

SPECA ECONOMIC FORUM

“The Energy Dividend: Spreading the Growth Impulse for Prosperity and Stability in the SPECA Region”

(Baku, Azerbaijan, 25-26 June 2006)

Annotated Provisional Agenda

Background

The SPECA countries, Azerbaijan, Kazakhstan and Turkmenistan and to some extent Uzbekistan, are reaping rich dividends from recent global trends in energy prices, marked by unprecedented escalation. This trend is expected to continue in the future thus assuring the oil-exporting countries continued prosperity. However, in order to sustain the resultant economic growth in these countries, it is imperative that the economic situation in the other countries – Afghanistan, Kyrgyzstan, Tajikistan as well as in Uzbekistan is also uplifted. This could be achieved by spreading the growth impulse in the energy-rich countries to fuel economic growth in the neighbouring countries.

The growth impulse could be dispersed through deeper integration of the economies of the SPECA countries and pragmatic approaches to regional economic cooperation, leading to more dynamic economic growth and greater stability across the region.

Most of the SPECA countries have already adopted a common strategy for “Strengthening Cooperation for the Rational and Efficient Use of Water and Energy Resources”. Through a coordinated energy system in the sub-region, opportunities for reaching out to other energy demand centres could also be realized. With the right infrastructure in place, oil, gas and even electricity could be traded or shared within the sub-region and outside, to not only Europe but also China and other North Asian load centres as well as in the South to Afghanistan, Islamic Republic of Iran and the Indian subcontinent.

Improving trade and transport links within the region would be an effective way to achieve deeper integration of the SPECA economies. Hence, the existing barriers to intra-SPECA trade, including difficulties in transport and transit, need effective remedial action to harness the new potential for trade expansion. Removal of existing barriers to the movement of goods and transport within the region would create a more unified market and a favourable environment that could capitalize on the growing interest for foreign investment in the region.

The markets of individual SPECA countries are diverse and face major obstacles to international trade and transport, which hinder their long-term sustainable economic development. All SPECA countries are landlocked and share the heritage of inefficient and non-competitive industrial and economic structures. On the other hand, energy-rich countries often depend on other SPECA countries for effective transit of their energy exports and other tradables. A compelling case could therefore be made for strengthened economic cooperation and integration of the SPECA countries. Public-private partnerships could play an important role in this regard. In particular, attracting investment, technologies and assistance from public and private sources to develop infrastructure, transport routes and corridors and to remove bottlenecks to trade are vital for the establishment of sub-regional and regional markets which would benefit all countries. At the same time, there is scope to improve market access among the SPECA countries through appropriate regional integration mechanisms. Various regional and bilateral trade agreements already exist in the region but they are largely dysfunctional and often exclude commitments on energy. There is scope to strengthen, expand, deepen and consolidate those agreements to stimulate sub-regional and regional trade and investment in energy and other products and services.

The Forum, with participation from the policy, academic and business sectors, could discuss strategies to create a better trade and investment climate as a subset of cooperative strategies aimed at ensuring that increased revenues from energy exports create an era of stability and prosperity in the region.

Sunday, 25 June 2006

17.00 **Opening session and reception**

Opening statements by the Chairman of the SPECA Governing Council and Executive Secretary, UNESCAP (on behalf of UNESCAP and UNECE)

Key-note address by the UN Secretary-General, UNCTAD (to be confirmed)

Monday, 26 June 2006

09.00 - 10.30 **Session 1**

SPECA Economies – their economic development, medium and long-term prospects

Presentations and discussions will focus on economic growth in the SPECA countries

and implications of the surge in international demand and prices for energy and associated spillover effects on domestic demand in the relevant economies. SPECA region was one of the fastest growing regions of the world economy in 2000-2005. Major hydrocarbon exporting countries are expected to benefit from high world market prices and strong demand in some of their main markets. However, the medium- and long-term prospects of the countries is predicated on a successful diversification of their production and export base as well as of export markets, thus reducing their dependence on the natural resources sector. Discussions could also focus on other important challenges for the sub-region such as integration of the countries into the global and regional economies, strengthening of sub-regional economic cooperation and integration, imperative of macroeconomic stability and prudence to maintain the growth momentum.

Panel of the SPECA National Coordinators

Chair: Azerbaijan

Moderator: Executive Secretary, UNECE

10.30 – 10.45 Coffee break

10.45 – 12.15 Session 2

Investing energy dividend for energy infrastructure: Opportunities and challenges

The current infrastructure is grossly inadequate to capitalize on the opportunity of trading and sharing of energy within the sub-region as well as for large scale energy export to the global market. A major constraint had been the lack of investment funds. Some of the export revenues, generated or expected to be generated from oil and gas exports, could not only be used more effectively to accelerate economic and social development, but also for investments in energy related infrastructure. This will enhance the economic prosperity of the border regions benefiting neighbouring countries and also support development of international energy transmission infrastructure such as pipelines and electricity networks for exporting energy outside the sub-region. Energy exporting countries can take the initiative to seek strategic partnerships with the concerned stakeholders, including the business community, as their longer-term economic development and investment strategies.

Interactive panel discussion with presentations on:

1. An overview of the energy scenario, including the current supply and demand structure, energy market both within and outside the SPECA region; and
2. Investing in a coordinated SPECA energy system linked to export markets:

opportunities and challenges.

The perspectives of:

- energy exporting countries
- energy importing countries
- energy industry players (business community)
- research institute in the sub-region
- UNDESA

Co-chairs: SPECA National Coordinators, Kazakhstan and Turkmenistan

Moderator: World Bank (to be confirmed)

12.15 – 14.00 Lunch

14.00 – 15.30 Session 3

Regional integration – trade and transport development

The creation of a regional integrated market among SPECA countries could be accelerated through the efficient utilization and sharing of increased energy revenues for building trade and transport infrastructure and capacities. This would enable non-energy exporting countries to develop much faster industries in which they have comparative and competitive advantages while allowing energy-rich countries to diversify their economies away from dependence on oil and gas. In particular, development of transport and simplification of procedures for movement of goods, services and financial resources across national borders would also contribute towards efficient regional integration.

Specific issues to be addressed are: 1) Public-private partnerships for the efficient utilization of energy revenues for regional infrastructure development and enhancing regional economic integration and cooperation; 2) Trade and transport facilitation for effective regional trade and investment; and 3) Consolidating and strengthening regional and bilateral trade agreements among the SPECA countries for promoting integration among themselves as well as their integration into the global economy.

Interactive panel discussion:

- Senior government official/Minister of Kyrgyzstan or Tajikistan (on market access and trade facilitation for non-oil energy trade (e.g. hydro-electricity) and other goods and services);

- Representative of EurAsEC on regional trade integration for enhanced regional trade and investment in energy and other products and services;
- Representative of Business, e.g. a leading oil company on public-private partnerships for utilizing energy revenues for regional infrastructure development and trade and transport facilitation;
- CAREC (on public-private partnerships for trade and investment in energy in SPECA countries); and
- Representative of research institute from the sub-region.

Co-chairs: Tajikistan and Uzbekistan

Moderator: UNDP (to be confirmed)

15.30 – 15.45 Coffee break

15.45 – 17.30 Session 4

From declarations to deeds

Skewed economic growth in favour of the energy exporting countries, exacerbating the rapidly growing differences in the levels of economic development among the SPECA economies, is untenable in the long term. The imperative for regional cooperation to disperse the growth impulse more widely requires concerted action if the sub-region is to achieve prosperity and stability in future. UN Regional Commissions and UNDP are well positioned to facilitate intra-regional cooperation. Multilateral financial institutions can also contribute to regional cooperation and integration, especially in the development of physical infrastructure. The private sector too has a key role to play in spreading the benefits of soaring revenues from energy exports across the region.

Specific issues to be discussed could include: 1) What urgent concrete steps can be taken to ensure that the economies of energy exporting countries become “locomotives” of regional development? 2) How can regional organizations and financial institutions on the one hand and governments and the private sector of energy exporting countries on the other hand, cooperate more effectively? 3) Can “top down” initiatives on regional cooperation be turned into concrete “bottom up” programmes with the help of the “energy dividend”?

Interactive panel discussion:

- Representative of European Union
- Representative of ECO

- Representative of World Bank
- Representative of UNDP
- Representative of Asian Development Bank
- Representative of EBRD

Co-chairs: Kyrgyzstan and Afghanistan

Moderator: Executive Secretary, UNESCAP

17.30 – 18.00 Concluding session

Concluding remarks by the Chairman and Executive Secretaries, UNESCAP and UNECE

18.00 – 19.00 Inauguration of SNERI

19.00 – 19.30 Press Conference

19.30 Reception by host Government (to be confirmed)

* * * * *