



**Economic and Social
Council**

Distr.
GENERAL

E/ECE/1427/Add.1
9 December 2004

Original: ENGLISH

ECONOMIC COMMISSION FOR EUROPE

Sixtieth session

22-25 February 2005

(Provisional agenda item 11)

TECHNICAL COOPERATION ACTIVITIES OF THE UNECE

**UNECE/UNESCAP Strategy for Central Asia and the Future Orientation of the
United Nations Special Programme for the Economies of Central Asia (SPECA)**

Report by the Executive Secretary

Executive summary

In order to adapt the UNECE activities to economic and political changes and developments taking place in the region, the Technical Cooperation Strategy, endorsed at the last annual session of the Commission, called for more focused and effective technical assistance to Central Asia. To meet this challenge the UNECE secretariat – working in partnership with UNESCAP and in close consultation with the Governments of the sub-region – is currently undertaking a series of interlinked steps:

- UNECE and UNESCAP have initiated consultations with the Governments of the sub-region on a new joint strategic approach of the two UN regional commissions to Central Asia;
- The Executive Secretaries of the two regional commissions continue their visits to SPECA member States, undertaken upon the initiative of the UN Secretary-General, to carry out consultations on strengthening SPECA;

Based on a lessons learned exercise, the two commissions have developed and are currently undertaking consultations with the SPECA member States on a broad range of proposals aimed at reforming and strengthening the Programme;

- The package of reform proposals and initiatives will be discussed in May 2005 in Astana at an international conference, hosted by the Government of Kazakhstan. This conference will focus on SPECA as a mechanism aimed at promoting sub-regional cooperation in Central Asia,
- The top-level decision-making body of SPECA – its Regional Advisory Committee – will meet in conjunction with the Astana conference, and is expected to take, on the basis of its outcomes, concrete decisions on the future functioning and orientation of the Programme, including the invitation to Afghanistan to join.
- UNECE and UNESCAP are actively working with other partner organisations, including UNDP, as well as IFIs and bilateral donors to strengthen coordination and cooperation in Central Asia.
- The two UN regional commissions also consult with their member States as well as multilateral and bilateral donors to seek long-term and more stable funding for the implementation of projects and activities that could be implemented within the framework of the reformed and strengthened SPECA.

Introduction

1. The UNECE Technical Cooperation Strategy (TCS), endorsed at the fifty-ninth annual session, states: “Since 1997, the year of the reform of the UNECE, the situation in the region has changed considerably, posing new challenges and calling for new approaches. While some countries of the region achieved noticeable progress in their economic and social development, for others transition to market economy is taking much longer than was initially expected”.

2. According to the TCS, the geo-political changes resulting from EU enlargement intensify “the need for more focused technical assistance to countries in CIS and SEE”. It states: “Post-European Union enlargement technical assistance will be streamlined and focused on the countries of South-East Europe and members of the Commonwealth of Independent States, in particular Central Asia. Taking into account the UNECE experience, a strategic approach aimed at addressing the needs of these countries and to determine activities responding thereto will be implemented with a two-fold objective of (a) increasing the chances of less advanced countries of benefiting from the expected further deepening economic integration of Europe; and (b) avoiding new economic disparities and divisions within the region.”

3. The UNECE’s focus on Central Asia is fully in line with overall efforts of the international community. The sub-region’s strategic importance has significantly increased in recent years. It is a neighbour of Afghanistan, Iran, China and the Russian Federation, is at the crossroads between Europe and Asia. Without its full involvement, efforts to promote stability and prosperity in the broader region cannot be fully successful.

4. The Governments of the Central Asian countries have committed themselves to reforms, modernization, economic stabilisation and development. There is a growing recognition of the need for diversification of industrial and agricultural production and exports to decrease their reliance on the export of energy and primary commodities. They make conscious efforts to promote domestic and foreign investment to lay the foundations for stable and long-term economic development. The high level of inter-dependency of the Central Asian countries in several sectors, as well as shared infrastructure (transport, power, water) makes cooperation and integration a recognized economic and political necessity.

I. UNECE/UNESCAP strategic approach to Central Asia

5. UNECE, in close cooperation with UNESCAP, has developed a new strategic approach to Central Asia, which is currently being discussed with the Governments of the SPECA member States. This strategic approach builds on national reform programmes and sub-regional initiatives, taking fully into account national priorities, as well the experience gained in the on-going work of the two UN regional commissions in the sub-region, particularly in the context of SPECA.

6. The over-riding objective of UNECE and UNESCAP in Central Asia is to support development of the Central Asian countries, promote cooperation within the sub-region and its integration into the world economy. Accordingly, the main goals and objectives of the Strategic Approach are the following:

- (a) To support the policies of Governments aimed at promoting transition, economic reform, stabilization, development and improving the environment;
- (b) To facilitate sub-regional and regional cooperation and integration, in particular through SPECA, including securing political commitments to implement existing agreements;
- (c) To align the national and sub-regional technical assistance programmes and projects of UNECE and UNESCAP;
- (d) To strengthen the UNECE and UNESCAP technical assistance within the framework of implementing main UN strategies, like the MDGs and the outcomes of recent UN conferences and summits;
- (e) To improve coordination with partner organisations and institutions within and outside the UN family and help explore opportunities for more active participation of UNECE and UNESCAP in overall planning and implementation frameworks; and
- (f) To provide the donor community with a clear and comprehensive vision of the long-term strategic objectives of technical assistance programmes and projects of the two UN regional commissions in the sub-region in order to strengthen donor support to on-going and planned activities.

7. Implementation strategies of the UN regional commissions focus on:

- (a) Promoting integration and cooperation and addressing cross-sectoral priority concerns by:

- Facilitating the integration of the Central Asian countries into the world economy as well as supporting economic integration processes at the regional level;
- Promoting cross-border and sub-regional cooperation;
- Improving the business climate;
- Moving towards environmentally sustainable development;
- Helping combat poverty and unemployment;
- Developing local statistical, analytical and ICT capabilities.

(b) Addressing sub-regional sectoral priorities, inter alia in the area of transport, trade and investment, energy and water, environment and other areas proposed by the member States where UNECE and UNESCAP have mandates and relevant expertise.

II. SPECA – a timely initiative

8. Fully aware of the importance of sub-regional cooperation, in 1998 the UN Secretary-General and the Presidents of Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan launched the UN Special Programme for the Economies of Central Asia. Turkmenistan and Azerbaijan joined the Programme later. 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.”

9. Some significant progress has been achieved by SPECA in a number of important areas. During the implementation of the project “Rational and efficient use of energy and water resources in Central Asia”, a Cooperation Strategy was elaborated and approved at various governmental levels by four Central Asian countries. During the implementation of the project “International Economic Conference on Tajikistan in the regional context of Central Asia” a joint strategy for regional development and attraction of foreign investment was developed and approved. The Conference was held in April 2003 in Dushanbe in conjunction with a Regional Round Table on FDI for Central Asia. Within the SPECA project on “Transport infrastructure and border- crossing facilitation”, the Action Programme for Transit Transport Cooperation for SPECA Countries was elaborated and its main elements were included as the regional input into the Almaty Programme of Action adopted at the International Ministerial Conference on Transit Transport Cooperation, held in Almaty in August 2003. Discussions are underway on ways of ensuring effective follow-up to these outcomes and to assist countries in their implementation. SPECA was also able to catalyse follow-up work in several important areas, like dam safety, water-energy consortia and clean coal combustion technologies.

10. Despite impressive progress in some areas, SPECA has been able to achieve only limited progress in fulfilling its original objectives. The UN Secretary-General recently acknowledged that the potential of SPECA has not yet been fully realized largely due to financial and resource constraints. More specifically, the Programme has not yet achieved the objectives listed in its initial concept: “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”.

11. The Conference on the UN SPECA held in Geneva on 23-24 June 2003 reconfirmed the importance of SPECA as a framework for expanding regional cooperation. While appreciating the positive results achieved in its implementation, the Conference revealed the intention of some SPECA countries to further develop the content of the programme and continue collaboration in its implementation.

12. The UNECE Technical Cooperation Strategy underlines that UNECE needs to provide, jointly with UNESCAP, further leadership in translating SPECA's goals and objectives into practical field activities and technical assistance projects, and to mobilize stronger support from other parts of the United Nations system and other organizations.¹

13. In early 2004, the UN Secretary-General reconfirmed the full 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 States on strengthening the Programme.

14. Leaders of all SPECA member States support the strengthening of sub-regional and regional cooperation. This has been emphasized during the joint visits of the Executive Secretaries of UNECE and UNESCAP to Uzbekistan, Turkmenistan and Tajikistan and in other on-going contacts with the other SPECA member States. 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.

III. Comparative advantages offered by SPECA

15. Sub-regional cooperation – or its insufficient level – is arguably the most important crosscutting issue in Central Asia. Facilitating integration into the world economy, improving the investment climate among others through increased market size, developing better transport links with Europe and Asia, strengthening trade and economic relations with economically important neighbours like the Russian Federation or China, finding mutually advantageous and sustainable solutions to the complex and interrelated issues of water management and energy, successfully addressing environmental challenges like the problem of the Aral Sea, boosting the service sector, for example the tourist industry, can achieve only limited results if done on a country by country basis, without significantly improving sub-regional cooperation and integration.

16. The close partnership of UNECE and UNESCAP fits uniquely the special needs of the SPECA member States, which are members of both UN regional commissions. The two UN regional commissions can offer assistance to developing sub-regional cooperation in a broad range of areas from water and energy to transport, trade and investment. A main comparative advantage of SPECA is that it combines strong local ownership as a programme led by the Governments themselves with expert support by the two UN regional commissions.

¹ The Shanghai Declaration, adopted at the sixtieth session of UNESCAP, also calls for strengthening of and support for the implementation of SPECA. In addition, UNESCAP's Technical Cooperation Strategy proposes close partnership with UNECE in this regard.

IV. Lessons learned

17. To facilitate the implementation of the UN Secretary-General's initiative, UNECE and UNESCAP conducted a SPECA lessons-learned exercise and elaborated a range of proposals to make the Programme more relevant to the current requirements of its member States. These proposals include organizational reforms, new working methods, possible additional areas of cooperation and improved funding.

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

A. Political and economic issues

19. 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, for example, by the creation of the International Fund for Saving the Aral Sea (IFAS). 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 spillover of the Afghan conflict and changes in the economic, foreign and security 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 members States in its activities became a serious problem.

20. It should be noted that many other international and regional organizations as well as funding agencies have been experiencing the same difficulties with programmes and projects intended to promote sub-regional cooperation in Central Asia.

B. Programmatic and institutional issues

21. 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 SPECA Governments 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 the members States by broadening the scope of cooperation.

22. Making the Prime Ministers or their deputies the National Coordinators, who form the SPECA apex decision making body – the Regional Advisory Committee (RAC) – was intended to ensure high-level attention of the Governments to the Programme and effective coordination of involvement of sectoral ministries in SPECA. However, the requirement to manage relatively modest and not very well-financed sectoral projects at the level of Prime Ministers or their Deputies inevitably resulted over time in the loss of interest by some in participation in RAC. As

a result, RAC could not develop into a body providing strategic guidance for SPECA and a neutral forum for the discussion of overarching issues of sub-regional cooperation.

C. Funding

23. One of the most serious problems experienced by SPECA was the lack of reliable long-term funding. While SPECA was conceived as a joint undertaking by the member States and the two UN regional commissions (UNECE and UNESCAP), the initial SPECA concept provided for active involvement of international economic and financial organizations in support of the Programme. While some of them have been involved in the project implementation and financing within the SPECA framework on a case-by-case basis, none of them have provided stable long-term support and financing.

24. While the UN regional commissions can provide technical assistance and advice, 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 its limited success so far.

V. **The way forward: revitalizing SPECA**

25. There is no doubt that a thoroughly reformed Programme would open up new possibilities for the UN regional commissions and their partners to promote sub-regional cooperation. Recent initiatives by the leaders of the Central Asian States to strengthen cooperation both at the sub-regional and regional level signal a growing recognition of the importance of this issue. At the same time, the on-going stabilization process is turning Afghanistan from a source of instability into an important cooperation partner, opening up new opportunities for the Central Asian States in such areas as transport, trade, energy and water management. The stabilization process could be further strengthened by closer cooperation between Afghanistan and the SPECA member States.

A. Building on past achievements

26. There are a number of tangible results on which a new, reformed “SPECA II” can be built. The projects aimed at implementing the sub-regional Strategy for the effective use of energy and water resources as well as agreements reached in the area of transport, create a solid basis for future efforts of UNECE and UNESCAP in these areas and for broadening their cooperation with other partners, including the UNDP and IFIs.

B. New areas of cooperation

27. SPECA should gradually build a broadened and balanced set of programmes reflecting the interests and wishes of all member States. The new portfolio – taking into account the mandates and areas of expertise of UNECE and UNESCAP – could be composed of on-going and already planned work (transport), follow-up to recent SPECA outcomes (like the water-energy consortium, dam safety), as well as a number of new areas proposed by the member States (trade facilitation, ICT, statistics, technology and enterprise development, including SMEs, investment promotion, as well as tourism).

C. Strengthening political support

28. Activities within the SPECA framework should be carefully built on the expressed political will of the member States to strengthen sub-regional cooperation. Support to the high-level initiatives, priority areas of cooperation identified by the Governments and cooperative links with other sub-regional and regional organizations and groupings, enjoying the support of the SPECA member States (ECO, CACO, Shanghai Cooperation Organization, IFAS, etc.) would help strengthen support to SPECA at all levels. The UN regional commissions could identify a number of areas where the United Nations is able to offer assistance through the SPECA framework to the implementation of current or new initiatives and plans for sub-regional cooperation and integration, launched by the Governments or their sub-regional organizations.

29. It should be emphasized that strengthened cooperation within the SPECA framework could bring the member States closer to the achievement of the Millennium Development Goals as well as implementation of other decisions adopted by major UN conferences and summits. The importance of sub-regional cooperation (e.g. in the area of transport, trade or investment) in alleviating the serious problems caused by the land-locked status of the Central Asian States should be used as another important argument in favour of fuller use of the SPECA potential, for example in support of the implementation of the results of the UN Conference on Land-locked and Transit Developing Countries.

D. Reforming the institutional setup of SPECA

30. It would be important to make sessions of the Regional Advisory Committee politically more attractive to high-level participants. This could be achieved through placing on the agenda of RAC, in addition to critical assessment of the progress achieved and identification of new directions in work, themes that would allow the member States to discuss more general development policy issues relevant to sub-regional cooperation and integration into the world economy and/or organizing in conjunction with the RAC sessions high-level policy dialogues or roundtables, with the participation of recognized international experts, to discuss issues of interest and importance for all six countries, like the transition experience of the new EU Member States or experience in WTO accession. Such discussions, in turn, could lead to cross-sectoral projects aimed at promoting sub-regional cooperation, for example in such areas as trade.

31. Representatives of other UN organizations, first of all UNDP, as well as IFIs and bilateral donors, along with the representatives of relevant regional cooperation and integration organizations should be encouraged to participate in the work of RAC more directly. Their presence in RAC would facilitate greater coordination of efforts by various organizations and institutions in the region and, at the same time, help achieve more stable and predictable funding for SPECA activities.

32. In addition to strengthening RAC as a forum for strategic coordination of SPECA activities, there is a need to develop supplementary mechanisms for more operational coordination of SPECA activities and more effective day-to-day inter-action among its member States and thematic working groups as well as with UNECE/UNESCAP and other partners involved in the implementation of the Programme.

33. The “Group of Friends of SPECA”, established in November 2004 in Geneva upon the initiative of Azerbaijan, is expected to improve information flow and serve as a forum for consultations. It will 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.

E. Broadening international support and better funding

34. It should be underscored that more stable funding for the SPECA-related projects is a sine qua non precondition of successful revitalization of the Programme. A set of proposals aimed at reforming and strengthening SPECA has been presented to the potential international and bilateral donors. Work is also underway to mobilize greater support to the SPECA activities from such sources as the UN Development Account.

35. Using the experience gained by UNESCAP and other international 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 members States and major individual donors.

36. The proposal of Uzbekistan to involve Afghanistan in SPECA received interest and support from the other Central Asian Governments. Many programmes and projects implemented or planned within the SPECA framework (transport, trade, water and energy) would greatly benefit from the inclusion of Afghanistan.

37. In addition, it is important to involve more regularly in SPECA activities (as observers or even collaborating partners) other neighbouring countries, particularly those which have significant trade and economic links or are engaged in various integration processes with the SPECA member States. Several of these neighbours are highly interested in strengthening bilateral cooperation or development of common transport and/or energy infrastructure with the SPECA countries. This, inter alia, could make SPECA an important mechanism aimed at supporting implementation of the UNECE international norms, standards and legal instruments, offering considerable advantages both for the Central Asian countries and their neighbours.

38. UNDP is seen as a key partner in strengthening and reforming SPECA. Its full involvement in implementation of the planned reforms, its active participation in the decision-making mechanism of SPECA as well as in further broadening the project portfolio of the Programme are important preconditions of success. SPECA is also expected to take advantage of UNECE participation in the preparation of the UNDP Report on Regional Cooperation for Human Development and Security in Central Asia, which will facilitate linking the Programme with broader medium and longer-term strategies of the UN in the sub-region.

39. The Executive Secretaries of UNECE and UNESCAP have recently proposed establishing regular cooperation between SPECA and the largest and most successful international programme to promote economic development and cooperation in Central Asia, CAREC (Central Asian Regional Economic Cooperation Programme). CAREC was launched by the Asian Development Bank and enjoys the support of EBRD, the World Bank, IMF, IsDB and UNDP. Cooperation between SPECA and CAREC could offer a number of serious advantages: it would help to achieve synergy and avoid overlap and duplication. In addition, it could

gradually develop into a framework for the voluntary exchange of information on international assistance aimed at strengthening cooperation and development to the sub-region.

40. Continued cooperation with IFAS (International Forum for Saving the Aral Sea), in accordance with the UNECE-UNESCAP-IFAS MoU signed on 3 June 2004, is expected to broaden interest and political support to SPECA activities from various constituencies.

41. Strengthened support to SPECA by the European Union – as a major trading partner and donor in the sub-region – could be a highly effective way to promote the objectives of the European Neighbourhood Policy beyond its actual geographical scope. Other countries of the UNECE (and UNESCAP) regions could also benefit through a more active involvement in SPECA activities.

VI. The 2005 International Conference in Astana: a launching pad for the reform of SPECA

42. In May 2005 the Government of Kazakhstan will host in Astana an international conference on sub-regional cooperation in Central Asia with a particular focus on SPECA. It is expected that this conference will benefit from the participation, in addition to all SPECA member States, of representatives of other interested countries, international and regional integration and cooperation organizations, as well as multilateral and bilateral donors. This important event offers an excellent opportunity to launch a reform programme on the basis of the initiative of the UN Secretary-General. Member States are expected to discuss the new proposals developed by the two UN regional commissions. A number of round-tables organized on the margins of the conference could provide a forum for dialogue with civil society, the private sector and other stakeholders. A meeting of RAC is planned in Astana immediately after the international conference, so that concrete decisions on the reform and future functioning and orientation of the Programme, including the invitation of Afghanistan, could be taken without delay.

VII. The new approach to Central Asia and UNECE reform

43. A key precondition of success of the reform of SPECA is active support from the UNECE (and UNESCAP) member States, including the provision of the initial resources necessary to launch the first phase of the reformed Programme. Endorsement of its new approach to Central Asia would greatly help UNECE – working in tandem with UNESCAP and other partners – in achieving its overall strategic priorities in the region.

44. Increasing UNECE technical assistance and advice to SPECA member States with a clear focus on strengthening sub-regional cooperation and implementation of relevant internationally agreed norms, standards and instruments, would be an important step towards a better defined role for UNECE within the evolving distribution of work among various regional and sub-regional organizations, based on their respective comparative advantages. For example, the UNECE focus on Central Asia could support and complement the Neighbourhood Policy of the EU, which covers the South Caucasus, but not Central Asia.

45. Clear definition of the broader long-term objectives of the new UNECE/ UNESCAP approach to Central Asia should help the member States to make specific decisions regarding the

provision of extra-budgetary contributions to the Commission. Placing individual projects within this broader framework should also help the member States to evaluate more realistically the effects of these activities. While relatively small, individual projects might bring only limited results, which are difficult to evaluate, regular overview and evaluation of activities placed in a well-defined broader framework can help the member States to better judge if the critical mass of assistance necessary to induce real progress is being achieved in a given area.
