



**SPECA Economic Forum
25-26 June 2006, Baku, Azerbaijan**

**Theme: The Energy Dividend: spreading the growth impulse for prosperity and stability
in the SPECA region**

CONCLUSIONS AND RECOMMENDATIONS

Session 1: SPECA economies – their economic development, medium and long-term prospects

1. The strong growth performance of the SPECA countries in 2000-2005 was due to high export commodity prices, robust domestic demand, and continued growth in external trade and foreign investment. However, increases in the prices of fuel and food products, and higher domestic utility tariffs pushed up consumer price inflation in virtually all the SPECA economies.
2. The large expected increases in the output and exports of oil and gas in the region create significant opportunities for social and economic development in the SPECA countries in medium- and long-terms. One of the main challenges for economic policy is to ensure that economic growth translates into a broad-based reduction of poverty, along with equitable and gender balanced social development without jeopardizing the macroeconomic balance. Higher public spending in infrastructure and entrepreneurship development can support the diversification of the economy and raise the growth potential.
3. Emphasize on non-oil sector development, diversification of production and exports and of export markets and investment human capital will contribute to sustaining a high rate of growth in the SPECA countries in the future. The countries are committed to macroeconomic stability and prudence, keeping inflation low and maintaining exchange rate stability.
4. The development of the energy sector and particular oil, gas and hydropower sector is increasing the strategic importance of the region in the world economy. This creates favorable prospects for the strengthening of economic relations with multiple partners, overcoming the constraints posed by an unfavorable geographic position. The construction of regional

infrastructure including transport and communication is necessary for meaningful economic cooperation, expansion of exports and greater inflows of FDI, which are hitherto limited by the size of the domestic markets.

Session 2: Investing energy dividend for energy infrastructure: Opportunities and challenges

1. Coordinated energy system

5. The SPECA subregion has a vast potential to strengthen collaboration in energy sector development for improving the investment climate, trading/sharing as well as enhancing export of energy resources for its socio-economic development and in ensuring sustainability of the energy sector. Energy infrastructure requires extensive improvements physically and in terms of a strategic shift towards a market oriented energy system to meet the growing energy demand and market.

6. This can be better achieved through increased investment, greater cooperation and integration of the SPECA energy system for optimizing mutual benefits through synergies and collaboration. Both fossil fuel and hydropower resources could be included in the integrated system. The proposal currently under consideration, on an energy consortium for the rational use of water and energy resources, could be taken into account while developing the proposed system.

7. The SPECA countries could therefore consider initiating a Coordinated Energy System by forming a mechanism for collaboration in developing energy infrastructure and in promoting strategic partnership with other stakeholders, particularly the private sector. In that respect, it would be important to harmonize the legislative framework of SPECA countries. Removal of barriers to energy trade would be required to realize market opportunities within the subregion and neighboring countries.

2. Baku Initiative on Energy Efficiency

8. The SPECA countries also have a good potential in improving energy efficiency, which will enable energy exporting countries to conserve more for export, while the energy importing countries will be able to build resiliency to the volatile energy prices. Based on the successful experience of demonstration projects implemented in the region and elsewhere in forming a collaborative partnership at the local government, such as municipality, level and with the private sector, policy frameworks should be created for an enabling environment to support the replication.

9. In the context of above and in recalling the Baku Declaration on Energy Efficiency and Sustainable Development in the Caspian Sea region, made in March 2006, the Forum recommends that the SPECA countries embark upon an aggressive policy to promote environmental sustainability, energy efficiency improvement and energy conservation through launching a dedicated initiative.

3. Energy dividend to support energy initiatives

10. To implement the proposed energy initiatives, the SPECA countries could commit some resources including committing a part of the energy export dividend and promoting strategic partnership with other stakeholders, particularly the private sector. In that context, countries could also make appropriate policies to encourage private sector investment in the energy sector.

Session 3: Building a regional integrated market through improved trade and transport in SPECA countries

1. National Trade and Transport Facilitation Mechanisms

11. While SPECA countries are already exploring trading opportunities resulting from globalization, constraints in trade and transport infrastructure and facilitation were reducing the competitiveness of exports and increasing costs of imports. These constraints need to be addressed in a coordinated and comprehensive manner. In this regard, future SPECA cooperation with CAREC and EurAsEC was recognized as important.

12. The SPECA countries should therefore consider the establishment or strengthening of national interagency bodies through appropriate legislative processes with terms of reference to ensure sustainable high-level participation of both the public and private sectors to enhance efficiency. Such bodies could promote the implementation of existing United Nations and other instruments. Initiatives could also be taken to encourage private sector investment in transport infrastructure and operations.

13. A SPECA Trade and Transport Facilitation Network, which consists of national trade and transport facilitation committees/bodies and other development partners, could be established.

2. Enhance effectiveness of existing regional and bilateral trade and transport

agreements and promote countries accession to WTO

14. The SPECA countries should work toward consolidation and rationalization of existing RTAs and BTAs that would be consistent with their efforts to accede to WTO. Additionally, the SPECA countries should focus on the implementation of commitments under the International Conventions to which they are already parties. Assistance from relevant international organizations in capacity building to support this process was important. The WTO, UNECE, UNESCAP and UNCTAD technical assistance programmes could also be extended to the SPECA countries.