

# Project Concept Note Template for the follow-up meeting of the 2010 SPECA Economic Forum

Ashgabat, 2011

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<b>Project Title</b>	SPECA AfT Implementation and Monitoring Council: A Regional Aid-for-Trade Implementation and Monitoring Mechanism	
<b>Outcome</b>	Increased implementation of AfT as well as improved alignment with country priorities, coherence, coordination and country ownership in the SPECA region	
<b>Indicative Funding Requirements</b>	Total estimated budget:	\$910,215
<b>Potential Sources of Funding</b>	[Donor(s): [Development Bank(s): Other Resources:	Initial contacts being made (see contact information below for more details)  Contributions in kind from the UNECE and UNDP for project coordination (see last paragraph under "Justification")
<b>Expected start date</b>	January 2012	
<b>Expected Duration</b>	3 years	
<b>Implementing Organisation(s)</b>	UN Trade and Productive Capacity Cluster, SPECA Project Working Group on Trade, and Donors active in the region (with UNECE as general coordinator and UNDP as coordinator for national input and development assistance information)	
<b>Country/Countries</b>	All SPECA countries	
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## 1 Background

SPECA countries, like many others, have yet to recover from the financial crisis and its economic consequences. However, their recovery efforts are disadvantaged because they must also, simultaneously address the challenges of their ongoing transition to market-based economies (for all but Afghanistan) and the high transaction costs associated with their status as low and middle-income land-locked countries (Afghanistan, Azerbaijan and Tajikistan). SPECA countries have taken important steps to overcome these challenges. They have replaced historic, highly centralized regional economic structures with regional trade agreements; joined major regional initiatives, such as the Commonwealth of Independent States and the Eurasian Economic Community; and entered into Partnership and Cooperation agreements with the EU (Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan). These efforts are paralleled by concerted measures to anchor economic reform in the multilateral trading system. Kyrgyzstan is a member of the WTO, and, with the exception of Turkmenistan, the remaining SPECA countries are at different stages of accession.

These efforts are yet to be reflected in the structure of these economies. SPECA countries are either dependent on oil and gas (Kazakhstan, Azerbaijan and Turkmenistan) or other extractive industries for income generation, or on industrial activities with low value-added. The enterprise sector continues to be hampered by inadequate technological capabilities which, coupled with

supply side constraints, including weak infrastructures and support institutions, set limits to the ability of these countries to reap benefits from their reform efforts. SPECA countries, therefore, stand to benefit from the WTO-led Aid-for-Trade (Aft) Initiative with its emphasis on developing productive capacity, trade infrastructure and institutional frameworks.

However, with the exception of Afghanistan, which figures among the top 20 Aid-for-Trade recipients, SPECA countries have not benefited significantly from Aid for Trade. The share of all SPECA countries in total donor commitments and disbursements stood at 2% in 2007 before regressing to 1.3% in 2008. In addition, for the countries other than Afghanistan, this share has to significantly revised downward given that around 71% of the total commitments and disbursements allocated to SPECA are earmarked for Afghanistan, as was the case in 2007.

To reverse this trend, in 2008, SPECA countries pooled their efforts and launched a regional initiative, the *Aid for Trade Road Map for the SPECA countries*, spearheaded by Azerbaijan with support from Kyrgyzstan. The first step in implementing this Road Map resulted in national and regional assessment studies with action plans as well as a Ministerial Conference to discuss the results of these assessments and regional priorities on 1-2 December 2010 in Azerbaijan. Participants in the Ministerial conference and its discussions included government officials, national trade associations, international and regional organizations, as well as representatives of donor agencies.

The Ministerial was organized by a Steering Group consisting of the following organizations: UNECE, UNDP, UNIDO, ITC, ITFC (as the event sponsor) and the host country. All of whom contributed time and resources to this event. The Conference ended by adopting a common agenda for guiding future trade-related capacity building activities in the region. The Ministerial Declaration groups the immediate and long term needs of SPECA countries under three priority areas: (i) Within-border supply-side measures to develop SPECA countries' productive capacity and export competitiveness; (ii) cross-border cooperation to develop the required trade-related infrastructures and promote trade facilitation; and, (iii) helping countries to participate in and reap benefits from the multi-lateral trading system.

To facilitate the implementation of this agenda the Ministerial Declaration called for adopting the Action Matrices annexed to the Aid-for-Trade Regional and National Assessments as the basis for developing action plans. To ensure the most efficient implementation of these action matrixes by identifying where there are gaps in implementation and then identifying activities and funding to fill those gaps, the Declaration also called for the establishment of a SPECA Aid-for-Trade Follow-up Mechanism. This concept notes proposes a strategic framework and the modalities for this mechanism as well as a name: *the SPECA AfT Implementation and Monitoring Council* (SPECA AfT Council for short).

## 2 Justification

The SPECA Aid-for-Trade Implementation and Monitoring Council would bring together all major development partners (beneficiary countries, multi-lateral and bi-lateral donors and UN agencies working on trade issues). It would also work in close partnership with the SPECA Project Working Group on Trade, which contains high-level representation from SPECA countries). The SPECA AfT Council would work with beneficiary countries to respond to their priorities with concrete projects and to create coherence and coordination among all AfT development partners. The SPECA AfT Council will work on:

- A. Strengthening the ability of development partners to respond to SPECA countries emerging needs in an efficient manner, by helping them to identify critical gaps in meeting country priorities and opportunities for cooperation. For example, if the Council identified that one partner was helping a country to increase productive capacity and another to improve marketing - then both agencies might decide to work together in a complementary way - providing greater benefits to the beneficiary country.
- B. Providing dedicated leadership for the implementation of an integrated regional AfT programme in SPECA countries
- C. Identifying, in consultation with the countries bankable regional and national projects that meet country priorities and then working to identify financial resources for their implementation (Note: the Council would not collect or disburse project funds itself)

- D. Monitoring and revising of AfT activities and priorities in line with evolving trade and economic developments and country priorities
- E. Involving all country stakeholders, and particularly the private sector in the different stages of the AfT process (planning, implementation, monitoring and evaluation)
- F. Addressing, through its unique development partner/UN/country membership, strategic AfT issues in the region such as the interface between regional, bilateral and national projects; the relationship between regional and bilateral trade initiatives and WTO accession negotiations; as well as interactions between trade and industrial policy.

The UNECE will coordinate the overall implementation between all council participants, while UNDP will coordinate the collection of information related to development assistance, in particular by helping to ensure national input on existing and proposed projects as well as by facilitating contacts with local officials through their national offices.

### **3 Expected Output(s)**

- 3.1 *Regional and national implementation inventories with gap analyses.* These will map existing and planned AfT activities to the country agreed action matrices from the AfT assessment reports. These inventories be accompanied by analytical reports identifying implementation gaps (between the country priorities in the AfT action matrices and the inventories). The result will form the basis for future monitoring activities and will reflect information collected from SPECA AfT Council members on existing and planned AfT activities in the region.
- 3.2 *Prioritized multi-year National and Regional AfT implementation action plans for SPECA countries,* based on the inventories and analyses prepared under 3.1 as well as additional input from SPECA AfT Council participants, the SPECA PWG on Trade and other national AfT stakeholders.
- 3.3 *Monitoring and evaluation reports and meetings* to assess, on an ongoing basis, the effectiveness of the action plans developed under 3.2 and provide recommendations for their adjustment to meet the emerging and changing needs of SPECA countries in the area of trade development; mobilize funding; and allow for greater sharing of information among key stakeholders
- 3.4 *A regional forum* for identifying gaps in activities and funding for country and regional AfT priorities and identifying projects and mobilizing funding to fill these gaps.

### **4 Proposed Approach & Strategy, including Capacity Development Response**

The SPECA AfT Council will include representatives from beneficiary countries, all interested multilateral and bi-lateral donors and all interested members of the UN Trade and Productive Capacity Cluster (including ITC, UNECE, UNESCAP, UNDP and UNIDO). It will work include in its meetings and work closely with the SPECA Project Working Group (PWG) on Trade which includes high-level government representation from SPECA countries. The SPECA AfT Council will be serviced jointly by the UNECE with support from UNDP on the development assistance aspects. As appropriate and jointly agreed the two agencies will: (i) supervise the work on the implementation inventories, analytical reports and implementation action plans (ii) organize meetings and joint events; and, (iii) facilitate coordination of the action plans that are agreed by the SPECA AfT Council and the SPECA PWG on Trade and reporting to the SPECA AfT Council on the implementation of the action plans so that the Council can fulfil its monitoring responsibilities.

The SPECA AfT Council will coordinate the delivery of the above-mentioned outputs within the context of a three-year implementation plan, which will result in the following outputs.

#### ***Output 3.1***

3.1.1 For each SPECA country, develop a national implementation inventory of AfT activities, mapped to the action matrices in their country AfT assessment report and an initial analysis report identifying implementation gaps. These inventories and reports will form the basis for future monitoring activities and will reflect information collected from SPECA AfT Council members, including beneficiary countries, on existing and planned AfT country-level activities in the region.

3.1.2 Develop a regional implementation inventory for AfT activities, reflecting only activities involving 2 or more SPECA countries, and mapped to the action matrix in the Regional AfT

assessment report so as to permit the identification of implementation gaps. This inventory will form the basis for future monitoring activities and will reflect information collected from SPECA AfT Council members on existing and planned regional AfT activities.

### ***Output 3.2***

3.2.1 Organize a regional brainstorming workshop to discuss the regional and national AfT implementation inventories, and the preliminary identification of interventions to address gaps between country priorities and already existing or planned AfT activities.

3.2.2 Prepare prioritized, multi-year, integrated National AfT implementation action plans for SPECA countries, based on the national AfT implementation inventories and analyses (see 3.1 outputs), and to serve as the basis for further monitoring. The SPECA AfT Council will work with countries to ensure that these plans address both of immediate needs and medium to long-term development objectives as well as striking a balance between trade-related commitments at national, regional and international levels. These action plans will also include a preliminary identification of interventions (i.e. bankable projects) that could address gaps between country priorities and already existing or planned AfT activities.

3.2.3 Prepare a prioritized multi-year Regional AfT implementation action plan, based on the regional AfT implementation inventory and analysis (see output 3.1), and to serve as the basis for further monitoring. This Implementation Action Plan will address common problems shared by these countries and will look for complementarities between national and regional implementation activities. It will also include a preliminary identification of interventions (i.e. bankable projects) to address gaps between regional priorities and already existing or planned AfT activities.

### ***Output 3.3***

3.3.1 Hold twice a year reviews by the SPECA AfT Council and the SPECA PWG on Trade of the Implementation action plans, preferably back to back with other meetings being held in Geneva and/or the region.

3.3.2 Once a year, update the Implementation action plans, including brief analyses of any issues highlighted by the updated information.

### ***Output 3.4***

3.4.1 See output 3.2.1 above (organization of regional brainstorming session)

3.4.2 In conjunction with output 3.3.1 above, include in the agenda of the twice yearly SPECA AfT Council, strategic discussions on regional AfT priorities, gaps in implementation, the identification of projects and the mobilization of funding. For example one meeting might discuss priorities and gaps in the development of more value-added exports in the agricultural sector, etc.

3.4.3 Organize an international donor conference to mobilize the necessary financial resources for implementing the proposed projects for filling gaps.

An internal review will then be conducted by the end of month 36 to decide on the value and effectiveness of this model/process and next steps that are needed to maintain its sustainability beyond the international funding cycle.

