



<b>Project Title</b>	<b>WIDER EUROPE: AID FOR TRADE FOR CENTRAL ASIA, SOUTH CAUCASUS AND WESTERN CIS</b>
<b>Expected Regional Programme Outcome:</b>	Increased adoption of pro-poor trade reforms introduced in the region by governments, civil society organizations, donors and implementing agencies
<b>Expected Outputs:</b>	<ul style="list-style-type: none"> <li>• Central Asia: Identification of country and regional priorities, capacity gaps and technical assistance requirements in the period of economic crisis and post-crisis recovery.</li> <li>• Central Asia: Private sector capacity enhanced to increase exports and to gain from new transport infrastructure.</li> <li>• South Caucasus and Western CIS: Identification of country and regional priorities, capacity gaps and technical assistance requirements in the period of economic crisis and post-crisis recovery</li> </ul>
<b>Executing Entity:</b>	UNDP Bratislava Regional Centre
<b>Implementing Agencies:</b>	UNDP Bratislava Regional Centre and UNDP Country Offices in Central Asia, South Caucasus and Western CIS

Regional Programme Period: 2006-2010	
Key Result Area (Strategic Plan): Fostering inclusive globalization	
Atlas Award ID:	
Start date:	1 July 2009
End Date	31 December 2010
PAC Meeting Date:	28 May 2009
Management Arrangements	DEX

Total resources required:	2,108,000 USD
Total allocated resources:	2,108,000 USD
• Regular	
• Other:	
o Government of Finland	2,108,000 USD
o Donor	
o Donor	
o Government	
Unfunded budget:	
In-kind Contributions	260,000 USD
	(90,000 USD BRC; 170,000 USD ITFC)

Agreed by UNDP:



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## 1. SUMMARY

The Aid for Trade (AfT) agenda is one of the most important development-related outcomes of the sixth World Trade Organization (WTO) Conference in Hong Kong. It aims at strengthening the capacity of developing countries to participate in and benefit from international trade. Finland's development policy emphasizes the importance of trade and the AfT initiative. The *EU Strategy on Aid for Trade (2007)* was initiated by the Government of Finland. *Finland's Aid for Trade Action Plan (2008–2011)* outlines the Finnish contribution towards the implementation of the common EU AfT strategy. In line with the EU strategy, Finland's AfT Action Plan seeks to reduce poverty, particularly in the least developed countries, by increasing AfT and enhancing its effectiveness in the context of environmentally and socially sustainable development.

The Wider Europe Initiative is a framework prepared for Finland's development cooperation with former Soviet republics in order to promote stability and well-being extensively both in our partner countries and thorough the region. The initiative comprises three regional cooperation programmes to be launched in Western CIS (Belarus, Moldova, Ukraine), South Caucasus (Armenia, Azerbaijan, Georgia) and Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan).

Taking into account common sectoral and geographical priorities of Finland's development cooperation and of the UNDP Regional Bureau for Europe and the CIS (UNDP RBEC) the present project (planned for years 2009-2010) intends to initiate a long term partnership in trade related development assistance to countries of the Western CIS, South Caucasus and Central Asia. Moreover, it is expected to provide a background for broader AfT support in the region and for scaling up programmatic interventions in the period ahead.

The project focuses on three sub-regions: Western CIS (Belarus, Moldova, Ukraine), South Caucasus (Armenia, Azerbaijan, Georgia) and Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan) and consists of the following three components: *Component I: Aid for Trade Road Map in Central Asia: Identification of national and regional AfT priorities; Component II: Aid for Trade in Central Asia: Support to Economic Development along Trade Corridors; Component III: Aid for Trade Needs Assessments in South Caucasus and Western CIS.*

The overall objective (development goal) is to foster inclusive economic growth in the region through the promotion of trade and the enhancement of each country's competitiveness. The purpose of the project is to improve implementation of pro-poor trade reforms and trade capacity development measures through the identification of trade policy responses to the global economic crisis, trade-related needs and capacity gaps, as well as an execution of piloting technical assistance interventions. More specifically, the project aims to

- 1) Articulate the AfT national and sub-regional priorities for countries of the region with special reference to the challenges and prospects during and after the global economic crisis (*Components I and III*).
- 2) Support economic development of the areas located along selected priority transport corridors in Central Asia. It aims to achieve helping small and micro entrepreneurs in urban and rural areas, farmers and associations of farmers to gain from the opportunities the new transport infrastructure will bring to the regions and local communities along the transport corridors. The main instruments will be the dissemination of international standards and procedures, identification of the products with the biggest trade potential, improvement of the understanding of the markets, matching potential trading partners.

Implementation will help improve the region's competitiveness, expand trade and alleviate poverty (*Component II*).

The results of *Component I* include development of *AfT Needs Assessments* (in Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) identifying country priorities, capacity gaps and technical assistance requirements; and *AfT Regional Review* identifying regional needs, priorities and possible project interventions on regional level. The results of *Component I* will provide substantive and analytical inputs for the *Aid for Trade (AfT) Road Map for SPECA countries* Expert and Ministerial meetings. The results of *Component II* include enhancing private sector capacity in order to increase exports and to gain from new transport infrastructures projects planned in the countries of Central Asia. The results of *Component III* include *AfT Needs Assessments* in Armenia, Azerbaijan, Georgia, Belarus, Moldova, and Ukraine, identifying country priorities, capacity gaps, technical assistance requirements and concrete AfT project interventions on national and sub-regional level (which could be considered for Finnish AfT assistance in 2011-2013).

The project will be implemented by UNDP Europe and the CIS Bratislava Regional Centre (UNDP/BRC) in close cooperation with UNDP country offices in all eleven countries of Central Asia, South Caucasus and Western CIS. The project will benefit from existing UNDP infrastructure and the network of UNDP trade and private sector practitioners in the countries of project implementation. Implementation of project *Component I* and *III* will benefit from already developed methodology and UNDP/BRC experience from similar activities undertaken in different countries of the region. Activities of the project *Component II* will be coordinated with UNDP area-based development projects that are currently being implemented in Central Asia. Utilization of the infrastructure of existing projects, building on accumulated knowledge of development issues in the areas of the project implementation will ensure cost efficient and timely delivery of complex activities. The project will be managed according to UNDP project management rules. This will ensure transparency of financial management and high quality financial reporting.

Implementation of the project will liaise closely with a number of international organizations. Some of them have already agreed to provide expert and financial support to selected project activities. The project will be implemented between July 2009 and December 2010. The total budget of the project amounts to 1,600,000 Euro (2,108,000 USD). Parallel financing (UNDP/BRC, UNDP country offices in beneficiary countries, Islamic Trade Finance Corporation) will amount to about 260,000 USD. Furthermore, in kind contributions will be provided by UNDP/BRC (i.e. advisory services, quality assurance), UNDP country offices in beneficiary countries, development partners (e.g., UNECE, EBRD, WTO), and the Governments of beneficiary countries.

## **2. PRESENT SITUATION**

### **2.1 Government and sectoral policies**

Better integration into international trade plays an important role in global efforts to reduce poverty. Increasing exports provides new opportunities for enterprises to expand their production and to create more and better jobs. Exports are also a vital source of income to finance the import of goods and services that a country does not produce itself. Trade is an essential source of economic growth, has important impact on job creation, peoples' income

and poverty reduction. Developing countries should benefit from trade but very often they do not have sufficient capacities to fully do so.

The Aid for Trade (AfT) agenda is a key global initiative aimed at strengthening the capacity of developing countries to participate in and benefit from international trade. A large part of AfT is focused on strengthening domestic production, including the creation of an enabling business environment for enterprises or building economic infrastructure. Areas covered by AfT can be classified in five categories: 1) Trade Policy and Regulations, 2) Trade Development, 3) Economic Infrastructure, 4) Productive Capacity, 5) Adjustment Costs.

It is essential that AfT contributes to poverty reduction and sustainable development, and thus towards meeting globally approved UN *Millennium Development Goals* (MDGs),<sup>1</sup> which directly address importance of trade for poverty alleviation and human development. Trade-related targets set in the global MDG agenda (under MDG 8) emphasize the following:

- *Target 8(A)*: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. This includes a commitment to good governance, development and poverty reduction – both nationally and internationally;
- *Target 8(B)*: Address the special needs of the least developed countries. This includes: tariff and quota free access for the least developed countries' exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction;
- *Target 8(C)*: Address the special needs of landlocked developing countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States).

Even if MDGs do not necessarily reflect all the aspects of human development, they comprise the most comprehensive set of human development goals and targets so far adopted at the global level.

Finland's development policy also emphasizes the importance of trade and the AfT initiative. The *EU Strategy on Aid for Trade*<sup>2</sup>, launched in October 2007, was initiated by the Government of Finland. *Finland's Aid for Trade Action Plan (2008–2011)*<sup>3</sup> outlines the Finnish contribution towards the implementation of the common EU AfT strategy. The needs to strengthen countries' trade capacities have been emphasized in the UNDP strategy for Europe and the CIS region ("*A strategy for RBEC from 2008 to 2011*"). In line with the EU strategy, Finland's AfT Action Plan seeks to reduce poverty, particularly in the least developed countries, by increasing AfT and enhancing its effectiveness in the context of environmentally and socially sustainable development. Finland's Aid for Trade priorities can be split into four groups: themes, sectors, geographical focus areas, and aid categories.

The main themes for Finland's AfT cooperation are 1) private sector development; 2) information society; 3) environment and climate change. Cross-cutting themes include the rights and the status of women and girls, and promotion of gender and social equality; promotion of the rights of groups that are easily excluded, particularly children, persons with

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<sup>1</sup> The MDG framework contains 8 goals, 18 targets, and 48 indicators. Most of the targets are to be achieved over the 25-year period from 1990 to 2015 ([www.undp.org/mdg](http://www.undp.org/mdg))

<sup>2</sup> See <http://register.consilium.europa.eu/pdf/en/07/st14/st14470.en07.pdf>

<sup>3</sup> See <http://formin.finland.fi/public/download.aspx?ID=32859&GUID={6B942BAC-20CD-433A-BCC8-0C290889061C}>

disabilities, indigenous peoples and ethnic minorities, and the promotion of equal opportunities for participation. The main sectors for Finland's AfT cooperation are: 1) agriculture, 2) forestry and 3) energy. AfT priorities for Finland focus on the following two categories: 1) trade policy and regulations and 2) trade development (improving market access for developing country exports to the EU is a key element of this work). Although the main country focus of Finland's bilateral AfT cooperation is on its long-term development partner countries primarily in Africa and Asia, the recent initiative of the Government of Finland (Wider Europe Initiative)<sup>4</sup> indicates a need for the development of the Eastern European Partnership.

The Wider Europe Initiative aims to promote stability and well-being in the former Soviet Union region. The framework programme emphasises crisis prevention, support for peace processes and cooperation in environmental issues. The initiative comprises three sub-regions: Western CIS<sup>5</sup> (Belarus, Moldova, Ukraine), South Caucasus (Armenia, Azerbaijan, Georgia) and Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan). The Wider Europe Initiative aims at diversified regional cooperation with a view to strengthening stability and security in each region and to comprehensively promoting people's well-being. The framework programme strives to advance development that is ecologically, economically and socially sustainable. It sets out joint themes that are implemented in each region in accordance with the region's own conditions, needs and priorities. It includes the following five themes: (1) Security (prevention of crises, support for peace processes, confidence-building measures); (2) Trade and development (furthering of regional cooperation and integration, promotion of trade policy and cooperation solutions based on non-discrimination, Aid for Trade); (3) Information society development; scientific and technological cooperation, development of telecommunications links within the regions and from the regions to the European Union and neighbouring countries; (4) Energy and environment (conservation and efficient use of energy, energy safety, promoting the sustainable use of renewable energy sources and other renewable natural resources, sustainable use of mineral resources and environment protection, especially the prevention of cross-border threats to the environment); and (5) Social sustainability (promotion of inclusive economic and social development, support for the rule of law, civil rights, good governance).

Taking into account common sectoral and geographical priorities expressed in the documents mentioned above, the Ministry of Foreign Affairs of Finland and the UNDP Regional Bureau for Europe and the CIS (UNDP RBEC) preliminarily agreed about establishing a long term partnership in trade-related assistance to countries of Western CIS, South Caucasus and Central Asia. It has been agreed that the joint UNDP and Government of Finland AfT Programme for Central Asia, Caucasus and Western CIS will be deployed in two phases: Phase I (2009-2010) and Phase II (2011-2013). It has been envisaged that the first phase of the programme will provide a background for broader AfT support in the region and for scaling up of programmatic interventions<sup>6</sup>.

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<sup>4</sup> See <http://formin.finland.fi/Public/Print.aspx?contentid=141534&nodeid=15642&culture=en-US&contentlan=2>.

<sup>5</sup> CIS – Commonwealth of Independent States (<http://www.cisstat.com/eng>).

<sup>6</sup> Components I and III of the present project are intended to identify the priorities of individual countries and of the region, capacity gaps, technical assistance requirements and concrete AfT project interventions on national and sub-regional level for donors' AfT assistance in subsequent years. Possibilities for scaling up of the activities included in Component II are presented in Section 3.3.

## 2.2 Background studies<sup>7</sup>

The proposed initiative builds on long term UNDP experience in development assistance to the countries of Central Asia, South Caucasus and Western CIS focused on poverty reduction, human development, trade and private sector development, good governance and social and environmental policies.

An overview of social and economic issues and the analysis of contemporary sub region- and country-specific development challenges in Central Asia, South Caucasus and Western CIS has been provided in *UNDP Europe and the CIS Regional MDG Report: National Millennium Development Goals: A framework for action*.<sup>8</sup> This report focuses on such issues as inadequate income, access to education, gender inequality, health conditions, environmental deterioration, and poor governance. It emphasizes needs for private sector development, building sound policy environments, open trade, regional cooperation, development of “regional public goods”, and building new partnership for development. These issues are critical for poverty alleviation and sustainable human development, which were outlined in the Millennium Declaration<sup>9</sup> and summarized in the Millennium Development Goals.

The importance of trade, trade policies, and trade related technical assistance for poverty reduction and human development has been discussed in a methodological guide *Trade and Human Development: How to Conduct Trade Needs Assessments in Transition Economies*<sup>10</sup> designed to help policymakers, trade officials and researchers in transition countries conduct needs assessment studies on trade and human development under the AfT initiative. The guide provides methodological background for trade needs assessments undertaken in developing countries. These assessments aim to identify a set of policy recommendations and technical assistance needs aimed at improving the contribution of trade to human development and poverty reduction (help overcome the identified constraints; meet the costs of adjusting to current or anticipated trade agreements; tackle institutional and infrastructure capacity limitations; suggest action plans to remove bottlenecks and seize opportunities).

Although the analysis of development challenges in Central Asia is presented in the *UNDP Central Asia Human Development Report* on regional cooperation for human development and human security.<sup>11</sup> The report draws together evidence both on how people in Central Asia are affected by limited regional trade and on the benefits from cooperation and integration. In many cases, the impacts are quantified, in terms of economic losses and gains, and the number of people involved. The report argues that increased cooperation among the Central Asian republics can produce large gains by reducing trade costs, increasing remittances from migrant workers, and improving water and energy use. It is argued that regional cooperation, increased trade and free movement of people will especially help the poor in the region, who will on balance gain more from cooperation. By the same token, the cost of non-cooperation and restricted inter and intra-regional trade will affect them most. UNDP Central Asia Human

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<sup>7</sup> This section presents preparatory work in the area of trade and poverty reduction (human development) conducted by UNDP in countries covered by the Wider Europe initiative.

<sup>8</sup> The report in English and Russian is available at <http://europeandcis.undp.org>.

<sup>9</sup> See <http://www.un.org/millennium/declaration/ares552e.htm>.

<sup>10</sup> *Trade and Human Development: How to Conduct Trade Needs Assessments in Transition Economies*. UNDP Bratislava Regional Centre, Bratislava 2008 (available at: <http://europeandcis.undp.org/poverty/trade/show/8BD35D19-F203-1EE9-B08767E3833D66C6>).

<sup>11</sup> UNDP, Central Asia Human Development Report, “*Bringing down barriers: Regional cooperation for human development and human security*”, UNDP, Bratislava 2005 (The report in English and Russian is available at <http://europeandcis.undp.org>).



Development Report on regional cooperation for human development and human security builds on the earlier UNDP works in Central Asia (*UNDP's 1999 Human Development Report Central Asia 2010: Prospects for Human Development*)<sup>12</sup> by bringing together many disparate strands of analysis, policy advice and technical support that have so far been provided. These have covered many separate areas (trade and transport, water, energy, environment, health, education, etc.), at different levels (regional, national, sub-national, community) and by distinct entities (multilateral institutions; bilateral official donors and partners; regional, national and local authorities; and international and local civil society organizations).

The Report suggests that like other countries, the Central Asian republics should promote trade and integrate into the global economy if they want to achieve international competitiveness, sustain economic growth, and advance human development and human security. At this time, trade within Central Asia, and with its neighbors and the rest of the world, is obstructed by numerous barriers—complex and opaque trade policies, high costs from border delays, visa requirements, bribes, detours when crossing borders and clearing customs, poor transport and transit conditions, and many hindrances to effective business, trade and transit behind borders. Several factors fuel these problems. Current regional and bilateral trade agreements are overlapping, complex and mostly ineffective, and may actually harm rather than facilitate trade, since they are confusing for customs officials and create opportunities for corruption. In part due to the lack of regional cooperation, the Central Asian transport links with the rest of the world, and especially with the non-CIS countries, remain underdeveloped. Limited financial resources are spent on building roads and railway lines that bypass borders. Existing roads and railway services are in poor condition due to a lack of maintenance. International transit agreements are not fully implemented, while national transit systems are not integrated. Air transport is underdeveloped within the region and with the rest of the world. Finally, law-abiding shuttle traders (many of whom are poor women) face pervasive restrictions and obstacles at and behind the borders, even though their activities create employment and lower prices, especially for poorer people.

Lowering these manifold barriers and facilitating trade will help the countries of Central Asia expand trade beyond the current low levels, boost economic growth and employment, reduce poverty and improve governance by narrowing the scope for corruption. However, it is not enough to reduce trade costs. Businesses must be able to respond by producing and investing more at home. Investments are thus strongly connected with the business climate and the quality of financial services in each country. Currently behind-the-border conditions for doing business are generally very poor in Central Asia. Improvements therefore are needed not only in trade policy, transport and transit, but also in the business and investment climate and financial sector of each republic. Experience further shows that reforms in trade, transit and the business climate in turn require measures to combat corruption, improve the civil service, and enhance the transparency and accountability of government—in other words, far-reaching steps to achieve good governance.

Key recommendations of the *UNDP Central Asia Human Development Report* on regional cooperation for human development and human security related to trade, transport and transit for the national governments in Central Asia can be summarized as follows:

- 1) Give priority in trade policy to accession to the World Trade Organization (WTO) and to non-discriminatory multilateral trade liberalization, including through easing restrictions on shuttle trade.

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<sup>12</sup> UNDP, *Central Asia 2010: Prospects for Human Development*. Regional Bureau for Europe and the CIS. September 1999.

- 2) Focus regional cooperation to achieve competitiveness on improving transport links and trade facilitation, and on creating 'borders with a human face'.
- 3) Create an efficient transport infrastructure and improve transport services for lower-cost intra-regional and international access.
- 4) Reform the behind-the-border business environment and financial sector to assure that private sector firms, including medium, small and micro-enterprises, can respond effectively to the new opportunities and challenges from a more liberal and lower cost trading environment.

UNDP Central Asia Human Development Report on regional cooperation for human development and human security has been followed by feasibility study analyzing UNDP comparative advantage and potential involvement in the implementation of trade related projects in Central Asia (*A Trade Facilitation Programme in Central Asia for UNDP*<sup>13</sup>). The study concluded that "because trade facilitation in Central Asia should properly be seen as starting at the farm-gate or at the producer's door and is especially important for small and medium-sized (SME) enterprises, UNDP could play a strategic role in the first link of value chains running from small-scale producers to local markets or distribution points and hence integrating them into the national market and perhaps leading to international trade". Encouraging producers to think beyond their current selling channels not only helps individuals to improve their lot, but will also make the market system work better and to more people's advantage. A frequent complaint in rural Central Asia concerns the monopoly power of buyers of farm produce; information and opportunities to access various outlets is the route to breaking local monopsonies.

The impact of trade on human development in Central Asia has been analyzed in UNDP sponsored studies conducted in 2007/2008 in three countries of the region: Kazakhstan, Kyrgyzstan and Uzbekistan.<sup>14</sup> The overview of regional challenges identified based on these studies has been presented in regional review: *Trade and Human Development in Central Asia: Kazakhstan, Kyrgyzstan and Uzbekistan*.<sup>15</sup> The study concluded that WTO accession has the potential to have the biggest impact on poverty reduction and human development.<sup>16</sup> Domestically, WTO membership is likely to create winners and losers in all countries. Accompanying policies are needed in order to minimize the potential impact on the poor and to ensure that growth remains broad-based. Part of the reason for the disappointing rate of poverty reduction and progress toward the MDGs is that governments have not done enough to spread the benefits of economic growth. Active labor, social and economic policies can improve the rate of human development. National authorities should conduct an explicit programme aimed at mainstreaming trade into the development process. Overall, trade facilitation bodies should aim at improving regional coordination in rail, air, and international road transport, including measures to enhance competition, restructure state-owned railways and airlines, and separate regulatory and commercial functions in the transport sector. Mainstreaming trade facilitation revolves partly around helping poor people to sell their products in new markets. The report concludes that further trade facilitation and mainstreaming projects may be targeted at SMEs and rural markets and programmes that look at ways of breaking local monopoly power among buyers of farm produce.

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<sup>13</sup> Pomfret R. (2008) *A Trade Facilitation Programme in Central Asia for UNDP*. UNDP, June, 2008.

<sup>14</sup> All these studies (in Russian) are available under request.

<sup>15</sup> Gay D., Mbonde A., *Trade and Human Development in Central Asia: Kazakhstan, Kyrgyzstan and Uzbekistan*. UNDP, October 2008 (available at: <http://europeandcis.undp.org/poverty/trade/show/8BD35D19-F203-1EE9-B08767E3833D66C6>).

<sup>16</sup> Today only Kyrgyzstan is in the WTO, and it has not benefited as much as anticipated from membership.

In South Caucasus UNDP in recent years supported the development of trade-related studies in Armenia and Georgia (in Azerbaijan the work on the Assessment of the impact of trade on poverty reduction and human development is under way). The study *“Armenia and Georgia. Economic Relations: Unrealized Opportunities”*<sup>17</sup> focused on the analysis of the trade and investment regimes of the two countries and identification of the main bottlenecks and measures for improvement, both on national and regional level. It provided recommendations aimed at activating and simplifying trade, investment and transportation relations between the two countries. They can be summarized as follows:

- 1) Both countries should take measures for a maximum simplification and unification of customs formalities, in particular, by introducing single forms of customs and goods accompanying documentation, being guided by current international agreements and arrangements;
- 2) The analysis of agricultural data in the bordering regions and definition of some comparative advantages of the separate regions show that the trade cooperation between Georgian and Armenian bordering regions can be as follows: cereals and animal husbandry products from the Georgian side, and potato, vegetables and fruits from Armenian side;
- 3) Developing services (tourism, trade, transportation, etc.) from the Georgian side can be one of the main fields of cooperation with the Armenian regions;
- 4) The implementation of the Action Plans in compliance with the EU legislation will allow Armenia and Georgia to have harmonized rules in various fields of economic activity, including customs, which will highly contribute to the improvement and intensification of economic relations between these two countries.

The other study conducted by UNDP in Georgia focused on assessing the impact of a potential free trade agreement (FTA) between the EU and Georgia.<sup>18</sup> The study concluded that a FTA between Georgia and the EU would have little impact on fiscal revenues and a positive, albeit minor impact on all sectors of Georgian production. It would result in an increased purchasing power of households and effectively a higher nominal GDP. However, to capitalize on a FTA, Georgia must carefully implement reforms, including among other governance and higher education.

A study on the trade and investment potential of Black Sea Economic Cooperation<sup>19</sup> undertook a major evaluation of trade flows to identify sectors which exhibit strong intra-regional trade or investment potential. The study identifies a number of sectors where countries are under-trading and highlights the existence of untapped trade potential, which may reflect structural impediments to each country’s ability to trade but can also indicate the existence of asymmetric information. Key strategic sectors were then identified according to the gravity equation and trade flow analysis. The report also indicates that a number of significant opportunities exist for both trade in services and trade in goods, as well as investment.

All the studies discussed above provide a background for the development of tangible interventions aimed at strengthening countries’ capacities to gain from trade. It needs to be recognized however, that changes in the global economic environment caused by the global

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<sup>17</sup> Armenia and Georgia. Economic Relations: Unrealized Opportunities. UNDP Armenia, 2007 (<http://www.undp.am/?page=2008Publications>).

<sup>18</sup> *Assessment of the impact of Potential Free trade Agreement between EU and Georgia, UNDP Georgia 2007.*

<sup>19</sup> *Black Sea Economic Cooperation. Study on Trade and Investment potential, UNDP, 2007*  
<http://www.undpforblacksea.org/publications.htm>

economic crisis may require further analysis and identification of the best country-level and regional trade policy response to the global recession. It is also very important that in the time of the global economic crisis countries rethink and review their trade strategies, discuss with key donors their current priorities and national and regional responses to trade and financial shocks. This may require significant update of the previous studies and further analytical work.

### 2.3 Problems to be addressed

The Wider Europe initiative focuses on low to middle-income countries of three sub-regions Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan), South Caucasus (Armenia, Azerbaijan and Georgia) and Western CIS (Belarus, Moldova and Ukraine). All these countries experienced severe social and economic dislocation after independence, losing their traditional export markets, sources of imported goods and budget transfers from Moscow. All of them face many common development challenges, reflecting their similar pre-1990 historical experiences. However, after the dissolution of the Soviet Union, the newly independent countries have become increasingly different from one another as their governments followed different national development paths. Even if today the countries covered by the *Wider Europe* initiative are very heterogeneous, however, they share similar features related to the process of transition from centrally planned to market economies and associated trade liberalization.

The dissolution of the Soviet bloc has resulted in new borders, customs regimes, tariffs, and trade regulations. As a result in 2003 the total trade volume of CIS countries made up only two-thirds of the 1991 level. Some countries, particularly in Central Asia, have experienced higher levels of poverty, declining health standards, and poorly financed educational systems, all of which hinder human development. Today many of these economies can be considered open, even if so-called behind-the-border barriers have prevented trade growth. In some cases remoteness and poor infrastructure represent the main obstacles. Most countries are now trying to improve inter-regional trade through various regional and bilateral trade agreements. Policymakers on one side face the challenges of integrating with the EU and the WTO, while on the other they must contend with a spaghetti bowl of bilateral, regional and multilateral trade agreements. In the region, AFT initiatives need to go hand-in-hand with measures to develop the indigenous private sector, particularly in rural areas and among vulnerable or marginalized communities.

Despite the differences between countries and problems of linking trade policy and poverty reduction and human development, it is possible to identify a number of links and issues that trade related projects need to address. It is clear that the economic growth that may come with trade expansion is likely to decrease poverty and enhance human development, only if it is not accompanied by environmental degradation, worse healthcare, and less security. The relationships between trade, economic growth and human development are not automatic, and the following four issues need to be jointly addressed:

- 1) *Productivity*. Increased productivity (achieved partly through better education and healthcare) enhances human capabilities, allowing people to benefit from trade. It also raises the economic growth rate. Increasing productivity and trade capacities in rural areas and small cities should be at the center of development interventions.
- 2) *Equality*. Enhanced equality can help ensure that all groups benefit sufficiently from changes in trade policy. A more equitable income distribution may render trade policy

changes more sustainable. Trade policy should aim to help eradicate poverty, as well as improve business and overall education and gender balance.

- 3) *Sustainability*. Sustainability means preserving developmental achievements. Trade-related changes must ensure that resources are not used in a way that prevents future generations from improving their welfare.
- 4) *Empowerment*. This refers to the ability of people to influence the processes and events that affect their lives. If trade policy changes cause a worsening of working conditions or result in more menial labor, they can reduce empowerment. Conversely if trade policy changes increase incomes or improve working conditions they can give people greater control over their own lives.

Successfully using trade to increase the rate of human development depends on the coherence of national and international policies. Government policies, including trade policy, have a crucial role to play. AfT development projects should support building respective human, institutional and organizational capacities.

### Central Asia

Central Asia – the poorest region in the CIS – occupies a relatively low development position, measured either in terms of GDP per capita or state capacity. In Kyrgyzstan, Tajikistan and Uzbekistan, GDP per capita in PPP terms is not very different than in African countries (Figure 2.1) and in all countries both poverty and inequality are much higher than it was at the beginning of the transition process (Table 2.1). The landlocked position of Central Asian countries and their remoteness from key world markets placed them at a real disadvantage. Major gaps in both human development and economic growth opened up during the years after independence. Inequality, measured by the Gini Index, of every country in the region rose during transition, with the index ranging from 0.303 in Kyrgyzstan to over 0.4 in Turkmenistan (Table 2.1).

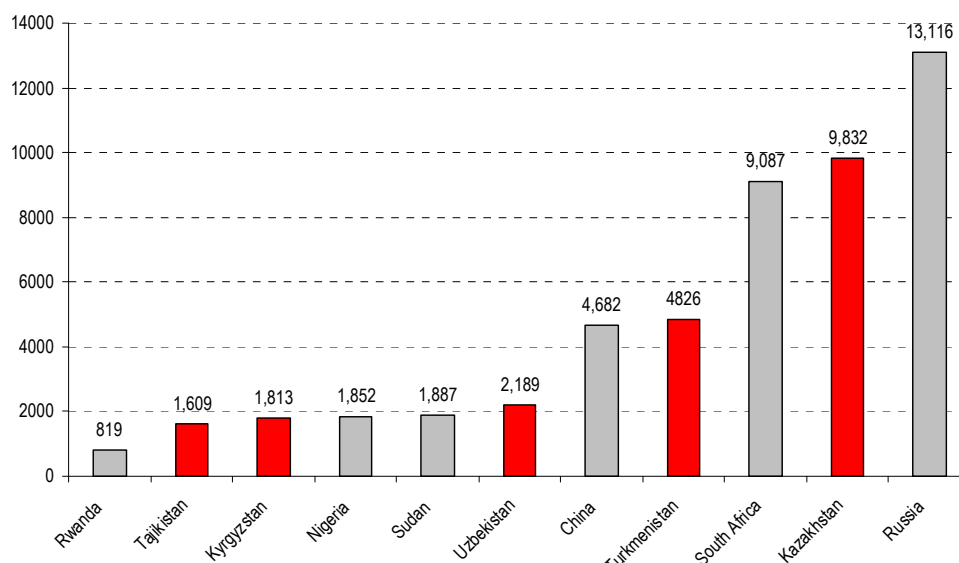


Figure 2.1 GDP per capita (PPP, 2006) in selected African and Central Asian countries<sup>20</sup>

<sup>20</sup> Source: Human Development Indices: A statistical update 2008 (<http://hdr.undp.org>).

Table 2.1 Poverty and inequality in Central Asia

	Initial conditions		Most recent data	
	Gini coefficient (1989)	Poverty, % of population (1989)*	Gini coefficient (2005)**	Poverty, % of population*** (2005)
USSR	0.289	11.1	--	--
Kazakhstan	0.289	15.5	0.339	28
Kyrgyzstan	0.287	32.9	0.303	67
Tajikistan	0.308	51.2	0.326	66
Turkmenistan	0.307	35.0	0.408	62
Uzbekistan	0.304	43.6	0.368	86

Source: Pomfret, Anderson (2001), World Bank (2009).

\* Individuals in households with gross per capita monthly income of less than 75 rubles

\*\* Latest year available (2000-2005)

\*\*\* Percent of population with expenditures below 2.5 US dollars (PPP) per day. Latest year available (2000-2005, Turkmenistan 1998).

Increases in poverty did not affect all the countries in Central Asia and their constituent regions uniformly, however. The 15 years of economic transition show that the most successful economic regions are those with or in the vicinity of large urban agglomerations, and especially capital cities. In fact, residence in a capital city is the most important positive determinant of high living standards in all Central Asian countries, while poverty rates in rural regions are significantly higher. The spatial variation of poverty rates in Central Asia shows lower levels of poverty in capital cities and central regions and much higher poverty levels in remote border areas. These patterns of poverty present a key challenge in the region and need to be addressed by development assistance projects. However data issues significantly complicate the analysis, since internationally comparable datasets are not available after 2005. The review of trends from national statistic offices indicates that the percentage of people living under the national poverty line declined further between the years 2005-2008. On the other side the economic crisis that started on the last quarter of 2008 may bring back to poverty many who graduated in recent years.

The Central Asian republics mainly export a narrow range of commodities: Kazakhstan (crude oil); Kyrgyzstan (gold and cotton fibre), Tajikistan (aluminum and cotton fiber), Turkmenistan (natural gas and electricity) and Uzbekistan (gold, cotton fiber and natural gas). The average export concentration index<sup>21</sup> in 2006/7 for the five Central Asian republics was 50.3 (i.e., higher than the world average of 37.85).<sup>22</sup> Trade in manufactured products is limited and diversification of products and markets remains a challenge, exposing these economies to external shocks. Exports from the five Central Asian republics were worth US\$66.7 billion in 2007, almost three-quarters of which came from Kazakhstan. Average trade integration throughout the region, measured as the percentage of trade to GDP, was 101.8, i.e., slightly higher than the world average of 100.4.<sup>23</sup> The bulk of total trade was with Europe (57.9%) and among CIS member states (18.9%), followed by Asia (10.7%), North America (5.7%), the Middle East (3.1%), South and Central America (1.8%) and Africa (1.3%).<sup>24</sup> The share of world exports of the five Central Asian countries in 2003-2007 remained largely static, with

<sup>21</sup> The export concentration index for a country is defined as:  $DX_j = (\sum |h_{ij} - x_i|) / 2$  Where  $h_{ij}$  is the share of commodity  $i$  in the total exports of country  $j$  and  $x_i$  is the share of the commodity in world exports.

<sup>22</sup> See World Trade Indicators 2008, <http://info.worldbank.org/etools/wti2008/2a1.asp>.

<sup>23</sup> Excluding Turkmenistan, for which figures are not available. Source: World Trade Indicators 2008, <http://info.worldbank.org/etools/wti2008/2a1.asp>.

<sup>24</sup> WTO (2007) International Trade Statistics (Geneva, WTO).

Kazakhstan recording the largest increase from 0.17% to 0.30%. The increase in exports from Kazakhstan was largely due to the predominance of natural resources, which faced higher world prices until 2008. The leading export destinations were the Russian Federation and Europe. The main countries of origin for imports were the Russian Federation, Germany, China and the US.

Remoteness and isolation from OECD markets are the major constraints on trade and key factors increasing transport costs. The average distance between the Central Asian republics and the nearest ports, such as those in the Black Sea, the Arabian Sea and the Persian Gulf, is over 4,000 km. Indeed, it is estimated that the transport and insurance costs of landlocked developing countries are close to 13% of export earnings, compared with coastal developing countries and developed countries whose costs were 8.1% and 5.8%, respectively.<sup>25</sup> Table 2.3 shows comparable data for trade costs and time. It clearly highlights the challenges of countries in Central Asia with cost to export (and to import) three or four times bigger than countries such as Morocco or Thailand.

Table 2.2 Trade costs indicators (for selected countries)

	Documents for export (number)	Time for export (days)	Cost to export (US\$ per container)	Documents for import (number)	Time for import (days)	Cost to import (US\$ per container)
Singapore	4	5	456	4	3	439
United States	4	6	990	5	5	1,245
Hong Kong	4	6	625	4	5	633
Thailand	4	14	625	3	13	795
Georgia	8	12	1,380	7	14	1,340
Azerbaijan	9	48	3,075	14	56	3,420
Armenia	7	30	1,746	9	24	1,981
Belarus	8	20	1,772	8	26	1,720
Moldova	6	32	1,775	7	35	1,895
Kyrgyzstan	13	64	3,000	13	75	3,250
Kazakhstan	11	89	3,005	13	76	3,055
Russian Federation	8	36	2,150	13	36	2,150
Morocco	7	14	7,00	10	18	1,000
Ukraine	6	31	1,230	10	36	1,250
Uzbekistan	7	80	3,100	11	104	4,600
Tajikistan	10	82	3,150	10	83	4,550

Source: World Bank Doing Business Indicators, 2009.

The international community is helping the region to overcome these constraints and, in particular, to improve access for Central Asian products to EU markets, through selective transport corridor approach, concentrating resources both for investment and for operational management (see Section 3.2).

### *South Caucasus and Western CIS*

The group of former Soviet Union republics, that are not part of Central Asia, is extremely heterogeneous. It includes relatively large countries by size, population (e.g., Ukraine) and some small landlocked countries (Moldova, Armenia and Azerbaijan<sup>26</sup>). It includes countries like Ukraine and Georgia that experienced pro-Western uprisings in the name of democracy and freedom, as well as countries like Belarus that have sought to explicitly preserve Soviet-era

<sup>25</sup> UNCTAD (2003) "Challenges and Opportunities for Further Improving the Transit Systems and Economic Development of Landlocked and Transit Developing Countries", May 2003.

<sup>26</sup> Azerbaijan is listed as Landlocked Country by the United Nations <http://www.un.org/special-rep/ohrls/lldc/list.htm>

political and economic structures. These countries also possess a number of similarities, not all of which are enviable. All, except Azerbaijan, are experiencing shrinking populations, due to negative rates of natural population growth and out-migration. All these countries except Ukraine and Belarus experienced armed conflicts since the collapse of the Soviet Union. The aftermath of these conflicts—none of which seem close to definitive resolution—negatively influences development prospects. This is particularly the case for the Caucasus countries (Georgia, Armenia and Azerbaijan), which must find the resources to support hundreds of thousands of refugees and internally displaced persons. All the countries of South Caucasus and Western CIS benefited from very strong economic growth during 2000 – 2008. However, growth followed large contractions in GDP in the early 1990s that were reflections of the hyperinflation, conflicts, and the economic dislocation that accompanied the collapse of the Soviet Union. As a result, after more than 10 years of economic transition only half of the countries in the region (i.e. Armenia, Azerbaijan and Belarus) returned to pre-transition levels of per capita GDP (Table 2.3). The gap is the greatest in Moldova (whose GDP per capita in 2005 stood at 61 per cent of the 1990 value), and to a lesser extent in Georgia (with 65 per cent) and in Ukraine (with 77 per cent).

Table 2.3 GDP growth and Human Development Index (HDI), 1990-2006

	1990/93		2000		2006	
	GDP per capita, 1990 (PPP US\$)	HDI (global rank), 1993	GDP per capita (PPP US\$)	HDI (global rank), 2000	GDP per capita (PPP US\$)	HDI (global rank), 2006
Armenia	2,936	93	2,290	76	4,879	87
Azerbaijan	3,977	96	2,936	88	6,280	98
Belarus	6,434	61	5,810	56	9,732	67
Georgia	5,398	101	2,342	81	3,520	96
Moldova	3,860	98	1,455	105	2,377	114
Ukraine	8,063	80	3,690	80	6,212	83

Sources: UNDP Human Development Reports, 1990-2009 (<http://hdr.undp.org>)

While the growth in 2005-2008 has certainly reduced poverty, the economic crisis may bring back to poverty many who escaped the trap in recent years. Most of the smallest countries in this group (i.e., Armenia, Georgia and Moldova) still have very high rates of poverty, up to 50 per cent of the population (Table 2.4) using the 2.5 USD poverty line and up to two thirds of the population using the 5 USD poverty line. In all countries of South Caucasus and Western CIS income inequalities (Gini index range from 0.281 in Ukraine to 0.404 in Georgia) and differences in poverty within the countries is large. Poverty is also increasingly feminized. Women are overrepresented in groups dependent on state transfers, and are too rarely found in better-paid jobs or positions of authority. Female-headed households with many dependents are particularly likely to live in poverty, especially in small towns and rural areas.

Table 2.4 Poverty in South Caucasus and Western CIS: Differences within countries

	Most recent data		
	Gini coefficient*	Poverty, % of population* (2.5 USD)	Poverty, % of population* (5 USD)
Armenia	0.338	61	93
Azerbaijan	0.365	2	76
Belarus	0.297	1	12
Georgia	0.404	41	78
Moldova	0.332	43	84
Ukraine	0.281	1	24

Source: World Bank, 2009

\* Latest year available (2000-2005)



Although official unemployment rates in South Caucasus and Western CIS are relative low extensive hidden unemployment is a serious issue that affects peoples' life and overall development of the region (labor-market regulation and social policies in these countries do not provide effective protection against poverty or social exclusion). The absence of viable alternative employment opportunities combined with poorly targeted unemployment and other social benefits lead many workers to continue to report for work in unstructured state (or parastatal) enterprises, even when they do not receive wages, or when their wages are paid in kind. The wages that are paid in these countries do not always cover basic living costs, particularly in rural areas.

In South Caucasus and Western CIS the failure of regional agreements is even more evident than in Central Asia. Every country is left alone in signing agreements with the two main regional counterparts (i.e., EU and Russia). In addition a history of conflicts damaged greatly and at a fast pace export sectors in many countries (e.g. Armenia, Georgia, Moldova and Ukraine). Political issues, more than markets, re-designed trade flows (e.g. Russian import bans from Georgia and Moldova) and routes (e.g. Azerbaijan and Armenia or Georgia and Russia). Turkey and the EU (or even China) partially replaced the Russian market in the countries that adopted a pro-western strategy (Azerbaijan, Moldova, Ukraine, Georgia); while countries like Belarus reinforced economic linkages with Russia. The countries with highest degree of regional integration are Moldova and Georgia but the concentration of exports (country of destination) is also a risk factor (e.g. about 50 per cent of Moldova exports are directed to Russia, Ukraine and Romania). Still, at a different degree, SMEs are not able to reach mainstream markets and to benefit from liberalized tariff systems and most recent improvements in the business environments. As indicated by data presented in Table 2.3, not only in Central Asia but also in the countries of South Caucasus and Western CIS, major challenges are related with the business environment. Still, the cost of import/export can be reduced slightly, as the comparison with Morocco (EU neighboring country) highlights.

#### 2.4 Stakeholders and beneficiaries

The overall development goal of Aft is to foster inclusive economic growth through the promotion of trade and the enhancement of country's competitiveness. Thus, beneficiaries and stakeholders of the project include a wide range of private and public entities in the countries of Central Asia, South Caucasus and Western CIS. The main beneficiaries of the projects are people of Central Asian countries living in underdeveloped areas outside main cities.

Involvement of government and interest group representatives has increasingly proved to have a positive impact on implementation of development and policy making. There is a widespread recognition that such participation brings political, legal and social benefits and reduces slightly the risks of misunderstandings. Investing effort in participation, even if costly, has always proved to be effective and efficient.

The main stakeholders are (titles and names often vary between countries):

- 1) Government and governmental organizations
  - a. *Line ministries*: Ministry of Trade, Ministry of Industry, Ministry of Economy/Finance, Ministry of Agriculture and Ministry of Foreign Affairs;
  - b. *Specialized agencies*: Customs Agency, Export Credit Agencies, Investment
  - c. Promotion Agencies, National Statistical Office, Central Bank, National and Regional Development Banks and Authorities, Antitrust;
  - d. *Special committees*: Trade facilitation committee, Aid for Trade committee;

- 2) Business and trade unions
  - a. *Business*: national business association, sectoral business associations, small and medium enterprises business associations, associations of artisans and traders, chambers of commerce, export associations, representative entrepreneurs;
  - b. *Trade unions*: confederation of trade unions, main trade unions, women workers association, association/cooperatives of workers;
- 3) Civil society. Non governmental organizations (NGOs), including environmental NGOs, associations of NGOs, women and sub-population groups' associations, independent think-tanks, national and local media.

Roles and responsibilities for engagement of different entities (relevant tools, approaches, and skills) are presented below:

- *Think tanks and research institutes*: Gathering evidence by conducting research, analyzing data or providing direct advice and recommendations to policy makers and other decision makers; established sources of evidence-based information; position papers on trade policy related topics.
- *Professional associations*: Expert knowledge on specific topics; advocacy on legal and regulatory framework issues (especially laws and policies affecting their activities); promoting dialogue between corporate sector and policy makers on issues of concern to association members.
- *Trade unions and workers cooperatives*: expert knowledge on specific topics; forming alliances, mobilizing members to speak out and challenging positions of more influential groups.
- *Media/journalist societies*: disseminating information about the project and policy options; challenging public policies in the public domain in order to provide a key monitoring function; local media's role in collecting firsthand data from communities, publicizing opinions and disseminating information in national and local debates.
- *Community-based organizations*: Bringing grass-roots evidence or experienced knowledge into the process; monitoring processes and outcomes; participatory methods of assembling citizens' voice and gathering information such as through: action research; community profiles; community household level questionnaires; and community resource mapping.
- *Cross-national policy dialogue groups*: Creating the space for dialogue between different policy makers, donors and other civil society stakeholders; policy briefs to promote policy-relevant knowledge among policy makers and others regarding reforms; bringing disparate groups together around common issues (e.g. women's movements).

### 3. DEFINITION OF THE INTERVENTION

The project focuses on three sub-regions: Western CIS (Belarus, Moldova, Ukraine), South Caucasus (Armenia, Azerbaijan, Georgia) and Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan) and consists of the following three components:

Component I: *Aid for Trade Road Map in Central Asia: Identification of national and regional AfT priorities;*

Component II: *Aid for Trade in Central Asia: Support to Economic Development along Trade Corridors;*

Component III: Aid for Trade Needs Assessments in Western CIS.

The overall objective (development goal) is to foster inclusive economic growth in the region through the promotion of trade and the enhancement of country's competitiveness. The gains from trade are numerous, and extend beyond the immediate commercial benefits. Trade and investment can contribute to human development by helping to raise productivity, employment and economic growth. Trade can also increase the variety and quality of goods available to consumers, and help lower the likelihood of political conflicts between countries.

The purpose of the *Wider Europe: Aid for Trade for Central Asia, South Caucasus and Western CIS project* is to improve implementation of pro-poor trade reforms and trade capacity development measures through the identification of trade policy responses to the global economic crisis, trade related needs and capacity gaps, as well as an execution of piloting technical assistance interventions. More specifically, the project aims to:

1. Articulate the AfT national and sub-regional priorities for countries of the region with special reference to the challenges and prospects during and after the global economic crisis (*Components I and III*).
2. Support economic development of the areas located along selected priority transport corridors in Central Asia, helping small and micro entrepreneurs in urban and rural areas, farmers and associations of farmers to gain from the opportunities the new transport infrastructure will bring to the regions and local communities placed along transport corridors through dissemination of international standards and procedures, identification of the products with the biggest trade potential, improvement of the understanding of the markets, matching potential trading partners, and thus improving the regions competitiveness, expanding trade and alleviating poverty (*Component II*).

As mentioned above the project will be composed by three components with different thematic and geographical focus. Background for each component of the project, related results and corresponding indicators for monitoring and evaluation are described below.

### 3.1 Component I

#### ***Aid for Trade Road Map in Central Asia: Identification of national and regional AfT priorities***

##### *Background*

Trade is a key transmission channel of the global economic crisis to national economies through a decline in trade volumes in countries exporting manufactured goods and services, and a decline of prices in countries exporting primary goods. The current downturn has an impact on all Central Asian countries, although the global recession is transmitted to different countries in different ways.

Countries in Central Asia have different resource endowments, infrastructure, trade potential and priorities, operate in different policy environments and have different national interests. Thus, no single policy response would be equally good for all. National policy responses to the crisis may also contradict each other. Thus, national interests, priorities and trade policy

responses need to be well understood. The regional response may require actions coordinated on a regional level.

The donor community (development partners) should support coordinated actions and thus facilitate cooperation in the region. Donors' interventions should focus on agreed regional priorities in the area of trade. These priorities include improving regional trade infrastructure, promoting intra-regional trade, strengthening institutions, developing trade capacities (i.e., improving negotiation skills, knowledge of international standards, market conditions, etc.), creating a trade-enabling environment for the private sector, providing necessary information and encouraging Central Asian producers to think beyond existing value chains (e.g., adjust existing technologies to meet international standards, improve drying technologies, invest in packaging equipment) and their current selling channels (e.g., fair trade certification), facilitating business-to-business contacts within and outside the region, and developing trade focused microfinance schemes.

In 2008 UNECE (responding to the initiative of the Government of Azerbaijan) initiated a consultation process (which included UNDP, UNESCAP, UNIDO, ITC, UNCTAD, and several diplomatic missions in Geneva) to promote the AfT agenda in the region. A consensus was reached around the following: (1) A series of sub-regional meetings should be organized for the countries in the UNECE and UNESCAP regions; (2) The objective of these meetings should be both to obtain political support for the AfT initiative and to identify concrete AfT priorities at a national and sub-regional level; (3) The first of these sub-regional meetings should be organized for the SPECA (Special Programme for Economies of Central Asia)<sup>27</sup> countries due to the interest shown both by the countries involved and the Islamic Development Bank (expressing willingness to co-fund the events).

As the first step towards the preparation of a regional AfT conference a *Preparatory and Consultative Meeting on: Aid for Trade (AfT) Road Map for SPECA* was organized in March 2009. On this meeting participants agreed that the whole process will be composed of two blocks, each designed to consolidate the ownership of SPECA countries of this initiative:

- a) Preparatory phase ("*Identification of national and regional AfT priorities*") focused on national and regional needs analysis to identify national and regional AfT priorities; and
- b) Expert meeting to take stock of national and regional priorities and prepare for a Ministerial meeting that will engage development partners in an AfT regional review.

Implementation of the preparatory phase ("*Identification of national and regional AfT priorities*") is the focus of Component I.

It is very important that in the time of global economic crisis countries rethink and review their trade strategies, discuss with key donors their current priorities and national and regional responses to trade and financial shocks. Regionally coordinated actions are crucial not only for the period of the recession. Closer regional cooperation will also help countries to gain from increasing trade when the crisis ends.

### *Output*

As indicated in the *Conclusions of the Preparatory and Consultative Meeting on: Aid for Trade (AfT) Road Map for the United Nations Special Programme for the Economies of Central Asia*

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<sup>27</sup> SPECA – United Nations Special Programme for the Economies of Central Asia and Afghanistan Region. It includes: Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan.

(SPECA)<sup>28</sup> building national ownership through the preparatory phase is as important as the expert and ministerial meetings themselves. The preparatory phase – implementation of which is the purpose of *Component I* of the present project – aims to (a) analyze the impact of the global economic crisis on Central Asian countries and the region as a whole; (b) investigate possible national and regional trade policy responses to the crisis; (c) provide national and regional trade capacities assessment and development plan (identify potential AfT interventions on national and regional level); (d) develop national and regional capacity for trade related policy research; (e) promote regional cooperation and encourage intra-regional trade; and (f) provide substantial input to the *Aid for Trade (AfT) Road Map for SPECA countries* Ministerial meeting.

The theoretical background and methodology of human development AfT needs assessment has been presented in recent UNDP publication: *“Trade and Human Development: How to Conduct Trade Needs Assessments in Transition Economies”*.

Formally, the output of *Component I* can be specified as follows:

*Central Asia: Identification of country and regional priorities, capacity gaps and technical assistance requirements in the period of economic crisis and post-crisis recovery.*

The output of *Component I* will provide the substantial and analytical background (input) for the Expert and Ministerial meetings.

#### *Activities*

The project will be conducted in parallel in 6 countries – members of SPECA: Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Detailed list of activities planned within this project component includes:

- 1) Inception: (a) Drafting terms of reference and selection of national teams of experts; (b) Inception mission (establishing national context, informing key stakeholders, i.e., relevant policy makers, UNDP offices, key donors present in particular countries, national think tanks, private sector and academia; about planned activities, etc. (In each country an AfT Country Team will be established after the inception phase. The AfT Country Team will act as an advisory body and will be designed to assure national ownership. It should be composed by members of the government, members of the PRSP National Committee, representatives from the civil society and private sector, and development partners. The AfT Country Team will (a) ensure effective coordination and buy-in among government agencies and other stakeholders; (b) assess and validate the AfT Needs Assessments; (c) monitor AfT Needs Assessment follow up actions and facilitate trade mainstreaming into national development strategies; (d) be instrumental for national level donor coordination.)
- 2) AfT Needs Assessments and identification of national priorities: (a) Desk survey; (b) Background studies and data collection; (c) Consultations with experts policy makers and key stakeholders; (d) Drafting national AfT Reports.
- 3) Organization of national consultations, validation and national awareness raising: (a) National meeting (round table) with national and international experts, national policy makers and other stakeholders (presentation and discussion of the draft of national *AfT Needs Assessment*); (b) Incorporation of the comments received into drafts of national *AfT*

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<sup>28</sup> Conclusions of the Preparatory and Consultative Meeting on: Aid for Trade (AfT) Road Map for the United Nations Special Programme for the Economies of Central Asia (SPECA), Bishkek, March 25-26, 2009.

- Needs Assessments*; (c) Discussions and validation of *AfT Needs Assessments* by national policy makers.
- 4) Publishing the national *AfT Needs Assessments*:<sup>29</sup> (a) Editing and publishing *AfT Needs Assessments* (in English and national languages); (b) Translating and printing hardcopies of national *AfT Needs Assessments* in English and national languages;.
  - 5) Development of AfT project concept notes for potential donor interventions: (a) Preparation of AfT project concept notes for donor interventions on national level; (b) Preparation of AfT project concept notes for donor interventions on sub-regional level; (c) Presentation of AfT project concept notes to development partners.
  - 6) Development of AfT *Regional Review*, identifying regional needs, priorities and possible project interventions on regional level, and provision of substantive and analytical inputs for Expert and Ministerial meetings: (a) Presentation of national *AfT Needs Assessments* on Expert meeting; (b) Identification of regional priorities; (c) Preparation of *Regional AfT Review*; (d) Editing and printing hardcopies of *Regional AfT Review* in English; (e) Translating and printing hardcopies of *Regional AfT Review* in Russian;
  - 7) Linking AfT Needs Assessments with regional meetings; (a) Presentation of key messages from selected documents produced within the project (*Regional AfT Review*, and national *AfT Needs Assessments*) on Ministerial Meeting; (b) Preparation of Conference statement; (c) Preparation of Final Report from the *Aid for Trade (AfT) Road Map for SPECA countries* (Ministerial meeting). A regional Coordination Team (Central Asia AfT Regional Coordination Team) will be established to act as main coordination body for the preparation of the Expert and Ministerial meetings as well as to act as an advisory board for the Regional AfT Review.

### 3.2 Component II

#### ***Aid for Trade for Central Asia: Support to Economic Development along Trade Corridors***

##### *Background*

The *UNDP Central Asia Human Development Report* on regional cooperation for human development and human security,<sup>30</sup> *EU Strategy for a New Partnership with Central Asia*<sup>31</sup> and many other strategic documents (e.g., the *CAREC<sup>32</sup> Transport and Trade Facilitation Strategy*)<sup>33</sup> emphasize that the countries of Central Asia are at the heart of a rapidly integrating Eurasian continent, lie at a strategically important intersection between the two continents and have a centuries-old tradition of bringing Europe and Asia together.

<sup>29</sup> It is assumed that all the work (development of national AfT Needs Assessments and national consultations) in Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan will be done in Russian language. In Azerbaijan the AfT Needs Assessment report will be developed in English.

<sup>30</sup> Central Asia Human Development Report, *“Bringing down barriers: Regional cooperation for human development and human security”*, UNDP, Bratislava 2005.

<sup>31</sup> See <http://register.consilium.europa.eu/pdf/en/07/st10/st10113.en07.pdf>

<sup>32</sup> CAREC is an alliance of eight countries: Afghanistan, Azerbaijan, People’s Republic of China, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan and multilateral institutions comprising ADB, EBRD, IMF, UNDP and World Bank. CAREC operates in partnership with other key regional cooperation programs and institutions, including the Shanghai Cooperation Organization and the Eurasian Economic Community (<http://www.adb.org/carec>).

<sup>33</sup> *CAREC Transport and Trade Facilitation Strategy*, Sixth Ministerial Conference on Central Asia Regional Economic Cooperation, 3 November 2007, Dushanbe, Tajikistan.

The *EU Strategy for a New Partnership with Central Asia* recognizes Central Asia as an important trade corridor between East and South Asia and Europe and confirms that the countries of the EU will continue to cooperate with Central Asian states and the international community to help the region to benefit from regional cooperation and increasing trade flows, and in particular to improve access for Central Asian products to EU markets.

The international community supports these efforts by introducing a coordinated program of action featuring mutual cooperation for economic development and poverty reduction in regional transport infrastructure and trade facilitation. *CAREC Transport and Trade Facilitation Strategy* emphasizes a selective approach to concentrate investment strategically in most promising transport corridor. The corridors reflect current and potential trade flow patterns. The selection of corridors is based on five criteria: (i) current traffic volume; (ii) prospects for economic and traffic growth; (iii) ability to increase connectivity between regional economic and population centers; (iv) prospects of mitigating delays and other hindrances such as the number of cross-border points, number of rail road gauge changes; and (v) economic and financial sustainability of infrastructure, management, and technology improvements. Figure 3.1 presents six priority corridors: 1) Europe – East Asia; 2) Mediterranean – East Asia; 3) Russian Federation – Middle East and South Asia; 4) Russian Federation – Xinjiang Uygur Autonomous Region; 5) East Asia – Middle East and South Asia; 6) Europe – Middle East and South Asia.

Transport Corridors link production centers and markets within Central Asian countries and enhance access to neighboring markets (including China and Russia). However, in order to fully exploit the opportunities the new transport infrastructure will bring, entrepreneurs (including urban and rural small and medium entrepreneurs, farmers and associations of farmers) and local business communities need to be prepared to take advantage of trade generated opportunities. Key obstacles (to trade) the small and medium businesses in Central Asia face today result from exclusion from international value chains, lack of market information (e.g., on market conditions, highly profitable products, international prices etc.), knowledge (e.g., international quality and veterinary or phytosanitary standards, trade procedures), management skills (e.g., negotiation, marketing), access to international business partnerships, and access to services (e.g. financial services).

Information and institutional constraints on producers identifying the best market opportunities and lack of knowledge of potential/innovative and existing value chains are especially severe for farmers or other small and medium-sized enterprises especially in rural areas of all Central Asian countries. Moreover, today there are many areas where trade has almost disappeared, leading to a vicious circle of “no trade – low incomes – no trade” (including trade with the next province or market town). Trade costs are especially onerous to geographically dispersed sectors of the economy, such as agriculture. Reducing these costs, improving sale channels, and creating skills needed to successful benefit from trade (within and outside the region) will help farmers and small enterprises, create new jobs, and thus will have a positive impact on economic activity and poverty alleviation.

#### *Output*

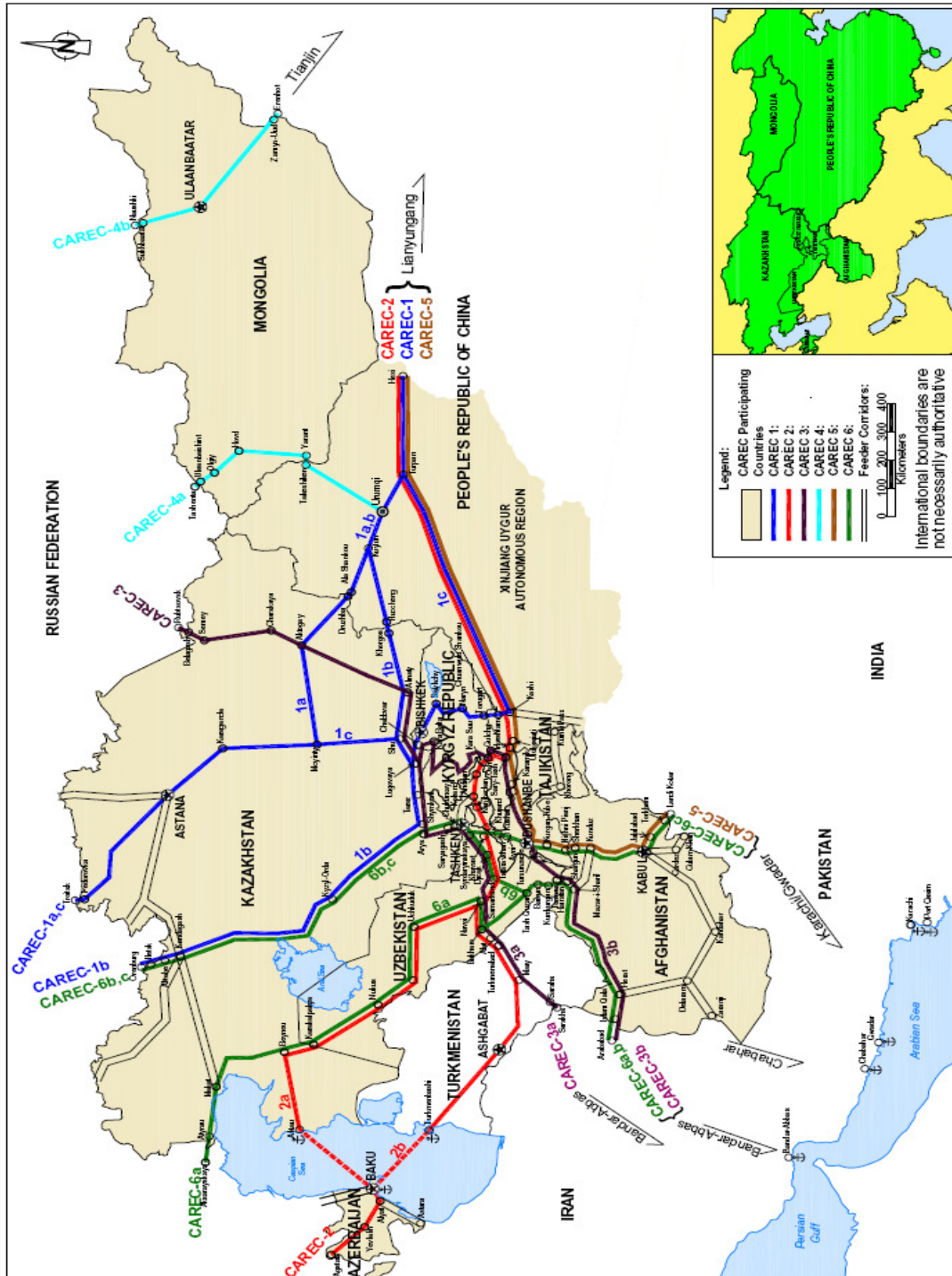
The objective of *Component II* is to enhance private sector<sup>34</sup> capacity in order to increase exports and to gain from transport infrastructures projects. The project targets Small and

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<sup>34</sup> Note that the need for the development of the private sector through (among other) improving trade contacts with the most important export markets and strengthening small and medium-sized companies' support structures

Medium Enterprises (SMEs), farmers and farmers' cooperatives in selected geographical areas of Central Asian countries. Formally, the output of *Component II* can be described as follows:

*Central Asia: private sector capacity enhanced to increase exports and to gain from new transport infrastructures.*



has been identified in *Finland's Aid for trade Action Plan (2008-2011)* as one of the priority areas (see <http://forin.finland.fi/public/default.aspx?nodeid=36318&contentlan=2&culture=en-US>).



Figure 3.1 Priority transport corridors in Central Asia<sup>35</sup>

Component II can be considered as a pilot project aimed to validate the effectiveness of proposed activities and of the overall approach to strengthen capacities of the private sector (local level) to increase exports and to gain from new transport infrastructures. The activities proposed in the present project as well as the organizational framework (i.e. linking to existing UNDP area-based development projects)<sup>36</sup> can be replicated in other areas in already selected countries (e.g. in Semipalatinsk in Northern Kazakhstan or [Rasht Valley in Tajikistan](#)), other countries of Central Asia (in particular in Uzbekistan linking AfT component to UNDP/EU project “*Enhancing living standards in Uzbekistan*” implemented in several regions of the country) or in South Caucasus and Western CIS using experience gained at Central Asia for developing local capacities along transport corridors linking these countries with their key markets.

#### *Activities*

*Component II* will be implemented in three Central Asian Countries: Kazakhstan, Kyrgyzstan and Tajikistan, in the following regions located along CAREC trade corridors:

- Kazakhstan: South Kazakhstan Region (CAREC Corridor I and III, Figure 3.1);
- Kyrgyzstan: Batken Region (CAREC Corridor I, Figure 3.1);
- Tajikistan: Soughd Region in Ferghana Valley (CAREC Corridor III, Figure 3.1).

Activities that will be implemented under project *Component II* in selected areas include:

- 1) Trade marketing baseline assessment for export promotion interventions (based on a human development and gender sensitive approach identifying the principal obstacles to trade for private sector, including individual producers and small and medium-sized enterprises outside the main cities along selected trade corridors, and a comprehensive trade flow analysis in order to identify priority products/services having the biggest trade and human development potential). The baseline study will also highlights services most in need from enterprises and main capacity gaps.
- 2) Capacity building on trade mainstreaming<sup>37</sup> targeted at local public authorities, and support to set up alliances with business associations for export promotion;
- 3) Establishing regional export promotion centers in identified regions (if possible within existing local government bodies or donor supported business advisory services) to provide customized services, including: (a) advisory services to local producers and farmers’ cooperatives to think beyond existing value chains and their current retail channels (i.e. communication and marketing strategies, business plan, sale support, identification of partners); (b) distribution of market information (e.g. price changes through SMS, information on highly profitable products, etc.) and selected training about the market, information about the most demanded products, required product quality standards, and grade systems, providing communication services marketing strategies, building marketing and export skills, providing, etc. sales support, establishing links with

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<sup>35</sup> Source: *CAREC Transport and Trade Facilitation Strategy*, Sixth Ministerial Conference on Central Asia Regional Economic Cooperation, 3 November 2007, Dushanbe, Tajikistan.

<sup>36</sup> See Section 3.4 (page 28).

<sup>37</sup> Mainstreaming trade policies in national development strategies involves the systematic promotion of mutually reinforcing policy actions across government departments and agencies, creating synergies in support of agreed development goals. Mainstreaming trade in local institutions involves the promotion of mutually reinforcing private sector development and export promotion support measures across different departments.

national and international trading partners; (c) provision of trainings for local businesses and cooperatives (i.e., improving negotiation skills, knowledge of international standards, quality standards, etc.); (d) information about the potential impacts of climate change on agricultural commodities and available insurance products; (e) facilitation of people-to-people (or business-to-business) contacts, to strengthen trade and partnerships between local SMEs and bigger national and international companies, through the organization of specific events for products/services for which trade corridors provide opportunity to explore their full trade potential. Training topics will focus on management and economic issues related to trade (special attention will be devoted to gender aspects of management and economy/trade). Topics and curricula will be identified after the baseline study. Special attention will be devoted to training needs of women living in rural areas and socially excluded groups of population including people with disabilities and ethnic minorities). Services will be delivered by local staff (appropriately trained). Local trainers are supported by the Team Leader and external consultants. While the objective is the provision of services in a medium/long term perspective, sustainability depends on the willingness of local and central authorities to support information centers through the government budget.

- 4) Expanding SMEs' access to financial services by developing trade-focused microfinance products (trade finance) for supporting small export oriented agri-processing/fruit drying/packaging and bioenergy enterprises. This activity will be implemented by an already operating non-profit microfinance institution identified through a competitive selection.
- 5) Promotion of environmentally friendly technologies and green commodity production to develop customized solutions (supply chain strategies) for producing and exporting key green commodities originating in Central Asia - wild fruits (dried apricots, currants etc) and nuts (hazelnuts, almonds, etc) - and to provide financial support for piloting initiatives.

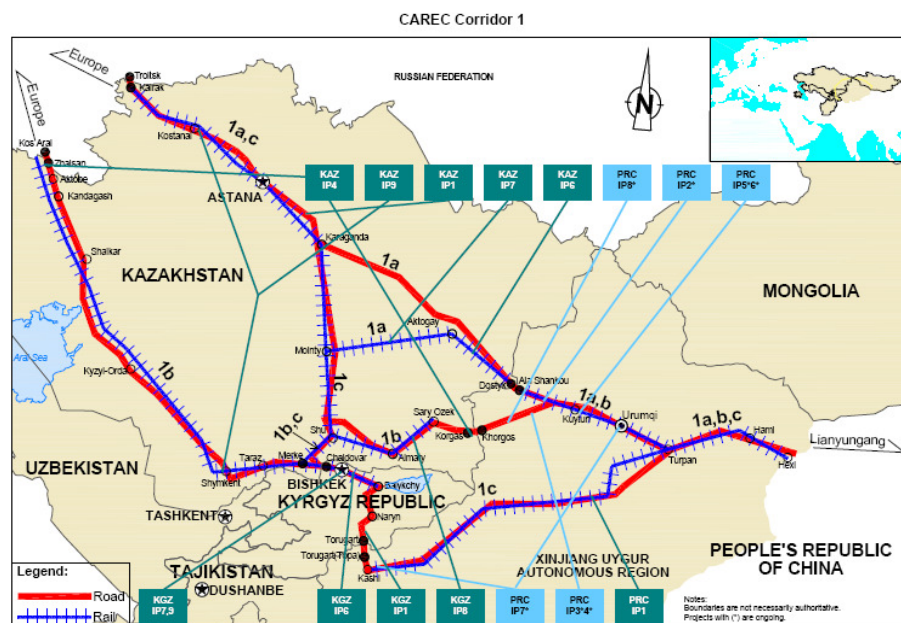




Figure 3.1 Selected corridors (details)<sup>38</sup>

Support will be provided for the creation of new types of local enterprises, providing services to green commodity production (e.g. nurseries, organic matter compost, wild fruits and nuts); increasing access to markets for green commodity producers through platforms for marketing of sustainable products and associated traceability systems; exploring options for private sector to finance sustainable farm practices, through certification or others tools.

A three step approach will be deployed:

- 1<sup>st</sup> Phase – preparation and capacity building for institutions (within 2 month): conducting a trade marketing baseline assessment for export promotion interventions (activity 1 and 5) and capacity building on trade mainstreaming (activity 2). The first phase would start with the hiring of the team and would end with the identification of regional strategy for trade development and the creation of an alliance of stakeholders (i.e., local authorities, business associations, farmer associations, cooperatives, donor projects, etc).
- 2<sup>nd</sup> Phase – establishment (about 1 month) of a *regional export promotion center* in each region of intervention staffed with the project staff and seconded officials from local authorities. This phase includes the design of training courses for farmers and SMEs and the identification of a suitable microfinance institution. The center will

<sup>38</sup> Source: *Action Plan for Implementation of the Transport and Trade Facilitation Strategy*. Senior Officials' Meeting on Central Asia Regional Economic Cooperation 25–26 September 2008 Baku, Azerbaijan ([www.adb.org/documents/events/2008/7th-CAREC-Ministerial-Conference/CAREC-TTFS-plan-en.pdf](http://www.adb.org/documents/events/2008/7th-CAREC-Ministerial-Conference/CAREC-TTFS-plan-en.pdf)).

coordinate all export promotion activities conducted in the area. The supervision of the microfinance component will be guaranteed by the project core team and UNDP/BRC advisors.

- 3<sup>rd</sup> Phase – implementation and delivery (implementation of activities 2-5).

This approach builds on the experience of UNDP in area-based development. The implementation of this component will benefit from close cooperation with the following existing UNDP area based development projects:

- Kazakhstan: UNDP Project "*Promoting innovation and employment*", funded by the Government of Norway in Almaty and South Kazakhstan oblast (Shymkent city). (project budget: USD 600,000, time frame: 2007-2010);
- Kyrgyzstan: UNDP Project: "*The Batken Area-Based Development Project*", funded by UNDP and Republic of Korea (project budget: USD 1,800,000; time frame: August 2008 – July 2010);
- Tajikistan: UNDP project "*Addressing the Social Consequences of Transition in the Ferghana Valley*" funded by EU/TACIS and implemented by UNDP in Sughd Region (project budget: EUR 550,087, time frame: February 2008-December 2009).<sup>39</sup>

In order to strengthen trade and cooperative links between local SME and bigger national and international companies, the project will closely collaborate with business development brokers working in Kazakhstan, Kyrgyzstan and Tajikistan in the framework of the regional UNDP project: Growing Sustainable Business UNDP project. A similar framework is also established in Kyrgyzstan. The project will also benefit from the experience of Finnpartnership, which could help developing new cooperation opportunities with Finnish companies in beneficiary countries.

Possibility of close cooperation with the above mentioned projects has been discussed with UNDP country offices in Kazakhstan, Kyrgyzstan and Tajikistan. Details of the partnership will be further clarified during inception mission planned at the beginning of the project.

### 3.3 Component III

#### ***Aid for Trade Needs Assessments in South Caucasus and Western CIS***

##### *Background*

There is evidence suggesting that the combination of economic openness, convergence on modern European and international standards of economic regulation and corporate governance and proximity to EU markets could lead to a sustainable high growth path in the countries of South Caucasus and Western CIS. Sustained progress in opening and expanding trade and the existence of efficient market-based institutions is a key condition for stronger integration with the EU market. How far or how fast the countries should go in the direction of deep policy convergence on international technical standards requires detailed attention, i.e., to

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<sup>39</sup> The project is intended to support economic and social development of vulnerable population in Sughd region of Tajikistan. For more information see [http://www.undp.tj/files/project\\_profiles/CP/6%20TACIS\\_Transition%20Ferghana%20Valley\\_Proposal.doc](http://www.undp.tj/files/project_profiles/CP/6%20TACIS_Transition%20Ferghana%20Valley_Proposal.doc). Currently UNDP has submitted a new proposal for EU to further supporting development of the communities in Sughd region starting from 2010.

define the optimal package and time-path on the basis of cost-benefits analysis. The experience of the new member states has underlined the heavy cost in the short run, for both public administration and the private sector, of achieving full compliance with international economic rules and standards. This process - although necessary and unavoidable - could be even more costly in the situation of the global economic crisis. For all the countries there is a number of potential trade policy options that need to be analyzed, assessed (including short and long term impact on economic and human development) and possibly supported by AfT agenda.

Trade needs assessments are an essential first step towards an effective implementation of the AfT agenda. For countries whose trade-related needs and priorities in given economic environment have not been analyzed, the first step is the identification of needs and trade capacity gaps. This requires consultations with all relevant stakeholders, and taking into account current trade policies and agreements, and their human development implications.

AfT needs assessments will take into account the new economic situation (in the time of global economic crisis, countries need to rethink and review their trade strategies, discuss with key donors their current priorities and national responses to trade and financial shocks). In this regard, there is a need to (1) review current investment and trade policies and their linkages with economic growth and human development; (2) assess the country's business environment and investment climate; (3) analyze selected existing (ex-post) trade policies and agreements – bilateral, regional, and WTO – and those under negotiation (ex ante) for economic growth, employment, equity and poverty, policy space and public sector capacity implications; (4) review economic and export performance as well as any specific constraints that the country's exports face in international markets; (5) analyze key economic sectors for expansion of output, productivity, exports, employment and sustainability; and (6) assess the impact of the above on poverty, inequality, social exclusion, and regional disparities, to address these and related development challenges. It is important that based on this analysis, concrete proposals for AfT assistance are proposed.

The methodology and analytical framework for human development focused *AfT Needs Assessments* has been already developed and presented in the guide *“Trade and Human Development: How to Conduct Trade Needs Assessments in Transition Economies”*<sup>40</sup> published by UNDP Bratislava Regional Center. Pilot trade needs assessments studies were conducted in Kazakhstan, Kyrgyzstan and Uzbekistan and are under way in Azerbaijan and Turkmenistan.

### *Output*

The purpose of *Component III* is the identification of capacity gaps (institutional, human, etc.), clear policy recommendations, and concrete proposals for AfT interventions. Formally, the output of *Component III* can be specified as follows:

*AfT Needs Assessment (in Armenia, Georgia, Belarus, Moldova, and Ukraine) identifying country priorities, capacity gaps, technical assistance requirements and concrete AfT project interventions on national and sub-regional level for Finnish AfT assistance in 2011-2013.*

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<sup>40</sup> *Trade and Human Development: How to Conduct Trade Needs Assessments in Transition Economies*. UNDP Bratislava Regional Centre for Europe and the CIS, Bratislava 2008 (available at <http://europeandcis.undp.org>)

## Activities

The project will be conducted in parallel in 5 countries of South Caucasus and Western CIS: Armenia, Belarus, Georgia, Moldova and Ukraine. Detailed list of activities within this project component includes:

- 1) Inception: (a) Drafting terms of reference and selection of national teams of experts; (b) Inception mission (establishing national context, informing key stakeholders, i.e., relevant policy makers, UNDP offices, key donors present in particular countries, national think tanks, private sector and academia about planned activities, etc. In each country an AfT Country Team will be established after the inception phase. The AfT Country Team will act as an advisory body and will be designed to ensure national ownership. It should be composed by members of the government, members of the PRSP National Committee, representatives from the civil society and private sector, and development partners. The AfT Country Team will (a) ensure effective coordination and buy-in among government agencies and other stakeholders; (b) assess and validate the AfT Needs Assessments; (c) monitor AfT Needs Assessment follow up actions and facilitate trade mainstreaming into national development strategies; (d) be instrumental for national level donor coordination.
- 2) AfT Needs Assessments and identification of national priorities: (a) Desk survey; (b) Background studies and data collection; (c) Consultations with experts policy makers and key stakeholders; (d) Drafting national AfT Reports.
- 3) Organization of national consultations, validation and national awareness raising: (a) National meeting (round table) with national and international experts, national policy makers and other stakeholders (presentation and discussion of the draft of national *AfT Needs Assessment*); (b) Incorporation of the comments received into drafts of national *AfT Needs Assessments*; (c) Discussions and validation of *AfT Needs Assessments* by national policy makers;
- 4) Publishing the national AfT Needs Assessments.<sup>41</sup> (a) Editing and publishing *AfT Needs Assessments* (in English and national languages); (b) Translating and printing hardcopies of national *AfT Needs Assessments* in English language.
- 5) Development of AfT project concept notes for potential donor interventions: (a) Preparation of AfT project concept notes for donor interventions on national level; (b) Preparation of AfT project concept notes for donor interventions on sub-regional level; (c) Presentation of AfT project concept notes to development partners.

### 3.4 Overall Project Partnership Strategy

BRC and national teams will liaise closely with institutions in the beneficiary countries (national and local administrations) and with international organizations such as UNECE, UNESCAP, ITC, EBRD, the Asian Development Bank (ADB), Islamic Development Bank (IDB) and Islamic Trade Finance Corporation (ITFC), as well as with other key partners such as the OECD Eurasian Competitiveness Programme<sup>42</sup>, the European Union, bi-laterals working in the region (e.g. USAID, GTZ) and with regional coordination bodies such as SPECA and CAREC. Further support will be provided by the Geneva Trade and Human Development Unit (GTHDU), especially in relation to UN coordination within the UN CEB Trade and Productive Capacity

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<sup>41</sup> It is assumed that all the work (development of national AfT Needs Assessments and national consultations) in Armenia, Belarus, Moldova, and Ukraine will be done in Russian language. In Georgia the AfT Needs Assessment report will be developed in English.

<sup>42</sup> [http://www.oecd.org/document/24/0,3343,en\\_2649\\_40340912\\_41641816\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/24/0,3343,en_2649_40340912_41641816_1_1_1_1,00.html)

Cluster. The involved organizations hope that this initiative will come to be considered as a model example of inter-organizational cooperation.

To ensure strong national ownership and coordination with other development projects in each country the *AfT Country Teams* will be composed of members of the government and of the PRSP National Committee, representatives from the civil society and private sector, the Embassy Attaché from the Government of Finland, and other development partners. National members of *AfT Country Teams* will be identified and nominated during the inception mission. The mission will be also used to discuss with national counterparts details of project implementation and development of strong national ownership of the project.

The AfT road map for Central Asia is being supported by the Governments of Azerbaijan and Kyrgyzstan and by the WTO as a part of the overall AfT initiative. In addition, EBRD, ADB, ITC, UNECE, WTO agreed to provide in-kind support to the preparation of the regional conference (Component I). The organization of Expert and Ministerial meetings will be financed by the Islamic Trade Finance Corporation (ITFC) in the amount of about USD 170,000. The Regional Aid for Trade Coordination Team will act as the main coordination body for UN institutions, international organizations and development partners. The initiative will benefit from the role of UNECE as leading coordinator of the intergovernmental process using SPECA as a framework body. The Coordination Team will act as the main coordination body for the preparation of the Ministerial conference.

All national activities will be implemented in close cooperation with UNDP country offices and UN Country Teams. The implementation of *Component II* will be specifically designed to complement existing private sector development projects to maximize synergies, sustainability and development results. Cooperation with environmental projects is also envisaged, especially within the Poverty and Environment initiative launched by UNEP and UNDP in Central Asia and currently implemented in Kyrgyzstan and Tajikistan. Finally, close ties will be established with the UNDP-supported Growing Inclusive Market initiative<sup>43</sup>.

Preliminary discussions with UNDP country offices and other UN agencies (UNDP/UNEP<sup>44</sup> Poverty and Environment Initiative (Kyrgyzstan and Tajikistan); UNDP area based development programmes in Kazakhstan, Kyrgyzstan and Tajikistan; UNDP country programmes in Georgia and Belarus (and possibly in other countries) indicated possibility of cost-sharing and parallel financing. Details of this partnership will be determined in the first quarter of project implementation. Further, synergies will be established with the Border Management Programme in Central Asia (BOMCA<sup>45</sup>), EU Border Assistance Mission to Moldova and Ukraine (EUBAM)<sup>46</sup>, and the Black Sea Trade and Investment Programme<sup>47</sup>.

#### **4. ASSUMPTIONS AND RISKS**

There are the following assumptions underlying the present project:

##### **1) Macro-assumptions**

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<sup>43</sup> <http://www.growinginclusivemarkets.org/>

<sup>44</sup> UNEP – United Nations Environment Programme.

<sup>45</sup> <http://bomca.eu-bomca.kg/en/about>

<sup>46</sup> <http://www.eubam.org/>

<sup>47</sup> <http://www.undpforblacksea.org/index.htm>

- a) The current economic crisis (i.e. recession) will last for the whole year 2009 and part of year 2010 in OECD countries (a turnaround is expected in 2010);
- b) The economic crisis will have a significant economic impact in all beneficiary countries, with average reduced or negative GDP growth in 2009;
- c) World trade and foreign direct investment flows will decrease in 2009 and start to recover in 2010;
- d) The integration process of beneficiary countries will continue despite the global economic crisis;
- e) Poverty, inequality and unemployment will increase in the CIS due to the economic downturn and global recession;
- f) There is a potential for farmers, cooperatives and SMEs to obtain additional gains from increased trade within and outside respective countries.

2) Policy (national and regional) assumptions

- a) Governments confirm their commitments to trade reforms and increased participatory policy making processes in beneficiary countries;
- b) Continued commitment to ensure institutional coordination among the different governments in Central Asia;
- c) Official Development Assistance - AfT commitments will not decrease severely in the period of project implementation.

Potential risks and countermeasures are characterized in Table 4.1.

Table 4.1 Potential project risks and countermeasures

Description	Type	Impact & Probability (1-5)*	Countermeasures / Management response
Lack of commitments from Donors on AfT Assessments follow up/recommendations	Financial	I=4 P=3  No follow up (i.e. AfT approved projects) on identified technical assistance needs	<ul style="list-style-type: none"> <li>• Early involvement of key donors (forerunners)</li> <li>• Consensus building activities</li> </ul>
Ineffective donors and international agencies coordination	Organizational Strategic	I= 3 P= 2	<ul style="list-style-type: none"> <li>• Clarify objectives and responsibilities in advance</li> <li>• Good communications.</li> </ul>
Insufficient political commitment from beneficiary countries (local and national authorities)	Political	I= 4 P= 2  Recommendations identified are not implemented by responsible government institutions	<ul style="list-style-type: none"> <li>• Early involvement of key beneficiary countries (forerunners)</li> <li>• Consensus building activities. Bottom up approach</li> </ul>
Detrimental business climate	Organizational Strategic	I=3 P=3	<ul style="list-style-type: none"> <li>• The project seeks to address specific barriers to trade</li> <li>• All initiatives will coordinate with other projects that are addressing</li> </ul>



			systematic private sector policies
Sustainability of field interventions	Organizational Strategic	I=3 P=3  Project units or activities (e.g. microfinance schemes) are not financially self-sustainable at the end of the project	<ul style="list-style-type: none"> <li>The project is an initiation phase (it is not expected that pilot interventions will be sustainable after 1.5 years). However, ultimate sustainability of interventions is at the center of the project implementation strategy</li> </ul>
National/sub regional business support institutions committed to the project	Operational	I= 4 P= 2  Reduced impact due to unexploited economy of scale. Inefficient expenditures and reduced results.	<ul style="list-style-type: none"> <li>Early identification of partner institutions</li> <li>Transparent selection system</li> </ul>
Availability of competent national consultants	Operational	I= 4 P= 3  Growth in expenditures due to the need to hire international consultant. Reduced capacity development results and increased risks for sustainability.	<ul style="list-style-type: none"> <li>Use of existing UNDP networks and knowledge</li> <li>Provision of capacity building / trainings</li> </ul>
Duplication with other initiatives	Operational Strategic	I= 2 P= 1	<ul style="list-style-type: none"> <li>The inception mission and the baseline studies will prevent from duplication in follow up interventions</li> <li>Care will be taken to provide support and cooperation with domestic and international initiatives</li> </ul>
UNDP country offices fully support project activities / integration with existing area-based projects	Operational	I= 4 P= 1	<ul style="list-style-type: none"> <li>Close links of the project to local development projects implemented by UNDP in Central Asia</li> </ul>

\* 5 corresponds to the highest impact (1 to the lowest), 5 corresponds to the highest likelihood of the outcome (1 to the lowest)

## 5. COMPATIBILITY AND SUSTAINABILITY

### 5.1 Compatibility with the strategic goals for Finnish development cooperation

The project is fully consistent with the following two central topics of contemporary Finnish development cooperation policy (see Section 2):<sup>48</sup>

- a) *Aid for Trade* (see “*Finland’s Aid for Trade Action Plan (2008–2011)*”),  
and
- b) *Wider Europe Initiative* (see “*A new opening in Finland’s development policy: Wider Europe Initiative*”).

The activities proposed in *Component II (Aid for Trade in Central Asia: Support to Economic Development along Trade Corridors)* focus on the following priorities (themes, sectors, and categories) indicated in *Finland’s AfT Action Plan*:<sup>49</sup>

- a) Private sector development: Activities 1 and 4,
- b) Strengthening productive capacity of SME: Activities 4 and 5;
- c) Trade development: Activities 2 and 3;
- d) Information society: Activity 3; and innovations: Activities 4 and 5;
- e) Environment and climate change: Activity 5;
- f) Energy: Activity 4; and agricultural sector: Activities 4 and 5.

The project also supports two out of three cross-cutting themes in the present Finnish development policy, i.e., theme 1: *promoting the rights and status of women and girls, and promoting of gender and social equality*; and theme 2: *promotion of rights of groups that are easily excluded, particularly children, people with disabilities, indigenous people and ethnic minorities*.

Some of the development priorities presented above are also relevant for the *Wider Europe Initiative*. These include such themes as:

- a) Trade and development (furthering of regional cooperation and integration, promotion of trade policy and cooperation solutions based on non-discrimination, Aid for Trade);
- b) Information society development;
- c) Energy and environment (conservation and efficient use of energy, energy safety, promoting the sustainable use of renewable energy sources and other renewable natural resources, sustainable use of mineral resources and environment protection, etc.); and
- d) Social sustainability (promotion of inclusive economic and social development, good governance, etc.).

*Component I (Aid for Trade Road Map for Economies of Central Asia: Identification of national and regional AfT priorities)* and *Component III (Aid for Trade Needs Assessments in Western CIS)* aim at capacity assessment and identification of trade policy response to the global economic crisis and development of AfT interventions (an essential first step towards an effective implementation of the AfT agenda). Both components are fully in line both with

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<sup>48</sup> These topics are central for the EU development policy as well.

<sup>49</sup> Numbers of activities correspond to the respective numbers of activities for *Component II* specified in Section 3.4.

Finland's AFT Action Plan (thematic focus) and Wider Europe Initiative (geographical coverage, including Western CIS: Belarus, Moldova, Ukraine; South Caucasus: Armenia, Azerbaijan, Georgia; and Central Asia: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan).

## 5.2 Policy environment

Implementation needs to be coordinated with the existing policy environment, including, not only trade policy, but also sectoral (e.g., environmental, agriculture, industrial, transport) and social policies.

Regarding country trade policy framework the project will take into account existing tariff/quota system and pro-active trade policies (i.e. all other government interventions and subsidies). The following issues will be taken into account: the trade regime in terms of tariffs (tariff dispersion, tariff pikes and effective rate of protection); non-tariff barriers (i.e. quotas, export and import licenses, export taxes and export bans, red-tape, etc.); other active government interventions in the area of trade, including state trading enterprises, countervailing measures, anti-dumping duties, and safeguards; pro-active trade policies, including export processing zones, trade promotion institutions and consultative arrangements with the private sector and civil society organizations; role of tariffs and other duties in respect to government revenues; etc.

The AFT Needs Assessments (*Component I* and *Component III*) will provide a comprehensive overview of existing trade agreements and ongoing negotiations. Special attention will be paid to the in-country capacity to deal with these issues. In particular, it will focus on: status of negotiations, implementation and compliance with multilateral, regional and bilateral trade agreements and preferential schemes; benefits and costs of involvement in several (overlapping) regional trade agreements; the underutilization of preferences; other market access constraints in export markets, such as standards, technical barriers to trade, tariff peaks and tariff escalation. The effectiveness of a country's trade policy can also be assessed by looking at the access its major trade partners guarantee to its domestic products. This issue is fundamental for countries that claim to have the developing countries status with associated benefits.

## 5.3 Economic and financial feasibility

In order to ensure efficient use of resources the project will be implemented in close cooperation with UNDP country offices in all eleven countries of Central Asia, South Caucasus and Western CIS, and will benefit from existing UNDP infrastructure and the UNDP network of trade and private sector development practitioners. The project will also benefit from the knowledge and experience accumulated at UNDP Europe and the CIS Bratislava Regional Centre (UNDP/BRC), as well as from the established network of national experts and practitioners at the area of trade, economic development and poverty reduction.

Implementation of the project *Components I* and *III* will benefit from already developed methodology and UNDP/BRC experience from similar activities undertaken in different countries of the region. Activities of the project *Component II* will be coordinated with UNDP area based development projects that are currently being implemented in countries of Central Asia (see Chapter 3). Utilization of the infrastructure of existing projects and building on accumulated knowledge in the areas of the project implementation will ensure cost efficient and timely delivery of complex activities. To minimize costs the project will also benefit from the

involvement of sectoral experts based at UNDP/BRC, including regional advisors on rural development, social policy, environment and biotechnology, capacity development, good governance, microfinance, and private sector development (advisory services of BRC advisors and specialists are provided to UNDP projects free of charge).

The activities undertaken under *Component II* will be specifically designed to assure the highest degree of sustainability in field interventions. It is anticipated that long term sustainability would require budget funding from beneficiary states in case of business advisory services and the selection of self-sustainable microfinance institutions for the provision of financial services.

The project will be managed at UNDP/BRC according to UNDP project management rules. This will ensure transparency of financial management and high quality financial reporting.

#### 5.4 Institutional capacity

The project (*Components I and III*) will review the country's trade institutions. The relationship between institutions will be analyzed as well as the coordination mechanisms in relation to the formulation of trade policy and the management of national trade related programmes. Capacity gaps and eventual needs for technical assistance will be identified. A description of trade functions and responsibilities of the most important institutions will be provided. The AfT needs assessment itself is a capacity building exercise for national trade governance institutions and it is intended to empower these institutions in the management of trade policies and strategies.

The institutional mapping will provide a detailed assessment for the specialized agencies, which often have a key role in promoting and facilitating trade and investments. These include: Customs Agency, Export Credit Agency, Investment Promotion Agencies, Special Economic Zones, etc. Other specialized agencies that have important roles in trade will be considered as well (if relevant for the country), including: the National Statistics Office (collection of trade statistics), Central Bank (exchange rate regulations), national and development banks and funds (management of trade promotion programmes, dedicated credit lines). Special attention will be given to a) the institutional capacity assessment to map the capacity assets and needs with regard to analyzing and formulating trade policies, and b) capacity development plan to identify areas and modalities of capacity building, and institutional reforms required along with providing a cost assessment.

Implementation of *Component II* will be linked to trade, business and investment related institutional capacities existing at the local level in the countries of Central Asia. Key institutions will include: decentralized offices of line ministries (Ministry of Trade, Ministry of Industry, Ministry of Economy/Finance, Ministry of Agriculture), and specialized agencies (Customs Agency, Export Credit Agencies, Investment Promotion Agencies); relevant departments in oblast and district authorities; business (local business association, small and medium enterprises, business associations, associations of artisans and traders, regional offices of chambers of commerce, export associations, representative entrepreneurs); and Civil society (non governmental organizations (NGOs), including environmental NGOs, associations of NGOs, women and sub-population groups' associations local media).

## 5.5 Socio-cultural aspects

Structural socio-political changes, the formation of new societal groups and new socio-political institutions are important issues in all the countries of Central Asia, South Caucasus and Western CIS. Social consequences of market reforms (social inequality, poverty and corruption) are key determinants of socio-cultural aspects in all the countries of the region. Caucasus countries (Armenia, Azerbaijan, Georgia) are involved in arm conflicts, which affect in-country ethnic relations as well as countries relations (including trade relations) with neighbors.

Central Asia requires special attention due to its development and environmental challenges. Two out of three components of the project – *Component I (Aid for Trade Road Map for Economies of Central Asia: Identification of national and regional AFT priorities)* and *Component II (Aid for Trade for Central Asia: Support to Economic Development along Trade Corridors)* – will be implemented in Central Asia. The peoples of Central Asia have historically maintained close cultural, social, and trade and economic relations. The following issues are common and need to (and will) be taken into account:

- 1) *Political and governance-related issues*: a) weakness of state institutions, monopolization of power in the hands of certain groups, presence of clan rule, nepotism and traditionalistic forms of governance, deficiencies in personnel policies, inability of (and lack of opportunity for) new socio-political groups in power; b) low political culture among the majority of the population, formality of activities of many institutions and organizations of the civic society; c) ethnic and cultural diversity used for political purposes.
- 2) *Human development issues*: a) ability to supply schools with textbooks in native languages is rather limited due to a lack of resources despite the states' open policy favoring educational rights of ethnic minorities; many ethnic minorities have no opportunity to educate their children in their native language (this results in deterioration of the overall education and increases inequality of opportunities of obtaining quality education); and b) role and functions of women in the society; c) differences in understanding of human development between the local elite and international programs and projects.

There are also significant differences between states and population groups in the region. They include:

- 1) *Migration issues*: a) huge illegal labor migration (some countries are sources some are recipients of migrants, e.g. Kazakhstan); people work mostly in shadow economy without any legal protection (this makes them vulnerable to exploitation and to crime while simultaneously leaving them without access to healthcare services and education for their children); and b) differing outlooks on issues of migration and refugees among the region's countries.
- 2) *Environmental issues*: a) although the region inherited the Soviet-era ecological catastrophe of the Aral Sea that directly and indirectly affects all Central Asian nations, each republic of the region is concerned with ecological consequences of the economic activity in the adjacent territories of the region's other countries; b) water and energy issues and different countries' views on use of water resources.
- 3) *Economic issues*: different economic systems, different trade regimes and willingness for regional cooperation.

It is important that diversity between countries is perceived as a value and is pro-actively used for achieving prosperity and human development, and not for fueling conflicts within and between countries.

## 5.6 Participation and ownership

Effective implementation of the project requires extensive consultations with all relevant stakeholders. To promote the adoption of pro-poor trade reforms by governments, there is a need to identify country priorities and gaps in a participatory manner. The use of participation techniques and public consultations has had an increasingly beneficial impact on policy making and constitutes a capacity development activity per se. Participation brings political, legal and social benefits and can reduce the risks of strong opposition. The main stakeholders of the project (governments and governmental organizations, business, civil society, etc.) and their roles are specified in Section 2.4, while the partnership strategy is defined in Section 3.4. All these entities will be consulted and/or involved in the project implementation.

## 5.7 Gender

Taking into account that policies (including trade policies) and concrete actions on the local level often have different impacts on men and women (and boys and girls) and influence differently the economic and social behaviors (and opportunities) of men and women gender perspective will be incorporated into activities undertaken within all project components.

The project should help generating new employment opportunities for women. Nonetheless, while economic opportunities allow for greater freedom and economic independence, additional burdens may fall on women and mothers. Thus the question of gender and trade has a multiple interface with the economic and social dimensions, because of women's concurrent role as economic agents, and family and child carers. The situation in the countries of Central Asia, South Caucasus and Western CIS is further complicated by cultural prejudice and the lack of support services that are available in western economies.

The identification of gender biased barriers should mark the process of AfT needs assessments both in Central Asia and South Caucasus and Western CIS<sup>50</sup>. The main question is if and how a change in the current trade pattern would influence the position of men and women and whether it would contribute to gender equality. Gender equality can be defined by *recognizing that men and women often have different needs and priorities, face different constraints, have different aspirations and contribute to development in different ways*. Changing trade policy regimes often implies short term negative shocks or adjustments and, given that women's vulnerability is likely to be exacerbated by existing inequalities, the negative effects are likely to be felt more by women than men.

Gender inequality, if interpreted through its economic dimension, will be taken into account through the project by looking at differences in:

- a) Employment opportunities (participation rate in all sectors and occupations);
- b) Returns from labor (wage equality);
- c) Conditions of work and quality of employment;
- d) Access to basic services (such as health and education);
- e) Access to resources (such as land, credit and business services);
- f) Empowerment (participation in decision-making);
- g) Distribution of income inside and outside the household (or poverty levels).

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<sup>50</sup> Methodical details describing how to handle gender issues in AfT Needs Assessments are presented in the guide *Trade and Human Development: How to Conduct Trade Needs Assessments in Transition Economies*. UNDP Bratislava Regional Centre for Europe and the CIS, Bratislava 2008 (available at <http://europeandcis.undp.org>)

## 5.8 Environment

Any economic activity has an impact on the environment, and trade is no exception. Undoubtedly the production and exchange of goods and services deplete natural resources and produce waste and emissions. An integrated approach to poverty, trade and environment is crucial because:

- a) Environmental degradation hits the poorest the hardest, since poor people depend for survival on a wide range of natural resources;
- b) Environmental commons (such as grazing lands, waters and forests) contribute significantly to the income of poor people but are vulnerable to unsustainable use;
- c) The poor (particularly women and children) are heavily affected by environmental health problems such as lack of safe water and sanitation, indoor air pollution and exposure to chemicals and vector-borne diseases;
- d) The majority of the rural and urban poor live in ecologically fragile areas or environments with high exposure to environmental hazards;
- e) The access and entitlements of poor people to natural resources are crucial to the fulfillment of basic human rights such as food, housing and health.

Trade and development policy traditionally revolves around economic and social issues, but development interventions are increasingly driven by environmental concerns. In the CIS, the abundance of natural resources (i.e. connected risks of overexploitation) and the heavy industrial heritage from the Soviet times make environmental issues a particular concern.

Thus, environmental considerations will be incorporated into AfT needs assessments to provide adequate information for decision making both in private and public organizations. International organizations, governments, environmental NGOs as well as think-tanks and academia will be involved into this process.

The evaluation of how trade impacts the environment remains a challenge. It appears that the expansion of trade has a positive impact on social and economic wellbeing, but may bring negative consequences for the environment. A trade off does exist, especially if only the short term effects are taken into consideration. For example the intensification of agriculture and the shift towards monoculture may bring immediate advantages to exporting farmers, but it often also brings negative impacts on biodiversity and the environment in the medium and long term that can then result in degradation of agricultural land. Possible trade policy impacts on the environment may include:

- a) *Stress transmissions to the environment*: harmful effects of export incentives (e.g. agriculture subsidies) on land degradation and rural livelihood; magnified pressure on land, water resources and ecosystems in export processing zones;
- b) *Potential benefits*: adoption of green technologies due to increased trade in environmental goods and services; improved access to modern technologies; new market opportunities to certified products and increased efficiency in the use of scarce resources due to free competition.

It is envisaged that *AfT Needs Assessments* will first look at the ratification and implementation of multilateral environmental trade agreements (e.g. Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), Convention on Biological Diversity)<sup>51</sup>,

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<sup>51</sup> <http://www.cites.org/> and <http://www.cbd.int/>, respectively.

while reviewing the overall trade policy framework. The inclusion of more stringent environmental requirements is at the centre of the international debate since health and environment standards may restrict the access to OECD markets and expose developing countries to increased vulnerability (i.e. external regulatory changes).

Component II has dedicated activities and budget lines to assure that environment is mainstreamed into sponsored interventions. The project promotes green technologies and production and fosters a pro-active strategy towards the adoption of environmentally sound technologies and organic farming, when viable and profitable. Finally, pilot initiatives in regards to the dissemination of climate change related information will be implemented in the trade promotion centers established in the field (see also Section 5.9).

### 5.9 Appropriate technology

Two out of the three components of the project (i.e., *Component I* and *Component III*) are related to *AfT Needs Assessments* and identification of countries and regional policy response to the global economic crisis and development of a background for concrete AfT interventions. Project *Component II (Aid for Trade for Central Asia: Support to Economic Development along Trade Corridors)* is going to be implemented in local areas of central Asian countries. Activities: 4 (*Establishing microfinance support scheme to develop trade focused microfinance products (trade finance) for supporting small export oriented agri-processing/fruit drying/packaging and bioenergy enterprises*) and 5 (*Promotion of environmentally friendly technologies and green commodity production to develop customized solutions (supply chain strategies) for producing and exporting key green commodities originating in Central Asia*) of this component are supposed to promote and support development of new environmentally friendly technologies. In particular, it is envisaged that support will be provided for the creation of new types of local enterprises, providing services to green commodity production (e.g. nurseries, organic matter compost, wild fruits and nuts); increasing access to markets for green commodity producers through platforms for marketing of sustainable products and associated traceability systems; exploring options for private sector to finance sustainable farm practices, through certification or others tools. These activities support attempts to expand thinking of Central Asian producers beyond existing value chains and make their products environmentally friendly and increase competitiveness.



## 6. MANAGEMENT ARRANGEMENTS

The proposed implementation strategy is based on the experience gained during long-term successful cooperation between UNDP and bilateral donors in the delivery of regional projects,<sup>52</sup> where UNDP provides overall support for the delivery of technical assistance and acts as implementing agency.

The project will be implemented by the UNDP Europe and the CIS Bratislava Regional Centre (UNDP/BRC) within the delegated Direct Execution (DEX) authority, in line with UNDP Programme & Operations Policies and Procedures (POPP)<sup>53</sup>. UNDP/BRC will act as the project implementing partner (agency).

The implementation follows the principles of the Paris Declaration on Aid Effectiveness<sup>54</sup>. The described modality is designed to guarantee: (a) Country (and local) ownership, (b) Participation of stakeholders, (c) Capacity building in beneficiary institutions.

In terms of roles and responsibilities, the project will be directed by a *Steering Committee*, chaired by the UNDP RBEC Deputy Regional Director and Regional Centre Director of UNDP/BRC, comprising one or more representatives from the Government of Finland, and a representative of beneficiary countries<sup>55</sup>. The Steering Committee may decide to expand its membership as appropriate. The Steering Committee will:

- be responsible for making strategic decisions by consensus, including the approval of project revisions (i.e. changes in the project document);
- approve Annual Work Plans, Annual Reviews and Quarterly reports;
- meet at least twice a year to review management risks and most relevant issues; meetings can be held virtually (i.e. teleconference, videoconference, and email); the Project Manager will act as Steering Committee secretary;
- be consulted by the Project Manager for decisions when management tolerances (in terms of time and budget as per work plan) have been exceeded (the Steering Committee defines tolerances).

The project will be managed by a Team Leader/Chief Technical Advisor supported by a *Project Management Function*, who will be responsible for the day-to-day management, project monitoring and decision-making. She/he will coordinate the implementation of delegated activities within the project, including monitoring and financial reporting. The Team Leader will lead the overall project implementation and she/he will act as chief technical advisor for all three components of the project. The Team Leader responds to the Steering Committee and to the Poverty Practice Team Leader. The terms of reference for Team Leader and Project Management Function (National Level Project Management Function) are presented in Annex 3.

The Team Leader will be supported by an assistant in the UNDP/BRC Poverty Reduction Team (*Project Support*) and the UNDP/BRC Management Support Unit, to provide administration and management support as required. At the national level support will be provided by the

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<sup>52</sup> E.g., Growing Sustainable Business for Poverty Reduction in Albania, Bosnia and Herzegovina, Macedonia and Moldova; Reducing Vulnerability of Roma in the Western Balkans, or Border Management in Central Asia.

<sup>53</sup> <http://content.undp.org/go/userguide/results/>

<sup>54</sup> [http://www.oecd.org/document/18/0,2340,en\\_2649\\_3236398\\_35401554\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html).

<sup>55</sup> The specific set-up for the selection/nomination will be decided in the first meeting of the Steering Committee.

programme assistant appointed in respective UNDP country offices or by regional implementation units (for *Component II*).

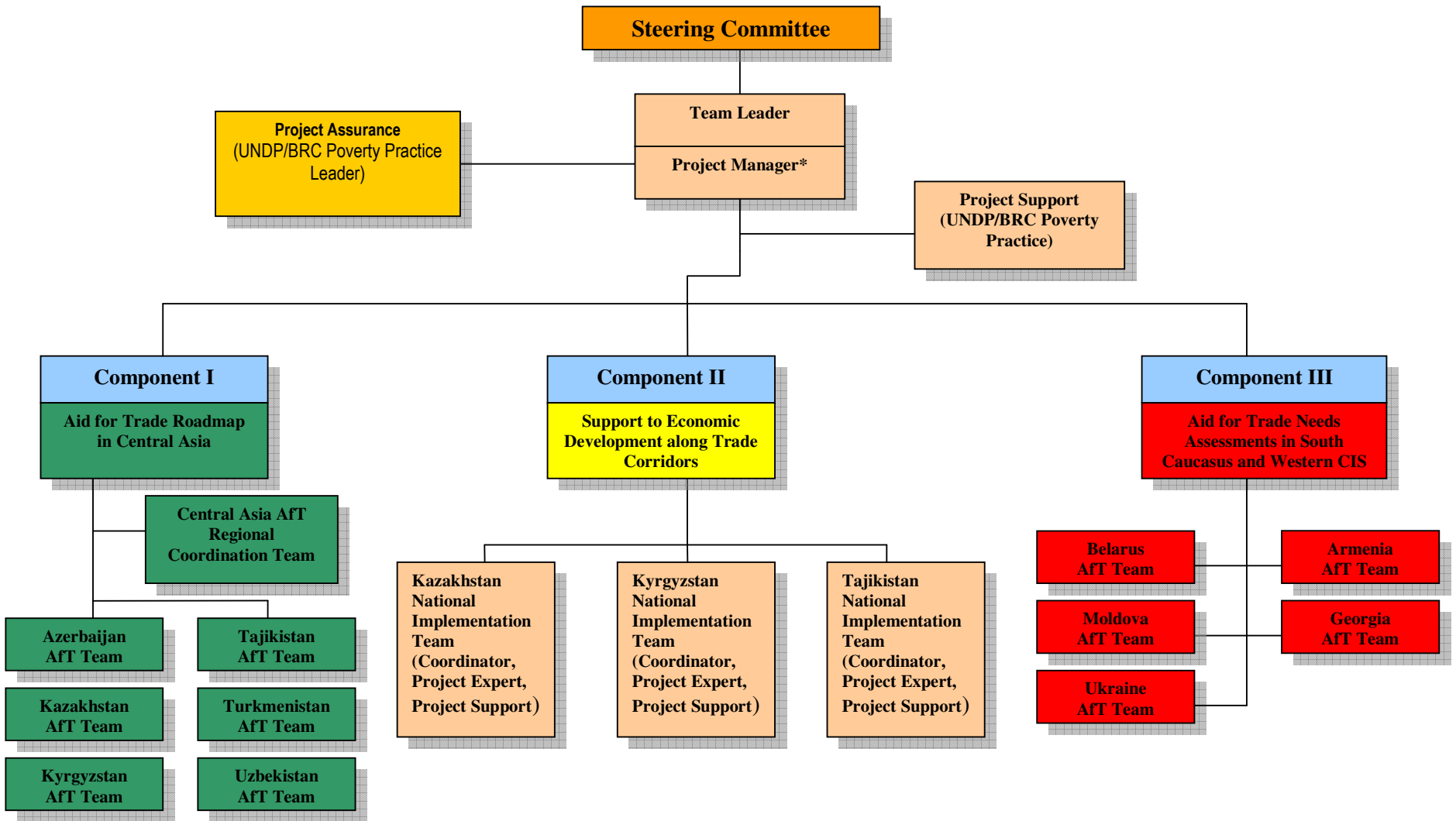
The *Project Assurance* role will be guaranteed by the UNDP/BRC Poverty Practice Team Leader. Policy Advisors under the Poverty Reduction, Capacity Development and Environment practices are expected to provide advisory services, when required.

In each country where an *AfT Needs Assessment* is conducted (*Component I* and *III*) an *Aid for Trade Country Team* will be established during the inception phase (See Chapter 3). The AfT Country Team will act as an advisory body and will be designed to assure national ownership. It should be composed by members of the government, members of the PRSP National Committee, representatives from the civil society and private sector, and development partners. The AfT Country Team will (a) ensure effective coordination and buy-in among government agencies and other stakeholders; (b) assess and validate the *AfT Needs Assessments*; (c) monitor *AfT Needs Assessment* follow up actions and facilitate trade mainstreaming into national development strategies; (d) be instrumental for national level donor coordination.

A *Regional Aid for Trade Coordination Team* will be established to overview the AfT road map in Central Asia and to facilitate the organization of the Ministerial Meeting planned for the second quarter of 2010. The team will be composed by the Team Leader, Project Manager, focal points from partner organizations and consultant(s).

Activities under the *Component II (Aid for Trade for Central Asia: Support to Economic Development along Trade Corridors)* will be implemented by a *National Implementation Team* composed by competent local staff, including a National Coordinator, junior expert(s) and project support. The National Coordinator will respond to the Project Manager and to the assigned officer from the UNDP country office.

Specific activities under this project may be conducted in coordination and collaboration with internal and external partners, or outsourced to independent experts, interns, Non Governmental Organizations (NGOs) or other partner organizations following UNDP's contracting rules and regulations. Organization structure of the project is presented in Figure 6.1.



\*The Project Manager is a function executed through the participating offices

Figure 6.1 Organizational structure of the project

## 7. MONITORING AND EVALUATION

In accordance with the programming policies and procedures outlined in the *UNDP Programme & Operations Policies and Procedures (POPP)*, the project will be monitored through the standard formats presented in the present Section and in the Annexes. The description below will refer to the UNDP's *Enterprise Resource Planning (ERP)* system called *Atlas* (this system will be used for financial and operational management of the project).

### Monitoring

Implementation of the project will be monitored quarterly (i.e., within annual cycle) and annually.

Quarterly monitoring will be based on *Quarterly Progress Reports* and *Quarterly Financial Report*. Quarterly Progress Reports shall be submitted by the Project Manager to the Steering Committee and shall be composed of:

- a) A technical narrative part (including progress monitoring and quality management based on quality criteria and methods). The minimum format for the text includes: (1) the extent of achievements of results; (2) Carrying out of activities; (3) Delivery of means; (4) Possible changes within the sector and in the project environment in general and their effects on the project; and (5) Proposal for changes in the planned activities.
- b) *Issue Log update* (activated in Atlas and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change);
- c) *Risk Log update* (activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation);
- d) *Lesson-learned Log update* (activated in Atlas and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project);
- e) *Monitoring Schedule Plan update* (activated in Atlas and updated to track key management actions/events);

A Quarterly Financial Report shall be submitted by the Project Manager to the Steering Committee and shall contain an executive summary, a comparison of planned budget with actual expenditures, explanation of differences between budget and expenditures, cumulative expenditures by the beginning of the year.

Annual monitoring will be based on *Annual Review Report* and *Annual Project Review*. An Annual Review Report shall be prepared by the Project Manager and approved by the Steering Committee. The Annual Review Report (as minimum) shall consist of the *Monitoring Report Format* and the *Annual Financial Report* based on recorded expenditures in Atlas. The minimum *Monitoring Report Format* includes the following sections:

- a) *Summary*;
- b) *Proposals for changes in the project (if any) and justification*;
- c) *Assessment of the intervention* (i.e. correspondence the priority needs of beneficiaries – relevance; assessment of impact towards the long-term development goal; extent of achievement of the project purpose – effectiveness; extent of achievement of results; description of implemented activities);
- d) *Risk Log and Issue Log updates* (i.e. possible changes in the project environment, including materialisation of assumptions and risks, and their effects on the project);
- e) *Factors ensuring compatibility and sustainability* (i.e. compatibility with strategic goals of Finnish development cooperation and relevant updates in policy environment, economic and financial feasibility, institutional capacity building, socio-cultural aspects, participation and ownership, gender, environment, and appropriate technology);

f) *Implementation modalities and lessons learned.*

Based on the report described above, an Annual Project Review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the *Annual Work Plan* for the following year. In the last year of project implementation, this review will be a final assessment. This review is driven by the Steering Committee and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.

Evaluation

An independent external evaluation will be conducted before the termination of the project. The evaluation shall review the projects results, identify lessons learned and provide recommendations for the second phase (see Chapter 2). Since the project timeframe is less than two years, the evaluation shall focus on relevance, results and effectiveness/efficiency of project implementation. Selected external evaluator(s) is expected to follow relevant guidelines from UNDP and the relevant decisions of the Steering Committee.

## **8. LEGAL CONTEXT**

This regional project document shall be the instrument referred to as such in Article I of the Standard Basic Assistance Agreement (SBAA) between the Governments participating and the United Nations Development Programme.

## ANNEX 1 PROJECT RESULTS AND RESOURCES FRAMEWORK

<p><b>Intended Outcome as stated in the Country Programme Results and Resource Framework:</b></p> <p>EUR_OUTCOME27: Increased adoption of pro-poor trade reforms introduced in the region by governments, civil society organizations, donors and implementing agencies</p>
<p><b>Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets:</b></p> <ol style="list-style-type: none"> <li>1. Number of UNDP, CSO, donors, and government officials utilizing trade and human development policy assessment and development tools.</li> <li>2. Number of trade and human development policy initiatives conducted jointly with other UNDP bureaus and UN agencies in RBEC.</li> <li>3. Number of trade and human development reform efforts adopted by UNDP, UN agencies, CSOs and governments in RBEC.</li> </ol>
<p><b>Applicable Key Result Area (from 2008-11 Strategic Plan):</b> Fostering inclusive globalization</p>
<p><b>Partnership Strategy</b> BRC and national teams will liaise closely with beneficiary countries institutions (national and local administrations) and international organizations such as UNECE, UNESCAP, ITC, EBRD, the Asian Development Bank (ADB), Islamic Development Bank (IDB) and Islamic Trade Finance Corporation (ITFC), as well as with other key partners such as the European Union, bi-laterals working in the region (e.g. USAID, GTZ) and with regional coordination body such SPECA and CAREC. To assure strong national ownership and coordination with other development projects in each country the Aft Country Teams will be composed by members of the government and of the PRSP National Committee, representatives from the civil society and private sector, Embassy Attaché from the Government of Finland and other development partners. National members of Aft Country Teams will be identified and nominated during inception mission. More details, including partnerships with existing projects, can be found in section 3.</p>
<p><b>Project title and ID (ATLAS Award ID):</b> WIDER EUROPE: AID FOR TRADE FOR CENTRAL ASIA, SOUTH CAUCASUS AND WESTERN CIS</p>

INTENDED OUTPUTS	OUTPUT TARGETS FOR [2009/2010]	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS
<p><b>OUTPUT 1:</b> <b>Central Asia: Identification of country and regional priorities, capacity gaps and technical assistance requirements in the period of economic crisis and post-crisis recovery .</b></p> <p>1.1 Number and quality of national Aft Needs Assessments completed</p> <p><i>Baseline: Pilot trade and human development reports in Kazakhstan, Kyrgyzstan and Uzbekistan</i></p> <p>1.2 Number of national Aft events organized, participation and participants' assessment</p>	<p>Targets 1.1 [2009] <i>Aft Needs Assessments drafts finalized for validation in 6 countries</i></p> <p>Targets 1.1 [2010] <i>High quality [experts' evaluation] Aft Needs Assessments finalized in 6 countries</i></p> <p>Targets 1.2 [2009] -</p>	<p><b>1. Preparation (drafting terms of reference; selection of national teams of experts; inception mission)</b> a. Drafting terms of reference; b. Selection of national teams of experts; c. Inception mission (establishing national context, informing key stakeholders, i.e., relevant policy makers, UNDP offices, key donors present in particular countries, national think tanks and academia; about planned activities etc.); d. Establishment of a National Aid for Trade Team.</p> <p><b>2. Aft Needs Assessments and identification of national priorities</b> a. Desk survey; b. Background studies and data collection; c. Consultations with experts policy makers and key stakeholders; d. Drafting national Aft Report.</p>	<p>UNDP (Project Manager)</p> <p>UNDP (Team Leader, Country Office)</p>	<p>Staff time Travel costs Total budget USD 19,763</p> <p>Staff time International Consultant National Consultants Travel costs Total budget USD 65,876</p>

<p><i>Baseline:</i></p> <p>1.3 Number and scope of national AfT interventions proposed</p>	<p>Targets 1.2 [2010] <i>At least 1 event per country; at least 25 participants; civil society organizations, private sector, government officials, academia and development partners; average evaluation "good"</i></p> <p>Targets 1.3 [2009] -</p>	<p><b>3. Organization of national consultations, validation and national awareness raising</b> a. National meeting (round table) with national and international experts, national policy makers and other stakeholders (presentation and discussion of the draft of national AfT Needs Assessment); b. Incorporation of the comments received into drafts of national AfT Needs Assessments; c. Discussions and validation of AfT Needs Assessments by national policy makers.</p>	<p>UNDP (Team Leader, Country Office)</p>	<p>Staff time International Consultant National Consultants Travel costs Events' organization (venue, etc.) Total budget USD 13,175</p>
<p><i>Baseline:</i> -</p> <p>1.4 Production (yes/no) and quality of the AfT Regional Review</p>	<p>Targets 1.3 [2010] <i>3 per country</i></p> <p>Targets 1.4 [2009] <i>AfT Regional Review's outline agreed with partners</i></p> <p>Targets 1.4 [2010] <i>A high quality [experts' assessment] AfT Regional Review published</i></p>	<p><b>4. Publishing (editing and printing) of national AfT Needs Assessments</b> a. Editing and publishing AfT Needs Assessments (in English and national languages); b. Translating and printing hardcopies of national AfT Needs Assessments in English and national languages; c. Preparation of research papers (based on national AfT Needs Assessments) for the publication for broad international audience in Problems of Economic Transition (international economic journal published in the US, edited at UNDP Bratislava Regional Centre).</p>	<p>UNDP (Project Manager)</p>	<p>Staff time International Consultant Service companies (editing, translation, layout, printing) Total budget USD 32,938</p>
<p><i>Baseline:</i> -</p> <p>1.5 Number of identified AfT interventions at the regional level</p>	<p>Targets 1.5 [2009] -</p> <p>Targets 1.5 [2010] <i>3 regional AfT interventions identified</i></p>	<p><b>5. Development of AfT project concept notes for potential donor interventions:</b> a) Preparation of AfT project concept notes for donor interventions on national level; b) Preparation of AfT project concept notes for donor interventions on sub-regional level; c) Presentation of AfT project concept notes to development partners.</p>	<p>UNDP (Team Leader)</p>	<p>Staff time Total budget USD 0</p>
<p><i>Baseline:</i> -</p>		<p><b>6. Preparation of Regional AfT Review</b> a. Identification of regional priorities; b. Preparation of Regional AfT Review; c. Editing and printing hardcopies of Regional AfT Review in English; d. Translating and printing hardcopies of Regional AfT Review in Russian.</p>	<p>UNDP (Team Leader)</p>	<p>Staff time Senior International Consultant Service companies (editing, translation, layout, printing) Travel costs Total budget USD 13,175</p> <p>Staff time</p>





<p>2.5. Number of governmental officers and entrepreneurs trained</p> <p><u>Baseline:</u> -</p> <p>2.6. Number of workable and sustainable solutions (supply chain strategies or production) for producing and exporting key green commodities originating identified</p> <p><u>Baseline:</u> -</p>	<p><i>service deliverer staff is trained.</i></p> <p>Targets 2.4 [2010] <i>Microfinance scheme is established in at least 2 countries; at least 50 enterprise/entrepreneurs receive a microloan</i></p> <p>Targets 2.5 [2009] <i>identification of at least 3 trainings or capacity building interventions in each area of project implementation [including terms of reference/curricula]</i></p> <p>Targets 2.5 [2010] <i>the target will be set after the identification of trainings [by the second quarter of implementation]</i></p> <p>Targets 2.6 [2009] <i>Baseline study developed.</i></p> <p>Targets 2.6 [2010] <i>3 solutions identified for each area of project implementation</i></p>	<p>j. Facilitation of an B2B event with at least enterprises from 2 countries; k. Identification of information about the potential impacts of climate change on agricultural commodities and available insurance products.</p> <p><b>4. Expanding SMEs' access to financial services</b> a. Design of suitable microfinance product(s) b. Identification of a microfinance service provider through a competitive bid (Microfinance Institution) c. Provision of ad-hoc training for the service provider d. Provision of microfinance products/services in the selected regions of project implementation by the selected Microfinance Institution</p> <p><b>5. Promotion of environmentally friendly technologies and green commodity production</b> a. Mainstream environment considerations in project implementation; b. Identification and customization of workable and sustainable solutions (supply chain strategies, production techniques) for producing and exporting key green commodities originating in the region; c. Establishment of partnerships with environment related projects to scale up the impact.</p>	<p>UNDP (Project Manager)</p> <p>UNDP (Project Manager)</p>	<p>Staff time Travel costs Grant agreement Total budget USD 263,505</p> <p>Staff time International Consultant (depending on training topics) Service companies (editing, translation, layout, printing) Travel Costs Total budget USD 92,227</p>
<p><b>OUTPUT 3:</b> South Caucasus and Western CIS: Identification of country and regional priorities, capacity gaps and technical assistance requirements in the period of economic crisis and post-crisis recovery</p> <p>3.1. Number and quality of <i>AfT Needs Assessments</i> completed</p> <p><u>Baseline:</u> -</p> <p>3.2. Number of national AfT events organized, participation and participants' assessment</p>	<p>Targets 3.1 [2009] -</p> <p>Targets 3.1 [2010] <i>High quality AfT Needs Assessments [experts' assessment] finalized in 6 countries</i></p> <p>Targets 3.2 [2009] -"</p>	<p><b>1. Preparation (drafting terms of reference; selection of national teams of experts; inception mission)</b> a. Drafting terms of reference; b. Selection of national teams of experts; c. Inception mission (establishing national context, informing key stakeholders, i.e., relevant policy makers, UNDP offices, key donors present in particular countries, national think tanks and academia; about planned activities etc.); d. Establishment of a National Aid for Trade Team.</p> <p><b>2. AfT Needs Assessments and identification of national priorities</b> a. Desk survey; b. Background studies and data collection; c. Consultations with experts policy makers and key stakeholders; d. Drafting national AfT Report.</p>	<p>UNDP (Project Manager)</p> <p>UNDP (Team Leader)</p>	<p>Staff time Travel costs Total budget USD 19,736</p> <p>Staff time International Consultant National Consultants Travel costs Total budget USD 65,876</p>



**ANNEX 2 WORKPLAN SUMMARY (ORIGINAL BUDGET IN EURO)**

COMPONENT I	Indicative Activities	TIMEFRAME						BUDGET (USD)
		2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	
<b>PROJECT RESULT 1</b> Central Asia: Identification of country and regional priorities, capacity gaps and technical assistance requirements in the period of economic crisis and post-crisis recovery	Inception mission to Central Asia							19,763
	AfT Needs Assessments and identification of national priorities							65,876
	Organization of national consultations, validation and national awareness raising							13,175
	Publishing (editing and printing) of national AfT Needs Assessments (6 papers each one in 2 languages)							32,938
	Development of AfT project concept notes for potential donor interventions							0
	Preparation of Regional AfT Review							13,175
	Linking AfT Needs Assessments with regional meetings.							13,175
<b>TOTAL COMPONENT I</b>								<b>158,103</b>

COMPONENT II	Indicative Activities	TIMEFRAME						BUDGET (USD)
		2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	
<b>PROJECT RESULT 2</b> Central Asia: Private sector capacity enhanced to increase exports and to gain from new transport infrastructure	Trade marketing baseline assessment for export promotion interventions							65,876
	Capacity building on trade mainstreaming							32,938
	Establishment of regional export promotion centers (including local staff)							612,648
	Expanding SMEs' access to financial services							263,505
	Promotion of environmentally friendly technologies and green commodity production							92,227
<b>TOTAL COMPONENT II</b>								<b>1,043,478</b>

COMPONENT III	Indicative Activities	TIMEFRAME						BUDGET (USD)
		2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	
<b>PROJECT RESULT 3</b> South Caucasus and Western CIS: Identification of country and regional priorities, capacity gaps and technical assistance requirements in the period of economic crisis and post-crisis recovery	Preparation (drafting terms of reference; selection of national teams of experts; inception missions)							19,763
	AfT Needs Assessments and identification of national priorities							65,876
	Organization of national consultations, validation and national awareness raising							13,175
	Publishing (editing and printing) of national AfT Needs Assessments (5 papers, each one in 2 languages)							32,938
	Development of AfT project concept notes for potential donor interventions							0
<b>TOTAL COMPONENT III</b>								<b>131,752</b>

<b>BUDGET ITEM</b>	<b>USD</b>
Project monitoring and travel	19,736
Knowledge management and participation to conferences	13,175
Final evaluation	26,350
Administrative costs (including office equipment and other office costs)	38,208
Programme Variation – Contingencies	13,175
<b>TOTAL MONITORING, EVALUATION, TRAVEL, MISCELLANEOUS</b>	<b>110,672</b>
Technical Assistance (Team Leader - 16 months) <sup>56</sup>	268,000
Project Manager Function	200,000
Project Assistant (16 months)	48,000
<b>TOTAL BUDGET - CORE STAFF</b>	<b>516,000</b>
<b>OTHER BUDGET ITEMS (SHARED COSTS)</b>	<b>626,672</b>
<b>GENERAL MANAGEMENT SERVICE (GMS – 7%)</b>	<b>147,563</b>
<b>TOTAL PROJECT BUDGET (DONOR CONTRIBUTION)</b>	<b>2,107,568</b>

#### **PARALLEL FINANCING (COMMITMENTS)**

<b>UNDP Bratislava Regional Center (MDG-S project i.e. Aft Need Assessment in Azerbaijan and Turkmenistan - plus 2 months core staff costs)</b>	<b>90,000</b>
<b>Islamic Trade Finance Corporation (ITFC)</b>	<b>170,000</b>
<b>PARALLEL FINANCING</b>	<b>260,000</b>

#### **PARALLEL FINANCING (OPPORTUNITIES TO BE DEFINED IN THE FIRST QUARTER OF PROJECT IMPLEMENTATION)**

Preliminary discussions with UNDP country offices and other UN agencies indicated possibility of cost-sharing and parallel financing. These partners (UNDP and UN) are:

- UNDP/UNEP Poverty and Environment Initiative (Kyrgyzstan and Tajikistan);
- UNDP area based development programmes in Kazakhstan, Kyrgyzstan and Tajikistan;<sup>57</sup>
- UNDP country programming in Georgia and Belarus.

Details of this partnership will be determined in the first quarter of project implementation.




<sup>56</sup> Profile and job requirements for Team Leader and Project Management Functions are provided in Annex 2

<sup>57</sup> Adherence to Paris Principles for Effective Aid national ownership and dialogue will be prioritized throughout this project. To this end each participating UNDP office will be allocated the cost of 1/3 of a National Programme Officer time per year.

## ANNEX 3 TENTATIVE ANNUAL WORKPLANS

### WORKPLAN YEAR 2009

EXPECTED OUTPUTS	PLANNED ACTIVITIES	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET		
		Q1	Q2	Q3	Q4		Funding Source	Budget Description	Amount USD
OUTPUT 1: Central Asia: Identification of AFT national and regional priorities, capacity gaps and technical assistance requirements in the period of economic crisis and post-crisis recovery	1. Technical assistance (Team Leader)					UNDP	Donor (Gov. of Finland), TRAC	Salaries - IP Staff (61300)	13,400
	2. Project implementation (Project Manager)					UNDP	Donor (Gov. of Finland), TRAC	Salaries - IP Staff (61300)	10,000
	3. Project administration (Project Assistant)					UNDP	Donor (Gov. of Finland)	Contractual Services - Individ (61300)	2,400
	4. Project support and knowledge sharing (other costs)					UNDP	Donor (Gov. of Finland)	Travel (71600)	5,534

<p>5. Preparation (drafting terms of reference; selection of national teams of experts; inception mission)</p> <p>a. Drafting terms of reference;</p> <p>b. Selection of national teams of experts;</p> <p>c. Inception mission (establishing national context, informing key stakeholders, i.e., relevant policy makers, UNDP offices, key donors present in particular countries, national think tanks and academia; about planned activities etc.);</p> <p>d. Establishment of a National Aid for Trade Team.</p>		<p>UNDP</p>	<p>Donor (Gov. of Finland)</p>	<p>Travel (71600)</p>	<p>19,763</p>	
<p>6. AFT Needs Assessments and identification of national priorities</p> <p>a. Desk survey;</p> <p>b. Background studies and data collection;</p> <p>c. Consultations with experts policy makers and key stakeholders;</p> <p>d. Drafting national Aft Report.</p>			<p>UNDP</p>	<p>Donor (Gov. of Finland)</p>	<p>Local Consultants (71300)</p>	<p>47,431</p>
<p>Travel (71600)</p>			<p>5,270</p>			
<p>7. Organization of national consultations, validation and national awareness raising</p> <p>a. National meeting (round table) with national and international experts, national policy makers and other stakeholders (presentation and discussion of the draft of national Aft Needs Assessment);</p> <p>b. Incorporation of the comments received into drafts of national Aft Needs Assessments;</p> <p>c. Discussions and validation of Aft Needs Assessments by national policy makers.</p>		<p>UNDP</p>	<p>Donor (Gov. of Finland)</p>	<p>Travel (71600)</p>	<p>5,270</p>	
<p>Hospitality (72700)</p>	<p>5,270</p>					

8. Publishing (editing and printing) of national AfT Needs Assessments a. Editing and publishing AfT Needs Assessments (in English and national languages); b. Translating and printing hardcopies of national AfT Needs Assessments in English and national languages		UNDP	Donor (Gov. of Finland)	Audio Visual&Print Prod Costs (74200)	32,938
9. Preparation of Regional AfT Review a. Identification of regional priorities; b. Preparation of Regional AfT Review; c. Editing and printing hardcopies of Regional AfT Review in English; d. Translating and printing hardcopies of Regional AfT Review in Russian.		UNDP	Donor (Gov. of Finland)	International Consultant (71200)	1,845
10. Linking AfT Needs Assessments with regional meetings a. Presentation of key messages from selected documents produced within the project (Regional AfT Review, and national AfT Needs Assessments) on Ministerial Meeting; b. Preparation of Conference statement; c. Preparation of the Final Report from the Aid for Trade (AfT) Road Map for SPECA countries (Ministerial meeting).		UNDP	Donor (Gov. of Finland)	International Consultant (71200)	-
				Audio Visual&Print Prod Costs (74200)	791
				Travel (71600)	-

TOTAL OUTPUT 1		149,911
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**OUTPUT 2: Private sector capacity enhanced to increase exports and to gain from new transport infrastructure**

1. Technical assistance (Team Leader)		UNDP	Donor (Gov. of Finland), TRAC	Salaries - IP Staff (61300)	40,200
2. Project implementation (Project Manager)		UNDP	Donor (Gov. of Finland), TRAC	Salaries - IP Staff (61300)	30,000
3. Project administration (Project Assistant)		UNDP	Donor (Gov. of Finland)	Contractual Services - Individ (61300)	7,200
4. Project support and knowledge sharing (other costs)		UNDP	Donor (Gov. of Finland)	Travel (71600)	16,601
5. Trade marketing baseline assessment for export promotion interventions a. Assessment design and terms of reference; b. Formation of a baseline team; c. Gathering of information; d. Production of a report; e. Validation workshop with local authorities a		UNDP	Donor (Gov. of Finland)	Local Consultants (71300) Travel (71600)	39,526 26,350
6. Capacity building on trade mainstreaming a. Conduction of one seminar/training targeted to local public institutions; b. Conduction of one seminar/training for business associations, farmers associations and cooperatives and business support institutions; c. Advisory support for the establishment of "an export alliance".		UNDP		Travel (71600) Hospitality (72700)	17,523 5,534



<p>7. Establishing regional export promotion centers</p> <p>a. Hiring of implementation team;</p> <p>b. Establishment of a trade export promotion center;</p> <p>c. Gathering of price information for selected products/commodities;</p> <p>d. Deployment of a price information system;</p> <p>e. Development of curricula for 3 training modules (SMEs/farmers);</p> <p>f. Training of trainers;</p> <p>g. Conduction of at least 3 training courses (SMEs/farmers);</p> <p>h. Creation of a database of exporting or ready to export firms;</p> <p>i. Establishments of contacts with sister institutions in identified target export countries;</p> <p>j. Facilitation of an B2B event with at least enterprises from 2 countries;</p> <p>k. Identification of information about the potential impacts of climate change on agricultural commodities and available insurance products.</p>		UNDP	Donor (Gov. of Finland)	<p>International Consultant (71200)</p> <p>Local Consultant (71300)</p> <p>Equipment and Furniture (72200)</p> <p>Hospitality (72700)</p> <p>Contractual Services - Individ (72400)</p> <p>Travel (71600)</p>	<p>37,549</p> <p>47,431</p> <p>8,696</p> <p>9,881</p> <p>47,431</p> <p>25,692</p>
<p>Expanding SMEs' access to financial services</p> <p>a. Design of suitable microfinance product(s);</p> <p>b. Identification of a microfinance service provider through a competitive bid (Microfinance Institution);</p> <p>c. Provision of ad-hoc training for the service provider;</p> <p>d. Provision of microfinance products/services in selected regions of project implementation by the chosen Microfinance Institution.</p>		UNDP	Donor (Gov. of Finland)	<p>Micro Capital Grants-Credit (72600)</p> <p>Travel (71600)</p>	<p>71,146</p> <p>7,905</p>

<p>9. Promotion of environmentally friendly technologies and green commodity production. Mainstream environment considerations in project implementation;b. Identification and customization of workable and sustainable solutions (supply chain strategies, production techniques) for producing and exporting key green commodities originating in the region;c. Establishment of partnerships with environment related projects to scale up the impact.</p>		UNDP	Donor (Gov. of Finland)	International Consultant (71200)	19,763
				Hospitality (72700)	2,372
				Travel (71600)	5,534
<b>TOTAL OUTPUT 2</b>					<b>466,333</b>
<p><b>OUTPUT 3: South Caucasus and Western CIS: Identification of Aft country priorities, capacity gaps and technical assistance requirements in the period of economic crisis and post-crisis recovery.</b></p>	1. Technical assistance (Team Leader)	UNDP	Donor (Gov. of Finland)		-
	2. Project implementation (Project Manager)	UNDP	Donor (Gov. of Finland)		-
	3. Project administration (Project Assistant)	UNDP	Donor (Gov. of Finland)		-
	4. Project support and knowledge sharing (other costs)	UNDP	Donor (Gov. of Finland)		-

<p>5. Preparation (drafting terms of reference; selection of national teams of experts; inception mission)</p> <p>a. Drafting terms of reference;</p> <p>b. Selection of national teams of experts;</p> <p>c. Inception mission (establishing national context, informing key stakeholders, i.e., relevant policy makers, UNDP offices, key donors present in particular countries, national think tanks and academia; about undertaken activities, strengthening national ownership, etc.).</p>		UNDP	Donor (Gov. of Finland)		-
<p>6. Aft Needs Assessments and identification of national priorities</p> <p>a. Desk survey;</p> <p>b. Background studies and data collection;</p> <p>c. Consultations with experts policy makers and key stakeholders;</p> <p>d. Drafting national Aft Report.</p>		UNDP	Donor (Gov. of Finland)		-
<p>7. Organization of national consultations, validation and national awareness raising</p> <p>a. National meeting (round table) with national and international experts, national policy makers and other stakeholders (presentation and discussion of the draft of national Aft Needs Assessment);</p> <p>b. Incorporation of the comments received into drafts of national Aft Needs Assessments;</p> <p>c. Discussions and validation of Aft Needs Assessments by national policy makers.</p>		UNDP	Donor (Gov. of Finland)		-

8. Publishing (editing and printing) of national Aft Needs Assessments a. Editing and publishing Aft Needs Assessments (in English and national languages); b. Translating and printing hardcopies of national Aft Needs Assessments in English and national languages;		UNDP	Donor (Gov. of Finland)	-
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<b>TOTAL OUTPUT 3</b>				-
<b>TOTAL BUDGET YEAR 2009</b>				<b>616,243</b>

#### WORKPLAN YEAR 2010

EXPECTED OUTPUTS	PLANNED ACTIVITIES	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET		
		Q1	Q2	Q3	Q4		Funding Source	Budget Description	Amount
OUTPUT 1: Central Asia: Identification of Aft national and regional priorities, capacity gaps and technical assistance requirements in the period of economic crisis and post-crisis recovery	1. Technical assistance (Team Leader)					UNDP	Donor (Gov. of Finland)	Salaries - IP Staff (61300)	40,200
	2. Project implementation (Project Manager)					UNDP	Donor (Gov. of Finland)	Salaries - IP Staff (61300)	30,000
	3. Project administration (Project Assistant)					UNDP	Donor (Gov. of Finland)	Contractual Services - Individ (61300)	7,200
	4. Project support and knowledge sharing (other costs)					UNDP	Donor (Gov. of Finland)	Travel (71600)	16,601

<p>5. Preparation (drafting terms of reference; selection of national teams of experts; inception mission)</p> <p>a. Drafting terms of reference;</p> <p>b. Selection of national teams of experts;</p> <p>c. Inception mission (establishing national context, informing key stakeholders, i.e., relevant policy makers, UNDP offices, key donors present in particular countries, national think tanks and academia; about planned activities etc.);</p> <p>d. Establishment of a National Aid for Trade Team.</p>		UNDP	Donor (Gov. of Finland)		-
<p>6. Aft Needs Assessments and identification of national priorities</p> <p>a. Desk survey;</p> <p>b. Background studies and data collection;</p> <p>c. Consultations with experts policy makers and key stakeholders;</p> <p>d. Drafting national Aft Report.</p>		UNDP	Donor (Gov. of Finland)	Local Consultants (71300)	11,858
<p>7. Organization of national consultations, validation and national awareness raisinga. National meeting (round table) with national and international experts, national policy makers and other stakeholders (presentation and discussion of the draft of national Aft Needs Assessment);b. Incorporation of the comments received into drafts of national Aft Needs Assessments;c. Discussions and validation of Aft Needs Assessments by national policy makers.</p>		UNDP	Donor (Gov. of Finland)	Travel (71600)	1,318
				Hospitality (72700)	1,318

8. Publishing (editing and printing) of national AfT Needs Assessments a. Editing and publishing AfT Needs Assessments (in English and national languages); b. Translating and printing hardcopies of national AfT Needs Assessments in English and national languages		UNDP	Donor (Gov. of Finland)	Audio Visual&Print Prod Costs (74200)	-
9. Preparation of Regional AfT Review a. Identification of regional priorities; b. Preparation of Regional AfT Review; c. Editing and printing hardcopies of Regional AfT Review in English; d. Translating and printing hardcopies of Regional AfT Review in Russian.		UNDP	Donor (Gov. of Finland)	International Consultant (71200)	7,378
10. Linking AfT Needs Assessments with regional meetings 10. Linking AfT Needs Assessments with regional meetings a. Presentation of key messages from selected documents produced within the project (Regional AfT Review, and national AfT Needs Assessments) on Ministerial Meeting; b. Preparation of Conference statement; c. Preparation of the Final Report from the Aid for Trade (AfT) Road Map for SPECA countries (Ministerial meeting).		UNDP	Donor (Gov. of Finland)	International Consultant (71200)	3,953
				Travel (71600)	9,223
<b>TOTAL OUTPUT 1</b>					<b>133,526</b>

**OUTPUT 2: Private sector capacity enhanced to increase exports and to gain from new transport infrastructure**

1. Technical assistance (Team Leader)		UNDP	Donor (Gov. of Finland), TRAC	Salaries - IP Staff (61300)	120,600
2. Project implementation (Project Manager)		UNDP	Donor (Gov. of Finland), TRAC	Salaries - IP Staff (61300)	90,000
3. Project administration (Project Assistant)		UNDP	Donor (Gov. of Finland)	Contractual Services - Individ (61300)	21,600
4. Project support and knowledge sharing (other costs, including evaluation)		UNDP	Donor (Gov. of Finland)	International Consultant (71200)	19,802
				Travel (71600)	30,000
5. Trade marketing baseline assessment for export promotion interventions a. Assessment design and terms of reference; b. Formation of a baseline team; c. Gathering of information; d. Production of a report; e. Validation workshop with local authorities and stakeholders; f. Identification of follow up actions.		UNDP	Donor (Gov. of Finland)		- -
6. Capacity building on trade mainstreaming. Conduction of one seminar/training targeted to local public institutions;		UNDP		Travel (71600)	2,372

<p>b. Conduction of one seminar/training for business associations, farmers associations and cooperatives and business support institutions;c. Advisory support for the establishment of “an export alliance”.</p>				<p>Hospitality (72700)</p>	<p>7,510</p>
<p>7. Establishing regional export promotion centers  a. Hiring of implementation team;  b. Establishment of a trade export promotion center;  c. Gathering of price information for selected products/commodities;  d. Deployment of a price information system;  e. Development of curricula for 3 training modules (SMEs/farmers);  f. Training of trainers;  g. Conduction of at least 3 training courses (SMEs/farmers);  h. Creation of a database of exporting or ready to export firms;  i. Establishments of contacts with sister institutions in identified target export countries;  j. Facilitation of an B2B event with at least enterprises from 2 countries;  k. Identification of information about the potential impacts of climate change on agricultural commodities and available insurance products.</p>		<p>UNDP</p>	<p>Donor (Gov. of Finland)</p>	<p>International Consultant (71200)</p> <p>Local Consultant (71300)</p> <p>Equipment and Furniture (72200)</p> <p>Hospitality (72700)</p> <p>Contractual Services - Individ (72400)</p> <p>Travel (71600)</p>	<p>87,615</p> <p>110,672</p> <p>20,290</p> <p>23,057</p> <p>110,672</p> <p>59,947</p>



Expanding SMEs' access to financial services a. Design of suitable microfinance product(s); b. Identification of a microfinance service provider through a competitive bid (Microfinance Institution); c. Provision of ad-hoc training for the service provider; d. Provision of microfinance products/services in selected regions of project implementation by the chosen Microfinance Institution.				UNDP	Donor (Gov. of Finland)	Micro Capital Grants-Credit (72600)	166,008	
						Travel (71600)	18,445	
9. Promotion of environmentally friendly technologies and green commodity production a. Mainstream environment considerations in project implementation; b. Identification and customization of workable and sustainable solutions (supply chain strategies, production techniques) for producing and exporting key green commodities originating in the region; c. Establishment of partnerships with environment related projects to scale up the impact.				UNDP	Donor (Gov. of Finland)	International Consultant (71200)	46,113	
						Hospitality (72700)	5,534	
						Travel (71600)	12,912	
<b>TOTAL OUTPUT 2</b>							<b>953,149</b>	
<b>OUTPUT 3: South Caucasus and Western CIS: Identification of Aft country priorities, capacity gaps and technical assistance requirements in the period of economic crisis and post-crisis recovery.</b>	1. Technical assistance (Team Leader)				UNDP	Donor (Gov. of Finland)	Salaries - IP Staff (61300)	53,600
	2. Project implementation (Project Manager)				UNDP	Donor (Gov. of Finland)	Salaries - IP Staff (61300)	40,000

3. Project administration (Project Assistant)					UNDP	Donor (Gov. of Finland)	Contractual Services - Individ (61300)	9,600
4. Project support and knowledge sharing (other costs)					UNDP	Donor (Gov. of Finland)	Travel (71600)	22,134
5. Preparation (drafting terms of reference; selection of national teams of experts; inception mission)a. Drafting terms of reference;b. Selection of national teams of experts;c. Inception mission (establishing national context, informing key stakeholders, i.e., relevant policy makers, UNDP offices, key donors present in particular countries, national think tanks and academia; about undertaken activities, strengthening national ownership, etc.).					UNDP	Donor (Gov. of Finland)	Travel (71600)	19,763
6. Aft Needs Assessments and identification of national priorities a. Desk survey; b. Background studies and data collection; c. Consultations with experts policy makers and key stakeholders; d. Drafting national Aft Report.					UNDP	Donor (Gov. of Finland)	Local Consultant (71300)  Travel (71600)	59,289  6,588
7. Organization of national consultations, validation and national awareness raising a. National meeting (round table) with national and					UNDP	Donor (Gov. of Finland)	Travel (71600)	6,588

<p>international experts, national policy makers and other stakeholders (presentation and discussion of the draft of national AfT Needs Assessment);  b. Incorporation of the comments received into drafts of national AfT Needs Assessments;  c. Discussions and validation of AfT Needs Assessments by national policy makers.</p>				<p>Hospitality (72700)</p>	<p>6,588</p>
<p>8. Publishing (editing and printing) of national AfT Needs Assessments  a. Editing and publishing AfT Needs Assessments (in English and national languages);  b. Translating and printing hardcopies of national AfT Needs Assessments in English and national languages.</p>		<p>UNDP</p>	<p>Donor (Gov. of Finland)</p>	<p>Audio Visual&amp;Print Prod Costs (74200)</p>	<p>32,938</p>
<b>TOTAL OUTPUT 3</b>					<b>257,087</b>
<b>TOTAL BUDGET YEAR 2010</b>					<b>1,343,762</b>

## ANNEX 4: TERMS OF REFERENCE FOR CORE PROJECT STAFF (TEAM LEADER AND PROJECT MANAGER)

### UNITED NATIONS DEVELOPMENT PROGRAMME Regional Bureau for Europe and the CIS (RBEC)

*Post Title:* **TEAM LEADER**  
*Grade:* L-4  
*Duty Station:* UNDP Europe and the CIS Bratislava Regional Centre, Bratislava, Slovakia  
*Duration:* 1.5 year (with possible extension)  
*Starting date:* July 1st, 2009

#### **Background:**

Better integration into international trade plays an important role in global efforts to reduce poverty. Increasing exports provides new opportunities for enterprises to expand their production and to create more and better jobs. Exports are also a vital source of income to finance the import of goods and services that a country does not produce itself. Trade is an essential source of economic growth, has important impact on job creation, peoples' income and poverty reduction.

The Aid for Trade (AfT) agenda is one of key global initiatives aimed at strengthening the capacity of developing countries to participate in and benefit from international trade. A large part of AfT is focused on strengthening domestic production, such as creating an enabling business environment for enterprises or building economic infrastructure. AfT can be classified in five categories: 1) Trade Policy and Regulations, 2) Trade Development, 3) Economic Infrastructure, 4) Productive Capacity, 5) Adjustment Costs.

The Wider Europe Initiative is a framework programme to be prepared for Finland's development cooperation with former Soviet republics in order to promote stability and well-being extensively both in our partner countries and in the whole continent. The initiative comprises three regional cooperation programmes to be launched in Western CIS (Belarus, Moldova, Ukraine), South Caucasus (Armenia, Azerbaijan, Georgia) and Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan).

Taking into account common sectoral and geographical priorities of Finland's development cooperation and the UNDP Regional Bureau for Europe and the CIS (UNDP/RBEC), UNDP and The Government of Finland start a long term partnership in trade related development assistance to countries of Western CIS, South Caucasus and Central Asia. The project *WIDER EUROPE: AID FOR TRADE FOR CENTRAL ASIA, CAUCASUS AND WESTERN CIS* is expected to provide a background for broader AfT support in the region and for scaling up programmatic interventions implemented within the project in the next period.

The project focuses on three sub-regions: Western CIS (Belarus, Moldova, Ukraine), South Caucasus (Armenia, Azerbaijan, Georgia) and Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan) and consists of the following three components: Component I: Aid for Trade Road Map for Economies of Central Asia: Identification of National and Regional AfT Priorities; Component II: Aid for Trade for Central Asia: Support to Economic Development along Trade Corridors; Component III: Aid for Trade Needs Assessments in Western CIS.

The overall objective (development goal) is to foster inclusive economic growth in the region through the promotion of trade and the enhancement of country's competitiveness. The purpose of the project is to improve implementation of pro-poor trade reforms and trade capacity development measures through the identification of trade policy responses to the global economic crisis, trade related needs and capacity gaps, as well as an execution of piloting technical assistance interventions. More specifically, the project aims to

- 1) Articulate the AfT national and sub-regional priorities for countries of the region with special reference to the challenges and prospects during and after the global economic crisis (*Components I and III*).

- 2) Support economic development of the areas located along selected priority transport corridors in Central Asia, helping small and micro entrepreneurs in urban and rural areas, farmers and associations of farmers to gain from the opportunities the new transport infrastructure will bring to the regions and local communities placed along transport corridors through dissemination of international standards and procedures, identification of the products with the biggest trade potential, improvement of the understanding of the markets, matching potential trading partners, and thus improving the regions competitiveness, expanding trade and alleviating poverty (*Component II*).

The results of *Component I* include development of *AfT Needs Assessment* (in Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) identifying country priorities, capacity gaps and technical assistance requirements; and *AfT Regional Review* identifying regional needs, priorities and possible project interventions on regional level (results of *Component I* will provide substantive and analytical inputs for *Aid for Trade (AfT) Road Map for SPECA countries* Expert and Ministerial meetings). The results of *Component II* include enhancing private sector capacity in order to increase exports and to gain from new transport infrastructures. The results of *Component III* include *AfT Needs Assessment* (in Armenia, Azerbaijan, Georgia, Belarus, Moldova, and Ukraine) identifying country priorities, capacity gaps, technical assistance requirements and concrete AfT project interventions on national and sub-regional level (for Finnish AfT assistance in 2011-2013).

The project will be implemented by UNDP Europe and the CIS Bratislava Regional Centre (UNDP/BRC) in close cooperation with UNDP country offices in all eleven countries of Central Asia, Western CIS and Caucasus. The project will benefit from existing UNDP infrastructure and knowledge and experience of UNDP practitioners in the countries of project implementation and expertise accumulated at UNDP/BRC. Implementation of project *Component I* and *III* will benefit from already developed methodology and UNDP/BRC experience from similar activities undertaken in different countries of the region. Activities of the project *Component II* will be coordinated with UNDP area based development projects that are currently being implemented in Central Asia.

### **Duties and Responsibilities:**

The Team Leader is expected to provide overall guidance and leadership in the implementation of the project *WIDER EUROPE: AID FOR TRADE FOR CENTRAL ASIA, CAUCASUS AND WESTERN CIS*. She/he will act as chief technical advisor for all three components of the project. More specifically, the Team Leader is supposed to:

- Define the scope of the *AfT Needs Assessments* (in *Central Asia: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan*; and *Western CIS and Caucasus countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine*), describe methodology, and draft of outlines;
- Participate in the selection of national teams of experts to develop national *AfT Needs Assessments* (in all eleven countries);
- Provide methodological consultations and comments on the works in progress (in all eleven countries);
- Oversee the whole work, drafting process (*AfT Needs Assessment reports*), and ensure preparation of the final drafts in a homogenous style;
- Share *AfT Needs Assessments* with key stakeholders and ensure that their comments are incorporated;
- Maintain regular contacts with key stakeholders to discuss progress made and address direction and revise activities and planning as may be required;
- Maintain regular consultation with national and international stakeholders to facilitate coordination, encourage regional ownership and continuing international interest;
- Organize and take part in national consultations and awareness raising activities (at least one round table in each country);
- Supervise preparation of the layouts, translation (to English/Russian) and printing of the outputs produced;

- Ensure validation (of *AfT Needs Assessments*) by national policy makers;
- Participate in drafting of *Central Asia (Regional) AfT Review*;
- Maintain links with and provide substantive and analytical inputs for *Aid for Trade (AfT) Road Map for SPECA countries* Expert and Ministerial meetings (coordinate with all the stakeholders);
- Participate in drafting *Aid for Trade (AfT) Road Map for SPECA countries* conference (Ministerial meeting) statement and agreeing it with key stakeholders;
- Participate in drafting a Final Report from the *Aid for Trade (AfT) Road Map for SPECA countries* Ministerial meeting.
- Provide methodological support and supervise development of a trade marketing baseline assessment for export promotion interventions (in selected areas of Kazakhstan, Kyrgyzstan and Tajikistan);
- Provide advisory support to the establishment of an export alliance composed by local government institutions and business institutions and other activities implemented in selected areas of Kazakhstan, Kyrgyzstan and Tajikistan;
- Contribute to the capacity building on trade mainstreaming targeted at local public authorities in selected areas of Kazakhstan, Kyrgyzstan and Tajikistan;
- Provide advisory support to and participate in establishing *regional export promotion centres* in identified regions;
- Maintain links and coordinate with existing UNDP area based/local development projects implemented in selected areas of Kazakhstan, Kyrgyzstan and Tajikistan
- Oversee implementation of the project in selected areas of Kazakhstan, Kyrgyzstan and Tajikistan;
- Supervise preparation of reports for UNDP and the Government of Finland;
- Provide Project Manager with day-to-day advice related to the implementation of the overall project.

### **Competencies:**

#### Corporate competencies

- Demonstrates integrity by upholding the UN's values and ethical standards;
- Displays cultural, gender, religion, race, national and age sensitivity and adaptability;
- Treats all people fairly without favouritism;

#### Functional competencies

- Proven ability to coordinate production of reports and papers; ability to review the work of others;
- Demonstrated experience in research in the area of trade and social and economic development, and expertise in economic modelling and policy advice;
- Willingness to engage in extensive travel;
- Good managerial, communication, and interpersonal skills;
- IT literacy, familiarity with e-presentation techniques and ability to operate with on-line web-based applications;

#### Leadership

- Strong interpersonal, managerial, communication and advocacy skills; ability to work within a multi-disciplinary team; orientation towards service delivery and excellent facilitation and networking skills for building networks and partnerships;
- Focuses on impact and result for the client;
- Constructively approaches work with energy and positive constructive attitude;

#### Knowledge Management

- Pro-actively shares knowledge and experience and contributes to UNDP Practice Areas and actively works towards continuing personal learning and development;
- Possesses clear intellectual interest in the assigned practice work;
- Pro-actively shares knowledge and experience and contributes to UNDP Practice Areas and actively works towards continuing personal learning and development;
- Possesses in-depth practical knowledge of inter-disciplinary development issues;

**Minimum Requirements, Qualifications, and Experience:**

- Master's degree or an advanced degree in economics, international trade or another relevant social science area;
- At least 7 years of work experience involving the application of principles and concepts of economics and international trade in various contexts including through association with national and international policy-making, academia or foreign assistance programmes;
- Extensive experience with issues of poverty reduction, PRSPs, MDGs and social and economic development in transition economies; knowledge of contemporary social and development issues in the region's low-income and lower-middle income countries;
- Proven research and writing skills;
- Deep knowledge of and work experience in the countries of CIS;
- Familiarity with UNDP's mandate, UNDP project management procedures, and the human development concept;
- Full IT literacy and ability to operate with on-line web-based applications;
- Fluency in English and Russian is a must.

The assignment will require frequent travels in the region. Team Leader is expected to maintain good relations and work closely with UNDP/BRC staff and UNDP country offices in the region.

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Regional Bureau for Europe and the CIS (RBEC)**

**Post Title:** National Level Project Manager Function-  
**Grade:** National Office B (30% staff time per active country)  
**Duty Station:** UNDP Europe and the CIS Bratislava Regional Centre, Bratislava, Slovakia  
**Duration:** 1.5 year (with possible extension)  
**Starting date:** July 1st, 2009

**Background:**

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of farmers to gain from the opportunities the new transport infrastructure will bring to the regions and local communities placed along transport corridors through dissemination of international standards and procedures, identification of the products with the biggest trade potential, improvement of the understanding of the markets, matching potential trading partners, and thus improving the regions competitiveness, expanding trade and alleviating poverty (*Component II*).

The results (outputs) of *Component I* include development of *AfT Needs Assessment* (in Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) identifying country priorities, capacity gaps and technical assistance requirements; and *AfT Regional Review* identifying regional needs, priorities and possible project interventions on regional level (results of *Component I* will provide substantive and analytical inputs for *Aid for Trade (AfT) Road Map for SPECA countries* Expert and Ministerial meetings). The results of *Component II* include enhancing private sector capacity in order to increase exports and to gain from new transport infrastructures projects planned in the countries of Central Asia. The results of *Component III* include *AfT Needs Assessment* (in Armenia, Azerbaijan, Georgia, Belarus, Moldova, and Ukraine) identifying country priorities, capacity gaps, technical assistance requirements and concrete AfT project interventions on national and sub-regional level (for Finnish AfT assistance in 2011-2013).

The project will be implemented by UNDP Europe and the CIS Bratislava Regional Centre (UNDP/BRC) in close cooperation with UNDP country offices in all eleven countries of Central Asia, Western CIS and Caucasus. The project will benefit from existing UNDP infrastructure and knowledge and experience of UNDP practitioners in the countries of project implementation and expertise accumulated at UNDP/BRC. Implementation of project *Component I* and *III* will benefit from already developed methodology and UNDP/BRC experience from similar activities undertaken in different countries of the region. Activities of the project *Component II* will be coordinated with UNDP area based development projects that are currently being implemented in Central Asia.

### **Duties and Responsibilities:**

The project will be lead by the Team Leader and managed nationally by a UNDP appointed Project Manager, who will be responsible for the day-to-day management, project monitoring and decision-making. She/he will coordinate all activities within the project, including monitoring and financial reporting. The Project Manager responds primarily to Team Leader and through her/him to the Steering Committee. More specifically, the Project Manager is supposed to:

- Implement and manage activities within each respective country, which include preparing an annual work plan, procurement plans, and recruitment plans; managing a budget; monitoring expenditures;
- Manage the project staff on a day-to-day basis; provide guidance and feedback to staff and demonstrate sound management competencies
- Assess impact and effectiveness through regular consultations with national and international counterparts, tracking outputs and results, and ensuring timely and efficient delivery of project/programme outputs, monitoring and updating of ATLAS;
- Consolidate area-based thematic reports on implementation in a timely manner;
- Ensure the project is implemented in compliance with UNDP rules and regulations;
- Liaise with UN agencies, national and international NGOs, civil society, academia and targeted populations in implementing the project for better coordination and avoidance of duplication;
- Participate in inter-agency working groups as required;
- Provide substantive support in thematic coordination and ensuring consistency;
- Responsible for ensuring first line trouble shooting from thematic and operational issues for area based teams;
- Perform any additional tasks as requested by the Team Leader or the Steering Committee.

### **Competencies:**

- Project management skills: the ability to manage project/programmes for results, including the ability to translate strategic aims into achievable annual work plans; monitor progress of the project/programme delivery; and prepare project/programme reports in a timely manner;
- Content specific skills: experience in trade facilitation and trade development, private sector development, trade finance and microfinance;
- Interpersonal skills: Including acceptance of responsibility to ensure that organizational objectives, policies and requirements are met; ability to manage external teams of consultants, ability to handle politically sensitive issues and contacts within government authorities and within UNDP; sound judgment and maturity to foster a positive work environment.

### **Minimum Requirements, Qualifications, and Experience:**

- Master's degree or an advanced degree in economics, international trade, business administration or another relevant social science area;
- At least 3 years of work experience involving the application of principles and concepts of economics and international trade in various contexts and/or the management of technical assistance project in the same areas;
- Relevant experience in poverty reduction, economic development and trade development in transition economies; experience in the conduction/managements of trade needs assessments and or in private sector development (including microfinance) is a definitive advantage;
- Familiarity with UNDP project management procedures, and the human development concept; Experience with ATLAS and UNDP project management is an asset, international certification in project management is an asset;
- Field experience and/or project management experience in Central Asia is an asset;
- Full IT literacy and experience in operating on-line web-based applications;
- Proven writing and communication skills;
- Fluency in English.

The assignment may require frequent travels in the region. Project Manager is expected to maintain working relations with UNDP/BRC staff and participating UNDP country offices in the region.