in the development of the ‘Taza Koom’ Research Centre. In 2018, it intended to build on this work by helping the Kyrgyz Government organizing an e-business conference, developing a web portal for all legislation and providing expertise in drafting legislation to promote the digital economy. Ambassador von Arx noted that Kyrgyzstan was the first Central Asian member of the Open Government Partnership and he, together with his team, would support the government to meet its obligations under this initiative.

The floor was then opened for discussion.

A representative of Kyrgyzstan expressed his gratitude to the OSCE Programme Office in Bishkek for all its work and noted that digitalization of the economy was one of the pillars of the Government’s reform agenda. Given Kyrgyzstan’s liberal tax regimes, educated workforce, and simple business registration processes, there were many reasons to be optimistic about the potential for digitalization to transform the economy.

A representative of the Russian Federation noted the recent adoption by the Government of the Russian Federation of a Digital Strategy which covered the period up to 2024. The strategy comprised key areas such as strengthening competitiveness, skills and training, development of infrastructure and supporting SMEs. There had been a particular emphasis on blockchain technology, with a new centre for blockchain technology being established and a new project looking at the use of blockchain in real estate deals. The representative noted the importance of international co-operation in managing the challenges of new technological developments and welcomed this timely discussion. International organizations, rather than individual states, should generate proposals about how to respond to developments such as artificial intelligence, the Internet of Things and big data. The OSCE was an ideal platform for discussions about how pS should respond to these developments and could become important centres to assess the challenges associated with them.

A representative of the United States of America welcomed the expert-level presentations to help inform the policy discussions taking place within the OSCE. He asked what more could pS do to support the development of the digital market across the OSCE region. He also inquired how other field operations, whilst working within their existing mandates, could do more to support second dimension elements of digitalization and whether more could be done, for instance, on digital aspects of anti-corruption.

A representative of the Kyrgyz business community, Mr. Uluk Kydyrbaev, welcomed the calls for the private sector to be engaged in this discussion. The business sector would be a key driver for digitalization and would prompt bottom-up initiatives, such as a recently developed technology park in Kyrgyzstan.

A representative of Armenia asked to what extent the OSCE field missions in Central Asia exchanged best practices amongst themselves.

Professor Sölvell emphasized the importance of the OSCE maintaining close dialogue with the business sector.

Mr. Bailey emphasized the importance of removing barriers towards innovation, creating a secure investment climate, guaranteeing consumer protection, building in protection from cyber-attacks and creating international and interoperable standards.

Dr. Jäggi noted that not one country had all the answers right now. All countries would benefit from exchanging experiences in managing the transition to a digital economy. International collaboration in multilateral fora would, therefore, be very useful.

Ambassador von Arx emphasized the role the OSCE could play in resolving political issues which could not be solved by one state alone. The OSCE's existing work on cyber confidence-building measures (CBMs) indicated how this might happen, if there was political will to do so. Responding to the questions from the Delegation of the United States of America, he agreed that anti-corruption was a thematic area that covered all three dimensions. Responding to the question from the Delegation of Armenia, he noted that horizontal co-operation between field missions was excellent, in part because staff often transferred between missions. Contact between the Central Asian field missions was frequent and there were regular regional meetings for Heads of Mission and Heads of Dimension.

Session III: Enhancing good governance, transparency and the fight against corruption through digitalisation

Moderator: Dr. Leena Ilmola-Sheppard, Senior Research Scholar, International Institute for Applied System Analysis (IIASA)

Rapporteur: Ms. Amanda Szalczynski, Adviser on Economic and Environmental Affairs, Permanent Mission of Switzerland to the OSCE

Speakers:

- **Mr. Adilbek Mukashev**, Head of Department, Agency for Civil Service Affairs and Anti-Corruption in Pavlodar, Republic of Kazakhstan
- **Mr. Dražen Maravić**, Director, National Academy for Public Administration, Serbia
- **Ms. Gvantsa Meunargia**, Head of Strategic Development Unit, Analytical Department, Ministry of Justice, Georgia
- **Ambassador Vaidotas Verba**, Project Co-ordinator, OSCE Project Co-ordinator in Ukraine

The Moderator, Dr. Leena Ilmola-Sheppard, Senior Research Scholar, International Institute for Applied System Analysis (IIASA), highlighted the importance of implementing digitalization policies in line with anti-corruption measures. She referred to the correlation between corruption and power distance. In societies where individuals do not have access to any governmental authority, corruption may seem to be more prominent. Dr. Ilmola-Sheppard wondered whether digitalization increased corruption or decreased the potential of corruption.

Mr. Adilbek Mukashev, Head of Department, Agency for Civil Service Affairs and Anti-Corruption in Pavlodar, Republic of Kazakhstan, emphasized the importance of an accountable State, providing examples from Kazakhstan. A law on the access to information has recently been adopted. Further, a digital platform and an open e-government tool have been established. Now, each citizen can take part in discussions on draft regulations by requesting consultations and sending complaints. Mr. Mukashev described current activities aimed at ensuring sustainable economic growth, increasing competitiveness of the country, and improving the quality of life and a government programme for digital Kazakhstan until 2025. The speaker elaborated the following goals: capital development, digitalization of the economy, the transition to a digital government, the realization of the digital Silk Road and the creation of an innovative ecosystem. He explained the principles of co-operation between public institutions and citizens. Transparency and flexibility of public services is seen as a positive result in these activities. All these measures allow to reduce the level of corruption in services. It is planned to offer 90% of public services in an electronic form. The automation of public procurement systems allowed Kazakhstan to ensure remote control through an e-government web portal. Mr. Mukashev summarized that Kazakhstan has undertaken a lot of steps to reduce the level of corruption, especially through the implementation of an anti-

corruption strategy until 2025. He further stated that the anti-corruption policy is based on anti-corruption awareness raising and certain penalties. New prevention tools have already proven their effectiveness. Dialogue and co-operation are the main instruments for increased participation of citizens.

Mr. Dražen Maravić, Assistant Minister, Ministry of Public Administration and Local Self Government, Serbia, highlighted that effective public administration is an important precondition for, in general, development and good economic governance. He presented some achievements in terms of digitalization, as well as some concrete steps, which digitalization can bring into public administration. Mr. Maravić spoke about the importance to plan strategies from a citizen's point of view. Administrative procedures should have as few steps as possible to receive the wished result. In addition, he drew attention towards transparency as an instrument to create trust. Mr. Maravić briefed on the idea of an integrity plan, as a legal framework, to be developed by all public bodies in Serbia in line with the fight against corruption. Serbia is moving fast forward and has recently passed a new law on general administrative procedures. A new electronic service, to help civil servants all over the country to exchange data from other services, has also been developed.

Ms. Gvantsa Meunargia, Head of Strategic Development Unit, Analytical Department, Ministry of Justice, Georgia, shared the experience of Georgia on the fight against corruption through digitalization. She briefed on the anti-corruption council, a permanent body, which is managed by the Ministry of Justice in Georgia. This council develops anti-corruption policies and is responsible for the co-ordination and monitoring of the implementation of the anticorruption action plan strategy, as well as the implementation of recommendations by international organizations at national level. Georgia has accomplished several essential reforms in the framework of the previous two action plans – and is now in the third phase. Ms. Meunargia highlighted four basic strategy goals: 1) strengthening citizens' engagement in the decision-making process; 2) transparency and fight against corruption; 3) generating innovation in public service delivery; and 4) building a better partnership. Additionally, she spoke about public service delivery in Georgia: the concept has become a Georgian trade mark and it is a successful reform, which has been undertaken in recent years: “*Everything in one place*”. She explained that it includes many customer-oriented services. In order to optimize customer flows, an own method of service division has been created. The speaker mentioned another example: “*My.gov.ge*” - a platform, where questions to public authorities can be addressed, together with personalized services for citizens and businesses. These are all public services for businesses and private individuals. The portal allows citizens to interact with the government. Another reform has also been mentioned: the “asset declaration system”, which is an online submission programme – a system which completely replaces paper-based declarations to ensure more public analysis. The last example included “*I-change*”: an electronic platform, where every Georgian citizen can create a petition.

Ambassador Vaidotas Verba, Project Co-ordinator, OSCE Project Co-ordinator in Ukraine (PCU), spoke about how good governance plays a fundamental role to economic growth, political stability and security. He stressed the importance of combating corruption and money laundering, while strengthening the financial infrastructure as well as resource management tools. Amb. Verba also pointed out that the activities of his office are based on a number of Ministerial Councils decisions. He briefed about the OSCE's good governance practices, while providing ways of co-operation between stakeholders from government, business, the civil society as well as international and non-governmental organizations. The OSCE offers a broad range of tools: policy recommendations, best practices and capacity

building. The Project Co-ordinator's Office made good governance as a priority of its work. Amb. Verba emphasized the strong co-operation with Ukrainian partners from government, private sector and the civil society in efforts against corruption and anti-money laundering. This resulted in an increasing transparency and participation in decision-making processes. The PCU has been working for several years on promoting e-governance solutions, while providing support to e.g. develop policies and training models. One innovative way to promote good governance is the use of ICT solutions, including digitalizing in public services. Building trust in public services, as they are not only perceived as a technological tool, is important to lower the potential for corruption. Amb. Verba presented some key aspects, which are needed in ICT solutions:

- Accessible and transparent,
- Quick and efficient, and
- Minimizing the risk of corruption.

He recommended that digitalization has to be restructured through reforms by sensitizing the citizens. He also mentioned the support by the PCU, which helped the Ministry of Environment to start reengineering basic procedures, such as the 'e-declaration on waste generation'. Amb. Verba presented planned activities in 2018, e.g. assisting national authorities in promoting digital economy principles and developing Ukraine's digital agenda in 2018. Further, a study of high growth potential sectors of the national economy and their digitization prospects will be carried out this year and digital services will be further promoted.

The floor was opened for discussion.

A representative of Uzbekistan referred to Ambassador von Arx, briefing on the launch of a project on open data, which is done through the help of the OSCE. Open data is easy to access, the transparency of portals could be difficult to achieve. The challenge remains with regards to the full share of data. The representative spoke about the use of business process reengineering (BPR) in Uzbekistan, which helps to reduce the risk of corruption. He wanted to underline that Uzbekistan is also working on e-systems (like Georgia).

A representative of the Russian Federation summarized that innovation can fight corruption. She presented the result of a study, which showed that ICT has an important impact on combating corruption. It helps to reduce corruption by up to 60 %. What are the main components of corruption with a view to day to day corruption? The representative referred to remote identification; how to verify an identity if e.g. a passport is issued very fast, or how about the identification of valid or false information, who should be responsible, especially if there is a one-stop shop arrangement? Another concern was raised on how agencies interact with each other and how could an international system interact outside the border of a nation state? What could be the potential application for shared information between national registries? How does digitalization affect the financial industry?

A representative of Albania gave background information on the Albanian public service model: the agency for the delivery of public services is seen as a champion institution in the fight against corruption, which is in line with the Albanian digital agenda. It consists of a unique approach, calling for the front office/back office separation and service integration, based on the development of delivery channels and on standards of delivery processes and reengineering as well as feedback and insurance mechanisms. So far it is a one-stop shop

model established in four cities in Albania. He mentioned that Albania has a citizens' feedback mechanism and an anti-corruption announcing system. In this regard, he stressed that capacity building of the staff is another key issue. It is important to improve standards. He underlined the support of the OSCE field presence in Albania, which supported all these efforts to reach higher international standards of service delivery and combating corruption by e.g. training the staff. Training is very important in terms of customer care culture and openness and transparency.

A representative of the United States of America welcomed the Forum's topic as one of the top priorities of the delegation. Digitalization is a way of optimizing citizens' participation. Nevertheless, the representative inquired on what kind of framework could be taken into consideration to ensure the protection of data.

A representative of Armenia provided an example of good practices, like portals of tax filling systems, invoice systems and electronic visa schemes. Digitalization, indeed, could be important in combating petty corruption or corruption on medium level. The impact of digitalization on high-level/international corruption was uncertain. The representative enquired on the possible role of digitalization in combating corruption in cross-border activities, especially with a view on international relations.

Bulgaria, on behalf of the European Union, appreciated the exchange of best practices from the field operations. Anti-corruption is one of the priorities of the EU in the second dimension. Since the focus was mainly set on e-government and all sorts of interaction of governments, the representative asked to elaborate how a government can be organized more efficiently and could provide easier online access to ensure that digitalization benefits both, citizens and businesses, especially with regard to citizens who are less mobile and small businesses that cannot afford sophisticated digital systems.

A representative of Kazakhstan asked Mr. Maravić to further explain the first three concrete actions to combat corruption.

Mr. Dražen Maravić stressed that digitalization not only combats corruption, but it could also bring new opportunities for corruption and other threats. Any new technology would bring new potential ways for threats. There is no general knowledge among the population on this topic. On the validation of information: it is necessary to have a strong legal basis for any processing of personal data and for legal grounds on the usage of personal data.

Ms. Gvantsa Meunargia answered that Georgia used to have a separated public registry and civil registry, but now the Ministry has created one single body. Georgia has software applications, which connect different agencies, aimed at being more consumer-friendly and responding to the citizens as quick as possible. Fingerprints are used for verification.

Mr. Adilbek Mukashev explained one way of providing public services, which included text messages. Mr. Mukashev suggested that the OSCE could provide an analysis e.g. with regards to older generations and the access to digital infrastructure and equal rights.

Dr. Leena Ilmola-Sheppard concluded by highlighting that cross-border high-level corruption needs to be further elaborated as well as to discuss how to provide and sustain the privacy of individuals with the view on digitalization.

Session IV: Security implications of digital economy

Moderator: Ambassador Károly Dán, Permanent Representative of Hungary to the OSCE, the UN and other International Organizations

Rapporteur: Mr. Mery Mukazhan, Second Secretary, Permanent Mission of the Republic of Kazakhstan to the International Organisations in Vienna

Speakers:

- **Prof. Elina Sidorenko**, Department of Criminal Law, Moscow State Institute of International Relations, Russian Federation
- **Prof. Majlinda Zhegu**, Department of Management and Technology, University of Montreal, Canada
- **Captain Antonio Romano**, Head IT Operational Unit, Guardia di Finanza, Ministry of Economy and Finance, Italy
- **Ms. Rasa Ostrauskaite**, Co-ordinator of Activities to Address Transnational Threats, OSCE

The Moderator, Ambassador Károly Dán, Permanent Representative of Hungary to the OSCE, the UN and other International Organizations, introduced the topic of security implications of the digital economy as well as the speakers.

Prof. Elina Sidorenko, Department of Criminal Law, Moscow State Institute of International Relations, focused her presentation on crypto currencies and blockchain, technological and economical advances and criminal risks. She emphasized that blockchain is a new philosophy of reality. The blockchain technology is being developed in a whole range of countries, while mentioning several banks in Russia as an example. Blockchain is actively implemented in financial and social areas because it rules out the use of intermediaries, notaries and other validators. Prof. Sidorenko referred to bitcoin, which managed to increase its capitalization by 400,000 times, which has never happened before in world. She mentioned the importance of a unified approach and single standards on blockchain. This objective has not been reached yet. The lack of a regulatory system makes this technology vulnerable, which gives the way to criminals. Crypto currency, for example, is used as an instrument and subject to carry out crimes. She stressed that the criminal risks of crypto currency rest within their anonymity and transnational nature. Prof. Sidorenko informed that studies have shown that crypto currency is rarely used to finance terrorism. However, it used for the sale of drugs, child pornography, embezzlement of funds and cybercrime. She recommended to the OSCE to develop educational and research capacities in the areas of blockchain and crypto currency. She concluded that benefits of crypto currency and blockchain should not be overlooked and stressed the importance of defining the direction of legal activities, which may help states to develop comprehensive policies and mechanisms.

Prof. Majlinda Zhegu, Department of Management and Technology, stressed the following three main points:

- 1) What are the impacts of cyber security?
- 2) How to deal with the threats on cyber security?
- 3) What kind of future perspective can be foreseen for treating these risks?

She described four main drivers of digital transformation, which are: accessibility, connectivity, “datafication” and automation. Prof. Zhegu said that digitalization shows the possibility to improve productivity, economy, and society. But it also poses threats. She informed that global spending on cyber security will exceed \$1 trillion over the next five years. She explained the main reasons behind ransomware attacks, namely: cybercrime (84.6%), cyber espionage (9.9%), hacktivism (4.4%) and cyber warfare (1.1%). Cybersecurity can be defined as the capability to protect digital information and other assets by enhancing the ability to mitigate cyber threats, facilitating the identification and operational response of cyberattacks and developing fast recovery and resilience. Furthermore, she recommended developing all the capabilities simultaneously in order to have a better result. She mentioned different approaches by companies, which see the future of cybersecurity in terms of potential artificial intelligence. She suggested that the OSCE can promote a culture of cybersecurity, encouraging trustworthy experience, sharing networks, and building communication and co-operation bridges among cybersecurity ecosystems.

Captain Antonio Romano, Head IT Operational Unit, Guardia di Finanza, Ministry of Economy and Finance, Italy, explained about work and function of the Guardia di Finanza, a military corps, which has economic and financial crime-fighting competence. Mr. Romano told that the global black market is rapidly growing and sophisticated technology used by criminals complicate the situation compared to previous years. At the same time, criminals are using crypto currency, which make it difficult to trace. He stressed that cyberspace became a new battlefield along with conventional battlefields. Captain Romano gave an example of the operation “dirty shop windows”, in which web site owners, without acknowledging, were selling counterfeit goods. He explained the main obstacles to investigations: victims do not preserve digital evidences of the crimes, too short Internet Service Providers (ISP) data-retention time, the trans-nationality aspect of the internet and insufficient co-operation with countries where criminals place their operational bases. In this regard, the ‘Guardia di Finanza’ established a new department to deal with digital forensics. Moreover, an international platform among international organizations was established aiming at better understanding cyber security and fight counterfeit.

Ms. Rasa Ostrauskaite, Co-ordinator of Activities to Address Transnational Threats, OSCE, said that expansion and security of the digital economy has indeed become a very important topic. Currently, the digital economy is estimated at almost three trillion dollars, an impressive accomplishment given that the size of e.g. agriculture is estimated at 3.2 trillion dollars by the World Bank. With a projected 1.1 billion new internet users in 2020, the digital economy is set to grow, benefitting from new technological developments and more economies opening up to the online market. Advantages of the digital economy are accompanied by new challenges and threats. New attack vectors, focusing on digital disruption, created new means, by which some industry sectors can be compromised. Ms. Ostrauskaite said that the key message is the protection of the main services and infrastructure, thus, taking along the digital economy as a principal national security concern. Building up a meaningful co-operation with the private sector, both on national and

international levels, is very important. This has been taken into consideration, when the OSCE pS adopted the 16 confidence-building measures (CBMs) designed to reduce the risks of conflict stemming from the use of Information and Communication Technologies. She said that her office is providing training in the field of law enforcement and judiciary personnel in IT forensics and digital evidence and is currently implementing a two-year project for criminal justice practitioners in South Eastern Europe related to combating cybercrime and cyber-enabled crime. She concluded by saying that the benefits of the digital economy by far outweigh the negatives. Every day billions of online transactions contribute to the prosperity of a very large section of the global population. The OSCE is contributing by offering a unique platform, harnessing the benefits of the digital economy as well as discussing related security concerns.

The floor was opened for discussion.

Ambassador Károly Dán raised the question on the attribution and traceability of cybercrime.

Captain Antonio Romano responded by emphasizing the importance of speed with a view on communication and co-operation, as fundamental to the activities.

A representative of Romania asked about the main characteristics of the blockchain technology.

Prof. Elina Sidorenko explained some fundamentals of blockchain, which has several characteristics such as decentralization, non-modifiability, irreversibility and the absence of servers. She also invited interested parties to attend the conference on blockchain organized in Moscow in February 2018.

A representative of Austria congratulated the Italian Chairmanship for raising the topic of digitalization, which is important to the OSCE and in line with the priorities of former Chairmanships. He said that cyber security has multi-dimensional angles, which includes human rights and economics. The representative enquired what could be done in addition in international fora to address these security problems.

Captain Antonio Romano responded by explaining that within Europe, the co-operation is excellent. Challenges remain with partners outside of Europe due to e.g. language barriers and a lack of recognizing the authority of their institution.

Prof. Elina Sidorenko added how to co-operate if there is no single understanding on what to fight against. Within the EU, crypto currency has no single definition or understanding. In addition, anti-money laundering standards are not adopted by the Financial Action Task Force (FATF). She stressed on agreeing on standards at individual country level in order to contest the challenges.

Prof. Majlinda Zhegu mentioned that sharing of data by individual countries will become the future basis of international co-operation.

Captain Antonio Romano added the practical difficulty of identifying real identities and addresses of bitcoin and crypto currency owners.

Session V: Boosting sustainability through digital economy

Moderator: Mr. Andreas Stadler, Minister Plenipotentiary, Permanent Mission of Austria to the OSCE

Rapporteur: Mr. Daniel Kroos, Senior Programme Officer, Energy Security, Office of the Co-ordinator of OSCE Economic and Environmental Activities

Speakers:

- **Ms. Nilza de Sena**, MP, Chair of the OSCE Parliamentary Assembly's Committee for Economic Affairs, Science, Technology and Environment
- **Mr. Farkhod Ibragimov**, Director, Mirzo Ulugbek Innovation Centre, Uzbekistan
- **Mr. Nikolas Neubert**, Head of Business Unit Sustainable Buildings and Cities, Center for Energy, Austrian Institute of Technology, Austria
- **Mr. Hristo Hristov**, Director of Information Technology Directorate, Ministry of Transport Information Technology and Communications, Bulgaria

Mr. Andreas Stadler, Minister Plenipotentiary, Permanent Mission of Austria to the OSCE and Moderator of the session, underlined the chances the digital world could offer to improve the implementation of the SDGs. Digital technologies could enable to exchange goods more effectively, to save energy in transport and housing and to boost the productivity of economies throughout the OSCE area. Smart cities would be at the centre of this development since, according to UN statistics, two thirds of the world population will be urban by 2050. However, the increased use of IT technologies and the concept of green economy would have to be reconciled, including an increased carbon footprint due to higher energy demand.

Ms. Nilza de Sena, Chair of the General Committee on Economic Affairs, Science, Technology and Environment, OSCE Parliamentary Assembly, underlined the importance of the Sustainable Development Goals. She stated that the OSCE PA responded to these challenges through the adoption of the 2017 Minsk Declaration to duly address the impacts of digitization at the national and international levels. The increasingly rapid progress of ICT would transform our communities. Artificial intelligence, 3-D printing and unmanned vehicles would be at the forefront of Industry 4.0. Policies, now, would have to effectively respond to these new challenges. In the next decade, in order to achieve more progress towards reaching the SDGs, digital technologies need to be integrated into the sustainability discussion. In addition, changes in education would be needed for the requirements of new jobs in the future. In order to boost sustainability, the right tools would have to be deployed. Ideally, the digital economy should also lead to a greener economy. The OSCE should play a prominent role in supporting this process.

Mr. Farkhad Ibragimov, Head, Mirzo-Ulugbek Innovation Centre, Uzbekistan introduced the country's plan to develop a regional ICT hub. Mr. Ibragimov reported on the reforms Uzbekistan has successfully implemented in order to boost foreign direct investments and improve the business climate. He stressed that the development of ICT and e-government would be one of the top priorities of the government, enabling a full automation of public administration. In 2017, the Mirzo-Ulugbek Innovation Centre was set up to facilitate the development of the IT industry in the country. The Centre provides full support to IT companies in Uzbekistan and acts as a gateway to the Uzbek IT industry. It supports foreign companies to find suitable business partners in the country and helps to develop start-ups. Foreign companies would benefit from a favourable tax regime and additional business friendly policies as well as free legal and visa support.

Mr. Niklas Neubert, Head of Business Unit, Sustainable Buildings and Cities, Austrian Institute of Technology (AIT), introduced the work of AIT as a pioneer in smart city development with implemented projects around the globe. Smart city projects would be a great vehicle to reach sustainable growth and climate targets. Cities would face a new complexity, including having to deal with new digital tools as well as climate, energy and social challenges. Smart cities could be an incubator for the local economy and reframe the way that institutions work. The speaker briefed on AIT projects in Rotterdam and Glasgow. Smart solutions would need the right stakeholder ecosystem and would need to be tested in a real life environment. Mr. Neubert presented AIT's project for the city of Astana on how to utilize big data and artificial intelligence for strategic planning. Institutional capacities would have to grow together with new digital capabilities of cities, leading to a new form of quality in modern governance.

Mr. Hristo Hristov, Director of Information Technology Directorate, Ministry of Transport, Information Technology and Communications, Bulgaria, stated that ICTs would play a key role in promoting good governance and democracy, accountability and transparency. ICTs would allow countries transforming the most expensive services, such as education and health care, and advance the transport and agricultural sectors. To fully utilize the potential of the digital economy, Bulgaria, being part of the EU's presidency trio, aims at advancing the EU digital market strategy, including free access to education, and to meet the demand of future labour markets. Integrating the skills needed for the future into the education of the young generation would be crucial. The main task of the Bulgarian EU presidency would be to direct the efforts towards the completion of the negotiation process on the regulatory framework for electronic communication as a further step towards the gigabit society. Cyber security as an important element of the digital economy would be another important goal to build strong and resilient systems in the EU. Mr. Hristov provided an overview over ICT connectivity in Bulgaria. In conclusion, the SDGs would be a collaborative effort by all governments around the world. Sustainable development would require a holistic approach that addresses economic, social and environmental challenges at different parts of the same problem. ICTs would be one of the main instruments to achieve the goals of the Agenda 2030.

The floor was opened for discussion.

A representative of Kazakhstan introduced the newly established Astana International Financial Centre and announced the launch of the Green Finance and Sustainable Development Centre in Astana together with the Astana City Administration. The Centre will focus on expertise and evaluation of green projects, financial consulting and green processes

related to green bonds issuance, providing access to grants and international programme funding for green technologies, and education. The representative invited international stakeholders to create joint projects as well as the OSCE to continue the work on a regional hub for green economy.

A representative of the EU asked the panellists on how the OSCE could further advance the SDGs, especially with the involvement of OSCE field operations.

A representative from the United States of America underlined that sustainability is a long-term goal and has not only an environmental but also an economic concern. People would have to be motivated to keep advancing reforms; and internet connectivity would be an important element to incentivize citizens. In terms of advancing smart city concepts, the representative asked panellists on how their experience with engaging local municipalities has been so far.

A representative from Germany asked the speakers what governments could do to address the perceived threat of digitalization in societies, and whether the OSCE could do more in that regard both in Vienna and through its field operations.

A representative of the Energy Pact Foundation introduced the upcoming Vienna Cyber Security Week and invited participants to attend.

Mr. Hristo Hristov stated that communication routes should be built in parallel to transport routes in the Western Balkans to ensure connectivity.

Mr. Niklas Neubert said that there is a strong opportunity for the OSCE to get engaged in projects balancing environmental concerns and economic growth. Cities would hardly have the capacity to deal with all current challenges, including the energy transition, job creation and others. Smart city concepts could be a great vehicle to address all these challenges.

Mr. Farkhad Ibragimov stated that the OSCE is currently supporting Uzbekistan in developing open data portals for public administration entities. In cyber security, Uzbekistan could also work together with the OSCE in implementing new projects. In May 2018, an Innovation Forum gathering international investors in Uzbekistan will be held to which the participants were invited.

Ms. Nilza de Sena underlined that digitalization will fundamentally change the economy and society as a whole. Society would have to keep up with these developments and develop appropriate policies as a response.

Concluding Session

Rapporteur: Ms. Brigitte Krech, Economic and Environmental Affairs Adviser, Office of the Co-ordinator of OSCE Economic and Environmental Activities

Speakers:

- **Ambassador Alessandro Azzoni**, Chairperson of the OSCE Permanent Council, Permanent Representative of Italy to the OSCE, 2018 OSCE Italian Chairmanship
- **Ambassador Vuk Žugić**, Co-ordinator of OSCE Economic and Environmental Activities

Statements by Delegations

Ambassador Alessandro Azzoni, Chairperson of the OSCE Permanent Council, Permanent Representative of Italy to the OSCE, 2018 OSCE Italian Chairmanship, commended the encouraging discussions. The Forum proved the OSCE's value as a platform bringing together pS and stakeholders to exchange ideas and best practices on new topics, such as the role of the digital economy as a driver of innovation, competitiveness and inclusive growth. The impact of the digital economy affects the whole OSCE area. Amb. Azzoni stated that mutual collaboration between pS will help to overcome new challenges to security through new technologies. He also referred to digitalization, which can help to enhance connectivity and business interaction among countries as well as the digital economy, which can contribute to achieving the 2030 SDGs. Amb. Azzoni mentioned that during the discussions particular attention was given to the need of focusing on human-related aspects of digital transformation as well as to ensure that the benefits of this transformation were widely shared. Furthermore, the importance of preventing internet crimes by creating international standards and legal regulations on e.g. the use of blockchain and cryptocurrency was emphasized. He underscored that OSCE field operations are already playing a key role in assisting pS in harnessing the potential of the digital economy. The OSCE, as a platform of dialogue, can support the creation of international standards, aiming at transforming innovations into a source of prosperity. Several delegations reiterated that the OSCE should, in the future, play a more relevant role in security related aspects of the digital economy.

Ambassador Vuk Žugić, Co-ordinator of OSCE Economic and Environmental Activities, summarized that digitalization is already deeply transforming the society, which is affecting the business sector, governance models and political agendas. He emphasized that digitalization has already become part of the activities implemented by the OSCE, especially at field level. There is a wide recognition that the ongoing fast transformation of the societies needs to be well-governed. Challenges and opportunities of such a transformation have to be well understood. It is a common responsibility to influence this process in order to allow the access of benefits to all citizens. The OSCE is joining and, therefore, contributing to the ongoing global discussion on how to integrate and manage technological innovation that is beneficial to all and, eventually, contributes to the promotion of stability, security and

prosperity. Amb. Žugić further explained that the OSCE, as a community of values, has to play a vital role to address and respond to new challenges to boost the opportunities for inclusive economic growth and common security. He referred to a recent Oxfam report, which urged to tackle growing inequalities as a main threat to global security, as well as to the Davos meeting, where the theme of ‘creating a shared future in a fractured world’ is being discussed. Amb. Žugić concluded by emphasizing the importance of ‘bridging the inequality gap’ as a key issue to the EED agenda, which could contribute to renewed dialogue and mutual understanding based on the OSCE’s shared values and common engagements.

The floor was opened for discussions.

Bulgaria, on behalf of the European Union, stated that the discussions during the Forum have shown the activities of pS in reaping benefits and addressing risks of digitalization, with reference to the labour market, start-up incubators or e-governance systems in police headquarters or elsewhere. However, some challenges remain. The speaker reiterated that the European Union remained constructively engaged in economic and environmental issues and continued to contribute to the work of the second dimension.

The representative of Albania briefed on the importance of the digital economy-agenda in Albania. The country remained committed in developing policies in various sectors, such as health, education, agriculture, transport, and energy; and to increase digital connectivity on national level. A visibility study was recently conducted, supported by UNDP, focusing on several municipalities and cross-border regions. The speaker offered to further share best practices to pS. The representative, in conclusion, emphasized full support to the second dimension.

The representative of Switzerland thanked for the innovative topics of this Forum. Digitalization has many implications and should not only be considered as a technical subject. The digital economy, with its security and human implications, is shaping the world. Therefore, co-operation between pS is required in the OSCE and in other international organizations, such as the United Nations. The speaker applauded to the exchange of best practices, to create a conducive framework for the business sector and other stakeholders. Switzerland offered its support to the OSCE Italian Chairmanship if political discussions on digitalization are wanted; with a potential Ministerial Council decision in mind.

The representative of Tajikistan briefed on the long-term goal of the country aimed at innovative development. This goal can only be achieved through the introduction of digital technologies. The Government of Tajikistan has successfully introduced several e-platforms to ensure that public services are provided in different sectors of the national economy. The speaker reiterated the importance to extend these initiatives and asked for support in view of technical and financial contributions to sustain these key development processes.

The representative of the United States of America appreciated the innovative theme of the Forum. The idea of the digital economy as facilitating connectivity, competitiveness and innovation, good governance, anti-corruption, security, and sustainability could lead to a more sound investment climate and more jobs, leading to broader socio-economic and political security and stability. The OSCE is lagging behind in focusing its attention on technological advancement. Economic growth is slow if not engaged in innovation. Criminals can use technology to threaten prosperity and security of a country. The speaker highlighted that digitalization has changed the dynamics offering new ways to produce and

commercialize goods and services. The digital economy has boosted the economic growth in the country. In the national security strategy of December 2017, the United States of America are prioritizing these emerging technologies. The speaker explained that artificial intelligence is rapidly progressing. The digital economy will present a challenge to the OSCE: the challenge to balance between security and openness. Cyber security will also remain an important issue in the discussions. In order to gain prosperity across the OSCE region, barriers should eventually fall and the rule of law could replace these barriers. The speaker finished by welcoming the efforts of the Italian Chairmanship in addressing this 'new world' from a security perspective; by strengthening the rule of law, embracing innovation and overcoming digital divides while enjoying the benefits of the digital economy and mitigating the risks.

Ambassador Alessandro Azzoni concluded that the discussions offered ways to kick-start an innovative process of debating these new subjects in the OSCE.

ANNEX I

Annotated Agenda



Organization for Security and Co-operation in Europe

The Secretariat

Vienna, 23 January 2018

26th OSCE Economic and Environmental Forum

“Promoting economic progress and security in the OSCE area through innovation, human capital development, and good public and corporate governance”

FIRST PREPARATORY MEETING

Vienna, 22-23 January 2018

OSCE Congress Centre, Hofburg, Heldenplatz, 1010 Vienna

DRAFT ANNOTATED AGENDA

Monday, 22 January 2018

10:00 - 11:00 **Opening Session** (*Neuer Saal, 2nd floor*)

Welcoming remarks:

- **Ambassador Alessandro Azzoni**, Chairperson of the OSCE Permanent Council, Permanent Representative of Italy to the OSCE, 2018 OSCE Italian Chairmanship
- **Ambassador Thomas Greminger**, OSCE Secretary General
- **Ambassador Vuk Žugić**, Co-ordinator of OSCE Economic and Environmental Activities

Moderator: Ambassador Alessandro Azzoni, Chairperson of the OSCE Permanent Council, Permanent Representative of Italy to the OSCE, 2018 OSCE Italian Chairmanship

Rapporteur: Ms. Giulia Manconi, Advisor for the Economic and Environmental Dimension, Permanent Mission of Italy to the OSCE, 2018 OSCE Italian Chairmanship

Statements by Delegations / Discussion

11:00 - 11:30 Coffee/Tea Break

11:30 - 13:00 Session I: Digital economy as driver for growth and connectivity

Selected Topics:

- Ways to expand the benefits of digital economy
- Expand digital infrastructure
- Digital trade
- Enhancing partnership and business interaction

Moderator: Ms. Maja Handjiska Trendafilova, Coordinator of SEE 2020 Strategy, Regional Cooperation Council

Rapporteur: Mr. Kurban Babayev, Associate Anti-Corruption Officer, Office of the Co-ordinator of OSCE Economic and Environmental Activities

Speakers:

- **Prof. Andrea Gumina**, Expert on Innovation, Digital Economy, Next Production Revolution, 2017 Italian G7 Presidency, Italy
- **H.E. Karine Minasyan**, Member of Board, Minister in charge of Internal Markets, Information Support, Information and Communication Technology, Eurasian Economic Commission
- **Prof. Boris Otto**, Managing Director, Fraunhofer Institute for Software and Systems Engineering, Germany
- **Mr. Vladimir Basko**, Director General, Infopark Association, Vice-Chairman, Confederation of Industrialists and Entrepreneurs, Belarus

Discussion

13:00 - 14:30 Lunch hosted by the Office of the Co-ordinator of OSCE Economic and Environmental Activities

14:30 - 16:00 **Session II: Boosting innovation, competitiveness and employment through digital economy**

Selected Topics:

- Innovation, new business models, smart products and services
- Digital entrepreneurship and job creation
- SMEs access to digital economy
- Digital technology to enhance social and economic inclusion

Moderator: Ambassador Kairat Sarybay, Chairperson of the OSCE Economic and Environmental Committee, Permanent Representative of the Republic of Kazakhstan to the International Organizations in Vienna

Rapporteur: Mr. Alistair Hodson, First Secretary/Political, United Kingdom Delegation to the OSCE

Speakers:

- **Prof. Ingela Sölvell**, Researcher, Stockholm School of Economics, Center for Advanced Studies in Leadership, Sweden
- **Mr. Martin Bailey**, Head of Unit, Digital Policy Development and Coordination, Directorate-General for Communications Networks, Content and Technology, European Commission
- **Dr. Simon Jäggi**, Deputy Head, Economic Policy Directorate, Federal Department of Economic Affairs, Education and Research, State Secretariat for Economic Affairs, Switzerland
- **Ambassador Pierre von Arx**, Head of the OSCE Programme Office in Bishkek

Discussion

16:00 - 16:30 Coffee/Tea Break

16:30 -18:00 **Session III: Enhancing good governance, transparency and the fight against corruption through digitalisation**

Selected Topics:

- Technology as an enabler for creating a culture of integrity
- Open and transparent public administration
- Public participation through e-governance
- Procurement digitalisation

Moderator: Dr. Leena Ilmola-Sheppard, Senior Research Scholar,
International Institute for Applied System Analysis (IIASA)

Rapporteur: Ms. Amanda Szalczynski, Adviser on Economic and
Environmental Affairs, Permanent Mission of Switzerland to the OSCE

Speakers:

- **Mr. Adilbek Mukashev**, Head of Department, Agency for Civil Service Affairs and Anti-Corruption in Pavlodar, Republic of Kazakhstan
- **Mr. Dražen Maravić**, Director, National Academy for Public Administration, Serbia
- **Ms. Gvantsa Meunargia**, Head of Strategic Development Unit, Analytical Department, Ministry of Justice, Georgia
- **Ambassador Vaidotas Verba**, Project Co-ordinator, OSCE Project Co-ordinator in Ukraine

Discussion

18:30 Reception hosted by the 2018 OSCE Italian Chairmanship (Italian Embassy, Palais Metternich) (*Transfers will be provided*)

Tuesday, 23 January 2018

09:30 - 11:00 **Session IV: Security implications of digital economy**

Selected topics:

- Security risks for public and private sectors
- Approaches to promote digital security in business
- Economic impact of digital crimes
- Private-Public Partnerships

Moderator: Ambassador Károly Dán, Permanent Representative of Hungary to the OSCE, the UN and other International Organizations

Rapporteur: Mr. Merey Mukazhan, Second Secretary, Permanent Mission of the Republic of Kazakhstan to the International Organisations in Vienna

Speakers:

- **Prof. Elina Sidorenko**, Department of Criminal Law, Moscow State Institute of International Relations, Russian Federation
- **Prof. Majlinda Zhegu**, Department of Management and Technology, University of Montreal, Canada
- **Captain Antonio Romano**, Head IT Operational Unit, Guardia di Finanza, Ministry of Economy and Finance, Italy
- **Ms. Rasa Ostrauskaite**, Co-ordinator of Activities to Address Transnational Threats, OSCE

Discussion

11:00 - 11:15 Coffee/Tea Break

11:15 - 12:45 **Session V: Boosting sustainability through digital economy**

Selected Topics:

- Digital technologies and the 2030 Agenda for Sustainable Development
- Smart Cities
- Synergies between digital economy and green economy
- Carbon footprint of digitalisation

Moderator: Mr. Andreas Stadler, Minister Plenipotentiary, Permanent Mission of Austria to the OSCE

Rapporteur: Mr. Daniel Kroos, Senior Programme Officer, Energy Security, Office of the Co-ordinator of OSCE Economic and Environmental Activities

Speakers:

- **Ms. Nilza de Sena, MP**, Chair of the OSCE Parliamentary Assembly's Committee for Economic Affairs, Science, Technology and Environment
- **Mr. Farkhod Ibragimov**, Director, Mirzo Ulugbek Innovation Centre, Uzbekistan
- **Mr. Nikolas Neubert**, Head of Business Unit Sustainable Buildings and Cities, Center for Energy, Austrian Institute of Technology, Austria

- **Mr. Hristo Hristov**, Director of Information Technology Directorate, Ministry of Transport Information Technology and Communications, Bulgaria

Discussion

13:00 - 13:30 Concluding Session

- **Ambassador Alessandro Azzoni**, Chairperson of the OSCE Permanent Council, Permanent Representative of Italy to the OSCE, 2018 OSCE Italian Chairmanship
- **Ambassador Vuk Žugić**, Co-ordinator of OSCE Economic and Environmental Activities

Rapporteur: Ms. Brigitte Krech, Economic and Environmental Adviser, Office of the Co-ordinator of OSCE Economic and Environmental Activities

Statements by Delegations