



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”

SECOND PREPARATORY MEETING

Venice, 24-25 May 2018

CONSOLIDATED SUMMARY



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

SECOND PREPARATORY MEETING

Venice, 24-25 May 2018

LIST OF ABBREVIATIONS	4
EXECUTIVE SUMMARY	6
<i>Opening Session</i>	7
<i>Session I: Investment policies and promotion of favourable business climate to accelerate economic growth in the digital era</i>	12
<i>Session II: Human capital development as an essential factor for economic security, growth, development and competitiveness</i>	15
<i>Session III: Building knowledge, skills and competences in the digital era</i>	20
<i>Session IV: Promoting security through social equity</i>	24
<i>Session V: Strengthening good public and corporate governance through transparency and accountability</i>	27
<i>Concluding Session</i>	30
ANNEX I	34

LIST OF ABBREVIATIONS

AI	Artificial Intelligence
CBM	Confidence-building measure
CEO	Chief Executive Officer
EADF	Eurasian Digital Forum
EAEU	Eurasian Economic Union
EBRD	European Bank for Reconstruction and Development
EEC	Economic and Environmental Committee
EED	Economic and Environmental Dimension
EEF	Economic and Environmental Forum
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
ICT	Information and Communication Technology
ILO	International Labour Organization
ISP	Internet Service Provider
IT	Information Technology
ITU	International Telecommunication Union
MoU	Memorandum of Understanding
NAP	National Action Plan
NGO	Non-governmental organization
OCEEA	Office of the Co-ordinator of OSCE Economic and Environmental Activities
OECD	Organisation for Economic Co-operation and Development

OSCE PA	OSCE Parliamentary Assembly
PCU	OSCE Project Co-ordinator in Ukraine
pS	participating States
R&D	Research and Development
ROA	Return on Assets
ROE	Return on Equity
SDG	Sustainable Development Goal
SME	Small and medium-sized enterprise
STEM	Science, Technology, Engineering, and Mathematics
UN	United Nations
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNGP	UN Guiding Principles
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
YDEAS	Young Developers and Entrepreneurs to Advance Start-ups in the Western Balkans

EXECUTIVE SUMMARY

The Second 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 Venice on 24-25 May 2018.

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

- Investment policies and promotion of favourable business climate to accelerate economic growth in the digital era
- Human capital development as an essential factor for economic security, growth, development and competitiveness
- Building knowledge, skills and competences in the digital era
- Promoting security through social equity
- Strengthening good public and corporate governance through transparency and accountability.

More than 150 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 security. Enhancing good governance and preventing corruption were seen as essential in ensuring sustainable economic development, stability and security. During the Sessions, human capital was widely discussed as a mean to foster equality, stability and security, in the time of the Fourth Industrial Revolution. The question was raised on how to manage the transition to the digital era. Moreover, the impact of technological innovation and digitalization on the labour market and human capital, while focusing on security implications was emphasized.

Education was seen as a key tool to foster progress and growth, as well as to promote dialogue and build confidence, in particular in post-conflict societies. The link between skills, productivity and new forms of education schemes was also highlighted. Participants also emphasised that investing in human capital is critical for sustainable economies and for the promotion of sustainable devilmnt.

Several representatives of the private sectors shared best practices on how companies address corporate social responsibility issues and human capital development, in particular, the challenges in youth employment were highlighted. Co-operation between the private sector, governments and international organizations was considered to be instrumental for success.

In conclusion, the OSCE was seen as an ideal platform to foster dialogue and exchange of best practices and it was acknowledge that t the digital economy, human capital development and good governance, with its impact on security, would play an increasing role in the OSCE’s second dimension activities in the years to come.

Opening Session

Welcoming remarks:

- **Ambassador Vinicio Mati**, Italian 2018 OSCE Chairmanship Coordinator
- **Ambassador Vuk Žugić**, Co-ordinator of OSCE Economic and Environmental Activities

Keynote Speakers

- **Professor Paola Severino**, Special Representative of the OSCE Chairperson-in-Office on Combating Corruption
- **Mr. Enzo Quattrociocche**, Secretary General, European Bank for Reconstruction and Development (EBRD)

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, welcomed all the speakers and participants and introduced the keynote speakers of the Second Preparatory Meeting which was dedicated to the topic of “Promoting progress and security in the OSCE area through innovation, human capital development and good public and corporate governance”.

Ambassador Vinicio Mati, 2018 OSCE Italian Chairmanship Coordinator, highlighted that the Economic and Environmental Forum can be the right platform for participating States (pS) to discuss possible future engagements for the OSCE, in light of the current external developments in the economic and environmental domains, and namely, of the ongoing digital transformation of the economy. Ambassador Mati underlined the importance of promoting human capital development and strengthening good governance as tools for avoiding that the digital revolution is becoming a new source of social and generational inequalities. The link between digitalization, security of the economy and people was also stressed.

Ambassador Vuk Žugić, Co-ordinator of OSCE Economic and Environmental Activities, thanked the 2018 Italian OSCE Chairmanship for having included human capital development and good public and corporate governance among the topics of the 2018 Economic and Environmental Forum Agenda. Ambassador Žugić underlined that the current rapid technological change can be a source of economic and security risk. The adverse impact of automation on the labour market might have serious repercussion on unemployment which might, in turn, lead to increased illegal economic activity and other factors that can

undermine security and stability in the OSCE region. The Co-ordinator said that investing in human capital development and focusing on public governance rules that put the future of work at the center will certainly help in mitigating the challenges associated with the Fourth Industrial Revolution.

Professor Paola Severino, Special Representative of the Chairperson-in-Office on Combating Corruption, stressed that enhancing good governance and preventing corruption are key in ensuring sustainable economic development, stability and security. Prof. Severino commended the work of the OSCE in the field of good governance and said that the OSCE should continue to be a key reference point for a fruitful exchange of national anti-corruption practices; and the promotion of a shared anti-corruption regulatory basis. The lack of harmonization of corporate criminal liability-law in various legal systems risks the negative counter-effect of scaring investments away from those countries that are truly engaged in fighting corruption. Companies might prefer to allocate their resources into countries, in which less attention is being dedicated to the prevention of corruption. Professor Severino underlined the importance of offering adequate responses to emerging demands for the protection against the misuse of new technological tools for the business sector. In fact, the lack of shared regulations makes technological tools very attractive for criminals in the pursuit of profit, to easily channel illicit funds and thus evade tax, pay bribes, launder money and finance terrorism. To conclude, Prof. Severino emphasized the importance of making good use of the OSCE offices to promote the exchange of best practices between the public and private sectors. She also reiterated the importance of involving the business world in the fight against illegality and corruption.

Mr. Enzo Quattrociocche, Secretary General, European Bank for Reconstruction and Development (EBRD), said that promoting good governance and a favourable business climate is among the Bank's core activities. He presented the 'Investment Climate and Governance Initiative', which was launched by the EBRD in 2014 to improve the investment climate and to enhance economic governance. In this context, he said that the EBRD assisted the establishment of Investment Councils, which are structured platforms for promoting public-private dialogue. The Bank supports these Councils in a number of OSCE pS such as Albania, Armenia, Georgia, Kyrgyzstan, Moldova, and Tajikistan and is working towards establishing them in others pS. The EBRD reinforces the establishment of Business Ombudsman Institutions, which provide advice to the authorities, where systemic problems are being identified. The first one was founded in 2015 in Ukraine, and has, so far, contributed to the recovery of nearly 370 Million Euros. The EBRD also assists governments in their efforts to streamline services to businesses in order to gain efficiency and transparency through the use of digitalization. Mr. Quattrociocche commended the collaboration with the OSCE, initiated in 2014. The MoU, signed in 2017 between the two Institutions, will result in joint and increased efforts to support good governance in the public and private sectors.

The floor was opened for discussion.

A representative of Belarus appreciated the topics chosen for this year's Economic and Environmental Forum. The same topics were at the core of the first Eurasian Digital Forum (EADF), which took place last May in Minsk aimed at discussing the conceptual issues of digital transformation and harmonization of digital markets at the national and international levels. Digitalization should remain high on the agenda of the next OSCE Chairmanship.

Bulgaria, on behalf of the European Union¹, welcomed this year's EEF topics, which cover a number of important topics that play a role in fostering economic progress and security in the OSCE area: innovation, human capital development, and good public and corporate governance. Particular emphasis was set on the importance of advancing good public and corporate governance, which remains a core activity for both, the EU and the OSCE. The OSCE, being a regional security organization and a forum for political dialogue, is well-placed to facilitate exchanges of best practices and stimulate further compliance of pS with relevant international commitments.

A representative of Bulgaria said that the digitalization of economy is one of the main priorities of Bulgaria's Presidency of the Council of the EU. He mentioned the EU-Western Balkans Summit, recently held in Sofia, which led to the approval of the Sofia Declaration, envisaging a digital agenda for the Western Balkans. The representative said that it is indispensable for new technologies to be widely introduced at all levels of the educational system in order to make sure that young people will have the knowledge and skills needed to be integrated in the new labour market(s), thus, preventing youth unemployment and social exclusion. Particular appreciation was expressed to the OSCE Project YDEAS (Young Developers and Entrepreneurs to Advance Start-ups in the Western Balkans), managed by the Office of the Co-ordinator of OSCE Economic and Environmental Activities (OCEEA) and sponsored by the Italian 2018 OSCE Chairmanship.

A representative of the Russian Federation appreciated the choice of good public and corporate governance and human capital development among the Forum's topics. Digital transformations require pS to establish new approaches to good governance. The digital economy is a priority to the Russian Federation, where new legal and technical standards are currently being developed as well as working on new programmes aimed at addressing labour market adjustments, caused by digitalization, and ensuring the support for displaced workers.

A representative of Switzerland talked about the impact of technological innovation and digitalization on the labour market and human capital. In this context, he stressed the importance of strengthening good governance, facilitating trade, removing barriers towards innovation, creating a secure investment climate, guaranteeing consumer protection, and creating international and interoperable standards to ensure the benefits for the societies and economies. Investing in human capital is key to foster equality and, thus, stability and security. Switzerland underlined that the OSCE can make an important contribution to the security by providing a platform to discuss these issues.

A representative of Turkey said that the development of human capital policies, which comply with the competences required by the Fourth Industrial Revolution, is as important as strengthening good public and corporate governance. Nevertheless, the representative said that reviewing good governance policies in light of the current digital revolution is challenging. The OSCE can support pS with the creation of international standards aimed at harnessing the benefits of this digital transformation.

A representative of Kazakhstan said that the Government of Kazakhstan, together with the private sector, have developed and are successfully implementing a number of strategic long-

¹ The Former Yugoslav Republic of Macedonia, Montenegro, Serbia, Bosnia and Herzegovina, Liechtenstein, Ukraine, Armenia, Georgia and Andorra aligned themselves.

term programmes aimed at improving the competitiveness of human capital. Through the allocation of e.g. study grants, a three-lingual-educative approach, digital tools, and international scholarship programmes with several international universities, the Government of Kazakhstan aims at providing the citizens with the appropriate skills needed working in the globalized world.

A representative of Azerbaijan underlined that the increasing reliance of the economies on digital technologies impacts the way of doing business and requires companies to develop innovative forms of entrepreneurship. Good governance in the private sector is as important as in the public sector, since a system, based on efficient management, proper auditing and accountability, and adherence to and respect for laws, rules and regulations, business ethics and the codes of conducts, is key for attracting investment and generate growth.

A representative of Armenia stated that good governance and a good business climate and development of human capital can take place only in strong and inclusive democratic institutions, where human rights and freedom are ensured. The promotion of the digital economy and innovative education can create growth, enhance economic participation and increase people to people contacts. The OSCE is an important forum for dialogue and exchange of experience among pS and international organizations, which pursue an agenda of regional economy co-operation and confidence-building, through developing good governance and human capital. The representative said that the OSCE Office in Yerevan was instrumental in promoting good governance and e-governance. The government of Armenia is consistent in advancing reforms on good governance.

A representative of the Holy See praised this year's discussions on how innovation, human capital development and good public and corporate governance may advance economic progress and security. The representative emphasized the importance of promoting a human-centered approach to economic life, which focuses on ensuring education, inclusion of women and youth, new forms of employment, as well as improvements in social and working conditions, which can unlock new avenues of growth and progress in the digital era.

A representative of the United States of America highlighted the strong link between human capital development and security. Providing citizens with relevant and up-to-date skills means ensuring economic participation, which results in reinforced trust in public institutions, a better investment climate and less likelihood to engage in criminal behaviour. The alternative – a corrupt government and lack of opportunity, which can lead some citizens, especially youth, to turn towards criminality and social unrest – is a direct threat to the security in the OSCE region. The representative echoed Prof. Severino by stressing that in the long-term progress can only be achieved through good governance and meaningful measures to attack corruption.

A representative of Georgia commended the priorities chosen by the 2018 OSCE Italian Chairmanship for the Economic and Environmental Forum. The representative focused on the progress made by Georgia towards the creation of a business-friendly investment climate. This process of transformation was accompanied by active support and co-operation between the private and public sectors and by the international community. By ameliorating national legislation on the fight against corruption and by ensuring good economic governance, including through e-governance, Georgia has managed to attract foreign direct investment and improve the business environment. According to the latest UNECE study on regulatory

and procedural barriers to trade, Georgia is among the top trade reformers in the UNECE region.

Session I: Investment policies and promotion of favourable business climate to accelerate economic growth in the digital era

Moderator: Mr. Guido Romeo, Business Editor, WIRED Italia

Rapporteur: Mr. Jonas Grätz, Economic Adviser, Office of the Co-ordinator of OSCE Economic and Environmental Activities

Speakers:

- **Mr. Dzmitry Matusevich**, Deputy Minister of Economic, Republic of Belarus
- **Mr. Atanas Kolev**, Senior Economist, European Investment Bank (EIB)
- **Mr. Zviad Kvividze**, Deputy Director, Enterprise Georgia, Georgia
- **Dr. Leena Ilmola-Sheppard**, Senior Research Scholar, International Institute for Applied System Analysis (IIASA)

Mr. Dzmitry Matusevich, Deputy Minister of Economy, Republic of Belarus, remarked that economic growth in Belarus has been stable and inflation was no longer a problem. He highlighted the government's programme, which would be aiming at preserving good economic conditions for existing economic sectors as well as the development of new sectors, which is supported by a governmental road map enhancing economic institutions. The goal of Belarus would be to reach the top-30 in the World Bank "Doing Business"-Ranking. Belarus has already advanced markedly over the last 10 years. Mr. Matusevich also stressed new acts that would be intended to support small and medium-sized enterprises as well as to enhancing the digital economy. He presented the work that has been done by Belarusian authorities to simplify government procedures and digitalize documents and activities. He underlined a high-tech park that was serving as a hub for IT companies and as incubator for start-ups, which was supported by the government of Belarus. This has helped Belarus in gaining the 10th rank in a recent ranking of European countries focusing on the development of blockchain and cryptocurrencies. With regard to traditional industries, he stressed the close distance of Belarus to various markets, its membership of the Eurasian Economic Union, as well as preferential tax regimes in specific industrial parks and zones, which enabled Foreign Direct Investment (FDI) from various international companies. FDI has helped raising corporate governance standards in Belarus. In conclusion, Mr. Matusevich touched on some elements of the sustainable development strategy of Belarus, which foresees the strengthening of agro-tourism, smart cities, energy efficiency, as well as ecological agriculture. Another government plan was focusing on green economy, for example in public transport, and social equity and protection.

Mr. Atanas Kolev, Senior Economist, European Investment Bank (EIB), presented an annual survey of more than 2,000 firms in the EU with regard to investments and finance. On macro-economic data, the general picture since 2008 was one of weak investment. Investments went

mostly into construction (residential and non-residential). In the past five years, there has been a slight recovery of investments into machinery, equipment and research and development (R&D). Mr. Kolev also introduced a municipal survey, highlighting under-investment in infrastructure in many EU countries due to fiscal consolidation and lack of capacity of municipal administrations to implement projects. With regard to the barriers of corporate investments, Mr. Kolev stressed that investments into R&D were far below the global peers in the EU, an alarming result in terms of competitiveness. The major barriers preventing firms from investing were the lack of skilled staff, followed by uncertainty and unwieldy regulations. Access to finance has not been identified to be a problem in aggregate, but there are variations across countries and types of firms. Whereas large firms did not seem to have a problem, small and innovative firms experienced problems in accessing finance.

Mr. Zviad Kvividze, Deputy Director, Enterprise Georgia, stressed the relevance of micro-, small- and medium-sized enterprises for employment, poverty reduction and development in Georgia. He gave an overview of Georgia's SME development strategy 2016-20, consisting of five pillars:

1. Regulatory framework, business environment and good governance;
2. Skills development;
3. SME internationalization and access to financing;
4. Innovation and technology development; and
5. Development of Georgia's regions.

'Enterprise Georgia' was introduced as one of the main institutions for private sector development, focused on micro-, small-, and medium-sized enterprises. Mr. Kvividze described the activities of Enterprise Georgia, which were focused firstly on the access to financing for SMEs, secondly to attract FDIs and thirdly on project development in different sectors. Enterprise Georgia was also supporting the internationalization of SMEs and working on strengthening different economic sectors, including ICT (Information and Communication Technology). Mr. Kvividze mentioned the strategic markets for exports, which would, to some extent, be defined by Georgia's free trade agreements (FTA). He stressed that Georgia was unique in having a FTA both with the EU and with China. He highlighted the tools of Enterprise Georgia. Exporters are supported by e.g. co-financing the participation in trade fairs and trade missions, by consultations with SMEs, by a test of the readiness of businesses for foreign markets, by match-making with importers, by sectoral researches, and by export guidance. Mr. Kvividze stressed that Enterprise Georgia was partnering with universities for providing courses, including online, in order to raising the level of market knowledge of businesses.

Dr. Leena Ilmola-Sheppard, Senior Research Scholar, International Institute for Applied System Analysis (IIASA), summarized some of the key learnings from a IIASA research on digitalization and digital ecosystems. She noted that very powerful cloud computing tools, including artificial intelligence, were being developed and that could be used basically for free by the companies of participating States, in order to get more information about consumer behaviour. This was described by Dr. Ilmola-Sheppard as a new ecosystem where local companies would get easy access to cloud computing by global corporations, and would provide access to data in compensation. Those services would be quite cheap, she stressed, since companies are inclined to accept a low level of remuneration in anticipation of steadily growing shareholder value. Dr. Ilmola-Sheppard underlined that in this new ecosystem the nature of R&D would change, as new solutions could be developed by local companies not

mainly by investing heavily into new inventions, but rather by using the global platforms to improve competitiveness basically for free. She went on by introducing few recommendations for policy-makers, namely: 1. Harmonization of the different standards used in a production chain would eradicate inefficiencies and losses; 2. Governments could be providing the infrastructure for data-driven platforms as a necessary support for the development of new digital ecosystems; 3. Developments are so fast that uncertainty would have to be a key consideration when designing policies. In this environment, investments in knowledge would be crucial; 4. Exploit existing global platforms as fast as possible, at the same time not relying entirely on one of the companies in the marketplace, as this would create dependencies. Governments should also consider participating in the development of national digital start-ups as a shareholder.

The floor was opened for discussion.

A representative of Turkey spoke about Turkey's experience in facilitating investment. He underlined what he called a new economic paradigm – that investment and trade are important engines in view of global growth and development. The representative stressed the significant investments that have been made since 2001, when Turkey launched its national reform process. Institutions, such as investment councils, would be helpful for communication between the private and public sectors and were yielding a concrete action plan. He mentioned issues, covered by the action plan, such as enforcement and bankruptcy, construction permits, e-municipality, and telecommunication permits. The goal of the action plan was to raise Turkey's ranking in the World Bank's "Doing Business" ranking to the top-twenty.

A representative of Armenia highlighted that Armenia's experience in developing innovation and technological sectors will be disseminated in written. A question was addressed to the panel: What mechanisms are being implemented with regard to e-governance and how to assess the efficiency of these initiatives for citizens and businesses?

Mr. Dzmitry Matusevich underlined the package of documents that the government has adopted in order to digitalize government processes. The strategic goal was to bring these to a fully digital format. He underlined that Belarus had already undertaken some steps in this direction, as some government documents were already being issued in electronic form only since the beginning of 2018. Also, the creation of a ministry of digital economy was being discussed. Already, a council under the Prime Minister of Belarus has been set up.

Mr. Zviad Kvlividze stressed the different services offered with regard to e-government. The public service halls, that have been set up to centralize all citizens' services, are now available online. A department under the agency responsible for the service halls was constantly working on developing new projects with regard to e-governance. Another initiative was the Georgian Innovation and Technology Agency, where young entrepreneurs can come up with new e-government solutions. Mr. Kvlividze highlighted that Georgia would become even more active in this direction in future.

Session II: Human capital development as an essential factor for economic security, growth, development and competitiveness

Moderator: Ambassador Roksanda Ninčić, Permanent Representative of the Republic of Serbia to the OSCE and other International Organizations in Vienna

Rapporteur: Ms. Clodagh Quain, Attaché, Permanent Mission of Ireland to the OSCE

Speakers:

- **Ambassador Elnur Sultanov**, Ambassador-at-Large, Secretary General of the National Commission of the Republic of Azerbaijan for UNESCO, Ministry of Foreign Affairs, Azerbaijan
- **Ms. Irina Akinshina**, Human Resources Director, Lukoil International Trading and Supply Company, Russian Federation
- **Ms. Melina Schneider**, Adviser, Austrian Federal Economic Chamber, WKÖ, Austria
- **Ms. Chiara Criscuolo**, Head of Division, Productivity and Business Dynamics, Organisation for Economic Co-operation and Development (OECD)

The Moderator, *Ambassador Roksanda Ninčić, Permanent Representative of the Republic of Serbia to the OSCE and other International Organizations in Vienna*, underlined the importance of human capital for creating value in the global economic system and the need for political, social and civic institutions to adapt to Industry 4.0. How can we manage the immense transition process into the digital world and what are the security implications?

Ambassador Elnur Sultanov, Ambassador-at-Large, Secretary General of the National Commission of the Republic of Azerbaijan for UNESCO, Ministry of Foreign Affairs, Azerbaijan, indicated the fundamental questions to answer are what qualities the individuals of tomorrow will need. How to promote growth beyond material improvement? The term investment in the education of people has a traditional understanding. However, today the term has become much broader. The link between skills and productivity was further illustrated. The analysis showed that workers and individuals are also critical to economic prosperity. In 2015, the World Economic Forum launched the ‘Global Human Capital Index’, which has a direct link to economic growth. The knowledge people gain leads to economic growth. Higher education tends to translate in higher earnings which then lead to economic spending. Technological achievements today are significant. Investment in human capital is critical for sustainable economies. People need to learn to consume more responsibly, which can be addressed through education. The 2030 Agenda for Sustainable Development with its 17 Sustainable Development Goals (SDGs) are closely connected with the development of

human capital. People today can reinvent themselves online allowing them greater opportunity and ownership of their career without intermediaries. This requires a relatively advanced economy. An exclusive focus on technology may also exclude others. Azerbaijan has shown how careful investment in human capital can assist the economy. Literacy rates in Azerbaijan are almost 100% and poverty is less than 5%. The government adopted a strategic roadmap in 2016 to address, among other, human capital to improve labour productivity, sustainable economic growth, competitiveness of manufacturers and companies and the integration of the country in global markets. He underlined that ensuring the continuity of skills and knowledge, stimulating companies to invest in the labour market was a work in progress. A submission to hold the World Expo 2025 on Human Capital in Baku will address how best to utilize talents and create opportunities for a better world. The Expo 2025 would allow for further discussions in line with the timeline of the UNSDGs and commitments. The future of health including access to healthcare would also be discussed.

Ms. Irina Akinshina, Human Resources Director, Lukoil International Trading and Supply Company, Russian Federation, welcomed the OSCE's work on human capital. She presented Lukoil, a global company in oil and gas exploration and production, transport and trade, and emphasized the organisation's focus on sustainable growth and development of the company. Lukoil is one of the largest public vertically integrated companies globally operating in four continents and over 40 countries. As part of its corporate social responsibility and commitment to human capital, Ms. Akinshina noted its effective dialogue with government authorities and social partners to ensure good conditions for Lukoil's employees. She presented the example of Lukoil's project in Kazakhstan, implemented with local authorities which stimulates regional growth, facilitates village infrastructure, and increases local employment. On international co-operation, Ms. Akinshina underscored Lukoil's engagement regarding youth employment challenges. It was the first Russian company to sign the agreement on co-operation with the International Labour Organization (ILO) in December 2012. Beyond the three pilot regions in the Russian Federation, Kazakhstan and Azerbaijan, enhanced co-operation will be furthered from 2018-2022 with Uzbekistan and three more pilot regions. Lukoil makes practical steps providing recommendations based on the work with social partners. On industrial policy, Lukoil invests in professional training and places an emphasis on knowledge sharing with its partners. It established in 2011 Russia's first corporate training centre in the Astrakhan region. In addition, Lukoil is part of an ILO Youth Employment Initiative to address the youth employment crisis. Ms. Akinshina concluded that global companies should take part in international initiatives with social responsibilities to develop human capital and secure human employment. She equally underlined the need to pay particular attention to youth employment in less developed regions and countries with smaller-sized economies and/or those undergoing post-conflict recovery. A business strategy based on the above principles would ensure global improvement, international stability and security.

Ms. Melina Schneider, Adviser, Austrian Federal Economic Chamber, WKÖ, Austria, presented the case for 'Investing in human capital to strengthen economic security and competitiveness'. Ms. Schneider underlined that two challenges posed include a lack of highly qualified and skilled workers as well as rising youth unemployment - an apparent paradoxical trend. Introducing comparative studies and graphs, she illustrated the correlation between a mix of the school and practical based vocational system in different countries and youth unemployment. High practical training can lead to improved performance and a better match between qualifications and labour market needs. Austria, Switzerland and Germany were noted as countries with such vocational training. Ms. Schneider also indicated that

apprenticeship training and qualification translates well to Chief Executive Officer (CEO) or top management level and high-level technicians. A university degree, however, did not automatically translate into management positions. A skilled workforce needs to be very adapted to the needs of the labour market with regular training based on changes over time and feedback from companies. Dual vocational and education training accounted for 80% in the company and 20% in the vocational school. Such training offers an allowance from the first day of work and offers the candidate experience in a state of the art environment. Broad skills' training is also provided to develop different competences to help improve their productivity and skill-set. Approximately half of the trainees stay with the company. Ms. Schneider concluded by underlining the benefits of dual vocational and education training in boosting economic performance and competitiveness, enabling labour market-matching between employers and employees and integrating young people.

Ms. Chiara Criscuolo, Head of Division, Productivity and Business Dynamics, Organisation for Economic Co-operation and Development (OECD), discussed 'Productivity in the Era of Digital Transformation', presenting a new version of Solow's (1987) productivity paradox: why are computers omnipresent though not yet in productivity statistics? She underlined that two factors play an important role: a lack of diffusion of technology, innovation and related business models and second, a lack of structural change, a slowdown in business dynamics and possible impacts of competition. Ms. Criscuolo also illustrated the large differences in digital intensity across sectors based on investment in software, ICT, robot use, online sales revenues and ICT specialists. Measurement in digitalization is a challenging task. There is an enormous heterogeneity in sectors. Mining, for example, has a low level of digitalization whereas finance and insurance have a high level. It was noted that digital intensity comes with a higher skill content including self-organization, communication, management and readiness to learn. In addition, she noted a lot of heterogeneity across firms. Small firms are lagging behind in such technologies as cloud computing which might indicate that not everyone is benefitting from digital transformation. There is also an increased divergence in performance between firms who have good managers and digital transformation. A real risk is there if policymakers do not intervene and where there is insufficient investment. Ms. Criscuolo, then, presented the OECD's findings on the future of productivity: the diffusion of advanced digital technologies (big data, robotics, AI), changes in organizations; business models, workers' skills and processes are time-consuming (more so for firms); the impacts of digital technologies will also require more structural change within and across industries, as digitally intensive firms grow and less digitally intensive firms decline; the digital transformation requires a bundle of skills throughout the firm to succeed. She concluded that policy could help through investment, skills training, structural support, good regulation, and sound competition.

The floor was opened for discussion.

A representative of the United States of America recognized the critical role of dual vocational and education training in stabilizing employment, particularly after financial crises while also acknowledging that different education models apply to different countries. He indicated that the difference might not just be the training provided but the content taught in schools - critical thinking, creative problem solving, management and teamwork versus rote learning and multiple choice questions. He enquired to hear more about the trends in education in the OSCE region.

Ms. Melina Schneider acknowledged that a ‘one size fits all’ model is not applicable to all countries, rather a mixture. She underlined a further need for social skills and self-development skills in the future, which are already provided in vocational schools. There should be an interaction between the two e.g. transitioning from vocational training to university.

Ms. Chiara Criscuolo pointed to a present lag on early childhood education and emphasized, that life-long-learning still needs to be addressed further. This is increasingly important given the pace of change today.

A representative of Armenia recognized the significance of digital transformation and the digital economy. She reiterated that firms implement not only radical innovations, but also management. Armenia has, in particular, developed innovation development and digitalization strategies. Digital skills in the country have developed through effective collaboration between public-private partnerships and hubs for individuals and enterprises. It is also engaging in different activities with the EU through the Eastern Partnership Project and the Eurasian Economic Union (EEU) on the digital single market. A workshop on the development of digital skills will be organised by Armenia in Riga next month for Eastern Partnership countries and EU member states. A digital skills partnership was established to provide education with a more modernised training process.

A representative of the OSCE Parliamentary Assembly underscored the lack of digitalization despite changes in the labour market. Certain employees are attracted to certain jobs but this is not applicable to all and a significant number of jobs can be replaced by robots. The representative asked on further views on means to account for these changes in education given the potential social impact of automation.

Ms. Chiara Criscuolo recognized that ~9% of jobs will be at risk. She underlined the many opportunities in the improvement of productivity. The scope of the issue goes beyond robotics to include greater access to markets and an increased speed of information which provides opportunities to more people. The benefits trickle down in the whole economy. She underscored the need for transformation across the whole economy, however, as we currently pay transition costs.

A representative of Germany echoed concerns that SMEs were lagging behind according to the figures presented. He expressed surprise given that SMEs are often perceived as drivers of innovation and questioned the reason for this and the impact on societies. He asked what governments could do to close the gap?

Ms. Melina Schneider provided the figure that SMEs constitute 96% of the economy in Austria. She recognised that SMEs from the start-up sector are the most innovative and indeed give an impulse to larger companies. Traditional SMEs are performing well in the local region but not with the latest ICT tools. WKÖ provides a digitalization check and underlined that a change in ICT skills could create a change in their supply chain.

A representative of Kazakhstan underscored investment in human capital as very timely. Both the content we teach and its suitability to the current market should be considered. Last year in Kazakhstan, an analysis was made to define all competences and qualifications of state civil servants to develop indicators. He asked more broadly how collectively we could use

and implement these skills and consider the effect of investment in human capital on indicators.

Ms. Irina Akinshina underlined further co-operation with government and other organisations through dialogue. Such collaboration in business is critical for the younger generation. Investment in human capital must continue but also a new and positive perspective of productivity should be adopted.

Ms. Chiara Criscuolo reiterated that there is now an opportunity for governments and policy makers and encouraged further investment in human capital. She did however note the need to change the current perception and instead view productivity as an opportunity. It involves investing in skills and education and not reducing labour. The topics of inclusive growth and the digital transformation are also under discussion in the OECD.

Ms. Melina Schneider agreed that the dual apprenticeship was one possible answer to close the gap between formal education and labour market needs. She also acknowledged the role of chambers of commerce as they mediate for both the academic and business communities.

Session III: Building knowledge, skills and competences in the digital era

Moderator: Ambassador Päivi Laivola de Rosière, Permanent Representative of Finland to the OSCE

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

Speakers:

- **Ms. Larisa Aganesova**, Senior Economist, Department of Financing and Economic Analysis, Ministry of Education, Turkmenistan
- **Ms. Daniela Battisti**, International Affairs, Department for Digital Transformation, Presidency of the Council of Ministers, Italy
- **Ms. Žydrūnė Vitaitė**, Founder of Women Go Tech Initiative, Lithuania
- **Ms. Dildora Khamidova**, Consultant to UN Women Kyrgyzstan, former Executive Director of NGO “Center for Multicultural and Multilingual Education”, former Alumna of the OSCE Academy in Bishkek

The Moderator, *Ambassador Päivi Laivola de Rosière, Permanent Representative of Finland to the OSCE*, briefly introduced some aspects of the Finnish education system, an important topic to the country.

Ms. Larisa Aganesova, Senior Economist, Department of Financing and Economic Analysis, Ministry of Education, Turkmenistan, presented the educational system of Turkmenistan. She emphasized education as a key factor to the prosperity of any country, determining its competitiveness on the global market. The education system in Turkmenistan comprises a network based upon preschools up to postgraduate studies, vocational training and institutions for professional development. There is a current focus on innovation of the economy through the role of education. Legislation on education was recently updated in Turkmenistan. Accessibility and free nature of education up to university level were especially highlighted. Ms. Aganesova provided further details on Decrees by the President of Turkmenistan on the education system aiming at ensuring access and quality. The country continues to build contemporary schools on all levels, provided with the latest technologies including the use of internet. School pupils are receiving a personal computer before the start of the school year. In 2013/2014, a 12-year-school system has been introduced. The focus was also set to early childhood education. The speaker elaborated on the partnerships with other organizations in health and culture, including UNICEF and UNDP. She explained the importance of vocational training. The higher educational system is based on expanding the quality of universities and specialized education. New colleges, offering English as the study language, were created. One of the six basic principles of the Bologna Declaration is the introduction of a two-stage higher educational system (undergraduate and graduate/bachelor's and master's degree), which was introduced in 2014/15. The modernization of the educational system is being done through global state-plans. Information technology was cited as an innovative measure, reflected in the white paper of the

digital educational system in Turkmenistan, e-learning an effective communication tool. Digital education has been demonstrated by the increasing use of distance learning, e-libraries and online courses. Ms. Aganesova concluded by mentioning the good relationships with the OSCE, EU, and UN agencies (including UNESCO, UNICEF, UNFPA, and UNDP).

Ambassador Päivi Laivola de Rosière reminded that education has a strong linkage to security; bearing in mind the OSCE's comprehensive concept of security. Education is an excellent tool to foster dialogue and vital in peace-building, post-conflict societies while preventing new conflicts. Therefore, education is crucial to democracy, economic success and equality. Digitalization needs to be thoroughly addressed in the discussion.

Ms. Daniela Battisti, International Affairs, Department for Digital Transformation, Presidency of the Council of Ministers, Italy, focused on 'building knowledge, skills and competences in the digital era: women in STEM (Science, Technology, Engineering, and Mathematics)'; reiterating the importance of the Fourth Industrial Revolution in the field of human capital. She referred to the food-for-thought paper of the Italian Chairmanship (EEF.GAL/18), which touched upon digital transformation. Many interventions of today's discussion concentrated on the idea that there is no security without social justice and equality. Diversity should, in addition, be added to the discussion. She presented some OECD data, which showed little progress in fostering gender equality goals. The digital transformation is happening in a fast pace. This might affect the gender gap. She mentioned gender differences in education and professions that e.g. young women are under-represented in STEM. She also raised the question if new pedagogical approaches are needed. Having an inspiring teacher in middle schools was seen as instrumental in sparking the interest of pupils to engage e.g. in computer science. Ms. Battisti elaborated on the importance of women in IT and technology. A non-diverse environment could replicate its own bias. In early 1970s, e.g. airbags were only tested on male-sized-dummies, which resulted in a higher rate of potential serious injuries for women, using the security belt in cars. Later, tests with women- and child-sized dummies were also introduced. A lot of work in this field is carried out by organizations, such as the OECD, the International Telecommunication Union (ITU), G7, G20, and the European Commission. Ms. Battisti stated that the European Commission has initiated programmes to improve digital skills among EU-citizens and IT-skills of women. There is, so far, no systemized approach towards these topics. It could be of interest to put the expertise of all stakeholders together. She concluded by recalling that education in the past showed some biased tendency for women. Women could be drawn towards a more technical career, reflecting on opportunities within the digital transformation.

Ms. Žydrūnė Vitaitė, Founder of Women Go Tech Initiative, Lithuania, outlined the context of the Fourth Industrial Revolution. The public discourse is set around topics such as the influence on the labour force, "robotization", lifelong learning and the future need of practical skills. Lithuania is among the leading countries of women working in the ICT-field; e.g. being one of the top four EU-member countries as well as among the first 30 countries according to the World Economic Forum Gender Gap Report. Nevertheless, an increasing number of ICT-specialists are missing in Lithuania. Ms. Vitaitė shared her own mentoring-experience and spoke about the initiative 'Women Go Tech'. The programme focused on several pillars, including one-to-one mentoring sessions; showcasing real-life stories; and a share of 50% of mentors, who were men, who publicly spoke about their experience in the ICT sector and on the importance of having an inclusive society. She underscored that the initiative reflected a certain market-niche and was not funded by international organizations. 'Women Go Tech' was well-perceived in social media. An estimated sum of 250,000€ of

manpower was provided on a volunteer basis. This year, the capacity of the initiative will be doubled. Ms. Vitaitė concluded by emphasizing that a multi-stakeholder environment can create a change in the ICT-sector. Governments are asked to support these initiatives. She drew the attention to the ‘sticky floor’ aspect. Therefore, long-term mentorships and adequate role-models are needed to encourage women.

Ms. Dildora Khamidova, Consultant to UN Women Kyrgyzstan, former Executive Director of NGO “Center for Multicultural and Multilingual Education”, former Alumna of the OSCE Academy in Bishkek, informed on recent developments on women’s participation in STEM in Kyrgyzstan and Central Asia. She presented a project of 100 girls aiming at building a satellite by 2020, while continuing in the Kyrgyz space programme. She also mentioned a Kyrgyz female scientist, who won an international biotechnology award last year for research to keep vaccines safe without refrigeration. Ms. Khamidova stressed the need to deliver equal opportunities for women in sciences. Engineering provides good economic opportunities; however, only 35% women take up this study field in Kyrgyzstan. In order to improve the situation, some initiatives by local NGOs were highlighted. ‘Women techmakers’ is e.g. a platform to promote ICT for women. In Central Asia, women are well-presented among social and medical sciences, less in engineering and technology. In conclusion, Ms. Khamidova stated that the international community could encourage Central Asian governments to increase the representation of women in STEM through innovation projects and science programmes. Education measures, including specifically designed STEM programmes, could contribute to the promotion of science and innovation as a value of a modern society, supported by the private sector.

The floor was opened for discussion.

A representative from Armenia provided information on the development of STEM in Armenia, in co-operation with the private sector. Projects in this field have fostered the economic growth of the country.

A representative of Slovenia presented data in the field of higher education of Slovenia, while identifying challenges related to the existing gender stereotypes e.g. on career choices and how to extend the pool of talents. The Representative asked more information on the role that the private sector could play in overcoming these challenges.

Ms. Žydrūnė Vitaitė replied that the private sector had a lot of weight in terms of communication and in positioning certain roles and responsibilities to open up for inclusiveness.

A representative of the United States of America spoke about access to education, especially the benefits of distance learning in rural areas. He enquired what kind of policies could be promoted by pS to create a space for distance learning to ‘bridge’ to the marginalized population.

A representative of Latvia stressed upon the elements of lifelong learning and mentoring. Another important topic was related to equal opportunity in the early education phase. He enquired on experience concerning governmental dialogues in this topic.

Ms. Daniela Battisti replied that introducing e.g. coding in elementary schools would be beneficial. She compared that counting is considered as fundamental knowledge. Since the

needs of societies have changed and knowledge is very important, it would be useful to broaden the curriculum.

Ambassador Päivi Laivola de Rosière also reiterated the importance of distance learning.

A representative of Turkey cited Ms. Vitaitė's experience in support by the private sector and which role could be taken up by policy makers and international organizations.

A representative of the United Kingdom referred to the 'sticky floor' perception for women and asked what kind of structural changes could be introduced in education or the society at large to remedy the sticky floor approach.

A representative of Mongolia commented on the importance of educational programmes to promote STEM and to engage more women teachers to encourage girls to pursue their career steps in ICT. The representative said that women were still underrepresented in the ICT-sector in Mongolia. This year, an open day on the topic of ICT and women was organized. The national authorities of Mongolia are attaching great importance to this topic.

Ms. Žydrūnė Vitaitė explained the reasons why no financial support was asked by the government. 'Women Go Tech' is seen as a pilot project aiming at understanding the basic impacts in ICT-field. The government was supporting the initiative by encouraging businesses to participate. Promoting education in order to focus on STEM is of high relevance.

Session IV: Promoting security through social equity

Moderator: **Mr. Riccardo Pozzi**, Special Representative of the OSCE Chairperson-in-Office on Youth and Security

Rapporteur: **Ms. Katarina Andrić**, Liaison Officer, Office of the Secretary General, OSCE

Speakers:

- **Mr. Riccardo Graziano**, Secretary General, National Institute for Microcredit, Italy
- **Ms. Uma Rani Amara**, Senior Development Economist, International Labour Organization (ILO)
- **Dr. Edward Gonzalez**, Director, General Development Office, USAID Mission in Skopje
- **Ms. Enrica Arena**, Co-Founder, Start-up company Orange Fiber, Italy

The Moderator, *Mr. Riccardo Pozzi, Special Representative of the Chairperson-in-Office on Youth and Security*, introduced the topic of security through social equity and the speakers.

Ms. Uma Rani Amara, Senior Development Economist, International Labour Organization (ILO), focused on the challenges related to the on-demand digital economy in the context of the rise of non-standard/informal employment and the externalization of work through platforms. She shared the results of the survey conducted by the ILO in 2015 and 2017, which focused on new emerging forms of work not captured by the national statistics and with no regulations, with the idea of determining whether they create more profitable terrene for businesses and how to circumvent that through governance mechanisms. The research aimed to find answers to the questions who are the crowd workers, where they are based, what motivates them to undertake such a work, as well as how they fare with regard to the remuneration and the working conditions and payment. The survey was conducted on open worker platforms (Amazon Mechanical Turk, CrowdFlower, Clickworker, Microworkers and Prolific), with 2350 workers across 77 countries. The results showed that more than 70% of workers on these platforms have a university degree, the majority in technical sciences. A large proportion is engaged to complement pay from other jobs and perform the crowd work during the working hours of other jobs. The average pay is 4.50 USD per hour. While American workers, on average, earn 2.5 times more than Indian workers, the disparity in average wages is reversed – Indian workers earn 1.3 times as much as American workers. In terms of flexibility, the platforms are not as easily accessible as they seem at first glance – they involve investment (such as computer and internet). Workers from certain countries can be blocked and they need to adapt to the temporal distribution of jobs. The crowd work is a source of work, especially for women with young children. It lacks clear employment relationship and resembles “wage labour” common in developing countries with a lack of regulations that could help them to get their benefits. The survey’s conclusions pointed to the

need to embrace innovation and technology simultaneously with a need for an exchange of information between governments, unions and employers. The first ever collective agreement for the platform economy, signed in Denmark for cleaning services, serves as an example how to move forward in the on-line digital economy as a whole. Ms. Rani Amara stressed the importance of the social dialogue and regulations for ensuring a decent work in the on-line economy and a more sustainable economy. She recommended that the OCEEA could look into criteria for fairer microwork platforms.

Dr. Edward Gonzalez, Director, General Development Office, USAID Mission in Skopje, presented projects that aim to incorporate the private sector engagement for the youth. He presented the Civic Engagement project, which consists of so-called LEAD Fellowships (a leadership and advocacy programme for young people), which trains a group of 100 youth in advanced communication, leadership and programme implementation skills; the Youth Development Index in 20 large municipalities, intended to provide municipalities, donors and the private sector with an overview of the youth's needs in order to prosper; and the Youth Bank initiative, which fosters employability and social entrepreneurship. In the economic growth sector, the Business Eco-system project focuses on workforce development, access to finance, reforming key regulations and promoting business incubators. USAID, the United States Agency for International Development, works with larger companies that have more resources and are willing to invest strategically in community development, local workforce development and supply chain improvements. Dr. Gonzalez presented an example of facilitating partnerships between the academic and private sector with the aim of opening up internships in a company, which was willing to partnership with the engineering faculty to allow the students to develop solutions for a production line. As a result, 50 students received practical education and several secured full time employment. With the aim of fostering social inclusion of young people with physical and mental disabilities into workforce in the IT sector, USAID supported the development of 'HUBIT!', the first centre in the Western Balkans to offer IT training and internships to youth with disabilities. He noted that short term incentives for involving the private sector could consist of providing special tool kits allowing to mobilize corporate social responsibility funds into more strategic investment opportunities, and incorporating the private sector in the planning process of these initiatives. Longer term initiatives could be the investment in the regulatory reform process, addressing the issues that limit youth participation in the employment sector, raising the awareness of the private sector and academic institutions of the opportunities to engage youth in internships and business development activities, as well as increasing civil society organizations' capacity to engage with the private sector. Dr. Gonzalez encouraged the OCEEA to develop a toolkit that could be implemented by the OSCE field operations to promote youth engagement through a joint work of the government, the private sector and the civil society.

Ms. Enrica Arena, Co-Founder, Start-up Company Orange Fiber, Italy, outlined the endeavours of her company to address a problem arising from the forecast that the current world textile production will grow faster than the population and food supply, meaning that the expected demand for fabrics will have to be responded from the existing raw materials. 'Orange Fiber' has developed a sustainable material for fashion through a process that is an alternative to the wood consumption: by-products of oranges used in the food consumption, and extended their patent to the United States of America, Brazil and Mexico, countries that hold 80% of the global orange juice production. In line with current megatrends in the fashion industry, aiming at sustainability and credibility, Orange Fiber has put sustainability and a direct communication with end-consumers in the company's focus, which makes the complex issues related to the shortage of raw materials in the textile industry understood,

while touching upon SDG 12. The company is reaching out to young people in a way that makes it easy to understand the concept of sustainability, with the idea that fashion is a way to say what to care about and which values it embodies, with the aim of making the youth aware of how to choose to decrease the impact on the environment. Ms. Arena emphasized the usefulness of the circular approach to resources as well as of enabling the exchange at the national and international levels between the private sector and the governments, and the facilitation of a horizontal way of acquiring new skills combined with the investment in lifelong learning.

The floor was opened for discussion.

A representative of the United States of America noted the importance of the initial steps and the initial policy recommendations for regulating the digital economy and developing new work relationships in the situation, where it is not yet fully understood. In reference to the presentation by Dr. Gonzalez, identifying the best incentives for engaging the private sector for youth employment was pointed at.

A representative of Kazakhstan noted the link between the changing environment and finding adequate ways to acquire new skills. He also stated the importance of adequately determining the staff needs of the companies and what kind of personnel is best suited to fulfil those positions.

A representative of Armenia expressed interest in the methodology used by the ILO to assess the impact of digitalization on the welfare.

Session V: Strengthening good public and corporate governance through transparency and accountability

Moderator: Ambassador Ioannis Vrillas, Permanent Representative to the OSCE, European Union Delegation to the International Organisations in Vienna

Rapporteur: Ms. Iris Pilika, Programme Officer, Office of the Co-ordinator of OSCE Economic and Environmental Activities

Speakers:

- **Ms. Nilza de Sena**, MP, Chair of the General Committee on Economic Affairs, Science, Technology and Environment, OSCE Parliamentary Assembly
- **Mr. Alessandro Messina**, Director General, Banca Etica, Italy
- **Ms. Michelle Lakomy**, United States Department of Justice, Office of Overseas Prosecutorial Development Assistance and Training, U.S. Embassy
- **Mr. Holger Dreiseitl**, Deputy Head of Department for Business and Human Rights, Federal Foreign Office, Germany

Ambassador Ioannis Vrillas, Permanent Representative to the OSCE, European Union Delegation to the International Organisations in Vienna, emphasized the importance of good governance as part of the 2nd dimension, closely and intrinsically linked to economic development and security in the OSCE region, as a prerequisite for good business and investment climate that is conducive to an environment where goods and services are produced in a sustainable way, jobs are created, societies are stable and people and governments come together through connectivity as a natural process based on common interests and to the benefit of all. Both the public and private sector have their role to play to ensure sound legal framework and, then, not only adopt laws but to implement and enforce it. In order to accomplish this modern, effective civil administration and strong and independent institutions are necessary that will intervene when necessary. In the private sector, rules need to be complied with, but also to look carefully and proactively to assess impact of activities.

Ms. Nilza de Sena, MP, Chair of the General Committee on Economic Affairs, Science, Technology, and Environment, OSCE Parliamentary Assembly, addressed the role of the OSCE Parliamentary Assembly, especially the role of the parliamentarians in contributing to strengthening good governance in the OSCE area, serving as a bridge between the peoples and governments on crucial topics such as good governance and corruption. She highlighted the need to foster a greater culture of transparency and accountability in the OSCE region in order to strengthen democracy and good governance. Transparency should be on the top of OSCE pS' agenda as a declared target of the UN's Sustainable Development Goals as increased transparency boosts public trusts, promotes more effective use of limited resources and prevents mismanagement and corruption. She also emphasized the importance of both public and private spheres in addressing transparency and accountability.

Mr. Alessandro Messina, Director General, Banca Etica Italy, presented on ethical finance and the contribution of ethical banks to global progresses. He explained how ethical banking promotes transparency, efficiency, and contributes to economic and financial sustainability as well as environmental good governance through assessment of the impact of loans. Through these practices, ethical banking finances welfare, the green economy, microcredit enterprises, international co-operation, etc. Mr. Messina outlined how Banca Etica's microfinance projects promote social inclusion and entrepreneurship and how an analysis of ethical banks' ROA (Return on Assets) and ROE (Return on Equity) show the resilience and stability of ethical banks in the period of financial crises.

Ms. Michelle Lakomy, United States Department of Justice, Office of Overseas Prosecutorial Development Assistance and Training, U.S. Embassy, spoke on the necessity to promote a culture of integrity in the judiciary as an essential part to an effective justice system. An ineffective justice system can result in a lack of foreign direct investment and domestic investments. She stressed that justice system institutions need to establish their own good governance mechanisms by establishing processes to support effective decision making and implementation of decisions.

Mr. Holger Dreiseitl, Deputy Head of Department for Business and Human Rights, Federal Foreign Office, Germany, spoke of approaches to improve corporate social responsibility and accelerate social entrepreneurship through a National Action Plan (NAP). He stated that Germany's Federal Cabinet adopted the NAP in December 2016 and the Plan will run through the year 2020. The goal of the NAP is to implement the UN Guiding Principles (UNGPs) on Business and Human Rights along its three main pillars of protecting (duty of States), respecting (responsibility of business), and offering remedy (rights of those affected by human rights violations). Mr. Dreiseitl stressed the importance of NAPs in strengthening human rights by reflecting fundamental commitments, levelling the global playing field by creating responsible global value chains, creating a reliable framework for corporate action and serving as an instrument for companies to analyse risks and prevent loss of profit.

The floor was opened for discussion.

A representative of France addressed Mr. Messina for further details on projects dealing with green economy and Ms. Lakomy on the co-operation with the OSCE field operation.

A representative of Ireland remarked, in response to Ms. de Sena, how to strengthen measures in election monitoring within the entire election monitoring cycle. He also underlined that different functions occur in the banking sphere and social responsibility needs to be calibrated in this respect. With regards to the presentation by Mr. Dreiseitl on the NAP and the question of accountability, the representative emphasized that an environment, where civil society is able to function, will also represent a functioning environment for SMEs.

A representative of Armenia posed a question to Ms. de Sena on the role and impact of e-governance in strengthening good public governance and increasing transparency and accountability.

A representative of the United States of America, referring to ethical banking and economic participation, enquired information on start-up loans for youth or marginalized communities. He also enquired further details on the UN Guiding Principles.

Mr. Holger Dreiseitl concluded that the UNGP can have a positive double impact to improve the global human rights situation in the context of business activities. A stronger commitment to the UNGP on a global level will show to companies that governments have similar expectations.

Ms. Michelle Lakomy confirmed that she works together on a regular basis with the local OSCE field operation, having a partnership since 2012, while providing examples of co-operation e.g. in the fight against domestic violence. Ms. Lakomy concluded that the OSCE can continue to support a culture of integrity. The OSCE field operation has an important role to play.

Mr. Alessandro Messina explained the bank's commitments towards green economy. Investment opportunities in renewable energy sources were already offered to bank clients 15 year ago. The environmental impact of loans is always being assessed. Banca Etica is also working together with a network of universities and other institutions to support start-ups. Local public authorities could invest in services, such as coaching, to help the intermediation between the social needs and the banking system.

Ms. Nilza de Sena further elaborated on an integrated long-term strategy on e-governance, built upon co-operation between governments and citizens as well as institutions from the public and private sector. She also described the negative effects of corruption. However, excessive legislation and regulation should be avoided.

Concluding Session

Rapporteur: Mr. Anthony Myers, First Secretary, Directorate-General for Political Affairs and Security, Office for the OSCE, Ministry of Foreign Affairs and International Cooperation, Italy

Speakers:

- Ambassador Vinicio Mati, Italian 2018 OSCE Chairmanship Coordinator
- Ambassador Vuk Žugić, Co-ordinator of OSCE Economic and Environmental Activities

Statements by Delegations

Ambassador Vinicio Mati, Italian 2018 OSCE Chairmanship Coordinator, thanked for the interesting discussions. The Second Preparatory Meeting had given further food for thought on responding to the challenges and opportunities of technological innovation and its impact on security in the OSCE area:

- If well managed, “digital” can help to promote investment, growth and jobs, although education and training need to be adapted to ensure a smooth transition to new jobs. In this context, Amb. Mati commended the work of the OSCE Academy in Bishkek as a concrete example of the OSCE’s commitments in this area.
- There are opportunities afforded by technology in terms of the economic empowerment of women, reducing the gender gap and promoting equal access to STEM sectors.
- The Forum and the Side Event on Social Economy had explored how emerging jobs and entrepreneurial opportunities could provide new ways to tackle youth unemployment, create sustainable development and promote social justice.
- Technology has great potential for accountability, transparency and good governance.

Amb. Mati stated that the implications of innovation for human capital and societies are clearly of interest to pS. The OSCE is the ideal platform for dialogue and exchanging best practices in the pursuit of OSCE objectives on well-being and prosperity. In light of this, Amb. Mati announced ad hoc meetings in Vienna to be arranged by the Italian Chairmanship in order to identify options for future OSCE engagement on the digital economy and its impact on security, which he expected to play a critical role in the Second Dimension over the coming years. As this was a new topic for the OSCE, the Italian Chairmanship believes in the importance to give pS further opportunity to discuss in greater depth. In conclusion, Amb. Mati reiterated that that the Forum had reinforced the Italian Chairmanship’s priorities for the Second Dimension and paved the way for future OSCE engagement on the digital economy, human capital and good governance. With a view to the Concluding Meeting of the EEF in Prague in September, the Chairmanship would reflect further on the discussed suggestions and recommendations.

Ambassador Vuk Žugić, Coordinator of OSCE Economic and Environmental Activities, welcomed the focus on digital transformation, human capital development and good governance as well as useful ideas on how the OSCE should respond to challenges to stability and security in these areas. Amb. Žugić said that there is a strong connection between good governance, employment and human capital development. Good corporate governance, in particular, is key to unlocking educational opportunities for youth and marginalized groups. As Professor Severino, Special Representative of the OSCE Chairperson-in-Office on Combating Corruption, had already outlined, Amb. Žugić reiterated the importance of including business and civil society in this dialogue and exchange of best practice. Echoing Mr. Quattrociocche, Secretary General, EBRD, Amb. Žugić emphasized the importance of the OSCE collaborating with other international organizations in the digital age and of supporting good governance in both the public and private sectors in the OSCE area. This was also in line with OSCE Secretary General Ambassador Greminger's, 'fit for purpose' reform agenda for the OSCE. Amb. Žugić restated that the OSCE should be the platform for sharing best practice and for agreeing shared perspectives on these issues, building on the Hamburg Decision on strengthening good governance and promoting connectivity (Decision No. 4/16) and on the Vienna Decision on promoting economic participation in the OSCE area (Decision No. 8/17). Furthermore, on human capital development, there is a key role for the early development of soft skills as well as for lifelong education as two critical factors enabling participation in a transforming and increasingly digitalized economy. In this respect, he emphasized the scope for dual track training and education of the workforce to tackle youth employment, as well as the need for public–private partnership and collaboration. As the lack of the economic prosperity can lead to security issues among youth, the OSCE could be the forum to discuss different approaches and identify the best way forward. Finally, Amb. Žugić expressed the view that the digital economy brings both opportunities and challenges. There are particular security considerations associated with the digital economy, especially as the responsibilities and liability of new service providers are not always clearly defined. The OSCE is well placed to identify main challenges to security and welcomed stronger and continued engagement of the pS to keep this topic high on the agenda.

The floor was opened for statements from delegations.

Bulgaria, on behalf of the European Union, said that the discussions on important topics, including good governance and anti-corruption, had provided food for thought and valuable opportunities for dialogue and sharing expertise. With a view to the Prague Forum and the Milan Ministerial Council, the meeting had raised suggestions for future OSCE engagement, and the representative committed to further work to identify how the OSCE could add value in these areas and for the EU's support for the Second Dimension wherever it impacted on security.

A representative of Slovakia expressed Slovakia's intention to continue these discussions under its OSCE Chairmanship in 2019 as they were important for peaceful, sustainable and inclusive economic development within the OSCE region – in particular those regarding good governance, and the threats and opportunities posed by new technologies. The representative concluded by anticipating the 2019 Second Preparatory Meeting in Bratislava.

A representative of the United States of America affirmed that the OSCE must, above all, promote good governance and the rule of law, and fight corruption in order to help promote the most favourable investment climate, businesses to trade and grow, and – in line with the

Vienna Ministerial Council Decision - ensure fairer access to the labour market. The representative recalled the priorities for digital security outlined by the Special Representative, Professor Severino, to avoid endemic corruption undermining the digital economy before it had the chance to even taken root properly. Urgency was expressed around the shared priority of education, which he saw as the foundation of human capital development. Vocational or mixed educational systems are important for faster access to labour market as well as for a more resilient workforce. The representative distinguished between the skills needed in manufacturing and those in the digital economy, with the latter critical for jobs and so reducing the susceptibility of vulnerable groups to radicalisation and criminality. The representative also recalled what had been said about the gender bias in the digital economy disadvantaging women and girls: this needs to be addressed in order to manage the transition to the digital economy and ensure prosperity. He noted that the ILO had outlined opportunities in the digital economy for remote and rural workers and those working to supplement their incomes, underlining the need to protect the labour rights of this emerging workforce. Finally, the representative commended the Side Event on the Social Economy which had illustrated the importance of the private sector working for wider social benefit. This should not just be the aim of particularly socially responsible businesses, but should be mainstreamed into the mission of all profit-seeking enterprises. Within the remit of the OSCE, social enterprises could be a useful tool in OSCE field operations in order to strengthen communities and reconcile interethnic or other divides.

A representative of Switzerland stated that the discussions at the Forum and Side Event had underlined good governance, anti-corruption, social responsibility and education as prerequisites for the OSCE's economic and social objectives and for stability and security, especially at a time when digitalization and technological innovation are reshaping economies and societies. In view of the OSCE's mission to promote sustainable economic growth and foster international co-operation, the representative highlighted three particular recommendations on which OSCE could follow up (including through the ad hoc meetings on digital which had just been announced):

- The OSCE, especially OSCE field operations, could do more on dual vocational training to help meet the demands and needs of the labour market, following the example of the work done in the former Yugoslav Republic of Macedonia. Vocational skills training can help social cohesion and economic development, as illustrated in Session II.
- There should be a focus on the responsibility of businesses, including platform business, to work for inclusive social equity, building on the principle of responsible investment.
- The OSCE could support pS to develop resilient policies and strategies, as well as value added services, in response to digitalization. The representative of the ILO had outlined some guidelines developed in Denmark which could serve as an example for comprehensive OSCE guidelines on the digital economy.

A representative of Canada commended the OSCE's comprehensive security model for giving the opportunity to hear from a broad range of speakers from different backgrounds and to discuss a vast array of topics including the principal topics of digitalization, human capital development and good governance. The representative expressed the view that, while some presentations had usefully shared best practice, including from the private sector and other international organizations, and while some had made clear links to OSCE objectives on gender equality, good governance and anti-corruption, other parts of the discussion had

underlined that the OSCE does not have a depth of expertise in all of these areas, nor a clear mandate to act on even some issues of legitimate concern or interest to pS. Some of the issues would be better addressed in other fora. The OSCE might be a suboptimal forum for joint action in new areas such as the challenges of the Fourth Industrial Revolution. The representative expressed Canada's support for the second dimension where there was added value, such as on anti-corruption and good governance, and especially at the field operation level, and supported efforts to improve trade and transport connectivity among pS.

A representative of Turkey welcomed the discussion of human capital development, new business models and good governance from a digital perspective. He stated that the OSCE is well placed to provide a platform for dialogue on these matters, not only between pS but also with input from the private sector, and with a multidimensional approach to security. The representative urged the continuation of the forum cycle in this respect in order to share best practice and expertise. In addition, the representative welcomed the ad hoc meetings on digital that had just been announced. In conclusion, the representative said that there was still scope to take full advantage of multilateralism in this area and committed Turkey to working towards tangible results.

Amb. Mati expressed his thanks to all participants again and closed the meeting.

ANNEX I

Annotated Agenda



Organization for Security and Co-operation in Europe

The Secretariat

Vienna, 22 May 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”

SECOND PREPARATORY MEETING

Venice, 24-25 May 2018

Scuola Grande San Giovanni Evangelista
San Polo 2454, 30125 Venice

DRAFT ANNOTATED AGENDA

Thursday, 24 May 2018

09:30 - 11:00 Opening Session

Welcoming Remarks

- **Ambassador Vinicio Mati**, Italian 2018 OSCE Chairmanship Coordinator
- **Ambassador Vuk Žugić**, Co-Ordinator of OSCE Economic and Environmental Activities

Keynote Speakers

- **Professor Paola Severino**, Special Representative of the OSCE Chairperson-in-Office on Combating Corruption
- **Mr. Enzo Quattrociocche**, Secretary General, European Bank for Reconstruction and Development (EBRD)

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: Investment policies and promotion of favourable business climate to accelerate economic growth in the digital era**

Selected Topics:

- Good economic governance reforms to promote innovation and growth
- The role of the public sector and of the private sector in supporting economic growth
- Impact of digitalisation on investment and economic relations
- Innovative forms of entrepreneurship

Speakers:

- **Mr. Dmitry Matusevich**, Deputy Minister of Economy, Republic of Belarus
- **Mr. Atanas Kolev**, Senior Economist, European Investment Bank (EIB)
- **Mr. Zviad Kvividze**, Deputy Director, Enterprise Georgia, Georgia
- **Dr. Leena Ilmola-Sheppard**, Senior Research Scholar, International Institute for Applied System Analysis (IIASA)

Moderator: **Mr. Guido Romeo**, Business Editor, WIRED Italia

Rapporteur: **Mr. Jonas Grätz**, Economic Adviser, Office of the Co-ordinator of OSCE Economic and Environmental Activities

Discussion

13:00 - 14:30 Lunch hosted by the Office of the Italian 2018 OSCE Chairmanship

14:30 - 16:00 **Session II: Human capital development as an essential factor for economic security, growth, development and competitiveness**

Selected Topics:

- The impact of demography on economic productivity and growth
- Investing in human capital to strengthen economic security and competitiveness
- The impact of digitalisation on the labour market
- Public-private cooperation and partnership

Speakers:

- **Mr. Elnur Sultanov**, Ambassador-at-Large, Secretary General of the National Commission of the Republic of Azerbaijan for UNESCO, Ministry of Foreign Affairs, Azerbaijan
- **Ms. Irina Akinshina**, Human Resources Director, Lukoil International Trading and Supply Company, Russian Federation
- **Ms. Melina Schneider**, Adviser, Austrian Federal Economic Chamber, WKÖ, Austria
- **Ms. Chiara Criscuolo**, Head of Division, Productivity and Business Dynamics, Organisation for Economic Co-operation and Development (OECD)

Moderator: Ambasador Roksanda Ninčić, Permanent Representative of the Republic of Serbia to the OSCE and other International Organizations in Vienna

Rapporteur: Ms. Clodagh Quain, Attaché, Permanent Mission of Ireland to the OSCE

Discussion

16:00 - 16:30 Coffee/Tea Break

16:30 -18:00

Session III: Building knowledge, skills and competences in the digital era

Selected topics:

- Approaches to education from early childhood to life-long learning
- Ensuring the circulation of skills and young talents
- Women in “Science, Technology, Engineering and Mathematics” (STEM)
- Addressing the educational and digital divide

Speakers:

- **Ms. Larisa Aganesova**, Senior Economist, Department of Financing and Economic Analysis, Ministry of Education, Turkmenistan
- **Ms. Daniela Battisti**, International Affairs, Department for Digital Transformation, Presidency of the Council of Ministers, Italy
- **Ms. Žydrūnė Vitaitė**, Founder of Women Go Tech Initiative, Lithuania
- **Ms. Dildora Khamidova**, Consultant to UN Women Kyrgyzstan, former Executive Director of NGO “Center for Multicultural and Multilingual Education”, former Alumna of the OSCE Academy in Bishkek

Moderator: Ambassador Päivi Laivola de Rosière, Permanent Representative of Finland to the OSCE

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

Discussion

19:00

Social Event hosted by the 2018 OSCE Italian Chairmanship

Address: Hotel Ca' Sagredo, Campo Santa Sofia 4198/99, Ca'D'Oro

Friday, 25 May 2018

09:30 - 11:00

Session IV: Promoting security through social equity

Selected Topics:

- New forms of employment in the digital era and their impact on productivity and growth

- Impact of digitalisation on welfare policies
- Measures to improve youth employment opportunities and social and working conditions
- Social entrepreneurship as a contributing factor to sustainable development

Speakers:

- **Mr. Riccardo Graziano**, Secretary General, National Institute for Microcredit, Italy
- **Ms. Uma Rani Amara**, Senior Development Economist, International Labour Organization (ILO)
- **Dr. Edward Gonzalez**, Director, General Development Office, USAID Mission in Skopje
- **Ms. Enrica Arena**, Co-Founder, Start-up company Orange Fiber, Italy

Moderator: **Mr. Riccardo Pozzi**, Special Representative of the OSCE Chairperson-in-Office on Youth and Security

Rapporteur: **Ms. Katarina Andrić**, Liaison Officer, Office of the Secretary General, OSCE

Discussion

11:00 - 11:30 Coffee/Tea Break

11:30 - 13:00 **Session V: Strengthening good public and corporate governance through transparency and accountability**

Selected Topics:

- Promoting good governance and a culture of integrity in public and private sectors
- Sound public financial management
- The role of the private sector in promoting good governance and fighting corruption
- Approaches to improve corporate social responsibility and accelerate social entrepreneurship

Speakers:

- **Mr. Alessandro Messina**, Director General, Banca Etica, Italy

- **Ms. Michelle Lakomy**, United States Department of Justice, Office of Overseas Prosecutorial Development Assistance and Training, U.S. Embassy
- **Mr. Holger Dreiseitl**, Deputy Head of Department for Business and Human Rights, Federal Foreign Office, Germany

Moderator: Ambassador Ioannis Vralias, Permanent Representative to the OSCE, European Union Delegation to the International Organisations in Vienna

Rapporteur: Ms. Iris Pilika, Programme Officer, Office of the Co-ordinator of OSCE Economic and Environmental Activities

Discussion

13:00 - 13:30 Closing Session

Concluding Remarks

- **Ambassador Vinicio Mati**, Italian 2018 OSCE Chairmanship Coordinator
- **Ambassador Vuk Žugić**, Co-Ordinator of OSCE Economic and Environmental Activities

Rapporteur: Mr. Anthony Myers, First Secretary, Directorate-General for Political Affairs and Security, Office for the OSCE, Ministry of Foreign Affairs and International Cooperation, Italy

Statements by Delegations