

High-level Policy Dialogue

Macroeconomic Policies for Sustainable and Resilient Growth in North and Central Asia

27-28 August 2013

Intercontinental hotel, Almaty, Kazakhstan

Organized by United Nations ESCAP and hosted by the National Bank of Kazakhstan

TENTATIVE PROGRAMME

The global economic outlook remains subdued and countries in North and Central Asia face a challenging task of not only sustaining high growth but also making growth more inclusive, broad-based and resilient. The Almaty policy dialogue will provide a timely platform for Ministers of Finance, Governors of Central Banks, high-level policy makers, eminent experts and diverse stakeholders from across the region to address the challenges of growth, stability, diversification and jobs, and take a fresh look at how macroeconomic policy tools could better serve national development agendas. At the same time, it will explore challenges and opportunities in regional infrastructure development, economic diversification, and cooperation with the rest of Asia, including in the context of enhancing the productive capacity and connectivity of Landlocked Developing Countries (LLDCs). Key issues to be addressed include:

1. The current stance of economic policies in North and Central Asia in the face of uncertainties and downside risks in the global economy
 2. The need for undertaking well-targeted monetary and fiscal policies directed to productive sectors of the economy with high employment intensity
 3. The impact of the composition and size of government expenditures on long-term growth
 4. Sources of inflation and policy coordination in addressing demand and supply sides of price pressures
 5. Global and regional financial cooperation, in particular the implications of Basel III implementation
 6. Regional infrastructure development, economic diversification, and cooperation with the rest of Asia
 7. Long-term vision of a sustainable and resilient North and Central Asia
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27 August 2013

8:30-9:00 Registration

9:00-10:00 **Opening Session**

- Welcome remarks by Nikolay Pomoshchnikov, Head, Subregional Office for North and Central Asia, ESCAP
- Opening remarks by Aynul Hasan, Chief, Development Policy Section, Macroeconomic Policy and Development Division, ESCAP
- Keynote address by Grigori Marchenko, Governor, National Bank of Kazakhstan
- Special address by H.E. Nodar Khaduri, Minister of Finance, Georgia
- Special address by Bakhyt Sultanov, Deputy Head of the Administration of the President of Kazakhstan
- Special address by Ardak Tengebayev, Deputy Minister of Finance, Kazakhstan

10:00-10:15 Group Photo and Coffee

10:15-12:15 **Session 1 – Current Macroeconomic Challenges**

Countries in North and Central Asia experienced a sharp decline in economic activity during the global financial crisis, followed by a relatively weak recovery. ESCAP forecasts average GDP growth of 4 percent in 2013, compared with 6 percent for developing Asia-Pacific. This session will discuss the external headwinds including the double-dip recession in Europe as well as the opportunities arising from Asia's rebalancing towards greater domestic and regional demand. This session will also discuss how the weak recovery also points to the need to accelerate structural reforms and enhance inclusive, equitable and broad-based growth in North and Central Asia. Suggested issues for discussion include:

1. How are North and Central Asian economies being affected by the double-dip recession and policy uncertainties in Europe and the United States? What are the implications of Asia's rebalancing?
2. What are the key macroeconomic challenges in North and Central Asia? How can we ensure that growth is equitable and support full and productive employment? What is the role of macroeconomic policies?

Chair Abdujabor Shirinov, Chairman, National Bank of Tajikistan

Presentations *Current situation and outlook of Asia and the Pacific*

- Aynul Hasan, Chief, Development Policy Section, and Muhammad H. Malik, Chief, Macroeconomic Policy Analysis Section, MPDD, ESCAP

Current macroeconomic challenges in North and Central Asia

- Vladimir Yasinskiy, Managing Director for Strategy and Research, Eurasian Development Bank

Structural reforms and equitable growth in North and Central Asia

- Vladimir Popov, Interregional Advisor, UN Department for Economic and Social Affairs (DESA), New York

Open discussion

12:15-13:15 Lunch

13:15-15:15 **Session 2 – Fiscal Policy for Development and Budgetary Implications**

Some countries in North and Central Asia are providing fiscal stimulus to support domestic activity while others are tightening to ensure fiscal sustainability. While highlighting these divergent trends, this session will go beyond the aggregate indicators such as fiscal deficit and public debt and look at the quality and composition of public expenditures, whether countries are investing sufficiently in jobs, education, health and social protection – areas which are crucial for the long-term strength and resilience of economies. This session will also explore ways to strengthen domestic resource mobilization, especially in light of the relatively low tax-to-GDP ratios in the region. Suggested issues for discussion include:

1. How have stimulus measures supported aggregate demand in times of crises and mitigated adverse distributional impacts? Which ones were the most effective?
 2. To what extent is public expenditure contributing to fostering a longer-term agenda to promote inclusive and sustainable development? What further actions are needed?
 3. Do countries in North and Central Asia have adequate fiscal space? Should tax-to-GDP ratios be raised from current levels and if so, what would be the best way?
 4. What is the role of minimum wages and social protection floors?
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- Chair* H.E. Nodar Khaduri, Minister of Finance, Georgia
- Presentations* *Fiscal policy for development: is it doable?*
- Alberto Isgut and Daniel Lee, Economic Affairs Officers, Macroeconomic Policy and Development Division, ESCAP
- Fiscal priorities in North and Central Asia*
- Bakhodur Eshonov, Director, Center for Economic Research, Uzbekistan
- Experiences in other parts of Asia*
- Ashfaque H. Khan, Principal & Dean, National University of Sciences and Technology NUST Business School, Pakistan
- Panelists* *Experience of Kazakhstan*
- Ardak Tengebayev, Deputy Minister of Finance, Kazakhstan
- Experience of Georgia*
- David Lezhava, Deputy Minister of Finance of Georgia
- Experience of Uzbekistan*
- Ksenia Anatolevna Khodova, Deputy Head of Division, Ministry of Finance, Uzbekistan

Open discussion

15:15-15:30 Coffee

15:30-17:30 **Session 3 – Monetary Policy and Financial Cooperation**

Given the considerable divergence across countries, headline inflation is generally down in North and Central Asia, as demand-side pressures declined in tandem with slowing economic growth while global commodity prices have partly softened, albeit still high and volatile compared to the past. There is also the question of whether proactive policies to support growth and the achievement of development goals would destabilize prices and/or cause balance of payments difficulties. Meanwhile, global and regional financial cooperation is important to ensure that adoption of new standards such as the Basel III capital requirements are in line with the various stages of economic and financial development in North and Central Asian countries. Suggested issues for discussion include:

1. Is monetary tightening appropriate for inflation induced by supply bottlenecks? What is the role of directed credit to areas of critical need, including agriculture and rural infrastructure?
2. What actions are needed to ensure financial sector stability and at the same time expanding access to finance for low income and rural households and SMEs?
3. What areas of global and regional financial cooperation should be strengthened in light of new standards such as the Basel III as well as policy uncertainties surrounding injections and phasing out of liquidity in advanced economies?

Chair Grigori Marchenko, Governor, National Bank of Kazakhstan

Presentations *Monetary policy making in the current global environment*

- Latifah Merican-Cheong, former Assistant Governor, Bank Negara Malaysia

Implications of Basel III for developing and transition economies

- Daranee Saeju, Division Chief, Prudential Policy Department, Bank of Thailand

Panelists

Monetary policy challenges in Georgia

- Giorgi Kadagidze, Governor of the National Bank of Georgia

Monetary policy challenges in Kyrgyzstan

- Suerkul Abdybalytegin, Deputy Chairman, National Bank of the Kyrgyz Republic

Monetary policy challenges in Turkmenistan

- Myratnyyaz Berdiyev, Deputy Chairman, Central Bank of Turkmenistan

Monetary policy challenges in Armenia

- Armenak Darbinyan, Board Member, Central Bank of Armenia

Monetary policy challenges in Azerbaijan

- V. Ahmedov, Head, Research and Development Center, Central Bank of Azerbaijan

Open discussion

19:00-21:00 **Reception hosted by ESCAP**

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8:45-10:45 **Session 4 – Regional Infrastructure Development**

Investment in high quality infrastructure is critical for improving national productivity and supporting sustained economic growth. Moreover, at the regional level, North and Central Asian countries could turn themselves from landlocked countries to major regional trading and transit hubs connecting Europe and Asia through initiatives such as the Asian Highway, Trans-Asian Railway and those related to trade and transit facilitation. ESCAP is also working towards an Asian Energy Highway with a view to enhancing energy security and the sustainable use of energy in the region. This session will highlight the multiple dimensions of infrastructure development – including transport, ICT, energy and financial sectors – and explore priorities at the national and regional levels. It will also highlight to challenges and opportunities in infrastructure financing. Suggested issues for discussion include:

1. What are the priority areas for infrastructure development and the associated financing requirements in different countries?
2. How could fiscal resources be redirected to infrastructure sector? For commodity exporters, how could revenue windfalls be utilized for infrastructure and economic diversification?
3. What are the views and lessons learned on engaging the private sector in infrastructure financing in various forms, including through Public-Private Partnerships (PPP)?

Chair

Timur Suleimenov, Minister of Economy and Financial Policy, Eurasian Economic Commission

Presentations *Perspectives from multilateral development banks*

- Vladimir Yasinskiy, Managing Director for Strategy and Research, Eurasian Development Bank
- Valentina Kravchenko, Deputy Director, Department of Financial Policy, Eurasian Economic Commission
- Saroj Kumar Jha, World Bank Regional Director for Central Asia
- Matthew Westfall, Country Director, ADB Kazakhstan Resident Mission

Open discussion

10:45-11:00 Coffee

11:00-13:00 **Session 5 – Diversification towards Asia**

Economic diversification is a major challenge in North and Central Asia. Progress has been limited, however, with the concentration of oil, gas, metal and mineral products in total exports increasing or remaining high in the past decade. This could threaten the long-term sustainability of growth, while leaving countries vulnerable to volatilities in commodity prices in the short-term. In terms of market diversification, exports to the European Union and China has increased sharply in the past decade (albeit highly concentrated in energy exports), but exports to other parts of Asia such as South Asia and South-East Asia have been rather stagnant. With a prolonged recession likely in Europe, however, it is important for North and Central Asian countries to strengthen economic cooperation with Asia. This session will highlight key issues relating to economic diversification and share perspectives on how to strengthen North and Central Asia's engagement with the rest of Asia. Suggested issues for discussion include:

1. What would be the strategic options for economic diversification in North and Central Asia, given the geographical constraints and the relatively small domestic markets?
2. Where are growing markets and potential markets for North and Central Asia?
3. How can macroeconomic policies better support the economic diversification process?

Chair Suerkul Abdybaly tegin, Deputy Chairman, National Bank of the Kyrgyz Republic

Presentations *Economic diversification and cooperation with Asia*

- Vladimir Mau, Rector, Russian Academy of National Economy and Public Administration under the President of the Russian Federation (tbc)
- Bakhodur Eshonov, Director, Center for Economic Research, Uzbekistan
- Khojamakhmad Umarov, Head of Macroeconomic Department, Center of Economic Studies, Tajikistan

Diversification and the role of macroeconomic policies

- Aldo Caliari, Director, Rethinking Bretton Woods Project, Center of Concern, Washington D.C.

Perspectives of ECO

- Hussain Haidar, Director of Trade and Investment, Economic Cooperation Organization

Open discussion

13:00-14:00 Lunch

14:00-16:30 **Roundtable – A Vision of a Sustainable and Resilient North and Central Asia**

Despite significant socio-economic progress over the years, countries in North and Central Asia face diverse challenges in achieving sustainable and resilient growth. Poverty, inequality, food and energy security remain major challenges. Ensuring that public and private resources are channeled to productive sectors with high employment intensity is another key challenge. This final roundtable session will serve as an epilogue in which representatives from all participating countries will share their vision of a sustainable and resilient North and Central Asia and their views and insights as to what policies and actions are needed to achieve that vision. Suggested issues for discussion include:

1. How can North and Central Asian countries move from 'transition' to 'transformation'?
 2. How can we create synergy between the objectives of sustaining high growth and ensuring that this growth is inclusive, equitable and jobs-rich?
 3. How can North and Central Asia emerge as an important hub in the 21st century global economy?
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Chair Grigori Marchenko, Governor, National Bank of Kazakhstan

Presentation *Lessons learned and priorities ahead*

- Vladimir Popov, Interregional Advisor, UN DESA

Panelists

- Armenak Darbinyan, Board Member, Central Bank of Armenia
- Ahmedov, Head, Research and Development Center, Central Bank of Azerbaijan
- Giorgi Kadagidze, Governor of the National Bank of Georgia
- Nodar Khaduri, Minister of Finance of Georgia
- Bakhyt Sultanov, Deputy Head of the Administration of the President of Kazakhstan
- Ardak Tengebayev, Deputy Minister of Finance, Kazakhstan
- Akishev Daniyar, Deputy Governor, National Bank of Kazakhstan
- Suerkul Abdybaly tegin, Deputy Chairman, National Bank of the Kyrgyz Republic
- Vladimir Mau, Rector, Russian Academy of National Economy and Public Administration (tbc)
- Abdujabor Shirinov, Chairman of the National Bank of Tajikistan
- Myratnyyaz Berdiyev, Deputy Chairman, Central Bank of Turkmenistan
- Ksenia Anatolevna Khodova, Deputy Head of Division, Ministry of Finance, Uzbekistan
- Farhod Arziev, Head of International Economic and Financial Organizations Division, Ministry of Foreign Affairs, Uzbekistan
- Timur Suleimenov, Minister of Economy and Financial Policy, Eurasian Economic Commission
- Vladimir Yasinskiy, Managing Director for Strategy and Research, Eurasian Development Bank

16:30-17:00 **Chair's summary and Closing remarks**

19:00-21:00 **Farewell dinner hosted by the National Bank of Kazakhstan (by invitation only)**