



## Aid for Trade Project Concept Note Template for the SPECA Region

<b>Project Title</b>	SPECA Regional Network for Conducive Business Environment	
<b>Outcome</b>	By 2015, national authorities in targeted countries are in a better position to monitor, review and revise selected regulatory frameworks and practices having an impact on business environment	
<b>Indicative Funding Requirements</b>	Total estimated budget:	\$ 4,000,000
<b>Potential Sources of Funding</b>	SECO (Switzerland) TIKA (Turkey) Other donors	\$ 4,000,000
<b>Expected start date</b>	May 2011	
<b>Expected Duration</b>	4 years	
<b>Implementing Organisation(s)</b>	UNIDO and National Implementing Partners	
<b>Country/Countries</b>	Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan	
<b>Submitted by</b>	United Nations Industrial Development Organization (UNIDO)	
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### 1 Background

Over the last decade, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan have requested and received varying degrees of assistance from UNIDO in the areas of private sector development, environmental management, investment promotion, and trade capacity-building. Presently, UNIDO has on-going and pipeline projects both at the country and regional level in which the target countries are taking an active part.

While all countries have implemented institutional reform agendas, their respective trade related policies and practices, and capacity development needs, particularly in areas related to the business environment (BE), remain among the top challenges to overcome.

### 2 Justification

National Needs Assessments recently conducted within the scope of the Aid for Trade Roadmap for SPECA make a clear case for the potential positive impact of an enhanced regulatory framework and practices on trade development in the target countries.

In Azerbaijan, company registration is relatively simple; however business operations are hampered by cumbersome licensing procedures and other regulatory requirements. Kazakhstan, on the one hand, is among the top 10 reformers in 2010 according to the IFC/WB 2010 Doing Business report;

on the other hand, starting and running a business is still quite complicated which also affects the foreign trade potential and economic diversification. Kyrgyzstan is considered as the most open economy in the region as it has recorded significant achievements in reforming its business environment; however licensing requirements are widely considered as an important obstacle to trade and to economic activities at large. Exporters, manufacturers and SMEs in Tajikistan identify the costs and risks of doing business in the country as excessively high and as a key barrier for the trade development. Turkmenistan has been taking steps in improving the transparency of the business environment through a recently drafted set of laws and decrees; however, success in their implementation will require considerable capacity development. In Uzbekistan, requirements for starting and running business, including approvals, licenses, and the inspection regime remain the major challenges. The table below shows selected rankings of the target countries as cited in the 2010 Doing Business Report.

<i>Doing Business 2010 in</i>	<i>Starting Business</i>	<i>Dealing with Permits</i>	<i>Registering Property</i>	<i>Getting Credit</i>	<i>Protecting Investors</i>	<i>Paying Taxes</i>	<i>Enforcing Contracts</i>
	<i>Rank</i>						
<b>AZERBAIJAN</b>	17	158	9	15	20	108	26
<b>KAZAKHSTAN</b>	82	143	31	43	57	52	34
<b>KYRGYZSTAN</b>	14	40	19	15	12	156	54
<b>TAJIKISTAN</b>	143	177	78	167	73	162	39
<b>UZBEKISTAN</b>	92	142	133	135	119	178	45

Source: www.doingbusiness.org

The proposed project aims at assisting the beneficiary region in the establishment of a SPECA Regional Network for an enhanced business environment. This regional platform of policy makers and state governing institutions and officials and private sector consultants will facilitate knowledge exchange and experience sharing on such issues as regulatory, institutional and administrative reforms needed to mainstream trade development and accelerate economic growth in general at both national and regional levels. Hence, the expected outcome of this project is: “By 2015, national authorities in targeted countries are in a better position to monitor, review and revise selected regulatory frameworks and practices having an impact on business environment”.

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

The project sets to produce the following outputs:

***Output 1: Awareness and understanding of regulatory and administrative barriers to trade development of national authorities in charge of business environment reforms enhanced***

Activity Result 1.1: Participatory country level reviews of business regulations, administrative procedures, processes, and practices yield a prioritized list of recommendations for national authorities;

Activity Result 1.2: Members of elected bodies and state governing institutions have improved their understanding of the regulatory and administrative challenges that hamper trade development and economic activities at large through the organization of advocacy and training activities, and dissemination of best practices and development tools.

***Output 2: Institutional capacities of policy makers, state governing institutions and private-sector business consultants in creating an enabling business environment strengthened***

Activity Result 2.1: Capacity-building for regional-level policy makers, national governing bodies and private sector consulting firms and practitioners facilitates institutional cooperation and knowledge exchange;

Activity Result 2.2: An electronic platform assists in dissemination of good practices among the SPECA countries.

### ***Output 3: SPECA Regional Network for Conducive Business Environment established***

Activity Result 3.1: Regional expertise strengthened to provide policy advice on selected business environment challenges in target countries;

Activity Result 3.2: An independent institution established to sustain the regional business environment advisory and knowledge dissemination services of the SPECA Regional Network for Conducive Business Environment in one of the target countries.

When implemented, regulatory and administrative reforms are inherently sustainable, as such reforms require improvements in legislation, regulations, administrative procedures, processes and eventually in the behaviours of public officials who provide the related services.

Apparent similarities in bureaucratic traditions and BE promotion practices as well as the relatively comparable reform paths taken to date by the SPECA Member States makes the regional approach in addressing the BE-related challenges in each individual SPECA country particularly relevant and worthwhile exercise. Supporting the regional-scale collaboration and dialogue between national policy makers, state officials and private-sector business-support institutions is meant to provide an important contribution to SPECA's key objective of the rapid, balanced and sustained economic development of all the countries of the region. On the other hand, some of the beneficiary countries have recorded important achievements in certain areas of doing business as shown by the recent regional review.

Thus, the project will employ both similarities and different achievements recorded at the country level while facilitating inter-state and inter-institutional knowledge exchange and developing regional advisory capacities and networking.

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

The SPECA Regional Network for Conducive Business Environment will be strengthened to address the policy information and advisory needs for facilitating business environment reforms in each beneficiary country. Selected intervention areas to be identified jointly with stakeholders in each individual SPECA country will be targeted for sharing good practices from the region through the trained expertise and networking tools.

It is expected that the likelihood of sustaining and further enhancing capacities and collaboration developed during the project implementation will be higher by the involvement of the private consulting sector in the Network, not only as an indispensable partner, but also as part of an exit strategy. Should the programmed SPECA Regional Network for Conducive Business Environment fail to institutionalize as a regional independent entity supported and maintained by the participating governments, the development tools and methodologies along with reinforced human and institutional capacities and networks provided by the project can still be used by the private sector in its advocacy efforts.

The proposed donors, the Swiss State Secretariat for Economic Affairs (SECO) and the Turkish International Cooperation and Development Agency (TIKA), enjoy existing and growing trade and investment relations with the target countries and are both interested in the further private sector development through improved business environment at the country and regional levels. Furthermore, Kyrgyzstan, Tajikistan and Azerbaijan are priority countries targeted by SECO for transition aid. At the same time, other potential donors having interest in the proposed area and region will be approached.

## 5. Annual Work Plan and Estimated Budget

At the concept note stage, the project implementation is assumed through the following overall work plan:

PLANNED ACTIVITIES Actions associated to activity results	Timeframe				Planned Budget
	Y1	Y2	Y3	Y4	Amount in US\$
<b>Output 1:</b>					
1. Conduct country level reviews of regulations, administrative procedures and practices through participatory processes					400,000
2. Build capacities of stakeholders to identify selected priorities and to prepare implementation plans					100,000
3. Identify and disseminate examples of good practices to raise awareness and understanding at country level					100,000
<b>Output 2:</b>					
1. Implement regional capacity-building activities					800,000
2. Establish and maintain an electronic platform to support regional activities and networking					400,000
<b>Output 3:</b>					
1. Assist countries in implementing selected reform interventions with cooperation from national and regional experts					1,800,000
2. Assist in facilitating the institutionalization of the SPECA Business Environment Network					400,000
<b>TOTAL</b>					<b>4,000,000</b>