DAY 1

Opening Session: Welcome and Introduction

1. Miltiadis Varvitsiotis, Deputy Minister for Foreign Affairs, Greece.
2. Luca Barbone, Sector Director, World Bank.

The opening session of the conference included two welcome speeches. The first one was delivered by Mr. Miltiadis Varvitsiotis, a Deputy Minister of Foreign Affairs of Greece who greeted all participants on behalf of the Hellenic government. In his speech Mr. Varvitsiotis stressed on the priorities of the Greek government in the Black Sea region, namely: transforming the region into one of the energy hubs of Europe, developing transport networks and supporting access of Greek businesses to Black Sea markets. The second opening address was delivered by Mr. Luca Barbone, a Sector Director at the World Bank who also welcome all participants and emphasized on the importance of the selected topic of the conference provided the evolving global financial crisis. In conclusion, Mr. Barbone introduced the participants to the major sessions and structure of the conference program and wished them a successful work.

Plenary Session 1: The Regional Economy: Challenges and Opportunities

Chair: Luca Barbone, Sector Director, World Bank.

1. EU Eastern Partnership -- Challenges and Opportunities, János Herman, Principal Adviser for Regional Cooperation and Deputy Political Director, DG RELEX.

The major focus of this first plenary was to explore the initial effects of the global financial crisis on the Black Sea markets and economies. The Session was opened with a presentation provided by Mr. Janos Herman, a Principal Adviser for Regional Cooperation at DG RELEX of the European Commission. The topic of Mr. Herman’s presentation was on a new EU program specifically targeted at the Black Sea Region entitled Eastern Partnership. The program is still in a approval stage by the EC but it will include 6 countries from the region, namely: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The Eastern Partnership is linked to
European Neighborhood Policy and will have two tracks: bilateral and multilateral relations and four thematic platforms based on common interests and shared values, including: democracy and good governance, economic integration and convergence, energy security and contacts between people. The Partnership shall be launched in May, 2009. Another regional initiative focused on the Black Sea Region was initiated back in 2007 with Bulgaria’s and Romania’s joining the EU. The initiative is entitled Black Sea Synergy Policy and its primary focus is to invigorate and better coordinate existing regional cooperation through the EU enlargement in 3 major fields: transport, energy and environment. This initiative will be developed in cooperation with the Black Sea Economic Commission.

The second presentation was delivered by Mr. Andrey Kondakov, a Vice President of the Black Sea Trade and Development Bank. Mr. Kondakov made an overview of the economic development of the Black Sea region over the recent decade. He pointed out that up 2007 the region was growing steadily with 7% growth rate per annum. However, the region enjoyed this steady growth primarily due to influx of external investment and the global financial crisis reverted this trend so by the end of 2008 the regional economies already exhibited a significant slowdown. Some of the measures proposed by Mr. Kondakov for counteractive the negative economic trend in the region involve: foreign banks which have subsidiaries in the region to include them in their anti-crisis measures; increase in external lending to increase the flow of capital, support to infrastructure development programs and targeted project and SME financing.

The final presentation in the first plenary was delivered by Mr. George Zanias, a professor of economics at the Athens University of Economics and Business who explored in detail the reasons for global financial crisis and its effects on the Black Sea region. Some of those immediate effects on the region include: reduced FDI and lending, increasing current accounts deficits and declining export markets, more than 50% fall in local stock markets, local currencies devaluation by 20% in some of the Black Sea countries in less than four months and significant slowdown in growth rates. Some of the measures to counteract this negative trend in the short run proposed by Mr. Zanias included: lowering of interest rates, providing stimulus to increase demand in the public sector, specially tailored SME and social policies to protect employment in the region.

Five questions were raised in the ensuing discussion, namely: i) whether strategic environmental assessments are envisaged for joint initiatives in all 3 priority areas for the Black Sea Synergy Initiative (transport, energy and environment); ii) what particular measures shall be taken within the Eastern Partnership initiative for institutional and capacity building; iii) regarding the extent of cooperation between the Eastern Partnership and Black Sea Economic Cooperation; iv) impact of financial crisis on private transfers to Black Sea economies; v) how to tackle huge current account deficits of Black Sea economies.

The answers to the first 3 questions were provided by Mr. Herman. Mr. Herman stated that all sectoral partnerships to support a particular project or initiative between two or more countries in the region would involve an obligatory SEA before any funds from the Eastern Partnership Initiative were disbursed. In response to the second question Mr. Herman said that capacity and institutional building programs in the BS region should be preceded by in-depth studies of needs of public administration. Finally, as an answer to the third question directed to him, Mr. Herman said that partnerships between the Eastern Partnership Initiative and all types of on-going or future cooperation programs in the region would be favored, especially if coupled with existing Danube river partnership programs and envisaged high level regional public events. Cooperation with EU sectoral programs like INOGATE (for transport infrastructure) and TRASECA (on transport corridors) shall be also sought.
The answer to question four and five were provided by Mr. Zanias. Regarding the fourth question he acknowledged that private transfers from nationals of Black Sea countries working in third countries (and especially in Russia) shall be severely hit by the enfolding global financial crisis and affect the influx of “fresh” capital to BS economies. Regarding the final question, Mr. Zanias advised that BS governments should be extremely cautious when they use fiscal stimuli since what works in one country, may produce counter effects in another: i.e. financial stimuli should be country specific and tailored to the local situation, as governments should be prepared to withdraw those stimuli (i.e. by reduced public spending and increased taxation) once the regional economies show signs of invigoration. For instance, stimuli to SMEs in Greece at the end of 2008 produced increase in GDP and economic growth, but similar measures introduced in Ukraine produced counter effects: i.e. increased inflation and current account deficit.

Plenary Session 2: Regional Integration

Chair: Head of Armenian Country Delegation

1. *Ireland’s Experience with Regional Integration*. Alan Dukes, Former Minister of Finance, Ireland.
3. *Financial Crisis and Growth*, Ralph de Haas, Sr. Economist, EBRD.

Indermit Gill (Chief Economist, ECA region, World Bank), in his presentation on *Economic Geography and Integration*, highlighted the important role of international trade in global economic and geographic transformation. Important elements of this transformation was the higher density of population in urban areas, the reduction in economic distance as a result of lower transportation cost and the decline in economic divisions are as result of lower border transaction costs that enables greater mobility of goods, labor and capital. Mr. Gill stressed that economic growth is by its nature unbalanced and can’t be easily spread geographically. Indeed, only through greater economic integration can the benefits be spread across and within countries. It is the interaction between lagging and leading areas that creates dynamism. Governments can undertake targeted interventions and develop infrastructure to connect places with a country and improve the linkages internationally. High cross border transaction costs, or the notion of “thick border”, can reduce the benefits of international trade. The closer an economy is to a large trading partner, the easier is to develop international integration.

Ralph de Haas (Senior Economist, EBRD), focused his talk on *Regional Integration and the Impact of the Financial Crisis*. He suggested that the movement of capital from rich countries to poor countries, or the process of international financial integration, enabled many of the less developed countries of the region to enjoy sustained high rates of economic growth. By allowing these countries to run large current account deficits, financed by FDI and foreign bank lending, consumption was higher than would have otherwise been the case. At the same time, the extent of financial integration increased the vulnerability of the countries in the region to the regional and global crisis. The slowdown in capital flows is tied, in the short run, to the need to reduce current account deficits and consumption levels. Domestic financial systems are particularly exposed to financial contagion and there may be a need to have cross-border cooperation of the recapitalization of parent and subsidiaries. The crisis may have the potential of undermining
needed structural transformation of these economies insofar as policies and reforms are delayed or reversed.

Alan Dukes (former Minister of Finance, Ireland) described Ireland’s experience with regional integration. For most of the post-independence period, Ireland pursued a policy of “economic protectionism”. Ireland was economically dominated by a large neighbor and domestic industry stagnated behind tariff walls. Starting in the 1960s, Ireland began to modernize, open its economy to competition and implement policies designed to attract FDI. By 1973, Ireland became a member of the EEC. This enabled Ireland to benefit from cohesion funds and unfettered access to European markets. Externally imposed criteria supported prudent fiscal policy and external oversight allowed public capital expenditures to become more efficient. Mr. Dukes closed his talk by noting that while the EU is a good integration model, it remains an “under achiever”. Integrated monetary policy has not been accompanied by sufficiently integrated fiscal and economic policies.

**Break-Out Session 1**

1. **Promoting Trade and Foreign Direct Investment**

   Chair: Head of Azerbaijani Country Delegation – Mr. Nasib Nasibli, MP, Azerbaijan

   a. *Trade Policy in Black Sea Countries*, Oleh Havrylyshyn, Former Deputy Director of the IMF’s European II Department.


   d. *Reaching the Full Potential of Intra-Regional Trade through Partnerships: the Example of the UNDP Black Sea Trade and Investment Promotion Program (BSTIP)*, Giuseppe Belsito, Program Manager, UNDP, Athens.

Trade is becoming more and more important especially in the light of global financial crisis. After the collapse of the Soviet Union the new countries began to establish new trade relationships with a world economy. The structure of export and import has been changed. Countries are facing new challenges regarding trade issues. Professor Havrylyshyn mentioned three main points affecting trade: 1) border measures (tariffs etc); 2) behind the boarder institutional issues (corruption, business environment); 3) trade facilitation (infrastructure, custom procedures).

Most of countries brought their tariffs in line with international standards but institutional and infrastructural issues are still a case. In this regard countries should improve custom procedures as well as the infrastructure, and simplify the boarder crossing procedures.

Countries are also facing challenges regarding the export diversification including issues such as how to enter new markets, how to improve the quality of exported goods and the services, and how to decrease the cost. In this regard governments can play very important role by channeling
resources to most productive activities, improving business environment, and proactively supporting and facilitating trade. Moreover, as was mentioned “one size doesn’t fit all”.

2. Doing Business Better - Creating Jobs through SME Development

Chair: Head of Bulgarian Country Delegation - Elena Poptodorova, Ambassador, Bulgaria


b. Investment Climate Reform in Turkey and Impacts on FDI, Cavit Dagdas, Deputy Under-Secretary of the Treasury, Government of Turkey.


The session focused on the effectiveness of policies aimed at facilitating growth in metropolis and cities, and improving investment climate with special attention to two countries in the Black Sea region.

Chorning Goh, the World Bank, presented the findings of the World Development Report 2009: Reshaping Economic Geography, on designing and implementing policies to promote density, reduce distance, and eliminate division, and thus encourage growth. Economic activity is concentrated in a portfolio of places at the global, local, and national spatial scale with varied size, density, and economic functions. This uneven spatial distribution of economic activity has led to a concentration of economic activity in 1.5% of the land globally. Therefore policies to increase economic density would need to be tailored based on the level of industrialization. Areas at incipient stage would need to focus on developing spatially blind institutions—provision of basic amenities and social services (e.g. water and sanitation, street and security, school and clinics) and land market institutions to ensure secure property rights, land tenure and versatile land use. Areas at intermediate urbanization stage would need to develop the infrastructure necessary to reduce distance and congestion in addition to strengthening provision of basic services and land market institutions. At advanced level of urbanization, with adequate institutions and infrastructure, targeted interventions would support eliminating distance between economic agents and ensure shared growth. Some of the participants in the workshop found it difficult to see the implications of the proposed policies to facilitate agglomeration to some countries in region, mainly small economies.

Mr. Cavit Dagdas, Deputy Undersecretary, Undersecretariat of Turkey’ Treasure, presented the efforts of the Government to improve investment climate in Turkey, the impact of interventions on business development and investment, and future reform agenda. Reforms to enhance investment climate aimed at improving the competitiveness of Turkish economy in a globalized world. The design of relevant policies and institutions have been preceded by a comprehensive analysis of the quality and effectiveness of the existing business environment priorities were determined on the basis of consultations and consensus among all stakeholders. To improve policy coordination and increase the effectiveness of implementation across various government’s institutions, a Coordination Council for the Improvement of Investment Environment has been established. In addition, an Investment Advisory Council was set up established, consisting of
executives of leading multinational companies and representatives of IFIs to provide feedback to the Coordination Council on the effectiveness of investment climate reforms and advise on future reform efforts. Enhancing business environment in Turkey has led to increased flows of FDIs in the country and improved investment indices as measured by a number of cross country comparisons. Future reform agenda would focus on further simplification of firms’ entry and sector licensing regulations, reducing costs of customs, improving the flexibility of the labor market, and strengthening innovation and R&D activities. Participants in the workshop found the consensus building approach used in Turkey as a key to the success of efforts aimed at enhancing the investment climate in Turkey.

Mr. Sabit Bagirov, Entrepreneurship Development Foundation, presented Azerbaijan’s experience in designing and strengthening reforms for an improved business environment and touched upon the impact of the ongoing global financial and economic crisis on Azerbaijan’s economy. Developing of private entrepreneurship required major transformation of the economic and political setting in the country. Currently over 60K private companies of all size operate in the country with private sector generating 84% of GDP (inc. foreign oil companies present in the country). Important improvements in the business environment have taken place over the last several years, including introduction one-stop-shop principle in business registration and customs, introduction of electronic system of tax payments, and improvements of labor legislation and expanding credit registry. In 2009 Doing Business report Azerbaijan was recognized as one of the top reformers globally. Nevertheless, a broad reform agenda remains in improving the business environment in the country. A National Business Agenda for 2009 was developed by the Entrepreneurship Development Foundation which proposed specific recommendations to address weaknesses in 14 areas of business environment.

3. Connecting the Region: Infrastructure and Logistics

Chair: Head of Georgian Country Delegation - Irakli Gachechiladze, Deputy Minister of Economy, Georgia


b. Georgia – Fiscal Reform and Infrastructure Development, Aleksi Aleksishvili, Former Minister of Finance, Georgia.

c. Lazlo Borbely, former Minister of Regional Development & Public Works, Head of the Foreign Affairs Chambers Committee Romania.

All Three presenters emphasize the importance of multilateral cooperation in the area of transport developments; energy source and transit rout diversification, intensification of trade relations with Europe, Middle East and Central Asia. Speakers described different approached to achieve these goals, all complementing each other:

Mr. Mavrakis sees the great role of the non-governmental Regional Intermediary Organization to promote and facilitate investments, trade transactions and knowledge transfer in the Energy sector and post Kyoto protocol Mechanisms. The Organization would rely on interests and experience of Banks, Energy Stakeholders and Academic Institutions in terms of regional alliance, provide platform for the encouraging financial activities between national and international stakeholders and also be a knowledge transfer facilitator. The SWOP analysis of the proposed services
suggested number of opportunities such as political consensus, syndicated loans, demand for energy, though limitations and threats particularly emerged in recent period as economic recession may be a serious concern. The progress with regard organizational goals is slow so far, being at the initial stage of establishing contacts and making presentations to major stakeholders and possible partners.

Mr. Aleksishvili briefly outlined the importance of national policies in order to facilitate regional development, economic viability and trade relations. The progress made by the Georgian Government in the area of fiscal and other structural reforms to improve business environment has been widely recognized by the international community (World Bank Doing Business reports). Fast growth and accumulated national and international resources allowed the authorities to implement many ambitious infrastructure projects: construction of gas and oil pipelines, construction and rehabilitation of roads of national and regional importance, Railway project to connect Turkey Georgia and Azerbaijan, increased capacity of three ports including oil terminal, reconstruction of airports and other projects. Flexibility in delegation of state ownership to private management and attraction private resources made possible implementation of all those projects in very short period of time.

Mr. Borbely emphasized interest of Romania in actively contributing in strengthening of the stability and security in the Black Sea Region. Role of BSEC and EU is crucial in his view. European Energy Policy such as Development of Southern gas corridor, the Nabucco project is backbone of energy and transit routes diversification opportunities. The infrastructure projects of Motorway of the Sea and Black Sea Ring Highway could be materialized with EU active involvement and cooperation. Romania is in favor of all those projects. Within the Synergy framework Romania has already advanced a set of projects covering environmental protection and civil society cooperation.

DAY 2

Plenary Session 3: Social Convergence or Divergence?

Chair: Head of Moldovan Country Delegation – Natalia Catrinescu, Chief of the Directorate of Policy Coordination and External Assistance of Government Apparatus, Moldova

3. *Black Sea and Central Asia Economic Outlook (BSECAO)*, Kiihiro Fukasaku, Head of Regional Desks, OECD Development Centre.

The Plenary Session on Social Convergence and Divergence made three main points. First, the EU, as an example to the BSEC region, will deal with the crisis by using its Social Fund to support rapid re-entry of the unemployed, to focus on the most vulnerable and to simplify its Structural Funds. Second, additional 6 million people are projected to stay in poverty in the Black Sea region as a result of the crisis. Third, for a sustained GDP growth and FDI levels,
policies in the region need to be prioritized so as to improve the business climate and meet the skill gaps facing the private sector.

The first speaker, Mr. Wolf, highlighted the following points of the 2009 Joint Report on Social Protection and Social Inclusion. First, at-risk-of poverty and in-work poverty rates as well as social protection spending vary significantly among the member states. Second, yet common strategies for social inclusion for the EU are outlined such as inclusive labor market, access to quality services, adequate minimum income schemes and identifying new risk groups. Third, particularly to face the crisis, the European Social Fund should be used to its full potential to, first, support rapid re-entry of the unemployed, second, focus on the most vulnerable, and third, simplify implementation of the Structural Funds.

Mr. Luca Barbone of the Poverty Reduction and Economic Management Unit of the Europe and Central Asia Unit of the World Bank presented recent findings using cross-country comparable poverty data. The key messages were that, while economic growth with stable inequality dramatically reduced poverty in the Black sea area between 2002 and 2006 (16 m fewer poor and 27 fewer vulnerable). First, one third of the region’s population remained poor or vulnerable. Second, the global crisis has had a significant impact on poverty. Close to 6 million people are projected to remain in poverty in 2009-10. Third, growing inequality within many countries threatens to slow down the pace of the future poverty reduction and social cohesion.

OECD has three main objectives for its work in the Black Sea region, according to Mr. Kiichiro Fukasaku of the OECD Development Centre. The first objective is to improve the business climate by sharing OECD-country best practices and policy experiences, second to provide peer review and peer learning opportunities, and third to assist partner countries in stimulating investment, creating jobs and supporting local businesses. Based on the 2008 OECD report on the BSEC region’s macroeconomic and policy developments, Mr. Fukasaku drew the following conclusions. First, regularizing informal activities, through for instance reduced tax rates, will help households deal with the crisis. Second, employment-oriented social policies and targeted assistance will be particularly important. Third, migrant worker rights, job creation and better statistics in the region were found to be paramount.

**Break Out Session II**

1. **Poverty and Social Inclusion**

   Chair: Head of Romanian Country Delegation - Ioan Ianos, University of Bucharest, Romania

   c. *Protecting the Poor During Crises*, Daria Popova, Institute for Social Policy, Russia.
The session started with an overview of labor market reforms for job creation and competitiveness by Gordon Betcherman. He drew participant’s attention on both long-term structural issues in the regional labor market and suggested most appropriate public policies to tackle implications of current global recession. A brief historical overview of the region’s performance revealed that despite quite impressive economic growth over the last decade, the employment response in most of the BSR countries remained very low. However, in order to maintain high growth rates, countries need to pay more attention to crucial linkages between labor market regulations, institutions and competitiveness. Moreover, as the economy moves up in the income ladder, labor market regulations become more important in assisting the future growth. It was advised, that in general and in the crisis context in particular, “protecting workers” policy will lead to better outcomes in the labor market than the policy of “protecting jobs”.

“Protecting workers”, which implies providing trainings, unemployment benefits, etc leaves more room for economic dynamism and better flexibility in the labor market than “protecting jobs”. It also provides a better respond to modern firm’s demand for highly skilled and better educated labor force. The need to enhance the human capital becomes an important policy direction for BSR region to address the growing challenge of aging population.

The above generic perspective was followed by three case studies presenting country experiences. The Armenian story of social convergence, inclusion and poverty reduction by Vahram Avanesyan in many aspects was similar to findings of general observations from the region. Household surveys document that poverty has declined substantially between 1998/99 to 2007 due to the strong economic growth, reduction in income inequality, and high rates of private and public transfers. All of the above listed factors led also to a social convergence within the country with the difference in riches and poorest regions declining by about two times in the observed period. However, deeper analyses of the last two years outcomes reveal that despite the continuous double digit growth rates, poverty became almost unresponsive to the economic growth. Among hindering factors the presenter mentioned the role of private transfers and their unequal distribution among different deciles. Presenting two different possible scenarios of crisis-response policies in Armenia, it was suggested to abstain from backsliding protectionist policies, and accelerate economic reforms and improve targeting of social protection measures to achieve better poverty reduction results in the long run.

The next speaker, Daria Popova, quoted Russia’s experience with protecting the poor during past crisis of 1998. However, post-1998 developments demonstrated a new pattern when strong economic growth was translated into substantial increases in incomes (real wages) which then contributed to a poverty reduction but at the same time, inequality has increased. Meantime, due to the lack of proper social protection mechanisms, namely inadequate provisions for pensions, fragmentation of social protection into different privileges and monetized benefits, and certain categories of population remained in the risk group of falling into poverty again. In the context of current crisis and the above-mentioned institutional weaknesses in Russia, it was suggested to give high priority to policies addressing two fundamental social challenges - unemployment benefits and declining real incomes in budgetary sector.

The Moldovan country case presented by the deputy-minister of social protection Viorica Dumbraveanu, drew participant’s attention to the importance of having proper legislation on social protection in place, and coordinating and mobilizing donor assistance to enhance basic institutions to be better prepared during crisis management period. In addition to other challenges facing the region, i.e. the aging population problem, Moldova’s development is constrained also
by the lack of manpower due to high rates of migration from the country. In this respect, the situation in Russia and issues with formalization of informal labor market become at utmost importance for remittances recipient countries like Moldova.

2. Access to Justice

Chair: Head of Russian Country Delegation – Mikhail Dmitriev, Ex-Deputy Minister of Economy, Russia

a. Innovations in Access to Justice, Ms. Vassi Ilieva, Chair of the National Bureau of Legal Access, Bulgaria.

b. Challenges in Improving Access to Justice, Olga Sidorovich, Director, Institute of Law and Public Policy, Moscow.


The first two panelists offered perspectives on the delivery of social services in the judiciary arena by sharing with the audience experiences in their own respective countries, Bulgaria and Russia. The third panelist offered a general European overview from the Council of Europe perspective. The Council of Europe introduces what is known as “soft” law, while the EU and the EC introduce regulations or “harder” law.

In Bulgaria, access to judicial assistance is provided by the state to its citizens, but there is often inadequate awareness by the public. Judicial assistance is under-resourced and under-financed when compared to other European countries. There is also lack of effective regulation and proper quality control. Bulgaria has been challenged to make improvements in this area, as well as in its governance and anti-corruption practices, in the context of its EU accession process. The Legal Aid Act of 2005, which established the National Legal Aid Bureau (NLAB), provides legal aid to those who need it, but there is not enough awareness by the public. About 62% of those surveyed (mostly in detention facilities and probationary offices) said to be satisfied by the legal aid provided. There is still a need to popularize the legal aid system. Budget constraints remain an issue. Bulgaria spends about 40 eurocents per capita on legal aid. The Netherlands, in comparison, spends about 27 euro per capita.

Similar problems are encountered in Russia. Russia is not an EU member but it is a member of the Council of Europe, and as such submits bi-annual reports to the Council of Europe. There is insufficient supply of services but also insufficient demand, which may be attributed to widespread lack of awareness by the general population of the availability of such services. In Russia, legal aid is distinguished into criminal legal aid and civil legal aid. There are “ex officio” (court-appointed) lawyers who deliver legal assistance. While there is no single entity administering legal aid in Russia, there are about 64 offices in Russia which provide in essence legal assistance. Finland, on the other hand, a much smaller country, has 65 legal aid offices.

When one compares the two countries using Council of Europe data, per capita spending in Russia higher than in Bulgaria, but at the same time the number of cases is smaller and fewer citizens make use of such services. Dr. Albers offered several other country comparisons drawing on data available to the Council of Europe. When looking, for example, at the number of lawyers and degree of court penetration across Europe, Greece and Turkey have among the highest numbers, but at the same time out of court dispute resolution practices are not used perhaps as much. The differences in budget resources allocated to legal aid, can be striking from country to
country. In the Black Sea region, Ukraine spends the least per capita, and Russia the most (but see beginning of paragraph).

Dr. Albers concluded his presentation by giving an overview of recent trends on access to justice. These include reduction of geographical court locations; increasing possibilities for small claims (civil) proceedings; more alternative dispute resolution as opposed to regular court proceedings; and, in certain European countries, a reduction in budget for legal aid.

3. Climate Change and the Poor

Chair: Head of Turkish Country Delegation - Cavit Dagdas Deputy Undersecretary, Under Secretariat of Treasury, Turkey


b. Confronting the Impacts of Climate Change: Bulgaria’s Experience, Petko Kovatchev, Director, Green Policy Institute, Bulgaria.

c. Managing Climate Change in Least Developed countries, Theodoros Skylakakis, Secretary General for International Economic Relations and Development, Ministry of Foreign Affairs, Greece.

The session focused on the economic impact climate change policies have on the poor. Antonio Estache, Université Libre de Bruxelles, lead the discussion by focusing on the costs these policies have on the poor. Estache argued that climate change policies are regressive in poor countries (i.e. hurting the poorest more). For instance, mitigation policies aimed at switching to low carbon options adds 40-50 percent to the annual energy expenditures of the poor. This is a new ‘tax’ of three to eight percent of the poor’s income. Since the opportunities for transfer based corrections are modest in the poorest countries, the design and the choice of instrument needs to rely more systematically on risks of adding to the burden of the poorest. The costs of climate change policies are regressive with the poor paying more than their fair share. The poor tend to loose their jobs as companies switch to capital intensive environmentally friendly equipment. Sighting experience from OECD counties, Estache stated that the regressivity of costs can be mitigated by recycling revenues from taxes and permits or investing in infrastructure that is biased towards poorest groups. Estache concluded by saying that that the debate on distributional consequences of climate change policies should not only be about rich versus poor but should also focus on issues within each country.

Petko Kovatchev, Green Policy Institute, discussed the experience of Bulgaria with regard to climate change policy. Kovatchev argued that Bulgaria is lacking a comprehensive climate change strategy though the government has established an inter-institutional Commission on climate change. One of the challenges faced by the government is to coordinate actions among the several ministries and institutions involved. All in all there are too many players that complicate and impede policy actions and implementation. Kovatchev listed a number of environmental disasters that had occurred in Bulgaria and noted that while compensation was in place, it often was not enough. More importantly the country has no tradition in insurances or with civil education of protection against natural and industrial catastrophes. Kovatchev raised the issue of ‘climate refuges’ which he described as a new and challenging problem. There is no accepted definition but many of these people come to Europe from the Middle East, South East Asia, Africa; regions that are heavily impacted by floods, storms, and droughts. South East
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Europe and the Black Sea region lay on the way to Europe and as a result it is important to examine this problem and undertake appropriate impact assessments. Kovatchev called for comprehensive national climate change policies that would guide sectoral and regional strategies. The countries of the Black Sea need to cooperate on climate issues on a regional level, perhaps through the framework of the Black Sea Synergy program.

Secretary General Theodoros Skylakakis, Ministry of Foreign Affairs, addressed the topic of Managing Climate Change in Least Developed Countries. The Secretary General argued that we are only just beginning to feel the impact of climate change. In fact, the slowdown in global economic activity will not stop or slow the damage that is being done to our climate. Rather, we might have a worse crisis as the economic resources needed to flight climate change by investing in new technologies and adopting appropriate climate ‘saving’ technologies will be even more limited. It is important to realize that climate costs happen across boarders and across regions. It is difficult to assess and capture these costs and difficult to structure appropriate national policies. Skylakakis argued that least developed countries will feel the most of the impact of climate change even though they have the least responsibility for its. As such, appropriate assistance must be given to LDC to help them adapt and adopt new climate change friendly technologies. The Secretary General outlined the support Greece provides to developing countries to address climate change and renewable energy resources.

**Plenary Session 4: Opportunities for Regional Integration and Inclusive Growth**

**Chair: Head of Ukrainian Delegation - Ms. Kriuchkova, Deputy Minister of Economy**

Plenary session IV, titled “Opportunities for Regional Integration and Inclusive Growth”, called upon country delegations to share the lessons that they will take with them from the conference. The lessons were many but the most emphasized ones were, first, how to cope with the crisis, and second, what specific opportunities for integration exist.

The Moldovan delegation found that their knowledge of the potential impacts of the crisis on poverty and labor deepened further. They recognized that “one size will not fit all” but that the solutions that could potentially work for them are that, first, the crisis will foster even higher fiscal responsibility, second, investment needs to be prioritized towards sustainable growth, third, targeted social assistance will need to play a bigger role during the crisis, and forth, that labor markets need to become even more flexible. They concluded by saying that governments will matter more now than in periods of higher growth.

The Romanian delegation outlined that the conference has created a shift, first, in their strategic thinking about the region, second, in their assessment of the barriers, and lastly, their involvement in BSEC. As a result of the conference, they will attempt to reverse the decreasing trend of contributions towards BSEC agenda while prioritizing climate change policies. Second, it was pointed that a better assessment of BSEC barriers is needed. They recognized that BSEC is very fragmented and they will seek opportunities to address brain drain and other human development issues, improve opportunities for collaboration on energy and mineral production as well as the protection of welfare in rural areas. Thirdly, in terms of improving Romania’s involvement in BSEC, they suggest that more actors are involved (for instance, academic actors, private sectors, NGOs), bilateral city/village twinning projects are developed and that BSEC institutions are further strengthened.
The Russian delegation stressed that the conference was very timely as the crisis could change BSEC fundamentally. The most beneficial aspect of the conference to them was the exchange of the latest information from each country although some of the more academic presentations were thought to have a lag in reporting information. The conference helped bring about the realization that the countries in BSEC are “in the same boat” primarily because of the labor market connection through migration. The delegates will look for more opportunities for increased trade as they thought currently trade has not reached full potential or is very EU-centered.

**Closing Remarks by Luca Barbone**

Luca Barbone, Director at the World Bank, thanked for the high level of participation, time and devotion of the delegates. He found the topic to resonate strongly through the region.