



SPECA II:

Proposals to Reform and Strengthen the UN Special Programme for the Economies of Central Asia

Executive Summary

In 2004, the Secretariats of UNECE and UNESCAP elaborated preliminary proposals aimed at reforming and strengthening SPECA. These proposals were discussed with the Governments of the SPECA member countries at high-level consultations of the Executive Secretaries of UNECE and UNESCAP during their joint visits to the SPECA member countries in 2004 and 2005.

This paper contains a number of concrete reform proposals aimed at strengthening SPECA, taking into account the results of the aforementioned consultations. It will be further discussed by the SPECA member countries and other interested partners during the International Conference on Strengthening Sub-regional Economic Cooperation in Central Asia and the Future Role of SPECA (Astana, 25-27 May 2005).

The Special meeting of the SPECA National Coordinators, which will be held in Astana immediately after the closure of the Conference, is expected to take action on these proposals, taking into account the results of the Conference.

The proposals aimed at institutional and operational reform of SPECA are complemented with a new and significantly broadened 2005-2007 SPECA Work Plan. This Plan will be discussed in parallel Thematic Working Groups during the International Conference. The Conference is expected to result in stronger support to SPECA and activities included in its Work Plan as well as achievement of greater synergies between SPECA and other international and bilateral programmes in the region, such as CAREC.

Part I. History and Lessons Learned

1. The importance of Central Asia and Azerbaijan – the six SPECA member countries – is expected to grow within the overall work programme of UNECE and UNESCAP as a result of the following:

- The international community needs to enhance its support to the countries of Central Asia and Azerbaijan in order to allow them to achieve the MDGs, implement the outcomes of recent UN conferences and summits, as well as their commitments under various conventions and legal instruments.
- Strategic importance of the SPECA region has significantly increased in recent years. Being at the crossroads between Europe and Asia it is an important factor in promoting economic

cooperation and integration, prosperity and stability in the broader region. At present, it faces a number of problems the solution of which requires support from the international community.

- The sub-region contains some of the largest underdeveloped oil and gas reserves in the world. To realise its potential in increasing world energy security, the sub-region needs to overcome a variety of obstacles.
- The close partnership of UNECE and UNESCAP provides good opportunities for addressing a number of specific needs of the SPECA member countries, which are members of the both UN Regional Commissions.
- Sub-regional cooperation – or its insufficient level – is probably the most important crosscutting issue in the SPECA area. Substantial progress in sub-regional and regional trade and economic cooperation, increased market size, and joint tackling of environmental issues would facilitate sustainable and dynamic development of all SPECA member countries. The added value of SPECA – compared to individual sectoral programmes in various areas – is that it offers a comprehensive approach to sub-regional cooperation.

A short history of SPECA

2. SPECA was launched in 1998 by the United Nations, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan and later joined by Turkmenistan and Azerbaijan. Its founding document, the Tashkent Declaration, states that the “objective of the Programme is to support the Central Asian States in developing their cooperation, creating incentives for economic development and integration into the economies of Europe and Asia.”

3. Despite good progress in some areas, like water, energy, transport and environment (including the elaboration of a sub-regional strategy on the use of energy and water resources, and work on Euro-Asian transport links), and its ability to catalyse follow-up work in several important areas, like dam safety, water-energy consortia and clean coal combustion technologies, SPECA has been able to achieve only limited progress in fulfilling its broader original objectives. The UN Secretary-General acknowledged that the potential of SPECA has not yet been fully realized largely due to financial and resource constraints.

4. More specifically, the Programme has not yet achieved the objectives listed in its initial Concept paper: “mobilizing additional internal and external funds to solve the priority problems, which can be solved more efficiently by joint efforts of the region’s countries rather than at the level of one single country”, “play the role of a catalyst in strengthening regional cooperation in Central Asia and its integration into the world economy” and “provide the decision-making bodies of the Central Asian countries with a neutral forum for discussion of the region’s development issues”.

Lessons learned

5. The difficulties faced by SPECA can be divided into two groups: political issues on the one hand and programmatic, institutional, operational and funding issues on the other.

Political issues

6. The original concept of the Programme was based on the generally optimistic assessment of the prospects of sub-regional cooperation in Central Asia both by the Governments and the United

Nations following the end of the civil war in Tajikistan in 1997. The Governments of the sub-region recognized the importance of restoring the economic, trade, transport, energy and other infrastructural links among their countries, as exemplified among others by the creation of the International Fund for Saving the Aral Sea. They strongly supported the rapid integration of Central Asia into the world economy. The subsequent worsening of the security environment in Central Asia caused by the spill over of the Afghan conflict and changes in the policies of several Central Asian States motivated by sometimes differing national priorities, could not but influence the prospects of sub-regional cooperation. SPECA was somewhat slow to adapt to the changing political and economic realities in the sub-region. Uneven level of participation of the SPECA member countries in its activities became a serious concern.

7. These concerns are not unique to SPECA. Other international and regional organisations as well as funding agencies experience similar difficulties with programmes and projects intended to promote sub-regional cooperation in the SPECA region.

Programmatic issues

8. Another reason for the uneven speed of work within the SPECA framework was that from the outset it focused on relatively difficult issues. Priority areas of cooperation proposed by the Governments of the SPECA member countries included rational and efficient use of energy and water resources, development of transport infrastructure as well as multiple routes for pipeline transportation of hydrocarbons to global markets. These sensitive and complicated issues required disproportionate efforts by the two UN Regional Commissions to make visible progress. At the same time, scarcity of funding did not allow the UN Regional Commissions to fully meet expectations of member countries by broadening the scope of cooperation into areas where progress could have been easier.

Institutional and operational issues

9. Making the Prime Ministers or their deputies the National Coordinators was intended to ensure high-level attention of the Governments to SPECA and effective coordination of sectoral ministries involved in SPECA. The requirement to manage relatively modest and not very well-financed projects at the level of Prime Ministers or their Deputies has inevitably resulted in the loss of interest over time by some Governments and the subsequent drop in the level of participation at the sessions of the supreme governing body of SPECA – the Regional Advisory Committee (RAC).

10. The lack of a more operational level for coordination, ensuring continued attention to the on-going and planned activities, resulted in frequent breakdowns of communication and serious problems in the coordination of work. The inadequacy of channels for day-to-day communication increased logistical difficulties.

Funding

11. One of the most serious problems experienced by SPECA was the lack of reliable long-term funding. While SPECA has been conceived as a joint undertaking by its member countries and the two UN Regional Commissions, its initial concept provided for active involvement of international economic and financial organisations in support of the Programme. Though some of the IFIs and development agencies have been involved in project implementation within SPECA on a case-by-case basis, none of them became long-term partners.

12. While the UN Regional Commissions can provide technical assistance and advice and a forum for elaboration of strategies for sub-regional cooperation, they are not funding agencies. It is

more than likely that the lack of regular support by funding agencies and other donors to SPECA was among the main reasons for the declining interest of some member countries.

Working methods

13. The reluctance of some member countries to actively participate in SPECA at an appropriate level can also be partially explained by their perception that SPECA may not always serve the interest of its member countries in a mutually beneficial way. The need to adequately reflect the interests of all member countries has been underlined by some Governments.

The initiative to strengthen SPECA

14. In early 2004, the UN Secretary-General Mr. Kofi Annan reconfirmed the commitment of the United Nations to SPECA and emphasized the importance of providing system-wide support to it. He requested the Executive Secretaries of UNECE and UNESCAP to conduct consultations with the Governments of the SPECA member countries on strengthening the Programme.

15. The decision-makers of the SPECA member countries – without exception – strongly support the strengthening of sub-regional and regional cooperation. This has been emphasized during the joint visits by the Executive Secretaries of UNECE and UNESCAP to all six member countries of the Programme. High-level political commitment to the objectives of SPECA – despite obvious difficulties in translating it into concrete progress – provides a strong incentive and a solid basis for further efforts.

16. This paper contains a number of concrete proposals on possible institutional and operational reform of SPECA, which have received interest and support from the SPECA member countries during recent consultations. Proposals for the SPECA Work Plan for 2005-2007 jointly elaborated by UNECE and UNESCAP as a result of consultations with the SPECA member countries are circulated as separate document.

Part II. Proposals for Institutional and Operational Reform

Institutional reform

17. **The proposed new activities within the SPECA framework should be built on the expressed political will of member countries to strengthen sub-regional cooperation.** The recent high-level initiatives of the SPECA member countries (e.g., President Karimov's Central Asian common market and President Nazarbaev's Central Asian Union), priority areas for sub-regional cooperation identified by the Governments (e.g. trade, energy, ICT for development, etc.), along with growing cooperation within the framework of sub-regional and regional economic cooperation and integration organisations of which the SPECA member countries are members (ECO, CACO, Shanghai Cooperation Organisation, IFAS, etc.) open new opportunities for closer cooperation under the purview of SPECA.

18. While there are several on-going processes and meetings with the participation of all or some SPECA member countries, at present there is no economic **policy forum under the aegis of the United Nations, which focuses specifically on strategic issues of cooperation in the SPECA region** taking into account its particular needs and conditions. Moreover, most of the UN programmes are oriented to specific sectors or individual countries. The added value of SPECA is that it focuses on sub-regional and regional cooperation and builds on cross-sectoral, multi-dimensional approaches. However, in order to enable SPECA to meet its expectations the Programme requires institutional reform aimed at raising its overall effectiveness.

19. The **Regional Advisory Committee could be replaced with a new steering body for SPECA called Governing Council**¹ comprised of the SPECA National Coordinators, which would discuss key issues relevant to the functioning of the Programme and provide overall policy direction. Meetings of the Governing Council could be preceded by an **open high-level session** with participation of a broad range of partners. The agenda of such sessions could focus on selected strategic issues of economic development and cooperation in the SPECA region thus becoming a forum for high-level policy dialogue and interaction among all stakeholders.

20. Alternatively, and subject to the experience gained during and the outcomes of the International Conference in Astana, consideration could be given to organising an **annual SPECA Economic Forum**. In this case, the Governing Council of SPECA could be organised in conjunction with such a Forum with a view to integrating, at the level of the SPECA National Coordinators, its outcomes into future orientation of the Programme.

21. It would seem that an inclusive annual meeting (either an extended session of the SPECA Governing Council or SPECA Economic Forum) could bring significant added value for all participants. The increased strategic importance of the region could give rise to a number of opportunities and challenges. Such an extended session/forum could offer an excellent opportunity for the Governments of member countries as well as representatives of neighbouring countries, international and regional organisations, IFIs, the private sector and foreign investors to conduct a broad and substantial exchange of views on key issues of economic development and cooperation in the region. It could also offer a useful additional venue for the coordination of international support to this group of countries.

22. The **institution of National Coordinators** (at the level of Prime Ministers, Deputy Prime Ministers or Ministers) is important for harmonizing the work of relevant ministries within the SPECA framework. At the same time, the heavy workload and broad responsibilities of these high-level decision-makers limit their ability to deal with operational issues. In order to overcome this problem and improve information exchange, a **second layer of operational coordination (Deputy Coordinators) could be established at the level of Deputy Foreign Ministers**. Regular communication and coordination among the SPECA member countries could be conducted at this level. Deputy Foreign Ministers dealing with multilateral organisations or the region usually meet more regularly (e.g. at various UN or regional forums), are well acquainted with relevant UN strategies, donor priorities and possess the relevant international experience. It is also easier to access them through electronic channels of communication, through the Permanent Missions of their countries to the United Nations and/or through the UN country offices. A **SPECA Coordinating Committee, comprised of Deputy Foreign Ministers (SPECA Deputy National Coordinators) could be established**. This new body for operational coordination of the Programme could meet twice a year, or as may be required. In order to avoid multiplication of meetings, promote synergies and reduce costs, one annual meeting of the Coordinating Committee could be held just prior to the meeting of the proposed Governing Council serving, inter alia, as the preparatory body for the annual meeting of National Coordinators. Another meeting could be easily scheduled in conjunction with other international meetings involving all, or the majority of the SPECA member countries (ECO, CACO, etc.)².

¹ This would better reflect the expected nature and functions of such an “apex” intergovernmental decision-making body. It should be noted that the name Regional Advisory Committee is somewhat misleading for a body comprised of high-level governmental decision-makers.

² In practice annual meetings of the proposed Governing Council (or SPECA Economic Forum) could also take place in conjunction with other regional forums.

23. In addition, full use should be made of the group of “**Friends of SPECA**”, established last year in Geneva upon the initiative of Azerbaijan. It should be in permanent contact with the Permanent Missions of Tajikistan and Turkmenistan in New York (since these countries do not have representations in Geneva) as well as the SPECA capitals. A similar arrangement could be considered in Bangkok.

24. Programmes, led through Thematic Working Groups, should be implemented in a fully transparent and mutually beneficial way. In addition to the rotating chairmanship of RAC/Governing Council sessions, **every Group** (e.g. water and energy, transport, trade, ITC, etc.) **should be co-chaired by two member countries**. Such an arrangement would help to ensure that interests of all member countries are taken into account in a more fair and balanced manner.

25. The UN Country Offices/UNDP Resident Representatives could be requested to provide logistical support (office space, equipment, etc.) to **local SPECA support officers**, who, subject to availability of funding, could be recruited locally by the two UN Regional Commissions, particularly in those countries which would lead (co-chair) the work of the Thematic Working Groups. Such officers would provide organisational and communication support to respective Co-Chairpersons of the Working Groups, and, when required, to the National Coordinators and the Deputy Coordinators, and facilitate liaison and interaction with UNECE and UNESCAP, as well as liaison of the UN Regional Commissions with country offices of agencies and donors conducting operations in their countries. Such an arrangement could significantly improve communication and coordination within SPECA.

Inviting Afghanistan to join SPECA

26. The proposal of Uzbekistan to involve Afghanistan in SPECA received interest and support from other Governments of the SPECA member countries. Many programmes and projects implemented or planned within the SPECA framework (transport, trade, water and energy) could greatly benefit from the inclusion of Afghanistan. Such an “enlargement” would allow placing such important issues as improving the access to the nearest seaports on the agenda of the Programme. Involvement of Afghanistan in SPECA could also help to achieve greater synergies in operations of various development programmes and agencies in the region and could open opportunities for more effective involvement of the other SPECA member countries in rehabilitation and reconstruction efforts in Afghanistan.

Involving neighbouring countries, international organisations, IFIs and other partners in SPECA.

27. It is also important to involve more actively in the SPECA work - as observers or collaborating partners - neighbouring countries, which have significant trade and economic links or are engaged in various integration processes with the SPECA member countries. Several of these countries are interested in strengthening bilateral cooperation or development of common transport and/or energy infrastructure with the SPECA member countries (Russia, China, Iran, Turkey). These countries, while maintaining their “observer status” in RAC (or the proposed Governing Council and Coordinating Committee), could be involved as full-fledged members in relevant SPECA Thematic Working Groups (depending on the goals, objectives and thematic orientation of such groups). Representatives of relevant international organisations, IFIs and bilateral donors should be invited either as full participants (if so decided by the member countries) or as observers to various bodies of SPECA, including the RAC/Governing Council and the Working Groups.

28. Strengthening cooperation with IFAS in accordance with the UNECE-UNESCAP-IFAS MoU signed on 3 June 2004 could also broaden interest and political support to the SPECA activities from various constituencies.

Other proposals which could be considered in the future

29. During consultations of the Executive Secretaries with the Governments of the SPECA member countries, a number of additional proposals were made to strengthen the governance of the Programme. Since these proposals would require significant additional funding, which is currently not available, they are included in this paper for further reflection and possible consideration in the future. This could happen, if necessary, once practical experience is gained in the implementation of the “reformed” SPECA.

30. These proposals are: appoint a **UN Coordinator on Stability and Development in Central Asia** (initially proposed by Kazakhstan and recently supported by some SPECA member countries) and establish a **permanent SPECA Secretariat**, to be based in the region to improve the information flow and coordination (proposed by several SPECA member countries).

Part III. Implementation of SPECA 2005-2007 Work Plan, funding and strengthening international cooperation and coordination

31. As mentioned above, the conference in Astana in May 2005 is expected to result in a Work Plan for UNECE and UNESCAP activities in Central Asia, which could be carried out in support of SPECA in cooperation with other partners. The draft of this Plan is circulated as a separate document and includes on-going and already planned work (for example, transport), follow-up to the recent SPECA outcomes (for example, water-energy), and suggestions on activities in new areas for cooperation (such as trade, ITC, statistics)

32. Ensuring more reliable and long-term funding of projects within the SPECA framework is a crucial precondition for success. Work is underway to mobilize greater support to the SPECA activities from such sources as the UN Development Account. It is likely that UNDA will fund several additional SPECA projects during 2006-2007.

33. It is hoped that invitation of international financial institutions and donor agencies to the International Conference in Astana would lead to closer cooperation and greater support to the implementation of the new SPECA Work Plan. On-going consultation between SPECA and CAREC is hoped to lead to long-term partnership and closer cooperation.

34. **Stronger cooperation between the UN, including the UN Regional Commissions, and international financial institutions and development agencies could be built on the comparative advantages of participating entities.** SPECA, established and governed by the member countries themselves, offers a neutral platform under the UN umbrella, utilizing the technical expertise of the two UN Regional Commissions. It offers a forum for the Governments of the member countries to discuss and forge agreements on common approaches to various issues of sub-regional cooperation and to identify, using in-house expertise of the UN Regional Commissions as well as local experts, feasible economic and technical solutions for existing programmes. Project proposals formulated on the basis of this work, fully reflecting the needs and enjoying mutual political support of member countries could then be forwarded to IFIs and other funding agencies (e.g. ADB, the World Bank). Such an approach could ensure an effective “division of labour” based on comparative advantages and strengths of various institutions and avoid duplication of effort.

35. Opportunities need to be explored for establishing and strengthening cooperation in Central Asia between the two UN Regional Commissions and other parts of the UN, such as DESA and UNCTAD. There is also a need to strengthen cooperation with UNDP in the elaboration and implementation of the SPECA-related activities.

36. Using the experience gained by UNESCAP in sub-regional organisations, such as ASEAN, consideration could be given to convening, in conjunction with the main SPECA events, a series of consultations or dialogues between the SPECA member countries and major individual donors. Such consultations could provide opportunities for frank and in-depth discussions of sub-regional issues of mutual concern for both donors and the Governments of the SPECA member countries. This, in turn, could strengthen or catalyze financial support to activities aimed at strengthening sub-regional cooperation, which are carried out within of the Programme.

ANNEX I

Proposed institutional structure of the ‘reformed’ SPECA (SPECA II)

