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Inclusive Economy after the Pandemic”*

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**Promoting sustainable trade and
circular economy in SPECA countries:**

State of play and way forward¹

based on assessment studies carried out by national consultants
and funded by the UN Regular Programme for Technical Cooperation

¹ This Report is published in a draft form in order to facilitate discussions with stakeholders, most notably the governments of the SPECA countries, and to benefit from their feedback for the purpose of finalizing the Report. In particular, the following sections can be expected to be amended or significantly revised: conclusions and recommendations, methodology and disclaimers, acknowledgements, resources and bibliography. Please send your comments on the draft report at ece-trade4circularity@un.org.

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Methodology and Disclaimers

This Report is based on a number of studies carried out by national experts on opportunities and challenges of integrating the Principles of Sustainable Trade in the SPECA sub-region for Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. These studies provide economic and legal outlooks on the situation in each SPECA country.²

In addition to the data used by the national consultants,³ the Report also resorts to publicly available data sources, such as the World Bank Database⁴, the ITC Trade Map⁵, Sustainable Development Report 2021⁶, and data sources from other institutions.⁷ For the ease of reference, data from international databases in a unified currency (USD) was used in this Report. Generally, for the purposes of this Report data was used pertaining to the latest period available, unless stated otherwise.

The Report is based on the findings set out in the national consultants' reports and the scope of their review. For instance, the comparison of legal frameworks in SPECA countries discussed in Section 4 of the Report is based on the national legal frameworks as they were identified by the national consultants.⁸ The scope of this Report does not include an independent inquiry into the validity, effectiveness or comprehensiveness of the sources used by the national consultants. Unless indicated otherwise, the reference to the legislative frameworks is made to the laws, policies and regulations as they were in place at the time of preparation of the national studies.

Each national consultant, for the purposes of preparing his or her national reports, conducted a survey of experts in the respective country,⁹ covering mostly survey respondents in the economic sphere (ministries of trade/economics, private sector representatives engaged in exports). As a result, 75 representatives of the public and private sector in SPECA countries were interviewed between October 2020 and February 2021. When interpreting the results of these national surveys set out in this Report it is important to bear in mind that for some countries the number of respondents was rather limited.

The views contained in this document are those of the authors and do not reflect the position of the UNECE secretariat or UNECE Member States.

The UN tools and snapshots of SPECA countries' experiences are included in this Report as examples relevant for the discussion and their list is not meant to be comprehensive or imply any assessment of their comparative relevance or effectiveness.

The designations used in the Report do not imply the expression of any opinion concerning the legal status of any country, territory, city or area, or that of its authorities, delimitation of its frontiers or boundaries.

² The countries participating in the United Nations Special Programme for the Economies of Central Asia (SPECA) are Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. The current report does not cover Afghanistan as it is not a UNECE member State. For the purposes of this report, references to SPECA countries means Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

³ The national studies are based on national and international databases, reporting results with a reference to national currencies.

⁴ World Bank. World Development Indicators, The World Bank Group, 2021, available at <https://data.worldbank.org>.

⁵ ITC data available at <https://www.trademap.org>.

⁶ Sachs J. et al. (2021). Available at <https://dashboards.sdgindex.org/rankings>.

⁷ The list of international data resources used in this Report is set out in Section 7.

⁸ The list of national laws, strategies and regulations used by each national consultant, if available, is attached to the relevant national report.

⁹ No survey was conducted for Turkmenistan.

1 Introduction

Trade and trade-related matters are central to achieving the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs). While the link between trade and sustainable development has been recognized for decades,¹⁰ the COVID-19 pandemic has reshaped economic activities and has re-focused attention on the synergies between trade and sustainable development. Today, governments and businesses are searching for ways to build back better towards a more sustainable and circular economy. Trade can make an important contribution to this objective.

Understanding and promoting linkages between trade and SDGs is essential for adopting effective trade policies and tools. To facilitate the integration of sustainable development and circular economy principles into trade policy, in 2019 countries participating in the UN Special Programme for the Economies of Central Asia (SPECA)¹¹ agreed on the [Principles of Sustainable Trade](#) in the SPECA sub-region.

Central Asian economies participating in SPECA have a number of strategies and policies in place aimed at transitioning to sustainable development. Among others, these strategies and policies seek to support development of green economy and promote export diversification, energy efficiency, food security and waste management. They also address socio-economic objectives, such as inclusion of small and medium-sized enterprises (SMEs) and women-owned businesses, and foster employment more broadly. The countries' sustainability-oriented strategies also reflect facilitation of e-commerce, investment and innovation, as well as important tools to advance the green agenda. However, while SPECA countries have adopted green strategies, in many instances their implementation is still at a rather early stage.

SPECA countries' economic profiles are quite diverse, yet they share certain characteristics. In the sectors where these countries have a competitive advantage, there is a clear potential for scaling-up sustainable trade in the sub-region. These include, among others, agriculture, textiles, renewable energy, tourism and other services. However, while the potential is there and the landscape is constantly changing, the sub-region has not yet embarked on harnessing it in a comprehensive and systematic manner.

This Report provides a brief overview of the state of play in terms of strategies and policies, examples of specific steps and projects implemented in SPECA countries, and the overall potential in the sub-region to foster and benefit from sustainable trade. It is produced as part of a project under the UN Regular Programme for Technical Cooperation (RPTC) aimed at fostering the process of implementation of the SPECA Principles of Sustainable Trade.

The Report is organized as follows. Part 1, the introduction, is preceded by a brief description of methodology used in preparing this Report and disclaimers. Part 2 provides for an overview of the SPECA Principles of Sustainable Trade, their linkages to the UN SDGs, and SPECA countries' situation vis-à-vis selected sustainability indices. Part 3 outlines the SPECA countries' economic outlook and trade patterns relevant for the transition to a sustainable economy. Part 4 provides an overview of the existing legal framework in the region relevant to sustainable trade. This part also highlights some specific examples of the projects that are being implemented in SPECA countries pursuing sustainable development agenda in the sub-region. Part 5 describes potential sectors for scaling-up sustainable trade, associated challenges and sectoral recommendations. Part 6 provides concluding observations and overall recommendations.

¹⁰ As an overarching goal of the multilateral trading system, the Preamble to the Marrakesh Agreement Establishing the World Trade Organization (WTO) refers to "the optimal use of the world's resources in accordance with the objective of sustainable development" (WTO Agreement: Marrakesh Agreement Establishing the World Trade Organization, Apr. 15, 1994, 1867 U.N.T.S. 154, 33 I.L.M. 1144 (1994)).

¹¹ The countries participating in the United Nations Special Programme for the Economies of Central Asia (SPECA) are Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. The current report does not cover Afghanistan as it is not a UNECE member State. For the purposes of this report, references to SPECA countries means Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

Throughout the Report, attention is drawn to UN normative and other tools that can support countries in their endeavours to harness the benefits of sustainable trade.

This Report does not provide an in-depth discussion of many aspects that arise at the interface between international trade, sustainable development and the circular economy transition in the SEPCA sub-region. Nor does it aim to assess or rank each SPECA country's performance against sustainable development indicators. Instead, its main purpose is to galvanize the attention to the implementation of the Principles of Sustainable Trade and facilitate the debate among SPECA countries' policy makers, trade experts, academics and the private sector by providing a snapshot of key issues, examples of tools and experiences, and some suggestions for the way forward.

2 SPECA Principles of Sustainable Trade and selected sustainability indicators for the sub-region

2.1 SPECA Principles of Sustainable Trade

The 20 Principles of Sustainable Trade (see Annex 8.1) were adopted at the fourteenth session of the SPECA Governing Council in Ashgabat, Turkmenistan, on 19 November 2019 (the "SPECA Principles", or "Principles"). They aim to support the achievement of the UN SDGs and drive a transition to an inclusive, green and circular economy that benefits from and enhances trade opportunities. In this regard, the SPECA Principles refer to integrating the economies into cross-border sustainable value chains, opening new export markets for environmental goods and services, while facilitating investment.

The Principles can be grouped into three categories, pursuing the following three overarching objectives:

- Green: support for a green economy
- Social: fostering employment and decent work
- Economic: promoting overall efficiency, export diversification and value addition.

Specific policy areas addressed in the Principles include:

- Promoting export diversification and value addition
- Increasing resource and energy efficiency
- Enhancing food security
- Improving waste management
- Supporting SMEs, including women-owned businesses
- Cultivating new ethics.

Specific policy tools to pursue these issues include:

- Expanding national sustainability standards
- Encouraging investment and financing
- Facilitating e-commerce
- Eliminating distorting subsidies
- Promoting international and regional trade frameworks and the multilateral trading system.

All of these policy objectives, areas and tools are linked to the SDGs. Table 1 provides a mapping of SPECA Principles and their relation to particular SDGs. Section 4 below elaborates on the current state of play in the SPECA countries in relation to each area following the structure set out above.

Table 1: Mapping of SPECA Principles as they relate to SDGs

Area	SPECA Principles	SDGs
Increasing resource and energy efficiency	1, 3	
Promotion of export diversification and value addition	1, 2, 3, 5, 8	
Investing in food security, encouraging waste management (including food waste) ¹²	10	
National sustainability standards	4, 13, 14	
Encouragement of investment, including through PPPs and other financial instruments to support innovative production and sustainability	2, 7, 15, 17	
Supporting employment, SMEs and women-owned businesses	6, 16, 20	
Facilitating e-commerce for inclusion	13, 19	
Promoting international & regional trade frameworks	4, 7, 11, 12	
Cultivating new ethics	18	
Eliminating distorting subsidies	9	

Source: UNECE, based on the fourteenth session of the SPECA Governing Council (2019) and UN (2015).

¹² While waste management has not been specifically included in the SPECA Principles, this area has been also analysed in this Report due to its relevance to sustainable trade and circular economy.

2.2 The performance of SPECA countries vis-à-vis sustainability and the circular economy

This part of the Report outlines the performance of SPECA countries in fostering sustainability and the circular economy by employing two tools: country rankings as per Sustainable Development Report and Circularity Gap Report.

In relation to the first tool, Table 2 summarizes current performance of each SPECA country in achieving SDGs based on its ranking as per Sustainable Development Report. Overall, the progress across countries varies: the Kyrgyz Republic is ranked the highest in the sub-region – 44th in a pool of 165 countries, followed by Azerbaijan – 55th. Runners-up are Kazakhstan – 59th, Uzbekistan – 77th, and Tajikistan – 78th. Meanwhile, Turkmenistan is ranked lower than the rest of SPECA countries – 117th.

Table 2: SPECA countries' SDG performance rankings

N	SDGs	Azerbaijan	Kazakhstan	Kyrgyz Republic	Tajikistan	Turkmenistan	Uzbekistan
-	Ranking (out of 165)	55	59	44	78	117	77
1	No Poverty	●	●	●	●	●	●
2	Zero hunger	●	●	●	●	●	●
3	Good health and well-being	●	●	●	●	●	●
4	Quality education	●	●	●	●	●	●
5	Gender equality	●	●	●	●	●	●
6	Clean water and sanitation	●	●	●	●	●	●
7	Affordable and clean energy	●	●	●	●	●	●
8	Decent work and economic growth	●	●	●	●	●	●
9	Industry, innovation and infrastructure	●	●	●	●	●	●
10	Reduced inequalities	●	●	●	●	●	●
11	Sustainable cities and communities	●	●	●	●	●	●
12	Responsible production and consumption	●	●	●	●	●	●
13	Climate action	●	●	●	●	●	●
14	Life below water	●	●	●	●	●	●
15	Life on land	●	●	●	●	●	●
16	Peace, justice and strong institutions	●	●	●	●	●	●
17	Partnerships for the goals	●	●	●	●	●	●

● - Major challenges ● - Significant challenges ● - Challenges remain ● - SDG achieved ● - Information unavailable

Source: Sachs J. et al. (2021). Available at <https://dashboards.sdindex.org/rankings>.

On SDG 9 (Industry, innovation and infrastructure), which is important for harnessing the benefits of trade for sustainability, all SPECA countries are facing significant or major challenges. A somewhat similar situation arises with SDG 8 (Decent work and economic growth). In relation to SDG 12 (Responsible production and consumption), which is key for transition to a circular economy, challenges remain for all SPECA countries, while for Azerbaijan and Kazakhstan they are significant. As for SDG 6 (Clean water and sanitation), Kazakhstan faces challenges in achieving this SDG, and other countries in the sub-region face significant or major challenges in this area. For another crucial goal, SDG 16 (Peace, justice and strong institutions) – all SPECA countries encounter major challenges achieving this goal.

Overall, the progress in achieving SDGs in SPECA sub-region is relatively moderate. While the progress with regard to several SDGs has been made, some major challenges still remain.

As for the second tool, Circularity Gap Report by Circle Economy uses Human Development Index (HDI) and Ecological Footprint per capita (see Box 1 below) to assess countries' performance vis-à-vis objectives of the circular economy. According to this report for 2020¹³, all SPECA countries but Tajikistan fall in the "Grow" category. The "Grow" countries typically experience intensive resource use characterized by rapid economic growth and associated material consumption, rapid stock build-up and an expanding industrial sector. In part, therefore, sustainable growth is about more efficient use of natural capital — investing earnings from mineral extraction and similar activities into infrastructure and education, thereby developing human capital. Designing new infrastructure, buildings and consumer goods in a circular manner, simultaneously considering both enhanced durability for lifetime optimization and end-of-life scenarios, are key strategies for these economies to become more circular.¹⁴

Tajikistan was classified as a "Build" economy. Such economies have a low material footprint per capita, thus their economic activities often fall within the regenerative capacity of the planet. They are struggling, however, to meet basic needs, not least in relation to HDI indicators, such as education and healthcare. Natural capital, rather than human capital, is their dominant source of wealth, which means that the focus is on the extraction and sale of raw materials, while investment in education and skills is insufficient. As "Build" countries are still building-up their basic infrastructure for public services, for this precise reason they also have an immense potential to apply circular strategies and benefit from them.

SPECA's countries HDI and Ecological Footprint per capita are presented in

Figure 1 below.

As per Circularity Gap Report, a country with the levels of HDI above 0.8 and Ecological Footprint per capita below 1 is considered as "ecologically safe and socially just space". Currently, none of the SPECA countries meet both of these criteria (Figure 1). Tajikistan, however, is considered as an ecologically safe, and Kazakhstan as a socially just country.

Box 1

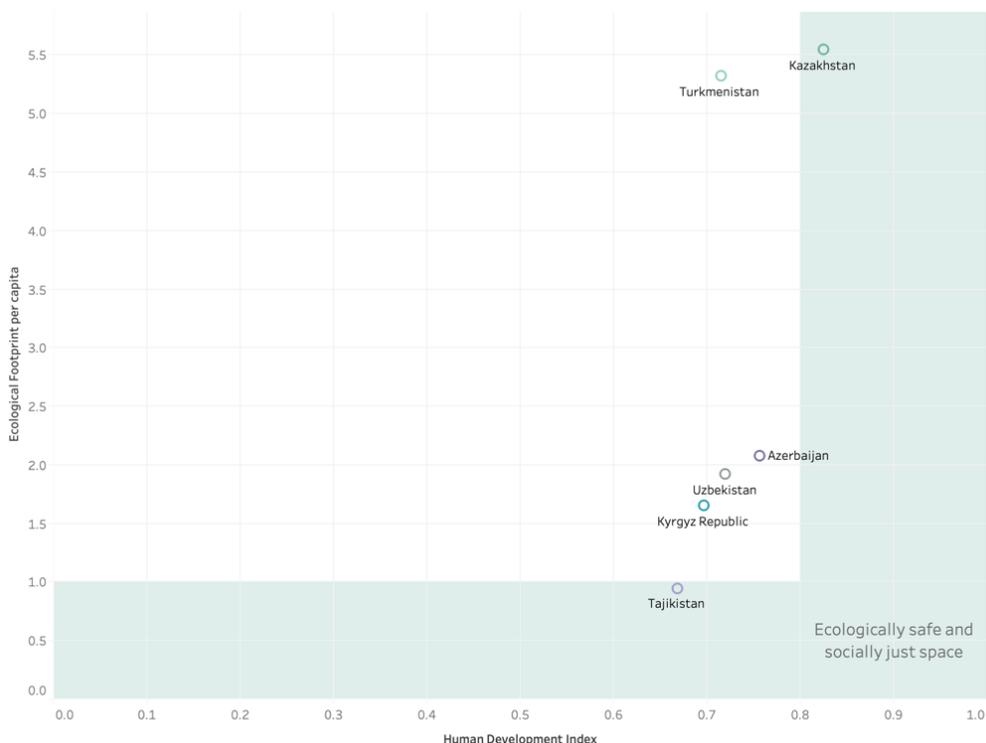
The **Ecological Footprint** per person is a nation's total Ecological Footprint divided by the total population of the nation. To live within the means of our planet's resources, the world's Ecological Footprint would have to equal available biocapacity per person on our planet, which is currently 1.7 global hectares or be below it (the lower, the better).

The **HDI** is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living (the higher, the better).

¹³ Circle Economy, The 2020 Circularity Gap Report, p.31. Available at https://assets.website-files.com/5e185aa4d27bcf348400ed82/5e26ead616b6d1d157ff4293_20200120%20-%20CGR%20Global%20-%20Report%20web%20single%20page%20-%2020210x297mm%20-%20compressed.pdf.

¹⁴ Ibid.

Figure 1: Ecological Footprint and HDI in the SPECA sub-region



Source: UNECE, based on Circle Economy and HDI.

- Circle Economy, The 2020 Circularity Gap Report, p.31. Available at https://assets.website-files.com/5e185aa4d27bcf348400ed82/5e26ead616b6d1d157ff4293_20200120%20-%20CGR%20Global%20-%20Report%20web%20single%20page%20-%20210x297mm%20-%20compressed.pdf.
- HDI is obtained from UNDP’s webpage on Human Development Reports, available at <http://hdr.undp.org/en/countries/profiles>.
- For more information on Ecological Footprint, see Thomas Wiedmann and John Barrett, ‘A Review of the Ecological Footprint Indicator—Perceptions and Methods’ (2010) 2 Sustainability, 1645, available at <https://www.mdpi.com/2071-1050/2/6/1645/pdf>.

2.3 Awareness about sustainable development

This part of the Report provides a snapshot of the awareness of the importance of sustainability and circularity principles among representatives from the public and private sectors in SPECA countries. It is based on the surveys carried out by national consultants.

The awareness about sustainability-related topics and their prioritization vary from country to country and they are subject to national specificities, be they cultural, economic or political. The highest level of awareness relates to environmental policies, e-commerce and export diversification. These findings could be partially explained by the fact that the surveys were conducted with country’s experts mostly in the economic sphere (ministries of trade/economics, private sector representatives engaged in exports).

Generally, topics that have been on the international agenda for some time (e.g. resource/energy efficiency, SMEs, PPPs) are better known than the more recent initiatives (e.g. food waste).

In the Kyrgyz Republic, for example, awareness among representatives of public bodies is high, while private sector representatives are less aware of the sustainability principles discussed. This results in moderate awareness about the sustainable principles overall. Moreover, even if there may be a high awareness of sustainability concepts, their application and implementation may be limited. For instance, in Kazakhstan where awareness about support programmes for women-led SMEs is high, such support has not been used to a significant extent.¹⁵

Clearly, there is a potential to raise awareness about sustainable development, and particularly, sustainable trade in the sub-region. SPECA countries could benefit from promotion campaigns of sustainability principles among private and public sector stakeholders. Awareness enhanced through supporting activities can help promote informed policy choices. The SPECA countries' governments may consider referring to the SPECA Principles in their sustainable development programmes.

At the same time, it is clear that sustainable development is included in the agenda at the high-level decision making in the sub-region. For example, the Joint Statement of Central Asian Heads of State of 6 August 2021 made a number of references to the importance of sustainable development and the countries' cooperation in that area, including through trade, as well as the role of the United Nations system in advancing sustainable development and the SDGs.¹⁶ In addition to international and regional efforts in this regard, some SPECA countries feature national level programmes promoting environmental values and education (for instance, see Snapshot 5 on Kazakhstan below on page 22).

3 Economic outlook for SPECA countries

3.1 Main economic indicators

Despite their close geographic proximity, the economies of SPECA countries are diverse in terms of development and structure (Table 3). For example, Kazakhstan's economy is significantly larger than those of other SPECA countries (with a GDP of 181.67 bn USD in 2019), while Uzbekistan is by far the most populous among SPECA countries (33.58m people in 2019).¹⁷

The countries are also quite diverse in terms of their trade balance, although trade bundles are biased towards hydrocarbons in Azerbaijan, Kazakhstan, and Turkmenistan. These large oil-producers in the sub-region are net exporters, meanwhile other economies import more than export. Kazakhstan's trade volumes are the largest in terms of value. Nevertheless, the rest of the countries are quite open to trade too, except, perhaps, Turkmenistan, where exports are approximately 22.7% of GDP and imports – 12.5% of its GDP – among the lowest values across the board.¹⁸ This might be linked to the country's reported course towards self-sufficiency.¹⁹

¹⁵ National reports on SPECA Sustainable Trade Principles for the Kyrgyz Republic and Kazakhstan.

¹⁶ Joint statement of Heads of States of Central Asia, Turkmenbasi, 6 August 2021. Available at <https://www.akorda.kz/ru/sovместnoe-zayavlenie-po-itogam-konsultativnoy-vstrechi-glav-gosudarstv-centralnoy-azii-672511>.

¹⁷ World Bank. World Development Indicators, The World Bank Group, 2021, available at <https://data.worldbank.org>.

¹⁸ UNECE, 2020 (e).

¹⁹ See, for instance, <https://business.com.tm/post/5539/turkmenistan-aims-for-selfsufficiency-in-agricultural-products> in relation to agricultural products, or <http://www.newscentralasia.net/2020/07/01/turkmenistan-gains-self-sufficiency-in-hygiene-products-and-household-chemicals/> for hygiene products and household chemicals.

Table 3: Key macroeconomic indicators in the SPECA sub-region

Country	GDP (bn. current US\$, 2019)	Population (mn., 2019)	Total Exports (bn. current US\$, (% of GDP), 2019)	Total Imports (bn. current US\$, (% of GDP), 2019)
Azerbaijan	48.05	10.02	23.63 (49.2%)	17.71 (36.9%)
Kazakhstan	181.67	18.51	65.83 (36.2%)	50.25 (27.7%)
Kyrgyz Republic	8.45	6.46	3.16 (37.4%)	5.55 (65.7%)
Tajikistan	8.12	9.32	1.12 (15.7%)*	2.93 (40.9%)*
Turkmenistan	40.76*	5.94	9.24 (22.7%)**	5.09 (12.5%)**
Uzbekistan	57.92	33.58	18.07 (31.2%)	24.22 (41.8%)

* data for 2018

** data for 2017

Source: World Bank. World Development Indicators, The World Bank Group, 2021, available at <https://data.worldbank.org>.

The next section of the Report provides a detailed breakdown of regional trade patterns.

3.2 Trade patterns in the SPECA sub-region

Figure 2: Key trading partners of the SPECA countries



Source: UNECE, based on ITC data available at <https://www.trademap.org>

*The boundaries and names shown, and the designations used in this map do not imply official endorsement or acceptance by the UNECE.

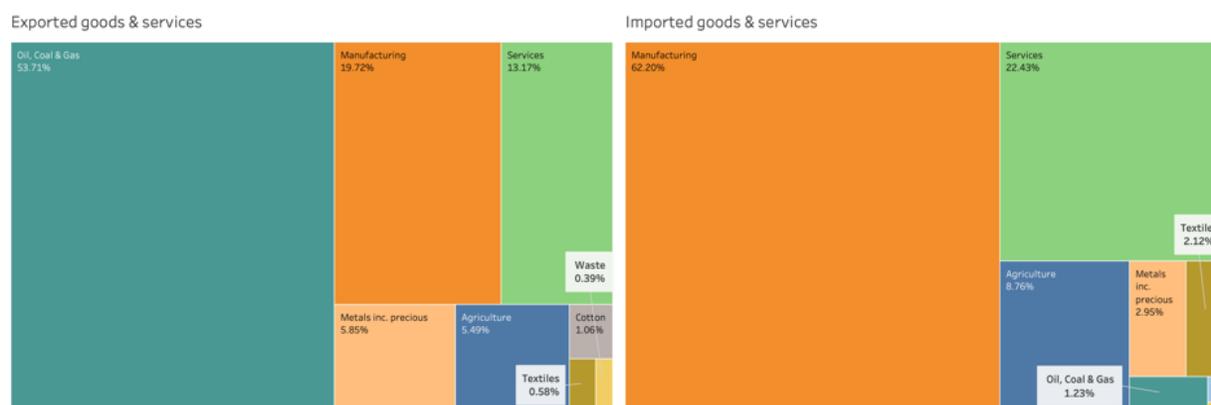
SPECA countries have established trade patterns not only among themselves, but also with the neighbouring and more distant countries. Their export and import bundles are also diverse, although there are some similarities.

As can be seen from Figure 22 that shows major export destinations for the sub-region, SPECA countries actively trade with the Russian Federation, China, Turkey and the EU. However, SPECA countries' exports to these countries consist primarily of goods with low added value such as raw materials and precious metals. As demonstrated in Figure 3, the vast majority of exports from the sub-region are oil, coal & gas (53.7%), followed by manufactured goods (19.3%), and services (13.2%). The agricultural sector is also an important part of the SPECA countries' exports, accounting for 5.5%²⁰ and includes fruits, nuts and vegetables. For some SPECA countries, textiles also play an important role, in particular, cotton.²¹ Overall, textile exports constitute 1.64% of total SPECA exports, with cotton²² being the major tradable in this group of goods – 1.06% of total exports. As for the SPECA countries' imports structure, most imported products are manufactured goods (62.2%), followed by services (22.4%) and agricultural goods (8.8%).²³

The regional breakdown (Figure 8 to Figure 13 in the Annex) provides some further information: Azerbaijan and Kazakhstan trade significantly more in value terms than the rest of SPECA countries, and their key export products are oil, coal and gas. For all countries, except for Azerbaijan and Kyrgyzstan, manufactured exports play a significant role, forming the region's bundle. As for precious metals, the Kyrgyz economy is highly dependent on the Kumtor gold mine and related exports.

With regard to sustainable trade, certain sustainable initiatives are developing in the sub-region (see parts 4 and 5 below). For example, in Uzbekistan sustainable practices in agriculture are developing with investments in water-efficiency of irrigation. Another example - Kazakhstan's plans for renewable energy, defined in the country's "Green Economy" Concept seeking to increase the share of alternative and renewable energy to 50% by 2050. The National Strategy for Adaptation to Climate Change of the Republic of Tajikistan for the period up to 2030 provides for the introduction of "green" technologies and "green" infrastructure in agro-industrial production.

Figure 3: Breakdown of product groups traded by SPECA countries



Source: UNECE, based on ITC data available at <https://www.trademap.org>.

²⁰ UNECE, based on ITC data available at <https://www.trademap.org>.

²¹ Cotton accounts for 3.04% of the overall exports in Tajikistan (Figure 11) and 5.71% - in Uzbekistan (Figure 13).

²² Relates to Cotton, neither carded nor combed (HS code 5201).

²³ UNECE, based on ITC data available at <https://www.trademap.org>. These numbers may appear misleading due to the disproportionately large share of hydrocarbons in SPECA exports. However, the importance of cotton (HS 5201) for the sub-region is more clearly seen if its share is considered relevant to the total SPECA exports of agricultural products (17.6%) as opposed to the total SPECA exports (1.06%).

It is worth noting in this context that for the way forward, at the Central Asian summit on 5-6 August 2021, the Heads of State reconfirmed their commitment to trade and transport facilitation, enhanced connectivity and modernization of multimodal corridors, transport and supply chains.²⁴

4 Legal framework for sustainable trade in the SPECA countries

Figure 4: Introduction of policies related to sustainable development



Source: UNECE, based on the consultants' national reports.

During the last 10 years, the majority of countries in the SPECA sub-region introduced strategies related to sustainable development (Figure 4). The adoption of the UN SDGs in 2015 clearly placed sustainable agenda in the spotlight of policy makers around the world, including in the sub-region. However, some SPECA countries were working in this direction well prior to this. For instance, in Uzbekistan the first Sustainable Development Concept was introduced in 1998. In Tajikistan the concept of its transition to sustainable development was adopted in 2007. The state program on poverty reduction and sustainable development in the Republic of Azerbaijan for 2008-2015 was adopted also in 2007.

The following sections provide a comparative analysis of the extent to which SPECA countries' legal frameworks cover issues raised in the SPECA Principles and an overview of the existing legal frameworks vis-à-vis each principle.

4.1 Comparison of national legal frameworks in SPECA countries

All SPECA countries have established laws aimed at supporting – in one way or another – a green economy and environment-friendly trade. In many instances, the sustainable development goals and targets were incorporated in the national legislation through dedicated or sectoral strategies or laws, including trade laws, transport laws, SME laws, environmental protection laws, agricultural laws, etc.

Some SPECA countries have an “upgraded” legal framework, which has been revised or developed recently and reflects the results, for example, of a reform process as part of their WTO accession. The areas and issues reflected in the national laws vary as well. Export diversification, international trade, energy efficiency are particularly prevalent in some countries' strategies and legal frameworks (see section 2.3 above). Meanwhile, other topics, such as waste management and elimination of distorting subsidies, could benefit from more exposure.

Regional cooperation and integration processes, as in the framework of the Eurasian Economic Union, SPECA working groups and related knowledge exchange initiatives, have also significantly contributed to

²⁴ Above note 16.

the development of new legislation. Some SPECA countries are currently undergoing a reform process building on the references to environmental considerations in their legal frameworks and moving towards legal systems with increasing weight given to sustainable development.

Table 4: Draft comparison of the national legal frameworks against the sustainability-related categories in the SPECA sub-region

Category	Azerbaijan	Kazakhstan	Kyrgyz Republic	Tajikistan	Turkmenistan	Uzbekistan
Sectors						
Promoting of export diversification and value addition	●	●	●	●	●	●
Increasing resource and energy efficiency	●	●	●	●	●	●
Promoting food security	●	●	●	●	●	●
Encouraging waste management (including food waste)	●	●	●	●	●	●
Supporting employment, SMEs and women-owned businesses	●	●	●	●	●	●
Capacity building and cultivating new ethics	●	●	●	●	●	●
Policy tools						
Expanding national sustainability standards	●	●	●	●	●	●
Encouraging investment and financing	●	●	●	●	●	●
Facilitating e-commerce for inclusion	●	●	●	●	●	●
Eliminating distorting subsidies	●	●	●	●	●	●
Promoting international & regional frameworks and multilateral trading system	●	●	●	●	●	●

Legend:

- - Extensively-developed national legal framework relative to other SPECA countries
- - Moderately-developed national legal framework relative to other SPECA countries
- - Limited legal framework on the subject matter relative to other SPECA countries

Source: UNECE, based on consultants' national reports. For additional detail, see Methodology in Annex Error! Reference source not found..

International organizations have done important work in analyzing the extent to which sustainable development considerations are reflected in domestic legal instruments. This includes various work streams at the UNECE (e.g. UNECE Environmental Performance Reviews (EPRs)); UNCTAD (e.g. UNCTAD Investment Policy Reviews (IPRs)); OECD (e.g. studies in the framework of the OECD Environment Directorate); WTO (e.g. Trade Policy Reviews (TPRs) and in the context of various WTO Committees, including the Committee on Trade and Environment (CTE)).

The next section elaborates on the state of play in all the above areas in the sub-region and provides thoughts for the way forward.

4.2 Specific issues and sectors

4.2.1 Promotion of export diversification and value addition (Principles 1, 2, 3, 5 and 8)

In their strategies and related legal frameworks, all SPECA countries consider export diversification and value addition as key elements. At the same time, specific policies and tools implemented in the countries for that purpose differ. While some countries support export diversification and value addition through transitioning to an industrial and innovative path, other countries prioritise policies aimed at import-substitution and industry localization. When it comes to the diversification of agricultural production, for example, some countries highlight the importance of introducing innovative solutions, which will positively contribute to the quality of land, as well as to the replacement of hazardous chemicals with alternative, less hazardous substances.

Snapshot 1: Diversifying agricultural production in Uzbekistan

Approved in October 2019, Uzbekistan's Agriculture Development Strategy for 2020-30 aims to liberalize the sector, remove export barriers, and eliminate mandatory production quotas for cotton and wheat. It provides a plan for diversifying agricultural production, phasing out state control of production, the sale and processing of cotton and wheat. Agribusiness clusters are being created in the cotton, wheat, horticulture, and livestock sectors to attract private capital, increase value added through deeper processing, and improve access to export markets. The sector's development will be accompanied by measures ensuring environmental protection and efficient use of resources.

Source: UNECE, based on the national consultant's report.

4.2.2 Increasing resource and energy efficiency (Principles 1 and 3)

For a sub-region that depends on the extraction of natural resources and energy-intensive heavy industry, fostering energy and resource efficiency is one of the most effective ways to address climate change while sustaining economic growth. Shifting to alternative and renewable energy and environment-friendly technologies has been identified as a priority in the SPECA countries' environmental strategies. At the same time, practical implementation including through outlining specific tools (such as attracting funding and facilitating research and development (R&D) and innovation) in legal frameworks and in practice is still emerging. Some general measures of energy efficiency identified in strategies and laws include the use and promotion of energy-saving equipment and materials in various industrial sectors in production processes and construction of facilities that consume less energy and water resources.

Snapshot 2: Promoting energy efficiency in Kazakhstan and Uzbekistan

In 2015, Kazakhstan developed an Energy Efficiency Map - a unified list of projects on energy conservation and energy efficiency. The projects are implemented through the mechanism of energy service contracts. Energy service contracts are also one of the public sector tools that involve a specialized energy service company performing a set of activities for the implementation of energy-saving technologies at enterprises.²⁵

In Uzbekistan, a new Concept for the Provision of Electric Energy to Uzbekistan in 2020-30, approved in May 2020,²⁶ envisages transition to a wholesale electricity market by 2023. The target is to ensure that 25% of the national energy supply comes from renewable sources by 2030. Relatedly, the Presidential Decree on Energy Efficiency, Energy Savings and Alternative Energy set up a Foundation for Energy Efficiency in Industrial Firms, calling for the introduction of the ISO50001 standard in all companies by 2023 and national energy efficiency certification standards.

Source: UNECE, based on the national consultants' reports.

4.2.3 Promoting food security (Principle 10), including by reducing food waste

Food security is a critical area for all SPECA countries, and all countries have established respective legal frameworks and created economic conditions for agricultural production, including for organic agricultural products. At the same time, the sub-region significantly depends on food imports, which, in some cases, including during the COVID-19 pandemic, creates disruptions to food supply chains and limited access to adequate amounts of high-quality nutritious food. It is important to ensure efficiency of food supply chains, high labour productivity in the agricultural sector, growing sustainable wholesale output and expanding provision of services in the industry.

To strengthen food security in the region and build reliable intraregional food supply chains, countries can cooperate in building wholesale distribution and agro-logistics chains. Kazakhstan is currently creating a national network of agricultural product distribution centres, including through PPP mechanisms. Uzbekistan and the Kyrgyz Republic are also actively working on the creation of similar food and commodity distribution systems,²⁷ and integrating such centres into one network would ensure that better quality food products have access to the regional market. Development of wholesale distribution and agro-logistics centres with a unified information system would allow countries to have quick access to current data and ensure a smooth exchange of information on the availability, quantity, costs and types of goods in stock. Importantly, facilitated trade and cooperation in this field on a regional scale would also reduce food waste.

²⁵ Available at <http://kazee.kz/karta-energoeffektivnosti/>.

²⁶ Energy Ministry. Concept for Provision of Electric Energy to Uzbekistan in 2020-2030, available at <http://minenergy.uz/ru/lists/view/77>.

²⁷ According to the information provided to the Ministry of Trade and Integration of Kazakhstan, Uzbekistan is planning to build three agrological complexes in Samarkand, Andijan and Tashkent regions, with a total capacity of 1660.0 thousand tons, with funding from the Asian Development Bank (ADB) and the state budget.

Snapshot 3: Facilitating food security in Tajikistan

The Food Safety Programme of the Republic of Tajikistan for 2019-2023 is a sectoral program and includes four main areas:

- 1 the state of food security in the country;
- 2 real access to food products;
- 3 ensuring the development of production, quality, range and nutritional value of food products; and
- 4 ensuring inspections and monitoring of food safety.

To encourage investment in agricultural production and food security the Republic of Tajikistan provides the following preferences and incentives: income tax exemption; exemption from VAT and customs duties; and improving the legal status of investors.

Source: UNECE, based on national consultant's report.

UN tools in the spotlight 1: FeedUp@UN (by UNECE)

In November 2020, UNECE launched an online blockchain-supported marketplace for the food supplies that currently go to waste, aiming to facilitate buying and selling of food that would otherwise be lost or wasted, and to quantify the impact of food loss and waste. Called FeedUp@UN, the system is designed to identify and quantify food that disappears on its way from the farm to shops, and make it available for redistribution, donation or further processing, thus reducing food loss and waste.

Source: UNECE.

4.2.4 Encouraging sound waste management

All SPECA countries have established laws and regulations on waste management, but in many instances this framework is quite limited and does not reflect modern circular economy standards. For example, most countries in the region have not yet developed standard metrics for measuring the recycled content of products, the amount of saved water or fuel, the amount of used plastic or the level of products designed for disassembly, or the metrics around the collection of waste. Only few countries have specific regulations for food waste.

Looking at the trade dimension, the transboundary movement of waste presents distinct challenges and opportunities. In today's globalized world, the international movement and trade of waste can unlock gains in efficiency and scale. Attention, however, must be given to addressing human and environmental health challenges. In SPECA countries, overall, international trade in waste is not regulated in detail, except for hazardous waste (all SPECA countries are signatories of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposals).

UN tools in the spotlight 2: Reducing, managing and re-using waste (by UNECE)

UNECE offers multiple tools helping to address the challenges of waste management, covering various areas including food (see above), energy and transboundary movement of waste.

UNECE eBasel Standard: Digital tools supporting waste management and movement. To support efficient implementation of the Basel convention, UNECE, through UN/CEFACT, developed a standard (UN/eBasel) for exchanging electronic messages, meaning that transboundary movements of waste and its disposal/exchange can be tracked and traced electronically in compliance with the convention, greatly facilitating legal movements of waste.²⁸

UNECE Guidelines on Waste-to-Energy PPPs. As part of its programme on Public-Private Partnerships (PPPs), UNECE has developed a first version for Guidelines on Promoting People-first Public-Private Partnerships Waste to Energy Projects for the Circular Economy.²⁹ These guidelines elaborate on how to identify and adopt measures to prevent or mitigate adverse environmental impacts during the planning, building and operation of PPP projects on Waste-to-Energy.

Source: UNECE.

4.2.1 Supporting employment, SMEs, including women-owned businesses (Principles 16 and 20)

Supporting employment and SMEs is an important policy focus for all SPECA governments. The COVID-19 pandemic has undercut the flow of remittances – an important source of revenue for many families in the Kyrgyz Republic, Tajikistan and Uzbekistan and making up to almost 30% of GDP in these economies.³⁰

At the level of legal frameworks, all countries support employment, including with some reference to environmental considerations (e.g. the National Development Strategy of Tajikistan for the period until 2030 makes reference to «green employment» - a combination of decent work conditions and the application of clean technologies). At the same time, most countries are still lacking specific tools and institutional frameworks to facilitate green employment.

All SPECA countries have put laws in place to support SMEs. At the same time, very few countries have established specific rules or guidelines to support women-owned businesses (e.g. the National Gender Strategy in Uzbekistan calls for a greater involvement of women in environmental matters; most recently, Tajikistan adopted the National Strategy for the Enhancement of the Role of Women in the Republic of Tajikistan for 2021-2030 which has guidelines to support women' employment³¹). Most countries, however, have very general recognition of the importance of this dimension in the newly adopted strategies, and they have not yet any specific instruments in place. In many instances, SPECA countries are not actively implementing existing frameworks and can benefit from establishing specific tools supporting SMEs and women-run businesses.

²⁸ UNECE, Executive Guide on Transboundary Movement of Waste, available at https://unece.org/fileadmin/DAM/cefact/GuidanceMaterials/ExecutiveGuides/WasteManagement_ExecGuide_Eng.pdf See also related discussions in Elisabeth Tuerk and Mariam Soumare, "Harnessing the Power of Digitalization for Trade and Environment" (2021) IISD Trade and Sustainability Review, vol.1, issue 2, available at <https://www.iisd.org/system/files/2021-03/iisd-trade-sustainability-vol-1-issue-2-en.pdf>.

²⁹ ECE/CECI/WP/PPP/2020/5.

³⁰ World Bank, available at <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS>.

³¹ The National Strategy was adopted on 30 April 2021, after the national studies were completed.

Snapshot 4: Supporting export potential of SMEs in Kazakhstan

QazTrade Center has its own accelerator program³² for SMEs to support entrepreneurs seeking to enter foreign markets. The companies participating in this program get assistance in identifying promising export markets and bringing their products and documents in line with the importing countries' requirements. The program also helps companies find buyers and solve administrative issues like drafting contracts and determining the optimal logistics.

Source: UNECE, based on the national consultant's report.

UN tools in the spotlight 3: ITC SheTrades Initiative, UNCTAD EMPRETEC & UNECE IHGEs Handbook

SheTrades.com gives women entrepreneurs a platform, a one-stop shop in which to share, learn, and do business on a global scale. The initiative collects gender-disaggregated data (e.g. NTM surveys, EU surveys, [SheTrades Outlook](#)). SheTrades also works to create an enabling ecosystem for women to thrive by promoting equitable policies. Moreover, ITC, partly through SheTrades, provides online training and mentoring for women entrepreneurs.

Empretec is UNCTAD's capacity-building programme for the promotion of entrepreneurship and micro, small and medium sized enterprises (MSMEs) to facilitate sustainable development and inclusive growth. Empretec's core product is the Entrepreneurship Training Workshop, which aims to foster the motivation and self-confidence of participants who have chosen to start or expand their businesses. It is based on a behavioural approach, designed to unleash personal entrepreneurial potential.

Due to its proven high impact on MSMEs, Empretec has been recommended for implementation by two recent GA Resolutions on "Entrepreneurship for Sustainable Development" of 2018 and 2020. In more than 40 countries national Empretec centers are established (none of them – in SPECA sub-region) and national Empretec trainers are certified.

Innovative, High-Growth Enterprises (IHGEs), a small sub-set of SMEs, can play a key role in harnessing new opportunities related to sustainable development. Based on the work developed by the [UNECE Team of Specialists on Innovation and Competitiveness Policies](#) UNECE developed a policy handbook "[Supporting Innovative High-Growth Enterprises in Eastern Europe and South Caucasus](#)". A SPECA-specific version of the Handbook will soon be available.

Source: UNECE, based on ITC and UNCTAD.

4.2.1 Capacity building and cultivating new ethics supportive of green trade and SDGs (Principle 18)

Most SPECA countries face challenges associated with the limited personnel both in the private and public sectors to work on sustainability issues, thus there is an emerging need for capacity building and information sharing initiatives to support sustainable transition post COVID-19 in SPECA countries.

While a limited number of SPECA countries have established legal frameworks to promote environmental awareness in their jurisdictions, there are some positive developments in this regard (see, for example, Snapshot 5 below). Generally, SPECA countries could benefit from engaging more actively in discussions to exchange experiences with sustainability principles at the regional and international levels.

³² JSC "QazTrade" Center for Trade Policy Development", *Export acceleration program*, Available in Russian at <http://qaztrade.org.kz/rus/%D0%BF%D1%80%D0%BE%D0%B3%D1%80%D0%B0%D0%BC%D0%BC%D0%B0-qaztrade-accelerator/>.

Snapshot 5: Promoting environmental awareness and education in Kazakhstan

A separate chapter of the Environmental Code (in force since July 2021) is devoted to environmental awareness and education. According to the Code, the State measures to ensure public awareness of environmental issues should include informing entrepreneurs about measures taken by the State to support resource-saving production and production of goods and provision of services using recycled materials. The Code also has clauses on informing consumers about the degree of environmental friendliness of the production of consumed goods and services and the measures to stimulate the purchase of goods and services obtained through energy-efficient production that used recycled resources.

Source: UNECE, based on the national consultant's report.

4.2.2 Eliminating distorting subsidies negatively affecting environment (Principle 9)

Very few SPECA countries have mechanisms aimed at eliminating environmentally unfriendly trade distorting subsidies. Some related initiatives and actions include measures aimed at reforming subsidies that negatively impact the environment, including biodiversity (e.g. subsidies in the agricultural sector).

4.3 Policy areas and tools

4.3.1 Expanding national sustainability standards (Principles 13 and 14)

Standards and legislation in SPECA countries are generally supportive of the environmental objectives of development programmes. At the same time, there is a lack of practical mechanisms to implement sustainability standards let out in the laws, and in many instances such standards are merely mentioned in the green strategies. Another area that is becoming more prominent in the region is eco-labelling of goods and services. In developing standards for eco-labelling, some SPECA countries cooperate and learn from jurisdictions more experienced in regulating these issues such as the EU and Canada.

Snapshot 6: Voluntary sustainability standards (VSS) in Tajikistan

While not yet widely adopted, private VSSs are an emerging area in Tajikistan. In practice, such standards are implemented as private initiatives, mainly within the framework of projects run by international organizations, in particular, Fairtrade, GLOGALG.A.P., BCI

(Better Cotton Standard System):

- Three enterprises (dealing with cotton, vegetables, and dried fruit) are certified, and their products are marked with the International Fairtrade Certification Mark.
- More than 1000 cotton farms are certified under the Better Cotton Initiative.³³
- 1606 farms are certified under BIO cotton programme.

Furthermore, in October 2020, the Government of the Republic of Tajikistan adopted the «Program for creating favorable conditions for the implementation of best agricultural practices (international standard GLOGALG.A.P.)»³⁴ and is launching an institutional base for its implementation.

In addition to VSS, quality standards for agricultural produce, including dry and dried fruit can offer opportunities for increasing exports. See the work of UNECE Working Party 7 resulting in the UNECE Standard for Dried Apricots³⁵ adopted in 2016 and the UNECE-facilitated project related to VSS for dried fruits in Tajikistan (Snapshot 10).

Source: UNECE, based on the national consultant's report.

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³³ See also related discussion in part 5.2.

³⁴ Decree of the Government of the Republic of Tajikistan, dated 28 October 2020, No. 576.

³⁵ UNECE, available at https://unece.org/fileadmin/DAM/trade/agr/standard/dry/dry_e/15_DriedApricots_E2016.pdf.

UN tools in the spotlight 4: UN Forum of Sustainable Standards, UNECE Portal on SDGs Standards and Gender Responsive Standards Initiative

UN Forum of Sustainability Standards (UNFSS):³⁶ Voluntary Sustainability Standards (VSS) are standards developed by public and private sectors aiming to ensure that products are produced in a way that minimizes negative impacts on the environment and the people who make them. Today, a wide range of sustainability standards exist for agricultural and other products, normally run by private sector bodies. With the need to decarbonize economies and move to a circular economy, the uptake of voluntary sustainability standards is likely to continue. However, harmonization of such standards between different countries is lacking, rendering certification costs very high for producers, in particular smaller farms or those in lower income countries and sectors. Discussions and strategic dialogues on VSS, related policies and experiences, are undertaken in the context of the Forum that addressed the sustainable development value of VSS.

UNECE's Portal on Standards for the SDGs:³⁷ The portal offers a tool to identify standards that help attain Sustainable Development Goals and Targets; a collection of case studies of countries, cities and regions that have successfully used standards for sustainability, as well as supporting online training materials. The UNECE portal currently covers five Sustainable Development Goals - SDG 6 on Water and Sanitation; SDG 7 on Affordable and Clean Energy; SDG 11 on Sustainable Cities and Communities; SDG 12 on Responsible Consumption and Production and SDG 13 on Climate Action.

UNECE Declaration on Gender Responsive Standards (GRS) and the related Initiative (GRSI): The Declaration and Initiative aim at providing a practical way forward for standard-setting bodies wishing to take a step towards making their standards and the standard-development process more gender responsive. The Declaration and the Initiative aim to strengthen the use of standards and technical regulations as a power tool to attain SDG 5 (Achieve Gender Equality and Empower all Women and Girls), integrate gender lens in the development of standards and technical regulations, and elaborate gender indicators and criteria that could be used in development of standards.³⁸

Source: UNECE, based on UN FSS, UNCTAD and UNECE.

4.3.2 Encouragement of investment, including through PPPs and other financial instruments, to support innovative production and sustainability (Principles 2, 7, 15 and 17)

Attracting domestic and foreign investment is an important objective of all SPECA countries, also for the purposes of technology transfer and harnessing innovation for sustainable development. At the same time, while SPECA countries promote this objective in their strategies, in some instances countries are still lacking institutional and legal frameworks to guarantee a supportive investment climate. In addition to dedicated strategies, investment laws and other sectoral laws, some SPECA countries have laws regulating public-private partnership (PPP) specifically that sometimes include environmental considerations.

There are also initiatives aimed at promoting green finance in the region. The Astana International Financial Center (AIFC) Green Finance Center³⁹ established in Kazakhstan provides consulting assistance to potential issuers and investors to prepare for the issue of green bonds on the AIFC Stock Exchange. The AIFC strives to become a regional centre for green finance, contributing to the development and management of green finance instruments in the region.

³⁶ UNFSS, available at <https://unfss.org>.

³⁷ UNECE, available at <https://standards4sdgs.unece.org>.

³⁸ As at 1 September 2021, none of the national standards organizations from SPECA sub-region has signed the Declaration for Gender Responsive Standards and Standards Development. The complete list of signatories is available at: https://unece.org/sites/default/files/2021-01/WP6_GenderInitiative_SignatoriesList.pdf.

³⁹ For more information go to <https://gfc.aifc.kz>.

Snapshot 7: Supporting private greenhouses in Turkmenistan through favourable lending and foreign exchange financing

With the support of innovative methods and modern technologies, greenhouse farms of Turkmenistan grow tomatoes, cucumbers, bell peppers, strawberries and some other products, including bananas and citrus fruits all year-round. To develop this niche, the Government of Turkmenistan has created favorable conditions for lending and foreign exchange financing. The development of the greenhouse business in the country positively contributed to export and import volumes and began to play an important role in maintaining food security and creating new jobs.

As an example, in 2020, more than 33 thousand tons of tomatoes were harvested in greenhouses (which is several times more than the previous year), of which half were exported to neighboring countries. Turkmen greenhouses have received various international awards, including those in the «Climate Resilience» category by the EBRD.

Source: UNECE, based on the national consultant's report.

UN tools in the spotlight 5: UNECE Guiding Principles on People First PPPs and UNCTAD Investment Policy Framework for the SDGs

UNECE's 10 Guiding Principles on People First PPPs in support of the SDGs (adopted in 2019) promote infrastructure investment projects that create "value for people" and "value for the planet" (in addition to the traditional "value for money"). One of the five outcomes pursued by the People-First approach is to "enhance resilience and responsibility towards environmental sustainability."

UNCTAD Investment Policy Framework for Sustainable Development (launched in 2015) provides guidance for policymakers in the evolution towards a New Generation of investment policies. It consists of Core Principles for Investment Policymaking informing formulation of guidelines for national investment policies and the design and use of international investment agreements, as well as an action menu for the promotion of investment in sectors related to the sustainable development goals.

Source: UNECE, based on UNECE and UNCTAD.

4.3.3 Facilitating e-commerce for inclusion (Principles 13 and 19)

E-commerce has a high potential for employment, entrepreneurship, innovation, and export development in SPECA countries. It has a great potential for women, youth, rural residents, and SMEs. Some SPECA countries have developed e-commerce strategies or laws aimed to facilitate, regulate and support digital transition. Several SPECA countries have undergone significant public procurement reforms and introduced modern electronic tools, thus contributing to higher inclusion of SMEs in public procurement processes. While some legal frameworks have been established in this area, countries in the sub-region need to foster an enabling environment to engage businesses and consumers in e-commerce. Establishing an effective legal framework will significantly simplify e-commerce procedures, improve access to finance for entrepreneurs, increase consumer and entrepreneurial confidence in concluding transactions via electronic tools, and counter cybercrime.

At the same time, the regulation in this area is evolving both at regional and international levels, thus it is important for SPECA countries to participate in related discussions in different fora, including WTO and UN organizations.

Snapshot 8: Access to international e-commerce markets by Kazakh entrepreneurs

Kazakhstan has been supporting entrepreneurs in getting access to the Alibaba.com international platform. The Ministry of Trade and Integration has provided 100 companies selected in 2019 and 2020 with a Gold Supplier account on the platform. Together with obtaining a supplier account, companies receive a service package. The service package includes assistance in creating an online store, access to webinars on how to work with the platform and products promotion. The list of companies that received a Gold Supplier account includes both large enterprises and small and micro enterprises that did not previously have exporting experience.

Source: UNECE, based on the national consultant's report.

UN tools in the spotlight 6:

UNCTAD-led eTrade for all initiative contributes to building a more inclusive and sustainable future for all economies by turning digital opportunities into development gains. At the core of the initiative is the eTrade for all platform that offers a unique gateway for those in need of technical assistance to find those who will be able to provide that assistance.

4.3.4 Promoting international & regional frameworks & multilateral trading system, reducing inequality through increasing access to markets, investments & new technologies (Principles 7, 11 and 12)

In several SPECA countries national laws directly refer to the relevant international and regional frameworks and instruments. In addition, SPECA countries support strengthening regional integration and international cooperation through various tools, such as building infrastructure, transport connectivity and value chain integration. Finally, all SPECA countries participate in various regional agreements and partnership initiatives among themselves and with important trade partners, including with China, the EU (also in the framework of Central Asia-EU partnership), Russia (also in the framework of the Eurasian Economic Union), USA and others. All these initiatives can contribute to promoting the sustainable development agenda in the region.

Regarding their participation in the multilateral rules-based trading system (SDG 17.10), three SPECA countries are Members of the WTO: the Kyrgyz Republic (since 1998), Tajikistan (since 2013), and Kazakhstan (since 2015). Uzbekistan resumed its WTO accession negotiations in 2020, 15 years after its last engagement; Azerbaijan is also in the process of WTO accession, which was initiated in 1997. Turkmenistan became a WTO observer in 2020. Of particular relevance in this context are SPECA work streams on connectivity, notably the outcomes of the 2019 SPECA events in Ashgabat: the Ashgabat Initiative on connectivity, transport and trade facilitation using UN norms, standards and recommendations, the SPECA Trade Facilitation Strategy, among others.⁴⁰

Snapshot 9: Boosting sustainable transport connectivity in Azerbaijan

Cross-border trade and transport connectivity are important considerations for the sub-region. The State Program on Road Safety in the Republic of Azerbaijan for 2019-2023 aims to ensure that environmental issues are duly considered both in road infrastructure planning and the use of road transport facilities. Strategic Roadmaps for Development of Logistics and Trade identify further development of rail sector and seaports as a major building block for transforming Azerbaijan's role in regional trade and connectivity. Baku International Sea Trade Port was the first port in the Caspian region to be awarded European Sea Ports Organization "EcoPorts" certificate.

Source: UNECE, based on the national consultant's report.

⁴⁰ UNECE, available at <https://unece.org/speca/events/fourteenth-session-speca-governing-council>.

UN tools in the spotlight 7: UN/CEFACT standards for digitalization of multimodal transport corridors (By UNECE)

UNECE is implementing a project on the digitalization of multimodal transport and trade data and document exchange for a seamless, sustainable and efficient data exchange during and after the pandemic.⁴¹ Azerbaijan and Uzbekistan are the first SPECA countries to join forces with UNECE and other organizations to implement the package of standards and artefacts (data subsets, XDS schemas, etc.) for electronic document equivalents and data flows.

Source: UNECE.

5 Potential sectors for scaling-up sustainable trade

The SPECA sub-region has tremendous economic potential to further benefit from trade integration, both globally and regionally. It offers several sectors well placed to contribute to scaling up sustainable trade. The designation of priority sectors for sustainable trade is a complex undertaking, requiring a careful and fact-based assessment for each country, based on its specific economic and development needs.

The following five areas/sectors might offer entry points for consideration. By highlighting the potential of these five areas/sectors, this report seeks to spur further research and initiate policy dialogue in the public and private sectors, as well as in academia. By raising awareness and improving the evidence base, this Report aims to prepare the ground for governments to make informed policy choices about how to harness sustainable trade for achieving the SDGs and a sustainable post-COVID-19 recovery.

Priority areas for consideration include:

1. agriculture, in particular, fresh and dried fruits and vegetables, processed agricultural products and/or high-quality niche products such as organic products;
2. the light and/or processing industry, notably apparel and clothing, including garments made from sustainable cotton;
3. renewable and alternative energy, offering the concept for a sustainable infrastructure for economic growth and mitigating climate change;
4. tourism, including sustainable and high-end tourism (instead of mass tourism), with an opportunity to “rebrand/redesign” the sector following the severe COVID-19 impact; and
5. other services, given their increasing role for sustainable development and the transition to circular economy.

Developing these sectors would support the transition to sustainable trade by contributing to export diversification and value addition, supporting SMEs and women-owned businesses, encouraging the adoption of sustainability standards, innovation in production processes, products and services, and increasing resource and energy efficiency. Sector-specific insights for scaling-up sustainable trade in the SPECA sub-region can be found in Annex 8.3f.

⁴¹ UNTTC, available at <https://unttc.org/stream/electronic-trade-and-transport-documents-and-data>. Please also see <https://unece.org/trade/uncefact/mainstandards>

6 Concluding remarks and recommendations

This Report finds that there is a potential for the SPECA sub-region to harness the power of trade-for a transition to more sustainable and circular economies. This Report aims to provide a basis for further discussion, exchange and cooperation among SPECA countries' policy makers, experts, private sector and academia, as well as the international community, including international organizations, donors and think tanks.

SPECA countries have already adopted a number of strategies and policies aimed at supporting the green economy, including energy and resource efficiency, waste management, food security and promoting export diversification. At the same time, in many instances, implementation of these policies is still at an early stage and further work is needed to support the implementation of such strategies with specific tools and instruments.

The national studies produced for this Report flag the importance of raising awareness about sustainability and circularity objectives domestically, across the entire range of stakeholders. Accordingly, capacity building and information sharing initiatives to support the SPECA countries' sustainable transition post COVID-19 could be scaled up. The process of producing this Report also revealed the limited facts-based resources available to support informed decision making on sustainable trade-related matters. There is a clear need for more and better data, for more specific economic and sectoral analyses, and for further technical assistance and support of initiatives focusing on the trade-related aspects of sustainable development and a transition to a more circular economy.

Based on the limited information available, the Report reviews policy action in key emerging areas of relevance to the SPECA Principles (e.g. facilitating e-commerce, encouragement of investment and innovation and inclusion of SMEs and women-owned businesses in sustainable trade). The Report also identifies five sectors/areas that might constitute potential entry points for facilitating further discussion on scaling-up sustainable trade in the region: agriculture, textiles, renewable energy (to be used in the production, transportation and trade of goods), as well as some related areas, such as tourism and other services.

International and regional cooperation, including sharing of experiences and building capacity, can support SPECA countries' endeavors to harness the benefits of sustainable trade.

At the regional level, in addition to the initiatives within regional trade agreements and partnership cooperation, sustainability and circular economy could be given increasing attention in the SPECA process. Among others, the SPECA Working Groups on Trade, on Innovation and Technology for Sustainable Development, might offer an opportunity to discuss these issues, and to initiate further analytical and capacity building work.⁴²

UNECE's wide range of normative, analytical and capacity building tools⁴³ on the interface between trade and sustainable development can help SPECA countries implement and reap the benefits from the Principles of Sustainable Trade. Among others, UNECE tools can help to: improve transparency and traceability of value chains, promote innovation, sustainable procurement, and foster sustainable waste management, including food-waste; address trade facilitation and e-business challenges, for example, by digitalizing multimodal transport corridors.

⁴² It is important to note that some of the areas or sectors identified in this Report as entry points for further discussion on scaling-up sustainable development, i.e., tourism and other services, are not explicitly covered by the mandate of SPECA Working Groups.

⁴³ For instance, UNECE's Education for Sustainable Development, available at <https://unece.org/environment-policy/education-sustainable-development>; UNECE's Network for a Circular Economy.

In addition, international initiatives in the framework of UN,⁴⁴ OECD and WTO and raising awareness among donors are critical to build support for the sustainable trade agenda in the region. Newly initiated discussions, such as Trade and Environmental Sustainability Structured Discussions (TESSD) at the WTO, noting the importance for a sustainable and inclusive approach to trade that considers the legitimate development needs of many WTO Members are also relevant⁴⁵.

Clearly, the 2019 adoption of the SPECA Principles of Sustainable Trade provide the region with a unique starting point. As the potential is there, further work and support needed to provide details and discuss avenues to systematically harness this potential.

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⁴⁴ For instance, UN/CEFACT, the United Nations Centre for Trade Facilitation and Electronic Business, UN Food Systems Summits, etc.

⁴⁵ WTO, Committee on Trade and Environment, Communication on trade and Environmental Sustainability, WT/CTE/W/249, 20 November 2020.

7 Data Resources

Ecological Footprint, available at: <https://www.footprintnetwork.org/our-work/ecological-footprint/> [accessed: August 2021]

Human Development Index, available at: <http://hdr.undp.org/en/content/human-development-index-hdi> [accessed: August 2021]

The 2020 Circularity Gap Report, Circle Economy, available at: https://assets.website-files.com/5e185aa4d27bcf348400ed82/5e26ead616b6d1d157ff4293_20200120%20-%20CGR%20Global%20-%20Report%20web%20single%20page%20-%20210x297mm%20-%20compressed.pdf [accessed: August 2021]

Trade Map, ITC, available at <https://www.trademap.org> [accessed: August 2021]

World Bank data, available at: <https://data.worldbank.org> [accessed: August 2021]

WTO Stats, available at: <https://timeseries.wto.org> [accessed: August 2021]

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8 Annexes

8.1 SPECA Principles of sustainable trade⁴⁶

International trade has the potential to bolster the achievement of a number of sustainable development objectives, especially if its development abides by such principles as:

1. Mainstream trade into national and sector strategies to achieve the SDGs, and relevant SDGs into trade development strategies;
2. Encourage long-term investment in productive capacities, including diversification and innovation of production and trade, aligning them to the requirements of sustainable development;
3. Adopt appropriate regulation, so that trade can facilitate the transition to more sustainable and equitable growth and to a green economy by fostering the exchange of environmentally sound goods and services, by increasing resource and energy efficiency, and by generating economic and employment opportunities for all;
4. Further develop rules for environmentally friendly trade;
5. Focus on export diversification and value addition;
6. Foster productive employment and decent work conditions, through trade policies and practices that help create jobs and eliminate poverty in all countries;
7. Reduce inequality by letting poorer countries and people accede to markets, investments, and new technologies, while allowing the achievement of higher working and living standards;
8. Identify and harness trade opportunities associated with a transition to green economy;
9. Eliminate trade subsidies that negatively affect the environment and employment;
10. Invest in food security by providing access to agricultural products for a larger portion of society, thus offering more, broadly accessible and higher standard food products on the markets;
11. Promote international and regional trade governance frameworks that foster sustainability; integration of national and international initiatives that build up synergies between trade, the green economy, and social inclusion – decent jobs for all;
12. Promote the multilateral trading system in the SPECA subregion, so that international trade rules support sustainability of trade policies and practices;
13. Ensure that non-tariff measures designed to protect nature, society and the economy do not become barriers to trade;
14. Develop national sustainability standards for trade, which are related to international standards and best practices (connecting such standards in exporting and importing countries);
15. Encourage new forms of public-private partnerships to support the parallel advancement of trade and the green economy;
16. Further women's empowerment, increasingly involving women in managing trade operations and the advancement of sustainable trade;
17. Advance the development of financing mechanisms to support the shift to green trade, including capacity-building for the public and private sectors;
18. Cultivate a new ethics in the trading community that would support the overall achievement of the sustainable development goals;
19. Make the advancement of e-commerce a force for inclusion; and
20. Support micro-, small- and medium-sized enterprises to engage more effectively and efficiently in international trade.

⁴⁶ UNECE, available in English:

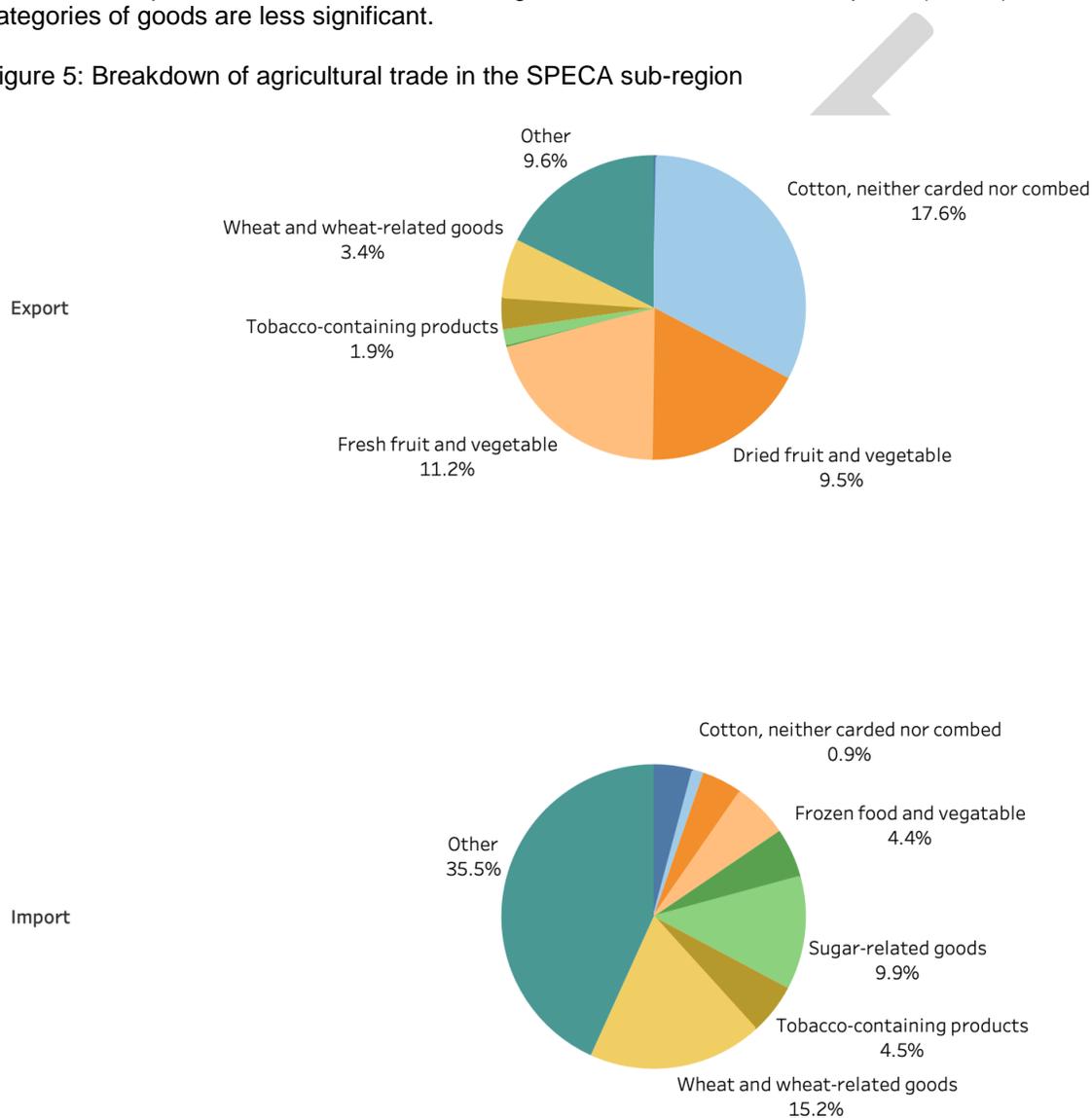
https://unece.org/fileadmin/DAM/SPECA/documents/gc/session14/Principles_of_Sustainable_Trade_Trade_Englis h.pdf; and in Russian:

https://unece.org/fileadmin/DAM/SPECA/documents/gc/session14/Principles_of_Sustainable_Trade_Trade_Russi an.pdf.

8.2 Agriculture

Central Asia is known for its historical traditions in agriculture and its multifaceted rural economy. Agriculture plays a significant role in the region's trade, accounting for 5.5% of total SPECA exports and 8.76% of total imports. Over 10% of the exports of Tajikistan and Uzbekistan are agricultural goods, while imports of agriculture products range from 7.68% in Kazakhstan to 19.75% in Tajikistan. **Error! Reference source not found.** shows that fruit and vegetables (fresh & dried) account for the bulk of SPECA countries' agricultural exports (over 20% of total exports), closely followed by raw cotton (neither carded nor combed) - 17.6% of total exports. The import bundle of SPECA countries is more diverse: only wheat and wheat-related products account for double-digit share of total SPECA imports (15.2%), the remaining categories of goods are less significant.

Figure 5: Breakdown of agricultural trade in the SPECA sub-region



Source: UNECE, based on ITC data available at <https://www.trademap.org>.

While all countries take into account environmental considerations in their respective legislation on agriculture⁴⁷, incorporating sustainable development principles into this area can unlock a substantial socio-economic and environmental potential. At the moment, it is challenging for agricultural products produced in the region to compete in foreign markets in terms of price and quantity due to highly fragmented production. The World Bank estimates that Tajikistan, the Kyrgyz Republic and Uzbekistan export a mere one third of their full potential in fresh fruits and grapes.⁴⁸ The development of an organic farming sector could help SPECA countries increase their exports and access new export markets.

Climate change adaptation is a challenge for the sub-region. Many areas (e.g. the Fergana Valley, see also box below) are particularly vulnerable to climate change, with annual average temperatures of 1.6 - 1.8°C above pre-industrial levels and considerably higher than the global temperature change. Climate change raises concerns for water consumption in irrigation and is likely to lead to decreasing availability of water. Countries in the sub-region are among the most water-dependent countries in the world (e.g. in Uzbekistan, 80% of renewable water resources originate from abroad). While government programmes in Uzbekistan aimed at improving water management efficiency and increasing investment in irrigation and drainage networks are yielding significant results (e.g. in pilot areas of South Karakalpakstan and the Fergana Valley), the efforts should be expanded to all SPECA countries (see recommendations below).

Improved agricultural practices are needed to curb land degradation, soil erosion and salination problems, as well as the loss of biodiversity. SMEs, which account for a high share of the labour force employed in agriculture (around 60% in some SPECA countries), the forestry and fishery sectors, could benefit from bolstering the enabling environment for organic production. Another area of concern for the region is food security⁴⁹ that could also benefit from agricultural reforms.

Snapshot 10: UNECE Standard for Dried Apricots and its contribution to the Fergana Valley small businesses

The UNECE Standard for Dried Apricots¹ adopted in 2016 incorporates new sustainable production and trading practices. The standard offers producers in the Fergana Valley, an area spreading across Kyrgyzstan, Tajikistan and Uzbekistan where ethnic violence erupted in 2010, a sustainable way to pool their productions and increase their competitiveness on international markets.¹ For the past five years, the UNECE, UNDP, German Corporation for International Cooperation, and Hilfswerk International have been supporting capacity-building activities in the region which resulted in enhanced knowledge of the public and private sectors in Central Asia on quality standards, including the Standard for Dried Apricots, and tools to improve quality along the entire value chain and increase the sustainability of agricultural production and trade.¹ Importantly, better quality control in companies and improved quality of production led to increased sales and export contracts, new export destinations to, for example, the European Union and the Russian Federation, and increased employment opportunities, particularly for SMEs and women.¹

Source: UNECE.

⁴⁷ Some countries have also recently adopted separate laws on organic agricultural production (Kyrgyzstan in 2019).

⁴⁸ Central Asia's Horticulture Sector, Report, World Bank, available at: <https://openknowledge.worldbank.org/bitstream/handle/10986/33652/Central-Asia-s-Horticulture-Sector-Capitalizing-on-New-Export-Opportunities-in-Chinese-and-Russian-Markets.pdf?sequence=1&isAllowed=y>

⁴⁹ See discussion in section 4.2.3 above.

8.3 Textiles/Cotton

Textiles and cotton account for around 2% of total exports and imports of the SPECA region. Exports of cotton are of particular importance in Tajikistan – 3.06%, Turkmenistan – 1.79%, and Uzbekistan – 5.71%. Textile exports are also important in Kyrgyzstan – 3.44%. Economically, it has always been considered an important development policy issue that a country should export processed products (such as textiles) rather than the raw materials (raw cotton). The price of 1 kg of cotton on the global market is 2 USD now, while the average price of 1 kg of t-shirts is 11.25 USD (or 5.6 times more).

As one of the world's most polluting industry, the textile sector is responsible for a large portion of global emissions, waste and exploiting working conditions (see also the UN's initiative to promote sustainable fashion⁵⁰). SPECA countries are not immune to these challenges, either.

Some SPECA countries have started to embrace sustainability concepts that provided some stimulus to their manufacturers and suppliers. For example, increasingly, cotton from the sub-region has been certified under the Better Cotton Initiative (BCI) and BIO cotton program.⁵¹

To fully address the environmental and social challenges, it is critical to improve transparency and traceability in the industry, which has complex value chains. Digitalization can facilitate transparency and traceability.⁵² It can be used in all phases of the supply chain, following the product life cycle (see spotlight below).

Highlights

More than 1000 cotton farms in Tajikistan certified under BCI and more than 1606 as BIO cotton.

UN tools in the spotlight 8: Transparency and traceability in the cotton sector UNECE: the UNECE toolkit and blockchain pilots

In April 2021, UNECE member States adopted a toolkit of policy recommendations, implementation guidelines and an information exchange standard to assert and verify claims about sustainable and ethical production in the garment and footwear sector: the "Sustainability Pledge"⁵³ endorsed at the 27th UN/CEFACT Plenary). The toolkit provides traceability and transparency solutions for tracking any garment or item of footwear from raw components to point of purchase. Greater transparency and traceability can also contribute to efforts towards building a circular economy, as prioritised by UNECE member States.

Blockchain technologies can allow brands and retailers to verify the origin of inputs used in the manufacturing process. Such tools can allow for the documentation of a product's lifecycle process, including from the perspective of the product's sustainability or circularity performance. To support the objective of supply chain transparency traceability, UNECE launched a pilot project to develop a blockchain system for the cotton value chain.⁵⁴

⁵⁰ UNECE, available at <https://unemg.org/sustainable-fashion-nexus-dialogue/>.

⁵¹ See related discussions in part **Error! Reference source not found.** above.

⁵² See UNECE, above note **Error! Bookmark not defined.**

⁵³ Ibid.

⁵⁴ The pilot is connected to the UNECE-UN/CEFACT wider initiative called "Enhancing Traceability and Transparency for Sustainable Value Chains in the Garment and Footwear Sector" jointly implemented with the International Trade Centre (ITC) and with financial support of the European Union. For additional information see UNECE, *Policy brief – Harnessing the potential of blockchain technology for due diligence and sustainability in cotton value chains*, 19-20 April 2021, available at https://unece.org/sites/default/files/2021-04/ECE_TRADE_C_CEFACT_2021_12E-TextilePolicyBrief_0.pdf. See also <https://unece.org/circular-economy/press/unece-launches-sustainability-pledge-measurable-and-verifiable>.

8.4 Renewable and alternative energy

SPECA countries possess vast, and largely untapped, renewable energy potential. While all SPECA countries consider transitioning to renewable energy as a priority, countries in the sub-region are at different levels of readiness for a rapid adoption of renewable energy solutions and further action is necessary to address the challenges hindering an accelerated deployment of renewable energy in the SPECA region. The Central Asian Heads of State expressed support for the initiative of the President of Turkmenistan to develop a UN Strategy aimed at implementing measures to develop low-carbon energy, as well as to create an international Road Map under the UN.⁵⁵

As SPECA economies grow, the energy demand will increase even more, putting the existing system under even greater pressure. While hydropower contributes significantly to the region's energy mix, vast resources for biomass, wind and solar energy could also be harnessed to help provide Central Asia with cost-effective and sustainable energy supply. Some SPECA countries have adopted annual action plans to transition to renewables and also established investment tools to meet the growing demand and shift to an energy efficient approach. However, significant work is still needed in relation to:

- Investing in new generating capacities for renewable energy,
- Modernizing existing capacities,
- Implementing energy efficiency policies,
- Greater integration into the regional energy market,
- Raising awareness among energy consumers with respect to the benefits of energy efficiency.

While this paper focused on the trade-dimension of sustainability, also the work of UNECE's other sub-programmes, notably sustainable energy or land management and housing can be helpful for SPECA countries. UNECE' sustainable energy work programme has five major components centred on promoting convergence in the overall legal, regulatory and policy framework, including the development of classification systems and guidelines; promoting energy efficiency and conservation, notably in economies in tran-

Snapshot 11: UNECE's Project on Energy Efficiency in Buildings

UNECE is implementing the project "Enhancing National Capacities to Develop and Implement Energy Efficiency Standards for Buildings in the UNECE Region" under the auspices of the Joint Task Force on Energy Efficiency Standards in Buildings. The project aims to enhance capacity of the UNECE member States to develop and implement energy efficiency in buildings, with a focus on residential buildings. Under this project UNECE this year developed three in-depth national studies for Armenia, Kyrgyzstan, and the Republic of Moldova with a focus on residential buildings.

Source: UNECE, available at <https://unece.org/media/sustainable-energy/Energy-Efficiency/news/358239>.

sition; encouraging the greater use of natural gas as a "transitional" fuel to bridge the gap until "new" environmentally benign energy sources are developed and commercialised; greening the coal-to-energy chain; and addressing issues related to electric power network system interconnections.

⁵⁵ See above note 16.

Along with adopting related strategies, all countries joined the International Renewable Energy Agency (IRENA). IRENA provides a forum for exchanging best practices and supports the Central Asian regional initiative to harness renewable energy (see box below).

Snapshot 12: Accelerating the Uptake of Renewables in Central Asia: the 2017 Astana Communiqué

The Heads of Delegation emphasised the role of renewables in addressing the sub-region's emerging energy challenges, which include:

- rising electricity demand;
- ageing power infrastructure;
- limited energy access for remote and nomadic populations; and
- the impact of climate change on the energy systems.

They also acknowledged the broader macroeconomic impact of renewable energy deployment, including notable socio-economic benefits, such as creating employment, developing local manufacturing industries, avoiding health and environmental costs, and addressing climate change.

Central Asian countries are committed to scaling up all forms of renewable energy in line with adopted targets extending to 2020 and beyond.

Source: IRENA, available at https://www.irena.org/-/media/Files/IRENA/Agency/Articles/2017/Jun/Astana_-_Communiqué_3.pdf?la=en&hash=B6208F7E207821E07A5BB2B9191C9895470FA2BD.

8.5 Tourism

Prior to COVID-19, SPECA sub-region hosted almost 19 million visitors in 2019⁵⁶, gaining attention as an emerging tourism destination with strong potential for sustainable development. Along with the picturesque nature, SPECA sub-region is famous for numerous UNESCO World Heritage Sites.⁵⁷ Promoting sustainable tourism in the region can positively contribute to environmental and socio-economic objectives, including SMEs inclusion.

The subregion is highly exposed to natural disasters, such as earthquakes and floods, thus disaster risk management and resilience are critical to unfold the existing potential of tourism. Furthermore, the sector has been hard hit by COVID-19 exposing the existing vulnerabilities of many tourism destinations in the sub-region. Some of the existing challenges in the SPECA sub-region include limited connectivity and lack of supply chain and logistics facilities; underdeveloped infrastructure; low standard of tourism services; and sometimes complex visa regimes.

Addressing these challenges is closely linked with the broader sustainable trade agenda and the SPECA Principles of Sustainable Trade. Discussions during the 2021 UNECE Regional Forum suggested the following policy actions for transforming tourism for sustainable, prosperous and inclusive post COVID-19 world⁵⁸:

- Strengthening coordination, policy coherence and partnerships at all levels along the tourism value chain to transform tourism, measure and report the sector's progress towards achieving the SDGs, climate and biodiversity targets;
- Mitigating the negative social and environmental impacts and economic risks of tourism, to achieve SDGs targets and to address

Highlights

Kazakhstan aims to increase the share of alternative and renewable energy by 50% by 2050.

⁵⁶ UNWTO, available at <https://www.unwto.org/statistic/basic-tourism-statistics>.

⁵⁷ UNESCO, available at <https://whc.unesco.org/en/list/>.

⁵⁸ UNECE, available at <https://unece.org/sites/default/files/2021-03/Session%202-3%20Sustainable%20tourism.pdf>.

the needs of the local population, visitors, the industry, workers, especially of MSMEs, and vulnerable groups as well as to build resilience to future environmental and health crisis;

- Accelerating the transition to sustainable consumption and production patterns and the uptake of nature-based solutions, use of renewable energy sources and other measures that support climate action and environmental sustainability, including in the transportation sector;
- Increasing sustainable finance and investment to strengthen capacity, skills and initiatives across the tourism value chain and among its actors to apply circular, innovative and digital solutions for achieving the 2030 agenda.

8.6 Other services

Services can play an essential role in transitioning to sustainable and more circular approaches. As suggested by IISD, the circular economy related services that are most frequently traded include:

- IT services
- Other professional, technical, and business services (such as technical testing or environmental consulting services)
- Leasing or rental services without an operator
- R&D services
- Maintenance, repair, and installation (except construction) services
- Sewage and waste collection services
- Professional services related to construction services.⁵⁹

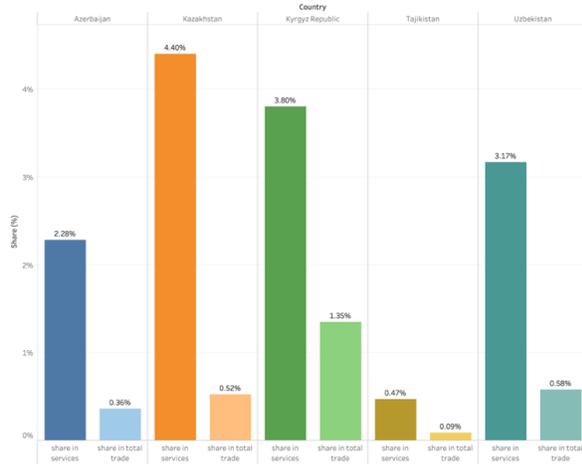
Over the past years, services, such as services related to repair and product maintenance, waste management and recycling, have been seen as essential contributions to a circular economy. More recently, digital technologies have brought new types of services to the forefront, e.g. related to a sharing economy and services embodied in goods.

Error! Reference source not found. and **Error! Reference source not found.** below show that in 2019 exports of circular economy services remained relatively low among all SPECA countries, ranging from 2.28% of total services trade in Azerbaijan to 4.4% of total services trade in Kazakhstan. Furthermore, an analysis from the perspective of share of total exports – the share of circular economy services in total trade in goods and services remain below 1% among all the countries but Kyrgyz Republic, where circular services share of total exports in goods and services is 1.35%.

⁵⁹ IISD, Trading Services for a Circular Economy, October 2020, available at <https://www.iisd.org/publications/trading-services-circular-economy>.

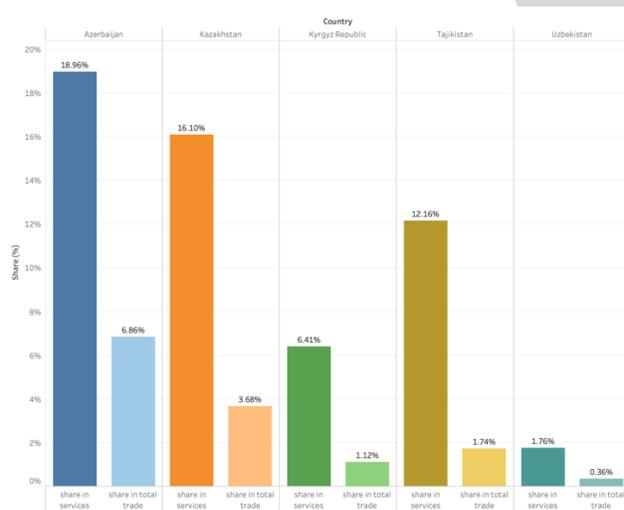
Figure 14 demonstrates diversity of circular services traded across SPECA countries.

Figure 6: Exports of circular services by country



Source: UNECE, based on WTO data available at <https://timeseries.wto.org>.

Figure 7: Imports of circular services by country



Source: UNECE, based on WTO data available at <https://timeseries.wto.org>.

Imports of circular services play a more noticeable role in trade in SPECA region. All countries but Uzbekistan and the Kyrgyz Republic exhibit double-digit imports of circular services. For Azerbaijan these services amount to 6.86% of total imports, although, it is worth noting that 16.22% of total services imports in Azerbaijan are taken by construction services, as demonstrated in

Figure 14 below.

Market diversification, including through expanding the services sector, is an important consideration for the region in its transition to a circular economy. In that regard further attention could be given to policies and measures supporting SMEs. As they provide for more than 50 percent of employment,⁶⁰ SMEs can constitute core engines of innovation and growth.

8.7 Regional trade bundles

Figure 8: Azerbaijan's trade bundles



Source: UNECE, based on ITC data available at <https://www.trademap.org>.

Figure 9: Kazakhstan's trade bundles

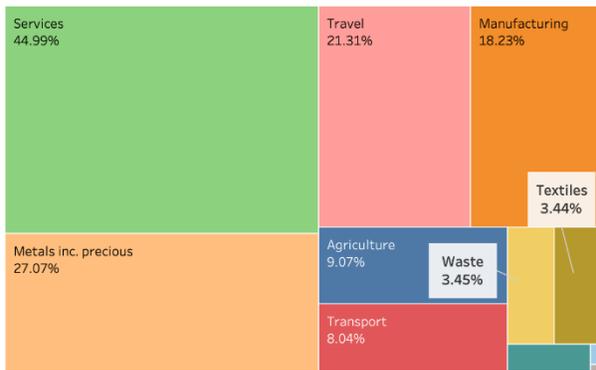


Source: UNECE, based on ITC data available at <https://www.trademap.org>.

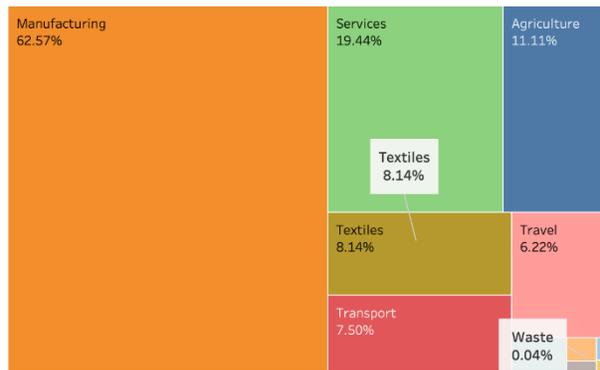
Figure 10: Kyrgyzstan's trade bundles

⁶⁰ G20/OECD, *High-Level Principles on SME Financing*, 2015, available at <https://www.oecd.org/finance/G20-OECD-High-Level-Principles-on-SME-Financing.pdf>.

Exported goods & services



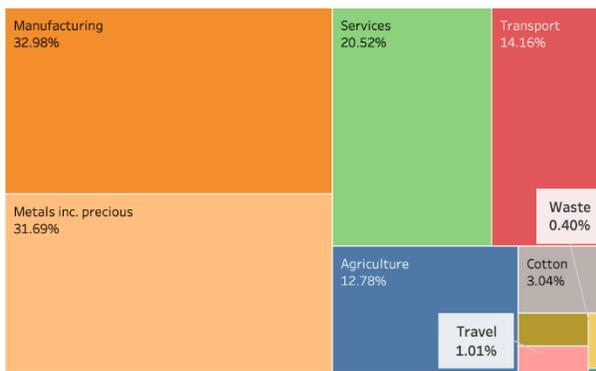
Imported goods & services



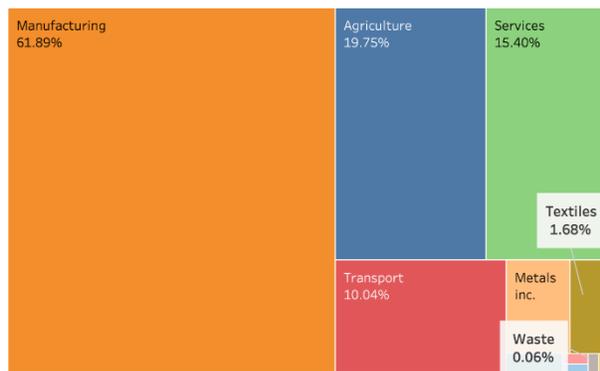
Source: UNECE, based on ITC data available at <https://www.trademap.org>.

Figure 11: Tajikistan's trade bundles

Exported goods & services



Imported goods & services



Source: UNECE, based on ITC data available at <https://www.trademap.org>.

Figure 12: Turkmenistan's trade bundles



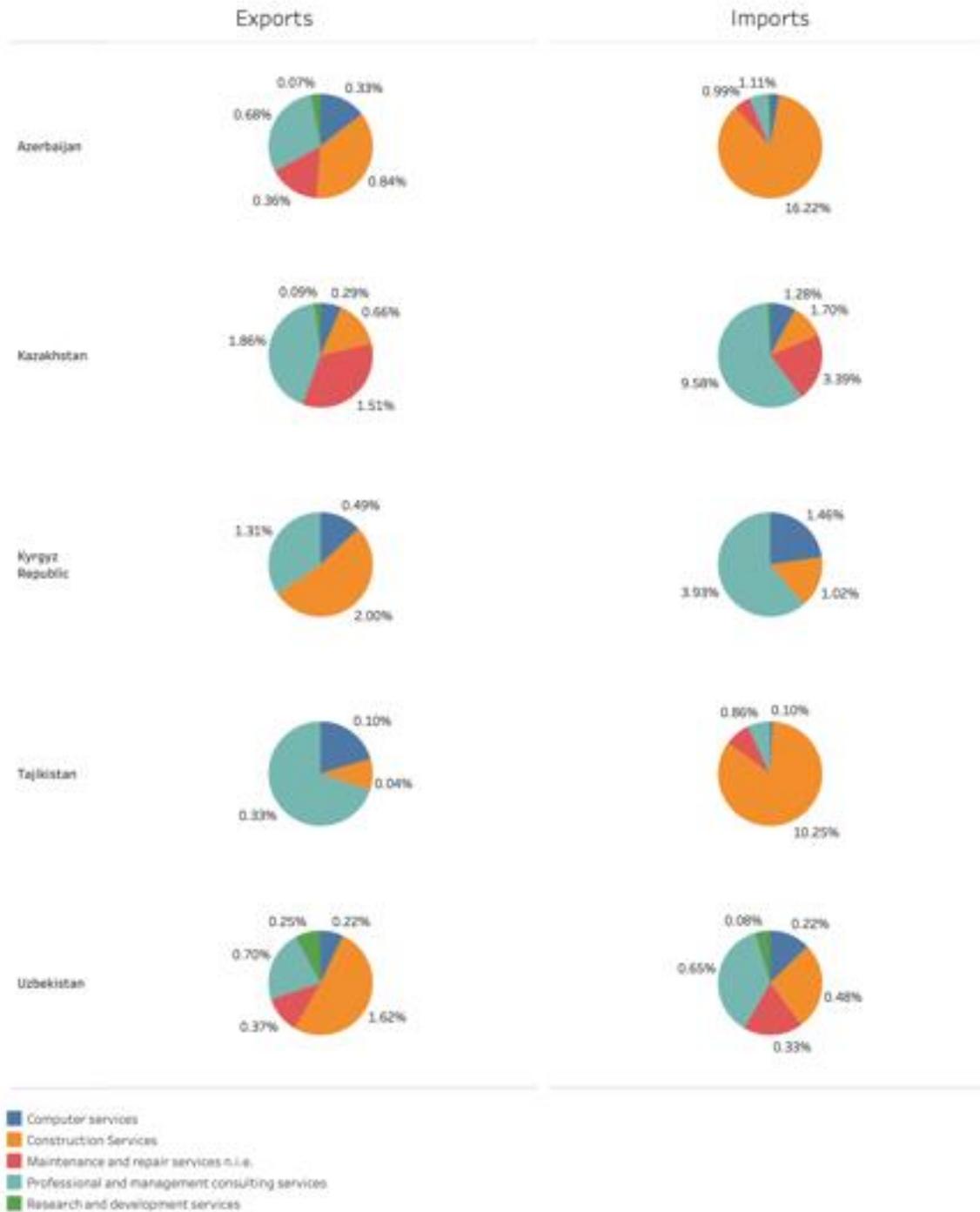
Source: UNECE, based on ITC data available at <https://www.trademap.org>. Services trade data is unavailable for TKM.

Figure 13: Uzbekistan's trade bundles



Source: UNECE, based on ITC data available at <https://www.trademap.org>.

Figure 14: Breakdown of circular services trade



Source: UNECE, based on WTO data available at <https://timeseries.wto.org>.