

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

Ashgabat 7-8 June 2011



<b>Project Title</b>	<b>Trade promotion in SPECA countries</b>  <i>The present paper is only a project outline, intended to serve as an initial basis for discussion between ITC and the countries concerned as well as with potential financiers. Following agreement on the key elements of the proposal, a more detailed project document would need to be prepared and financing secured, before implementation could start.</i>	
<b>Outcome</b>	<p>The overall objective of the project is to strengthen the sustainable expansion and diversification of SME exports in SPECA countries. It aims to develop national capacity for trade development by focusing on business services providers, while also addressing institutional issues.</p> <p><b><u>Outcome 1: Sector Competitiveness</u></b>          To improve export competitiveness of enterprises in the identified sectors, such as the agro-processing and (or) textile and clothing sector, in areas where export competitiveness is determined by activities at the enterprise level (such as in supply chain management, product design, quality management and marketing)</p> <p><b><u>Outcome 2: Trade Support Institutions</u></b>          To strengthen Trade Support Institutions (TSI) through increasing the quality and range of their services that can assist potential and actual exporters in becoming more export competitive</p> <p><b><u>Outcome 3: Business Implications of WTO membership</u></b>          To increase understanding of decision makers, private sector and civil society, of legal and business implications of WTO membership</p>	
<b>Indicative Funding Requirements</b>	Total estimated budget:	\$ 1 - 1.5 million per country
<b>Potential Sources of Funding</b>	[Donor(s): [Development Bank(s): Other Resources:	No funding pledged so far
<b>Expected start date</b>	2012	
<b>Expected Duration</b>	3-5 years	
<b>Implementing Organisation(s)</b>	ITC, in cooperation with other providers of technical assistance.	
<b>Country/Countries</b>	All countries or any individual country (Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan and Afghanistan). In order to ensure synergies and facilitate regional cooperation several projects can be implemented in parallel.	
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## 1 Background

The crisis has highlighted some structural deficiencies in many of the countries of the region and, in particular, illustrated the need for a more diversified, internationally competitive economy. Most of the SPECA countries have a very high level of product and market concentration, exporting only a small range of products to a small number of customers. In practice, in most of SPECA countries trade development is constrained by a small domestic market and weak local supply.

The trade development project has overall objective to contribute to the sustainable expansion and diversification of SME exports from and within the SPECA region. It provides a country specific solution for the development of the sector(s), and will cover the following areas: a) sector strategy development, b) trade intelligence, i.e. identifying and understanding new export markets for identified sectors, as well as sourcing markets for vital inputs for the industry (and c) improving product and market development, including design, material sourcing, quality management, and business management.

ITC's programme will address the untapped potential in Central Asian economies, addressing the needs of SME's, trade support institutions as well as Governments to benefit from being connected to world markets.

## 2 Justification

The private sector and the government of SPECA countries recognized the importance of trade development and trade diversification for overall economy growth and prosperity.

The diversification of exports is crucial for a balanced economic development and is vital to guarantee long-term sustainability and future economic welfare. The importance of diversifying export earnings is seen as the key driver of quality employment and poverty reduction.

In order to achieve export diversification, however, the enterprises have to become more internationally competitive.

Many enterprises still have low activity in international markets, even if they suffer foreign competition in their home markets, following the gradual decrease of barriers to imports. The input intensity of most manufacturing industry remains high, especially in terms of raw materials and energy.

With some notable exceptions, trade support institutions (TSIs) have limited capacity to deliver quality services to larger numbers of enterprises for helping them to become export ready, to adapt their products to demand, and to sell them more successfully in existing and new export markets.

Domestic governments have recognised the potential for further development of their economies, pursuing active reform agendas, and launched ambitious programmes for economic development and/or diversification. In many cases, this agenda setting process is spurred by ongoing or completed negotiations for WTO Accession<sup>1</sup>.

The introduction of best business practices, improved skills and know-how for export development will not only help improve the functioning of the markets in the selected sectors but also have similar, beneficial effects elsewhere. In this way, the project will contribute to increased transparency and help foster sound competition

## 3 Expected Output(s)

The overall, underlying objective of the project is to strengthen the sustainable expansion and diversification of SME exports in SPECA countries. It aims to develop national capacity for trade development by focusing on business services providers while also addressing institutional issues.

**Improved the export competitiveness of enterprises in identified sectors, such as the agro-processing and (or) textile and clothing sector, in areas where export competitiveness is**

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<sup>1</sup> Currently, Azerbaijan, Kazakhstan, Tajikistan, Uzbekistan and Afghanistan are in process of WTO Accession. Kyrgyzstan is already WTO Member.

determined by activities at the enterprise level (such as in supply chain management, product design, quality management and marketing).

Selected enterprises will receive direct hands-on assistance in developing their export competitiveness. International experts, while coaching local experts, will provide individual consultancy services to the pilot enterprises, helping the enterprises to implement their action plans. Training, marketing missions and other services will be extended to a larger group of enterprises to help them modify their export approach.

Raising their international competitiveness in this way, the enterprises will become better able to develop their business, help improve the trade balance, and create new job opportunities.

**Strengthened Trade Support Institutions (TSI) through increasing the quality and range of their services that can assist potential and actual exporters in becoming more export competitive.**

To this end, the project will raise the skills of the advisory staff in the trade support institutions. In particular, this will cover fields where enterprises need particular support which may now be in short supply, such as in international purchasing and supply chain management, product design and development, quality management, marketing, and distribution chain management.

Particular emphasis will be given to trade information, its collection, analysis, dissemination, and use, and to networking between TSIs. The project will also improve the ability of the TSIs to manage their business in a way which enables them to sustainably deliver corresponding support services, not only in the two sectors specifically covered but also in other sectors.

In this way, the work of existing and new trade support institutions will further contribute to improving trade balance and employment, mainly indirectly, through the favourable effects on the competitiveness of their enterprise clients, but also directly, through export of their own services.

**Increased understanding of decision makers, private sector and civil society, of legal and business implications of WTO membership.**

This component is aimed at, on the one hand, improving awareness among the private sector on the implications of WTO Membership. As such, the programme will assist in creating a conducive business and public environment for WTO membership, through enhancing private-sector capacity to understand and act upon business, legal and structural implications of WTO membership and increasing partnership and dialogue amongst main stakeholders by stimulating the information sharing and exchange of views, which is needed for successful WTO membership.

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

ITC's experience in the SPECA region has demonstrated the advantages of an integrated approach involving all stakeholders. This approach covers the main business processes in the individual enterprise, allows trade support institutions to develop the skills and tools necessary for providing services for export success, and increases the knowledge and skills decision makers to develop appropriate policy responses.

With this approach different components of the project reinforce each other, creating synergies and maximizing the impact of different activities.

Poverty reduction is among the major, beneficial impacts to be achieved by the project. This will occur mainly through the positive effects of improved international competitiveness: greater ability of enterprises to raise salaries, and expanded offers for employment in the medium and long term.

## 5 Annual Work Plan

**SECTOR COMPETITIVENESS:** Improved the export competitiveness of enterprises in the agro-processing and (or) textile and clothing sector in areas where export competitiveness is determined by activities at the enterprise level.

PLANNED ACTIVITIES <i>List activity results and associated actions</i>	TIMEFRAME				PLANNED BUDGET (PER COUNTRY)
	Y1	Y2	Y3	Y4	Amount (USD)
Activity 1: To review and agree upon needs and priorities for the sector and consolidate them form of a road map for sector development (in close cooperation with and involvement of all public and private sector stakeholders)	X				100,000
Activity 2: To provide sectoral enterprises with individualized assistance in the areas critical for export competitiveness (among them: supply chain and quality management, introduction of environmental technologies, product design and development, marketing and sales)		X	X		200,000
Activity 3: To involve a broader group of enterprises in the programme through participation in trainings and other capacity building activities		X	X		
Activity 4: Business matching will have been facilitated through participation of sectoral enterprises in trade fairs, and inter and intra-regional buyers/sellers meetings (4 events)			X	X	300,000
<b>TOTAL</b>					<b>600,000</b>

**TRADE SUPPORT INSTITUTIONS:** Strengthened Trade Support Institutions (TSI) through increasing the quality and range of their services that can assist potential and actual exporters in becoming more export competitive.

PLANNED ACTIVITIES <i>List activity results and associated actions</i>	TIMEFRAME				PLANNED BUDGET (PER COUNTRY)
	Y1	Y2	Y3	Y4	Amount (USD)
Activity 1: To Enhance knowledge and skills of TSIs in areas relevant for meeting key enterprise needs, such as supply chain and quality management, product design and development, marketing and sales	X	X	X	X	200,000
Activity 2: To raise TSIs in complementary skills, especially in the collection, dissemination and use of trade information, and in export oriented competitiveness assessment and market analysis		X	X	X	100,000
Activity 3: To assist TSI in raising their technical skills in managing and delivering trade support services and established themselves as providers of trade support services in long term	X				100,000
<b>TOTAL</b>					<b>400,000</b>

**BUSINESS IMPLICATIONS OF WTO MEMBERSHIP:** Increased understanding of decision makers, private sector and civil society, of legal and business implications of WTO membership.

PLANNED ACTIVITIES <i>List activity results and associated actions</i>	TIMEFRAME				PLANNED BUDGET (PER COUNTRY)
	Y1	Y2	Y3	Y4	Amount (USD)
Activity 1: To enhance private-sector capacity to understand and act upon the business, legal and structural implications of WTO membership;	x	x			100,000
Activity 2: To increase partnership and dialogue amongst main stakeholders by stimulating the information sharing and exchange of views, which is needed for successful WTO membership.		x	x	X	100,000
<b>TOTAL</b>					<b>200,000</b>