Introduction

1. Countries participating in the United Nations Special Programme for Central Asia (SPECA)\(^1\) have taken important steps toward integrating their economies with regional and international markets. Many SPECA countries are signatories to regional initiatives, including those administered by the Commonwealth of Independent States (CIS), the EurAsian Economic Community (EurAsEC), and the Economic Cooperation Organisation (ECO). During the past 20 years these countries have also launched multi-faceted economic liberalization and market reform plans; the implementation of which has proceeded at different paces.

2. Nonetheless, SPECA countries have yet to reap the full benefits from their trade development efforts in areas such as new export markets, technology transfer, and industrial development. A small range of unprocessed, semi-finished, and light manufactured products make up the bulk of exports as well as agricultural products, oil, gas and minerals. Moreover, exports go to a limited number of countries. For example, in 2007, around 62 per cent of the SPECA countries’ total exports went to China, Italy, France, Germany, the Russian Federation, and the United States of America.

3. As a result, these countries continue to suffer from a high degree of economic vulnerability, with benefits from growth easily reversed by market fluctuations in the price of one or two exports and/or negative shocks emanating from major trading partners. This lack of economic diversification manifests itself in different ways. In some countries it is manifested by persistently high trade and public deficits, resulting in a relatively high percentage of income growth being diverted away from development investments via

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* This document was submitted late due to delayed inputs.
\(^1\) Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan
imports and financial transactions and/or debt payments. In other countries, this takes the form of “Dutch disease,” i.e. high exchange rates that make non-mineral exports less competitive, thus discouraging investments in these sectors and having a negative impact on employment.

4. SPECA countries also remain beset by the harmful effects of regional imbalances that can be seen in the table below. Middle-income countries of the region are further marked by large internal income gaps between urban and rural areas.

Table: SPECA countries - Regional imbalances

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>1000</td>
<td>36.0%</td>
<td>35.0%</td>
<td>Not available</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>10600</td>
<td>11.0%</td>
<td>6.0%</td>
<td>81</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>12000</td>
<td>8.2 %</td>
<td>6.3%</td>
<td>127</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>2300</td>
<td>40.0% (2004)</td>
<td>18.0% (2004)</td>
<td>112</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>1900</td>
<td>53.0%</td>
<td>2.2%</td>
<td>99</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>6800</td>
<td>30.0% (2004)</td>
<td>60.0% (2004)</td>
<td>59</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>2900</td>
<td>26.0% (2008)</td>
<td>1.1%</td>
<td>80</td>
</tr>
</tbody>
</table>

All data is for 2009 unless otherwise indicated. Source: https://www.cia.gov/library/publications/the-world-factbook/

* The Gini Index indicates levels of inequality within a country. The ranking is based on the last available Gini Indexes which are 2001 for Azerbaijan, 2009 for Kazakhstan, 2003 for Kyrgyzstan, 2006 for Tajikistan, 1998 for Turkmenistan and 2003 for Uzbekistan.

5. The need to bolster SPECA countries export capacities to generate employment and revenues for infrastructure development, is evident. This requires efforts to proceed along three tracks:

• Forging ahead with trade and economic liberalization in a manner that takes into account each country’s specific welfare needs and stage of development. At present, there is a varied trade landscape across SPECA countries, which ranges from very liberal in Kyrgyzstan, to fairly liberal in Azerbaijan, Kazakhstan, and Tajikistan, to quite restrictive in Uzbekistan. Moreover, state-owned companies continue to generate the bulk of trade, often under intergovernmental agreements that involve a select range of capital goods and energy resources.2

• Developing the enterprise sector’s productive capacity, understood as the ability to efficiently and competitively produce an increasing range of higher value-added goods and services. Special attention should be given here to small and medium-sized development (SMEs), given their critical role as a seedbed for entrepreneurship, innovation and job creation.

• Creating better links between SPECA countries, ranging from integrated trade-related infrastructure to harmonized policy measures in order to spur mutual

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2 For example, Uzbekistan’s imports are dominated by capital goods for state-supported investment projects, while Azerbaijan’s, Kyrgyzstan’s and Tajikistan’s imports are concentrated in energy resources.
economic growth. Such efforts are all the more important since all SPECA countries are landlocked.

6. However, SPECA countries, and especially those with lower incomes, have limited financial capacities and, therefore, find it difficult to finance their own trade development efforts. In this respect, the World Trade Organization (WTO) Aid-for-Trade (AfT) Initiative has an important role to play. Launched in December 2005, the initiative seeks to help developing countries and economies in transition to participate in and benefit from trade liberalization, and targets acceding countries as well as WTO members. In addition, the initiative is meant to improve the quality and effectiveness of AfT by providing tools for monitoring AfT activities and for ensuring accountability and responsiveness.

7. Yet, with the exception of Afghanistan, which figures among the top 20 Aid-for-Trade recipients, SPECA countries have received significantly less funding from the AfT Initiative than the majority of low and middle-income countries. Available statistics show that in 2008, if Afghanistan is included, SPECA countries experienced a modest increase of 8 percent in donor commitments in relation to 2002. However, if Afghanistan is excluded, they saw a reduction in total commitments of 16 percent (OECD, 2010). Furthermore, up until last year, transition economies, including those of Central Asia, had not participated in the AfT process to any significant degree.

8. If transition economies are not included either in the political process or the following more hands on Aid-for-Trade processes, they may not have the same incentives and support for developing national plans for trade-related matters and may receive less donor attention and, thus, less official development assistance (ODA) in this area.

I. The Aid-for-Trade Road Map for SPECA Initiative

9. Responding to this situation and to a parallel initiative by the Government of Azerbaijan in 2008, the UNECE initiated a consultation process to promote AfT activities in the region. This process brought together, in addition to the UNECE and the Azerbaijani and Kyrgyz missions in Geneva: the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the United Nations Industrial Development Organization (UNIDO). The result of these consultations was a consensus to undertake a sub-regional Ministerial meeting for the SPECA countries in order to obtain political support for the AfT initiative and to identify concrete AfT priorities at a national and sub-regional level.

10. This was made possible by the interest shown both by the countries involved and funding that was provided for the organization of a Planning and Expert Meetings as well as a Ministerial Conference by the International Islamic Trade Finance Corporation “ITFC” (Member of Islamic Development Bank Group “IDB”) and funding from the Finnish government for national AfT assessments as well as a regional AfT report.

Objectives

11. In line with the above, the first objective of the, “Aid for Trade Road Map for the United Nations Special Programme for the Economies of Central Asia (SPECA)” is to launch the AfT process in SPECA countries in order to achieve greater inclusion of these countries in the global economy and the WTO(AfT) initiative.

12. The second objective, now that the Aid for Trade Road Map for SPECA Ministerial has taken place, is to implement the follow-up measures agreed by countries in the Baku Ministerial Declaration in order to better ensure that projects and funding are found to
meet the national and regional Aft priorities identified by SPECA countries and that these are delivered in the most efficient and cost-effective manner.

13. The SPECA Aft Road Map Initiative, with its wide range of participating organizations, is meant to offer an important opportunity for SPECA countries to work together with their neighbours and the international trade development community in order to meet their trade-related development challenges. It also aims to ensure the continuous engagement of SPECA countries so that they take full ownership of the process and of the results.

Support Institutions

14. The Aft Road Map for SPECA Initiative has been supported by the Governments of Azerbaijan and Kyrgyzstan and by the WTO as part of the overall Aid for Trade Initiative. It is also supported by the CEB Inter-agency Cluster on Trade and Productive Capacity, either financially or through the provision of expertise by the international organizations that participate in the Cluster. The involved organizations hope that this initiative will come to be considered as a model example of inter-organizational cooperation.

15. The Initiative is also supported by the SPECA Programme Working Group on Trade which acts as the intergovernmental mechanism, providing country input and feedback (for example for the drafting of the Baku Ministerial Declaration).

16. Coordination of the work between agencies and partners has been assured by the UNECE, including (during the last 6 months of 2010) through weekly teleconferences.

17. The International Islamic Trade Finance Corporation (ITFC) and the Government of Finland provided the principal financial support for the first stage of this initiative. It is now hoped that other organizations will in turn offer financial support, both for the follow-up and resulting projects. It should be noted, in this context, that the Asian Development Bank (ADB), the Central Asian Regional Economic Cooperation (CAREC), the European Bank for Reconstruction and Development and the World Bank provide significant project support to the SPECA region.

II. Preparations and Groundwork

18. The Aft Road Map for SPECA Initiative really commenced in earnest in March 2009, with the organization of a Preparatory and Consultative meeting in Bishkek, Kyrgyzstan to lay the grounds for holding a Ministerial Conference on the Aft Road Map in 2010. The Conference was conceived in a manner that would allow for achieving the double purpose of ensuring the required political process for supporting the Road Map, and providing a multi-stakeholder forum for identifying regional priorities and ensuring their incorporation into national development plans.

19. This meeting was followed by a process, lead by UNDP, for the preparation of national and regional Aft Needs Assessments and the identification of national and regional priorities. To do this, Aft Country Teams were established to act as advisory bodies and assure national ownership. These were composed of members of the government, members of the PRSP National Committee, representatives from the civil society and private sector, and development partners. The SPECA Project Working Group on Trade acted as the advisory group for the regional assessment.

20. Following this, a Regional Experts Meeting was held in Bishkek in March 2010 where detailed discussions took place on the national assessments and input was provided
by national experts for inclusion in the AfT Regional Report which was finalized later in the year.

III. The Ministerial Conference on the AfT Road Map for SPECA

21. The Ministerial Conference on the Aid-for-Trade (AfT) Road Map for SPECA was held in Baku, Azerbaijan from 1 to 2 December 2010, with the participation of 122 delegates, including high-level officials from SPECA countries, experts and representatives from development partners. The Ministerial Conference marked the first high-level AfT event for transition economies since the launching of the AfT initiative at the 2005 WTO Hong Kong Ministerial.

22. The Conference reviewed trade and development challenges facing the region, and set out an action plan for addressing these challenges drawing on the findings of the national Aid-for-Trade needs assessments and a Regional AfT Review carried out by UNDP. Following is an overview of the principal Conference outcomes: the priorities established by Ministerial Declaration and illustrated by the AfT assessment studies undertaken prior to the conference; the follow-up mechanism called for in the Ministerial Declaration; and the presentation of both funded and proposed activities to support AfT in the Region. These are described in more detail below, and more information can also be found at: http://www.unece.org/trade/SPECA-AfTBaku2010/welcome.html

A. Ministerial Declaration

23. One of the key outcomes of the Ministerial Conference was the signing of a Ministerial Declaration that calls for creating synergies between national and regional trade-related policy measures and development initiatives as well as ensuring a greater contribution by trade to equitable growth among the different regions within each country. The Declaration identified key priority areas for national and regional trade development plans, namely:

- Developing national supply side capacity, including productive capacity and institutional frameworks;
- Harnessing cross-border cooperation; and,
- Facilitating the beneficial integration of SPECA countries into the multilateral trading system.

24. The Declaration also calls upon development partners to support AfT initiatives and measures with technical assistance and financial resources, in ways that are predictable and aligned with national priorities.

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3 Conference deliberations and outcomes, including the Ministerial Declaration and presentations by participants are published on the UNECE website at: http://www.unece.org/trade/SPECA-AfTBaku2010/welcome.html

4 The studies are published on the UNDP website, at: http://europeandcis.undp.org/home/show/A65D11B2-F203-1EE9-B2770B00952A8CF8
B. Follow-up mechanism

25. Another key outcome of the conference was the launching of a SPECA Regional Aid-for-Trade Implementation and Monitoring Council which was established to monitor the efficient and effective implementation of Aid for Trade within the SPECA Region, according to the AfT priorities decided by countries by putting all concerned parties around the table to discuss, on a continuing basis, work being undertaken, possible areas for coordination or joint action and gaps in implementation and funding that need to be filled.

26. The Council, working closely with the SPECA Project Working Group on Trade, will bring together beneficiary countries, multi-lateral and bi-lateral donors and UN agencies working on trade issues. In fulfilling its mandate, the Council is expected to:
   • Strengthen the ability of development partners to respond to SPECA countries’ emerging needs.
   • Provide leadership for a coordinated regional AfT programme that includes all stakeholders.
   • Identify, in consultation with countries, gaps in implementation and bankable projects that meet country priorities as well as matching resources.
   • Revise, with country input, AfT activities and priorities in the region, in line with evolving trade and economic developments.
   • Monitor AfT regional and national action plans to identify gaps where bankable projects need to be developed.
   • Address, through its unique membership, strategic AfT issues in the region.

C. AfT technical assistance projects

27. During the event, a 4.6 million Euro project, to be implemented in cooperation with UNDP, was announced by the Finnish Government in support of trade development in transition economies, with a special emphasis on SPECA countries. In addition, over 20 project concept notes were submitted by countries and organizations to support the implementation of the SPECA AfT Road Map and trade development activities in the region and these were made available to participants.

V. Follow-up activities

28. At present the UNECE is working with SPECA countries to finalize an overall AfT action plan incorporating the priorities identified in the national AfT assessments undertaken prior to the Ministerial Conference as well as the Regional AfT Report. A comprehensive review will then take place of ongoing and planned national/regional AfT activities in SPECA countries at the project level, matching these to work areas in the action plan. The result will serve as both a guideline and a point of departure for discussions within the SPECA Regional Aid-for-Trade Implementation and Monitoring Council on gaps in supporting country priorities and areas for cooperation.

5 The projects are published on the UNECE website, at: http://www.unce.org/trade/SPECA-AfTBaku2010/welcome.html
29. A “zero” meeting of the SPECA AfT Implementation and Monitoring Council to obtain input from donor agencies and countries on how to best move forward will be held in the first half of 2011. Then the first, full meeting is planned for October 2011, to be back-to-back to the SPECA Working Group on Trade meeting that will be held in Ashgabat.