

Progress Report on the implementation of the EU Strategy for Central Asia Implementation Review and outline for Future Orientations

Executive summary

The EU's Central Asia Strategy **for a new Partnership** adopted by the European Council in June 2007 has led to a significant intensification of EU relations with the five Central Asian countries, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan. The strategy has proven itself to be valid and much progress has been made in achieving what the EU set out to do in 2007. The EU response and contribution to overcome the crisis in the Kyrgyz Republic in 2010 illustrated the role the EU can play in the region. All priority areas of the strategy remain important: human rights, rule of law, good governance and democratization; youth and education; economic development, trade and investment; energy and transport; environmental sustainability and water; combating common threats and challenges.

At the same time the region is facing increasing challenges, notably as regards developments in Afghanistan, and security issues have come to fore in relations with the EU. There is thus scope for adjusting the focus of EU actions and to target EU efforts more narrowly in the framework of the priorities set out in the strategy. This should also increase the impact of EU actions and co-operation efforts and draw on the lessons learnt from implementing the Central Asia Strategy so far.

EU actions in relations with Central Asia over the coming years will focus in particular on:

- Introducing a **regular High Level Security Dialogue**.

This report was prepared by the European External Action Service and European Commission services, including on the basis of contributions by EU Member States and by the EUSR for Central Asia, and was finalised in the Council Working Party on Eastern Europe and Central Asia.

- Strengthening **co-operation on counter-terrorism** through support for the implementation of the Joint Plan of Action to implement the UN Global Counter-Terrorism Strategy in Central Asia agreed by all five Central Asian countries.
- Strengthening and consolidating **EU support actions around borders with Afghanistan, in close coordination with Central Asian states and international actors**, to promote security and development around the borders.
- Enhancing support for **human rights promotion and protection, democratic reforms and civil society development**, including through building capabilities in civil society organisations and creation of fora for EU dialogue with civil society representatives.
- Advance as quickly as possible with the treaty between the EU, Azerbaijan and Turkmenistan to build a **Trans-Caspian Pipeline System**; in parallel mobilise private sector engagement for infrastructure realisation and promoting broader regional co-operation for Caspian basin development.
- Reinforcing **EU actions in the region in the key initiative areas of education, the rule of law, and environment and water**, including through newly established support Platforms and targeted assistance.
- Encouraging Kazakhstan to make the necessary final steps for swift **WTO accession**; supporting Tajikistan in their efforts to achieve accession and work with Uzbekistan and Turkmenistan to advance their accession negotiations and applications; promoting **economic diversification**, inclusive growth and sustainable regional development policies addressing poverty reduction, business services and **SME development**; stepping up co-operation to strengthen our economic relations.

- Continuing to promote regional co-operation and good neighbourly relations in the region, including by support for confidence building measures as appropriate.
- Consolidating the network of **EU Delegations** in Central Asia by opening a Delegation in Turkmenistan as soon as possible; strengthen co-operation between EU Delegations and the embassies of EU Member States.

Through implementing the recommendations for action proposed by this review the EU aims to strengthen co-operation with Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan bilaterally and regionally to meet common security challenges over the coming years, and to give new impetus to political, trade and economic relations and reforms.

The EU is committed to continue to promote EU policy objectives in Central Asia in co-operation with international and regional organisations active in the region, including international financial institutions.

I. Introduction

In June 2007 the European Council adopted the first ever EU strategy on relations with the five Central Asian countries - « **The EU and Central Asia – Strategy for a New Partnership** ». The strategy was adopted in the context of an increased EU engagement in neighbouring **Afghanistan**, the extension of the European Neighbourhood Policy to the **Caspian region**, ongoing EU support for reforms and modernisation of post-Soviet societies in the region, EU **energy security interests** and rich resources in the region, and the fact that one of the main **drug trafficking** corridors from Afghanistan towards Europe passes through the region.

It is now **five years since the Strategy was adopted** and implementation has been under way since then. Two Implementation Reports were prepared, in 2008 and 2010, which noted **good progress**.¹ Five years into implementation, the **time has come to take stock more broadly** and to assess whether the Central Asia Strategy is living up to expectations and what **adjustments** are needed to the EU's approach in relations with Central Asia, taking into account **new trends and challenges** that have emerged.

A broader assessment of the Strategy is therefore necessary. Central Asian leaders have a stated policy of gradual transition to reform and democracy. The challenge is to find the right pace so as to ensure real societal reforms, lasting freedoms and economic prosperity. **The EU should engage in the best way possible** to support and promote reforms in Central Asian countries and regional co-operation.

Parliamentary and Presidential elections in the Kyrgyz Republic in 2010 and 2011, and the **emergence of semi-parliamentary democracy** there indicate that a **peaceful, transparent and electoral transition of power** is possible in the region. EU engagement in all Central Asian countries will need to support reform efforts that **promote participatory democratic processes**, in order to prevent violent transitions that could have wider regional repercussions and high human, social and economic costs.

Developments in and around **Afghanistan** have for years loomed as major security concerns for Central Asian countries. These concerns are increasing as **ISAF withdraws** from Afghanistan by the end of 2014. Central Asian leaders foresee a new wave of insecurity coming from the South (armed groups, drugs, radicalization and an increasingly less diverse leadership).

¹ A factual strategy implementation review is added in the Annex to Annex.

A dynamic regional policy based on deepening bilateral political dialogue between Kabul and the five Central Asian capitals, on border management and on infrastructure and socio-economic programmes could turn things around and contribute substantially to the **stabilization of Afghanistan and of Central Asia itself**. In reviewing its approach to Central Asia, the EU will need to take these issues into account. Future actions in this context will be undertaken in close consultation with key international partners and organisations.

Central Asia does face a **growing risk of terrorism and other forms of violence**, whether originating from abroad or home-grown, whether acute or latent. The question of how to prevent it is an increasingly important topic for co-operation for the EU, as comprehensive measures to address the issue can form an integral part of a forward looking modernisation and sustainable development agenda.

Meanwhile, **intra-regional relations have been strained**, with tensions notably over water management continuing to hamper attempts to find long term solutions that would benefit the region more broadly. Climate change, to which the region is particularly vulnerable, could aggravate these tensions.

While threats to stability in the region have increased, so have opportunities for **diversifying export routes for the rich hydrocarbon resources** out of the region. Initially, these new routes have established links with Asian neighbours, notably China, who are energetically pursuing their interests in the region, but the scope for direct or new export routes towards the EU has increased.

EU interests in the Central Asian region are best served by promoting comprehensive **security and development**, which are inter-linked and mutually reinforcing. Without security, there can be no development and without political, sustainable economic and social development, there will be no long term security for the states and the people of the region. **EU development co-operation is undergoing change** that will also affect the support to economic, social and institutional reforms in Central Asia. Technical co-operation will be more focused in areas where EU aid can have a real impact, and will be differentiated depending on country specificities.

The time has come to review progress made after five years, identify **new trends and challenges**, draw lessons, invest in early warning conflict prevention and adjust priorities. The consolidation of the EU Strategy in Central Asia, with appropriate tools and financial means, will confirm the position of the **EU as a necessary and desired partner** for the stability and the security of this fragile region.

II. Overall assessment

EU **relations with Central Asia** are of a different quality today than they were before 2007. The EU's engagement in helping resolve the crisis in the Kyrgyz Republic in 2010 (with the OSCE and the UN) is illustrative of how the EU role in the region has changed and what **role the EU could play** there in future.

The implementation of the Strategy has been a **common endeavour of EU institutions together with Member States** via sharing of leading roles in different areas and regular coordination meetings aimed at enhancing synergies and complementarities while avoiding overlap. The EU Special Representative for Central Asia has made an important contribution.

Main achievements

Some of the main achievements so far include:

- ✓ **Central Asian countries have come to see the EU as an important partner**, offering them a 'window' to Europe and support for modernisation and reform that most of their other partners do not offer to the same degree.
- ✓ The regional **political dialogue** at ministerial level has evolved and provided for in-depth discussions also on sensitive issues, such as Afghanistan, extremism or water, that in the beginning were difficult to breach in a 'regional' setting with all Central Asian foreign ministers around the table.

- ✓ In the **security area**, the engagement has strengthened in the increasingly important area of **counter-terrorism** with a recently agreed Joint Plan of Action (agreed by all five Central Asian countries) for the implementation of the UN Global Counter-Terrorism Strategy in Central Asia.

- ✓ On **borders and drugs**, agreement was reached on an updated EU-Central Asia Drug Action Plan and the EU remains visibly and importantly engaged with the **BOMCA** (Border Management in Central Asia) and **CADAP** (Central Asia Drug Action Programme) flagship programmes and the international coordination effort provided by the Central Asian Border Security Initiative (**CABSI**) steered by Austria and supported by the BOMCA programme.

- ✓ **Structured human rights dialogues** have been put in place with all five Central Asian countries, complemented by regional and bilateral civil society seminars involving local and European NGOs, with the EU the only actor to do so in the region.

- ✓ The EU has established a **Rule of Law Initiative**, led by France and Germany, supported by the co-operation programmes provided for by the Commission and a number of Member States, which has contributed to significantly stepped up EU support for rule of law reforms in several of the Central Asian countries; it has supported a broader engagement of the **Venice Commission** (and more recently also the Council of Europe itself). A new support platform and targeted bilateral co-operation programmes underpin EU efforts.

- ✓ The **EU Education Initiative** has led to closer links of Central Asia with the European Education Area, supported by a significant increase in EU support for educational exchanges, education reform, and vocational training, a key area for economic and social development. A new support platform will increase the scope for policy dialogue and co-operation, and complement bilateral education sector reform programmes.

- ✓ In the area of the **environment and water**, where Italy and Romania play important lead roles for the EU, the co-operation programmes provided for by the Commission and a number of Member States are making significant contributions to deal with the serious challenges the region faces and further support regional co-operation. Efforts are underpinned by new structures put into place (the High Level dialogue on the Environment and the working groups on water and on environmental governance and climate change) and a new support platform that is coming into operation.

- ✓ As regards **energy**, the broad engagement of the EU with Central Asia in the context of the strategy has provided solid bilateral frameworks for taking forward co-operation to prepare Central Asian partners to improve energy efficiency and savings and to develop renewables. At the same time major efforts are under way for Central Asia to contribute to the Southern Corridor, further diversify energy supply and export routes and integrate energy markets.

- ✓ While financial resources remain limited, the EU managed to add to its Delegation in Astana new full-fledged **Delegations** in Kyrgyzstan, Tajikistan and Uzbekistan, which has significantly increased the EU profile in these countries and the region more broadly.

- ✓ The EU expanded the **mandate of the European Investment Bank to cover Central Asia** and projects are already in the pipeline; the EU has established an **Investment Facility for Central Asia (IFCA)**, to leverage investments loans from EIB and other European financial institutions supporting implementation of reforms.

Deepening bilateral relations and regional co-operation

The five Central Asian countries share many **common challenges** and cannot escape their geography. But they are nevertheless also very **different in terms of economic and social development**.

EU relations with the countries are therefore **differentiated** in the nature of our overall co-operation. Yet, in all countries EU co-operation includes the key goals of inclusive growth, sustainable development, and political and economic reform.

At the same time it is important to recognise that many shared challenges remain regional, for example **trafficking in narcotics and human beings**, illegal migration, increased drug use and related harms, **inter-ethnic tensions**, **environmental challenges** and **water management**, as well as the fact that developments related to **Afghanistan** potentially impact all five Central Asian countries. Regional conflicts can quickly spill over borders. It unfortunately also remains true that relations between the Central Asian countries themselves are not always trouble-free and strained relations at times pose challenges in terms of finding solutions to shared problems. Promoting dialogue and **regional co-operation** is therefore an important goal for the EU and regional co-operation programmes, drawing on the experience with tools developed notably under the European Neighbourhood Policy.

Relations with all five countries have strengthened over the past five years. With all five countries the EU has set up structured human rights dialogues to intensify exchanges and promote reforms in an area where all countries face modernisation challenges, which need to go hand in hand with other political, economic and social reforms in order for these to succeed in the long term.

For **Kazakhstan** the EU remains the largest trade and investment partner and the agreement to open negotiations on an enhanced Partnership and Co-operation Agreement offers the opportunity to further develop the framework for co-operation and consolidate ties for the future. Kazakhstan was the first country in the region to link up to the European Education Area by joining the Bologna Process and concluded a framework agreement with the EIB in 2010, opening up the scope for further EU investments and co-operation.

Relations with the **Kyrgyz Republic** have strengthened significantly as reflected in the EU effort to help overcome the crisis in the country in 2010 and thereafter. The opening of a fully-fledged EU Delegation in Bishkek in 2010 was a major step forward in relations and will be key in further supporting the stability and development of the country. The EU is committed to support the success of democratic and legal reforms being pursued as well as actions to promote post-conflict reconciliation.

As regards **Tajikistan** the entering into force of the Partnership and Co-operation Agreement in 2011 has given the EU and Tajikistan a full framework for developing relations, backed now by a fully-fledged EU Delegation in Dushanbe. Tajikistan faces a particular challenge given its 1300 km long border with Afghanistan where the EU is heavily engaged with its border management and other programmes and remains committed to continue to support security and development, including in border regions.

EU relations with **Turkmenistan** have expanded significantly and the EU is engaged in a broad-based effort to support Turkmenistan's modernisation effort. The unprecedented mandate given by the Council of EU Member States to the European Commission to negotiate a trilateral agreement with Azerbaijan and Turkmenistan on a trans-Caspian gas pipeline system illustrates how far the EU and Turkmenistan have come in terms of developing relations that will benefit broader development in the region.

Uzbekistan is an important partner for the EU, at the very heart of Central Asia, and relations have improved a great deal over the past five years. The opening of an EU Delegation in Tashkent in 2011 was an important turning point and relations are broadening into the important energy field and deepening with new EU support programmes in key areas such as the rule of law.

All five Central Asian countries play an important role as part of the international effort to support the stabilisation and development of **Afghanistan**, which is a shared interest. This major international and regional challenge will be a key priority in EU-Central Asian relations over the coming years. In this context, the EU encourages Central Asian countries to support the "Heart of Asia" process initiated at the Istanbul conference in November 2011 which aims to promote regional political and economic co-operation between Afghanistan and its neighbours. For its part, the EU will engage actively with partners to support such regional initiatives, which must be owned by the countries of the region.

The Strategy remains valid

Overall **the EU Central Asia Strategy for a new Partnership remains valid**. EU support for reform and modernisation in the areas of human rights, democracy, the rule of law, education, energy, environment, economy, trade and investment, border management and combating drug trafficking and addressing other common threats and global challenges, underpins the EU's overall interest in promoting security and sustainable development in the region. It will strengthen the EU's ability to engage with the countries of the region for mutual benefit, including the diversification of energy export and supply routes.

The EU has managed to put its various instruments to good use in supporting strategy implementation (policy dialogue, development co-operation, partnership and co-operation agreements) while developing new mechanisms (Investment Facility for Central Asia) and preparing for new co-operation agreements (negotiations on an enhanced Partnership and Co-operation Agreement with Kazakhstan).

Main challenges

The EU Strategy set out an ambitious agenda, and much has been achieved. But given that the **commitment to reform and regional co-operation has been varied** it has not been possible to engage as fully and extensively as would have been desirable in order to promote modernisation and EU policy objectives in the region.

Since the adoption of the Strategy there has been an increase in **high level visits** to the region from the EU. Such visits are important and essential also for increasing EU visibility in the region, and should be framed in the context of the Strategy. High level visits from the Central Asian region to Europe are also important for strengthening political and economic ties.

The leadership in Central Asian countries has become increasingly aware of the importance of relations with the EU, and there is an increasingly broad coverage of the EU and EU activities in local media. The EU should strive to further increase its visibility in the region.

The EU is the first trade and investment partner of Kazakhstan, the largest economy in the region, but overall the **EU economic presence in the region** has not increased significantly and remains limited. There is a potential for stepping up co-operation to create conditions for attracting more EU companies to the region, which is seeing impressive economic growth rates. WTO accession combined with a stable legal environment and the rule of law are key for further developing bilateral economic relations with the EU and crucial for attracting foreign direct investment.

III. Future Orientations

The Central Asia Strategy remains valid. Co-operation is developing well. It is now important to target key actions in each area of co-operation in order to maintain and increase momentum for further advancing relations, building on what has been achieved over the past years and taking into account new developments and challenges that may require particular attention.

Improving the impact of EU action

While the priority areas under the Central Asia Strategy remain valid, there is a **need for improving the impact of EU actions** in the region. One of the novelties of the Central Asia Strategy has been the enhanced direct engagement **of EU Member States with Central Asia partners to support its implementation, including their roles** as lead coordinators of certain parts of the Strategy. There has also been an increase in the direct role Member States are playing for implementing EU projects such as, for example, the 5th phase of the Central Asia Drug Action Programme (CADAP) and the Criminal Judicial Reform project in Uzbekistan, which are being implemented by consortiums of EU Member States. Yet, more needs to be done to draw directly on EU expertise and diverse EU experiences to underpin EU actions in the region.

In the area of development co-operation, the EU will be preparing the framework for 2014-2020. Programming will be driven by the EU's new approach to development co-operation (« Agenda for Change »), in line with which the **EU needs to target its assistance better and focus its efforts, including intensified donor coordination**. The EU will strengthen its efforts in the countries with the greatest poverty problems and needs.

With further EU Delegations in place in the region, and greater involvement of EU Member State institutions, the EU is now in a better position to improve the **practical co-operation with partners and** the visibility of EU actions and development co-operation with the countries of Central Asia. Given the still limited staffing of several EU Delegations in the region it will be particularly important to ensure **close co-operation between Delegations and the embassies of EU Member States**. Delegations and embassies should strive to streamline co-operation across the board and **pool resources** wherever possible, encompassing all areas of co-operation, including public diplomacy, early warning, and political analysis (including risk assessment). Delegation websites need to be kept fully up to date and encompass all aspects of relations and be available in local language versions.

Key action points

- Attention needs to be given to ensuring the **coming into force and further implementation of Partnership and Co-operation Agreements** in all five Central Asian countries.¹
- Rapid progress should be made in **negotiating an enhanced PCA with Kazakhstan**, ensuring that all political and economic dimensions are fully reflected in a new agreement, becoming an instrument for the promotion of co-operation and reforms.
- The EU will further **focus its assistance, targeting the countries** with the greatest poverty problems and needs, in focal sectors where EU aid can make a difference and supports overall EU policy objectives. The EU will strengthen its co-operation framework, based on national development strategies, when available.
- **Extend the use of tailor-made instruments** for policy reforms and institutional development support, aimed to provide, including through exchange of experts, targeted technical assistance for **institutional capacity building**.
- Greater **direct use of Member State expertise** in implementing EU projects will be sought as a general approach when appropriate.

¹ Currently Partnership and Co-operation Agreements (PCA) are in force with Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. The Interim Agreement of the PCA is in force with Turkmenistan while final ratification of the PCA itself is awaited.

Common threats and challenges

Central Asian countries face a number of threats to security and stability which are often inter-related and include rising levels of **terrorist threats**, drug and human **trafficking**, illegal migration, increased **drug use and related harms**, **organised crime**, complex inter-state and inter-ethnic relations, **disputes over water** that carry conflict potential, and **nuclear legacies** from Soviet times. A number of factors in the region nourish these threats, including continued high levels of **corruption** and **poverty** as well as social and economic pressures and additional strains from the impact of climate change, and political systems that are still evolving and do not yet provide sufficient outlets for political expression and representation. The EU effort to promote broad-based reforms and modernisation is aimed at boosting the kind of political, sustainable economic and social development essential to provide human and state security and form essential complements to our co-operation efforts on more core security related issues.

Developments relating to Afghanistan pose a particular challenge that will become more pronounced over the coming years as the ISAF withdrawal process comes under way. Instability **in Afghanistan**, notably in the northern parts of the country, could very well lead to an **increase in already high levels of drug trafficking and organised crime**, **larger numbers of refugees** fleeing instability, and **increased activity of radical or criminal groups** aiming to destabilise neighbouring regions to advance their radical or criminal goals. Nevertheless Afghanistan should be seen not only as a threat but also as an opportunity for developing economic co-operation in the wider region.

Key action points

- Strengthening co-operation in the security area by taking a comprehensive approach, including through a **regular High Level EU-Central Asia Security Dialogue**, as part of the regional political dialogue.

- Reinforce efforts at **conflict risk reduction in Central Asia relating to Afghanistan**, in coordination with the UN and the OSCE at headquarters and field offices level, as appropriate, in particular by:
 - encouraging, where possible, moves towards regional political reconciliation and confidence-building;
 - strengthening regional capacities in sound customs, border management and law enforcement to counter drugs trade, organized crime, terrorism and illegal migration;
 - supporting collaborative efforts to promote sustainable economic development, in particular by reinforcing trade and transport links and the development of border regions.

- Continue to develop **synergies between assistance programmes** for Central Asia with those for Afghanistan and ensure **improved coordination of EU programmes** working on both sides of Central Asian and Afghan borders (BOMCA and BOMNAF), building on the positive steps already taken to increase cross-border training and capacity building activities. Continue to coordinate with all relevant training institutions.

- Strengthen implementation of the EU-Central Asia Action Plan on Drugs, including through **EU border management and drug action programmes** (BOMCA and CADAP) and improve impact through continuing efforts to implicate EU Member States directly in the implementation of the programmes.

- Contribute to enhancing regional coordination in the fields of border management with Central Asian states and in coordination with relevant regional and international stakeholders, including by making use of the **Central Asia Border Security Initiative (CABSI)**.
- Help counter the threat of spreading chemical, biological, radiological and nuclear materials in the region, including through the setting up a **Central Asia regional Centre of Excellence (CBRN)**.
- **Strengthen counter-terrorism co-operation**, including through support for follow-up to the agreed **Joint Plan of Action for the implementation of the United Nations Global Counter-Terrorism Strategy in Central Asia**, combining both enforcement measures and preventive ones based on the rule of law, respect of human rights and on addressing conditions conducive to terrorism, in coordination with the UN and the OSCE at headquarters and field offices level, as appropriate.
- Promote – both on national and regional levels – the **management of migration and asylum** in a more balanced manner, setting up properly operating systems to match labour demand and supply, facilitating integration of legal migrants, providing protection to asylum seekers and refugees and developing local level, socio-economic integration strategies. Share EU expertise on a comprehensive approach to migration management with a special focus on illegal migration issues and trafficking in human beings.
- Continue to **promote disaster risk reduction** and assist the countries of the region to build a culture of safety both through the DIPECHO programme and in a broader, more sustained and integrated way through development co-operation instruments.

Human rights, rule of law, good governance, and democratisation

Promoting reform and modernisation in the areas of the rule of law, good governance, democratisation and supporting human rights protection are key priorities in EU relations with Central Asian countries. **Long term stability, development and prosperity depend on progressive and steady implementation of policies in these areas.** It will remain important to look for common understanding on where improvements can be achieved and to maintain a sustained engagement.

Key action points

- Continue efforts to make the bilateral **human rights dialogues** more results-oriented, taking into account best practices.
- Encourage the development of **national democratic reform agendas** and support implementation by sharing EU experiences.
- Enhance support for **constitutional reforms and reforms of electoral legislation.**
- Step up **civil society** support and enhancing interactions through regular regional and bilateral seminars as well as activities on the ground and in the EU to build capabilities in civil society organisations and support the formation of networks; examine the scope for setting up a platform for EU dialogue with civil society representatives, drawing on the experience acquired with the Eastern Partnership Civil Society Forum and the EU-Russia Civil Society Forum.
- Place added emphasis on assisting Central Asian countries with **promoting the implementation of international human rights conventions** as well as the application of new legislative acts as part of the **Rule of Law Initiative**, building on the progress achieved to date; encourage interparliamentary co-operation

- Intensify efforts to promote **independent judiciaries, increased institutional capacities and modernising professional qualifications**, including through contributing to the implementation of the Council of Europe Neighbourhood Policy for Central Asia in these areas.
- Strengthen support for the **modernisation of the penal system** including pre-trial confinement in line with European standards, with a special focus on the eradication of torture.
- Promote the **accession of Central Asian countries to GRECO** (Group of States Against Corruption), which is not limited to Council of Europe member States; assist Central Asian efforts to accede to and implement Council of Europe and UN Anti-Corruption Conventions.
- Enhance the EU contribution to **good governance**, notably at institutional level and on public finance management.

Youth and education

Education is key to economic and social development and is an important area for co-operation between the EU and Central Asian countries. The EU focus on the **education** sector has over the past five years contributed to channelling significant resources to support reforms and improvements notably in the areas of higher education and vocational training, coupled with support for sector wide educational reforms on a bilateral basis with some countries individually.

Key action points

- Further develop links with the **European Education Area**, particularly within the Bologna process, including linkages to the Council of Europe for improving schooling and methods along principles of the European Cultural Convention and European Charter for democratic citizenship.
- Necessity to ensure the **continuity of existing actions supporting education and vocational training reforms**, notably national qualification frameworks and governance standards, within the framework of the future “Erasmus for all” programme (which is to replace the current Tempus and Erasmus Mundus programmes), as well as exchange programmes.
- Further promote co-operation between EU and Central Asian research institutions, including through initiatives such as **the Central Asia Regional Education Network (CAREN)**.
- Make **full use of the Education Initiative and its new support platform** to enhance dialogue and co-operation on education system reform over the coming years.

Economic development, trade and investment

The **EU is a leading trade partner for the region** and plays an important role in supporting economic modernisation efforts. There is a mutual wish by the EU and partner countries to enhance economic co-operation, including **diversification** of trade and investment promotion. However, this is an area of the Strategy where further **progress needs to be made**. Growth of trade and investment relations requires an improvement of the business and investment environment in partner countries, including further liberalisation measures and legal certainty.

Key action points

- Address existing **barriers to trade and investments** with the aim of increasing trade volume, direct investments, and competitiveness.
- Work with Kazakhstan to ensure the necessary final steps are taken for swift **WTO accession**; support Tajikistan in their efforts to achieve accession and work with Uzbekistan to advance their accession negotiations as well as to provide the same level of support for Turkmenistan once the country applies for WTO membership.
- Promote **economic diversification**, inclusive growth and sustainable regional development policies addressing poverty reduction, business services and **SME development**, taking into account recommendations of the OECD Eurasia Competitiveness Initiative to promote **private sector development**, including in rural areas, and modernisation of the agricultural sector.
- Continue to support and leverage loans from European banks in key sectors, including through the Investment Facility for Central Asia (IFCA).
- Provide support on issues related to **EU legislation and requirements**, particularly conformity with EU quality standards and quality control.
- Promote **regulatory convergence and modernisation** to facilitate investments and the conditions for the operation of EU companies.

- Strengthen dialogue and co-operation for **business climate improvement**, including strengthening the legal framework and the rule of law for private sector development, investment protection, and access to financial and business service, including through programmes such as Central Asia Invest.

Energy and transport

Co-operation in the energy area is a top priority in EU-Central Asia Relations. Central Asia is rich in energy resources and the region is emerging as a major source of growth in global oil and gas supply. **Diversification of energy supply and export routes and integration of energy markets is a key mutual interest.**

Central Asia has a vast potential for **energy savings and use of renewable energy** sources, such as solar, wind and sustainable hydropower. The region holds an important potential as a cross-roads for the transit of energy resources.

Co-operation on transport is aimed at building **reliable, stable and efficient transport connections** that would underpin economic development of the region and would reduce resources spent on the transportation of goods and passengers. A key priority on this matter is to bring closer standards on safety, security and environmental impact of the transport system to the EU ones.

Key action points

- Advance as quickly as possible with the treaty between the EU, Azerbaijan and Turkmenistan to build a **Trans-Caspian Pipeline System**; in parallel mobilise private sector engagement for infrastructure realisation, and promote investment security and broader regional co-operation.
- Further strengthen participation of Central Asia partners in the **enhanced INOGATE programme** to facilitate progress on sustainable energy sector wide reforms and modernisation.
- Support to the improvement of the **energy investments climate** in the region; promotion of best practices in the field of **electricity and gas sector policies**.
- Support a framework improving **energy cross border trade** and co-operation and **sustainable and efficient energy policies and transit infrastructures**.
- Promote **policy reforms** to improve safety, security and working conditions in all transport modes.
- Promote the **modernisation of trans-Caspian maritime links**, including maritime safety standards.

- Increase focus in dialogues on good energy governance and investment, including the principles of the Extractive Industries Transparency Initiative.
- Complete ongoing negotiations for **Horizontal Air Services Agreements** and extend negotiations on such agreements to other countries which are interested.
- Promote compliance with international and European **aviation safety and security standards**, including by providing assistance through the TRACECA programme.

Environment and water

The EU, and several Member States, have made a significant contribution and comprehensively addressed environmental and water issues as laid out in the Central Asia Strategy. The first ever **EU-Central Asia Joint Communiqué** issued in November 2009 in Rome has become the reference framework for close co-operation to tackle **environmental governance, climate change, and sustainable water management**. In particular, the EU is committed to helping Central Asian partners to cope with the far reaching impact of climate change on the region and to assist them in adapting to and remediating its negative effects. Environmental awareness and civil society involvement are also agreed priorities.

Key action points

- Build up broad-based support for ambitious **climate action** in partner countries; support the translation of international commitments into concrete domestic mitigation actions and the transition towards a low-carbon global economy; continue to support the implementation of the Kyoto Protocol and Clean Development Mechanism (CDN) implementation.
- Step up co-ordinated European efforts, including with the European Environmental Agency, to assist the Central Asian countries in their **institutional and capacity building efforts to address climate change** in an integrated manner at the local, national and regional level.

- Increase dialogue and activities under the **Working Group on Environmental Governance and Climate Change**, ensure participation of civil society in this dialogue in order to integrate their expertise and experience, and use climate change as an area of joint concern to foster regional co-operation in Central Asia.
- Promote **environmental policy integration**, drawing on the conclusions of the 2011 "Environment for Europe" Ministerial Conference; promote the inclusion of the Central Asian countries into the EU led, on-going development of the **Shared Environment Information System (SEIS)** in the European Neighbourhood Policy region.
- **Provide support for implementing National Water Policy Dialogues and policy packages** with all five countries and ensure that the level of involvement and the visibility of the EU are enhanced.
- **Provide further support for a "water river basin approach"** in developing trans-boundary water co-operation activities and support the role of the International Fund for Saving the Aral Sea (IFAS) for intra-regional co-operation.
- Promote **further adherence to international conventions and legal principles** on shared water resources that provide a framework for elaborating regionally adapted solutions, including, notably, the Convention on the Protection and Use of Transboundary Watercourses and International Lakes and its Protocol on Water and Health and advance the ratification of other relevant environment conventions by all Central Asian states.
- Sustain support for the region in dealing with the problem of **toxic industrial waste; support remediation of uranium legacies** in the region.

V. Conclusions

The Central Asia Strategy adopted in 2007 has served the EU and Central Asian countries well. Relations have strengthened and co-operation has intensified between the EU and the region and between the EU and the five countries individually.

With this Implementation Review and its recommendations the EU invites Central Asian countries to further strengthen dialogue and co-operation in the security area by establishing a regular security dialogue at regional level in order to broaden the common understanding of shared challenges and identifying practical steps to address these.

The EU is committed to cooperate with Central Asian countries to further develop political, trade and economic and people-to-people relations for mutual benefit and to support modernisation, reforms as well as further democratisation, sharing EU experience and expertise.

The EU and Central Asia – Strategy for a New Partnership Implementation Review

Instruments

The EU has further developed its **framework for co-operation** with Central Asian countries through contractual relations. For most Central Asian countries the **Partnership and Co-operation Agreements (PCAs)** have entered into force and with Kazakhstan the EU side has launched **negotiations on an enhanced PCA** that could become a model for future contractual relations with other Central Asian countries, depending notably on the pace of reforms.

The Strategy is implemented through a number of different instruments, including partnership and co-operation agreements, Member States and Commission development co-operation programmes, and political dialogue, using its different Common Foreign and Security Policy Instruments.

EU **financial resources for co-operation with Central Asia** (EUR 750 million, 2007-2013 under the Development Co-operation Instrument (DCI)) are complemented by the assistance provided by a number of Member States. Furthermore, **in addition to DCI the EU made use of several important thematic programmes**, including the Instrument for Stability, the European Initiative for Democracy and Human Rights, the Non-State Actor programme, nuclear safety, and, importantly, the humanitarian aid programme (ECHO) which has an ongoing disaster preparedness programme in Central Asia and was quickly mobilised during the crisis in the Kyrgyz Republic in 2010. In addition, through the Disaster Relief Emergency Fund and the Small Scale Humanitarian Response, emergency assistance has been provided for a number of small scale disasters in Kazakhstan, Kyrgyzstan and Tajikistan.

In order to support the implementation of reforms notably in the energy and environment sector, the **Investment Facility for Central Asia (IFCA)** was set up to leverage loans by the EIB for the full use of its expanded mandate covering Central Asia, and other European banks.

Supporting reforms and modernisation in European Neighbourhood Programme partner countries is an important inspiration for our co-operation with Central Asian countries, which often face similar reform challenges. In this respect it has been particularly useful to make it **possible for Central Asian partners to participate in the regional programmes** relating to education, energy, transport, environment and water, fight against drugs, or for improving business climate and attracting EU investments.

Co-operation with **international partners**, including the Council of Europe/Venice Commission, the OSCE and the UN, has strengthened, as witnessed most clearly in the Kyrgyz Republic more recently, and **donor coordination** has been enhanced, notably on the spot where partner countries are fully engaged.

Political dialogue

The political dialogue between the EU and Central Asian countries at the level of Foreign Ministers has intensified and become a regular event appreciated by all sides. The dialogue, apart from tackling common challenges such as Afghanistan, terrorism and drug trafficking, has proven to be very useful for monitoring strategy implementation and driving forward co-operation, complementing the institutionalised framework for dialogue under the respective bilateral Partnership and Co-operation Agreements.

The **importance of security issues** in EU-Central Asia relations was given particular focus in 2008 with the organisation of the first **EU-Central Asia Forum on security** issues held in Paris, where a Joint Declaration was agreed by participants. A similar event was held in Brussels the following year. These meetings were considered very important for providing in-depth discussions on security issues of common concern and the EU will consider how best to pursue this dialogue.

The **European Parliament** engages regularly with parliaments of Central Asian countries through the Parliamentary Co-operation Committees, which provide important venues for promoting EU policy objectives. The European Parliament has recently proposed the establishment of an EU-Central Asia parliamentary forum.

Common threats and challenges

Central Asian countries face a number of threats to security and stability which are often inter-related and include rising levels of **terrorism**, drug and human **trafficking**, increased **drug use and related harms**, **organised crime**, complex inter-state and inter-ethnic relations, **disputes over water** that carry conflict potential, and **nuclear legacies** from Soviet times. A number of factors in the region nourish these threats, including continued high levels of **corruption** and **poverty** as well as social and economic pressures, strains from climate change impact and political systems that are still evolving and do not yet provide sufficient outlets for political expression and representation.

The **crisis in the Kyrgyz Republic** in 2010 illustrated how quickly social tensions can lead to conflict in the region and escalate and get out of control with cross-border ramifications. The EU's quick response illustrated its ability to play a supportive role in crisis management in the region by rapidly, in close coordination with the UN and the OSCE, helping to take forward the political process in the Kyrgyz Republic, including with rapid humanitarian assistance, use of the Instrument for Stability for supporting reconstruction of housing, reforming the constitution, media reform, carrying out the referendum, preparing for parliamentary elections and the presidential elections. The subsequent programme under the Instrument for Stability aimed to contribute to the improvement of the situation of ethnic minorities, and increase confidence building through social and economic integration measures. An alliance including more than 15 NGOs will implement a component of the programme aimed at capacity strengthening for mediation and reconciliation. All this in addition to the significant longer term aid under the Development Co-operation Instrument to promote sustainable economic and social development, rule of law reform and addressing severe poverty problems, in close coordination with other donors on the spot in the Kyrgyz Republic.

Like other countries around the world Central Asian countries face terrorist threats. **Suicide bombs** and **terrorist attacks** have occurred in the region. Throughout 2010 and 2011 there were a series of violent events in the region. To what extent these increasing numbers of violent events are due to home-grown social tensions, organised crime or radical groups is not clear. But the threat is there and requires attention and action, notably given the risk of regional spill over of any major incident.

Developments relating to **Afghanistan** loom as a particular security threat to Central Asian countries that fear being left alone with what could become instability on their borders after the **withdrawal of ISAF**. The Central Asian countries that share immediate borders with Afghanistan (Tajikistan 1206km, Turkmenistan 744km, Uzbekistan 137km) are potentially most immediately affected but concerns are present in all countries and as the violent clashes in all five countries have illustrated, all five are potentially vulnerable to instability resulting from regional turmoil. The EU, with the international community, has a significant interest in supporting stability and development broadly in the region, supporting political reforms and processes, improvement of the rule of law and transparent justice, while mobilising financial resources that contribute to secure but open borders and promote cross-border economic activities that offer opportunities and incentives for co-operation and regional growth and prosperity as an alternative to competition and conflict.

Furthermore, Central Asia is a region highly exposed to **natural disasters** (earthquakes, landslides, floods, mudflows, droughts, avalanches and extreme temperatures). Natural hazards place serious pressure on often outdated infrastructure, increase vulnerability and deplete resilience, particularly for significant parts of the population already living in poverty. It is important to strengthen and promote effective disaster risk reduction (DRR) in the region in order to save lives, protect livelihoods and reduce economic losses. In this context, the integration of DRR, climate adaptation and mitigation into EU development assistance in the region is crucial.

The EU has responded to these various challenges by stepping up dialogue and co-operation with Central Asian countries across the board, including through the Ministerial Security Forum held in Paris in 2009 which saw agreement, for the first time, on a joint EU-Central Asia statement on security co-operation, the agreement on an updated **EU-Central Asia Drug Action Plan**, annual gatherings of the Central Asia Border Security Initiative (CABSI), and more recently the agreement by all five Central Asian countries on a **Joint Plan of Action on the implementation of the UN Counter-Terrorism in Central Asia** agreed in the context of a joint EU-UN project in co-operation with the UN Preventive Diplomacy Centre in Ashgabat. The EU supports efforts to deal with dangerous and toxic materials as well as Soviet era nuclear legacies (uranium tailings) and could set up a **Regional Centre of Excellence (CBRN)** in Central Asia, along the lines of the successful centre set up in Ukraine, to deal with chemical, biological, radiological and nuclear materials that pose a potential threat if they were to fall in the wrong hands.

EU financial instruments have been put to use to support EU policy objectives. EU flagship programmes **BOMCA** (Border Management in Central Asia) and **CADAP** (Central Asia Drug Action Programme) continue to underpin EU efforts in the region. The implementation of the latest phase of CADAP by a consortium of EU Member States is an important new development that provides for added visibility and use of EU expertise and experience, including in addressing the drug demand issues.

The EU is also offering to assist the countries of the region in their efforts to finalise the **demarcation process of their borders**, including in the Fergana Valley through the Instrument for Stability.

An ongoing EU programme to supporting the **fight against trafficking from/to Afghanistan** has a wider regional approach and inter alia supports Central Asian countries by strengthening their national capacities of strategic intelligence information exchange regarding combating drug trafficking and organised crime. A key objective of recently inaugurated second phase of the Programme is to establish link between the law enforcement platforms of Central Asian countries, the Black Sea region and Europe, complementing it by engaging respective regional information centres.

Regional co-operation is essential to combat common threats and challenges and the EU has supported regional mechanisms for co-operation, including **CARICC** (the Central Asian Regional Information and Coordination Centre for combating the illicit trafficking of narcotic drugs, psychotropic substances and their precursors).

In relation to Afghanistan, the EU is a significant donor to supporting rule of law and economic development in Afghanistan as such and also on its borders with Central Asian countries, notably through the BOMNAF programme (Border Management Northern Afghanistan). **BOMCA** and **BOMNAF** programmes support cross-border activities as regards integrated border management development.

Migration is an increasing challenge in the region. All Central Asian countries experience a high level of **unregulated intra-regional and internal migration**, some of it stemming from lack of economic opportunities as well as **environmental problems** (uranium tailings), gradual environmental degradation (desertification, soil erosion) and natural disasters (floods, land- and mudslides). Some studies suggest that worldwide up to 150 million people could be on the move due to environmental factors by 2050, with Central Asia representing a good part of it. Trafficking in human beings is also a serious problem in the region. EU's MIEUX facility (Migration EU Expertise), implemented by the ICMPD (International Centre for Migration Policy Development), makes it possible for partner countries to receive, in a very flexible manner, assistance in all migration policy areas, with a special focus on management of illegal migration as part of a comprehensive approach to migration management. Country-specific activities could focus, inter alia, on sharing expertise on mobility issues, migration management, issues related to trafficking in human beings – prosecution, implementation of law, protection of victims. A number of relevant seminars have already been held in Uzbekistan.

Through the DIPECHO programme¹, the EU has provided support for the Central Asian Centre for **Disaster Response and Risk Reduction** (CACDRRR). The setting up of the Centre, initiated by Kazakhstan, corresponds to a priority of the Hyogo Framework for Action 2005-2015 on building the resilience of nations and communities to disasters. Once fully operational, the Centre will be a strong catalyst for strengthening mechanisms for disaster risk reduction in Central Asia which as a region is highly prone to natural disasters.

¹ Disaster Preparedness Programme of DG ECHO (European Commission's Humanitarian Aid and Civil Protection Department - ECHO).

Human rights, rule of law, good governance, and democratisation

There have been some **positive developments** in the region, including, notably, the peaceful and democratic elections in the Kyrgyz Republic, reforms of criminal justice codes in a number of countries, the strengthening of the role of the courts and rights of the defence, greater efforts to humanise juvenile justice, reforms of detention and pre-detention systems. **Nevertheless, overall developments in the region have not been as good as hoped for.** Serious human rights concerns remain, including also in the Kyrgyz Republic where the need for attention to inter-ethnic relations remains very high. More generally, and despite regional differences, there are concerns in most countries about judicial independence, fair trial rights, alleged use of torture, restrictions on the freedom of expression and of the media and to the freedom of association and assembly.

The EU has established annual **human rights dialogues** with all five Central Asian countries. These dialogues have proven useful in allowing for in-depth and frank exchanges on all issues of concern with a wide range of services and authorities in Central Asian countries. The dialogues have generally evolved positively. Substantive issues discussed have led to concrete follow-up in terms of co-operation programmes to support reforms aiming at, for example, promoting reform of criminal law and adherence to international standards in penal institutions, building stronger action between state and civil society, promotion of human rights at local level, in rural areas and vulnerable groups (disabled, women, elderly, children), disseminating information about human rights in national languages, alternative legal procedure for dispute and conflict settlement media reform and responsible reporting, regional interdepartmental councils on counteraction of domestic violence, strengthening organisations of women/elderly with disabilities, and dialogue with the government on issues related to disability and gender equality in association with the Ministry of Labour and Social Custody conditions and social adaptation of persons released from prison, increase access to education/health for vulnerable groups, and integration of migrants.

Human rights issues are not confined to annual human rights dialogues. The **EU raises human rights concerns at all levels**, including at the highest levels and in the context of meetings held under the Partnership and Co-operation Agreements. Individual cases of concern have benefited from these efforts.

A vibrant **civil society** is crucial for social and economic development. The human rights dialogues are coupled with **regular civil society dialogues** at regional and bilateral level. The quality of these civil society dialogues have differed but are generating much interest. The EU has much experience to share in how non-state actors play an active and important role in reflecting social concerns and channelling recommendations for policy development and actions.

The EU's **Rule of Law Initiative**, with France and Germany as lead coordinators, in close co-operation with EEAS and the European Commission, and supported by complementary activities by Finland, has led to a significantly increased engagement by the EU with Central Asian partners in rule of law reform in the region. The initiative is providing for expert level peer-to-peer exchanges, with the involvement of the Venice Commission and the Council of Europe itself. The initiative has generated agreement on concrete follow-up and in terms of substantial EU financial assistance. Rule of law reform is now a focal area for EU assistance in several Central Asian countries. Focus areas include criminal law and access to justice, judiciary independence, administrative law, capacity building of professionals. The newly established **Rule of Law support Platform** will underpin activities and co-operation in the framework of the initiative over the coming years.

The EU is cooperating closely with the Council of Europe, the OSCE, and the UN in these areas. The new Council of Europe Neighbourhood policy, which includes Central Asia, is an important new development that opens new opportunities for co-operation and the accession of Central Asian countries to relevant Council of Europe conventions and protocols and the implementation of these.

Corruption is a key governance problem in Central Asia, as in other parts of the world. Despite some positive changes, corruption remains a major obstacle to socio-economic reforms, foreign investment and development prospects. All Central Asian countries have acceded to the UN Convention against Corruption (UNCAC), but the results so far are limited.

Youth and education

Hundreds of Central Asian students and scholars are now involved in the EU co-operation and mobility programme, **Erasmus Mundus**, and many Central Asian public institutions, universities and dozens of scholars have benefited from the **Tempus Programme**, supporting the modernisation of higher education and providing training and capacity building for reforms of the education systems as such. Meanwhile, the **European Training Foundation** has intensified its engagement in Central Asia in the area of vocational and professional training, with specific initiatives in all the five countries.

The Central Asian Research and Education Network (CAREN) project has been running since 2009 and provides a dedicated high-capacity Internet network between research and education communities in **Kyrgyzstan, Tajikistan, Turkmenistan and Kazakhstan, as well as** a gateway to global research collaboration

Efforts by Central Asian countries to align their education systems, notably higher education with European standards are to be welcomed, and Kazakhstan was the first Central Asian country to join the **Council of Europe Cultural Convention** and the **Bologna Process** in 2010, with Kyrgyzstan making efforts to join as well.¹ Other Central Asian countries are following the Bologna Process closely and have the option of participating in the Bologna Policy Forum.² In addition, the five countries, via the Tempus programme, have groups of national experts who are trained on Bologna reforms alongside the teams of national experts from the countries who are Bologna signatories.

Despite positive results gained over the years thanks to existing programmes and ongoing initiatives, the **education sector in Central Asia continues to require serious attention**. Much still needs to be done in terms of improving the quality of education, including upgrading pedagogical methods, modernising outdated curriculum content, and updating the profiles/classification system and tutorial materials.

Adaptation to the evolving economic **globalisation** implies reflecting on the employability of graduates, focusing on student-centred learning and on improving governance in the education systems (providing autonomy of schools and universities, higher education and pedagogic institutes, implementing quality assurance measures, transparency in recruitment and career development of staff). Improve the quality and relevance of programmes of studies so as to target gaps in the labour market, and to make vocational, professional and higher education institutions more accountable for quality results. Key elements of this process are the strengthening of quality assurance mechanisms and the recognition of qualifications at national and regional level. Equitable access to education and training at all levels remains a challenge, especially for socially disadvantaged and vulnerable groups.

¹ The Bologna Process aims at developing a common higher education area in Europe, with a system of comparable qualifications (short cycle, bachelor, master, doctorate), flexible, modernised curricula at all levels which correspond to the needs of the labour market, and trustworthy quality assurance systems.

² The Bologna Policy Forum was created in 2009 and is a gathering of Ministers of Education of countries outside the Bologna Process who meet just before or after the Bologna Ministerial Meetings in the same location. The aim of the Forum is to keep the interested but non-Bologna signatories informed about the latest developments inside the Bologna group and to discuss their own challenges.

As in some other parts of the world **corruption in the education system** remains a serious problem, often leading to a loss of credibility in terms of diplomas obtained and thereby to fewer incentives for providing solid knowledge-based foundations for degrees.

Economic development, trade and investment

The **EU is a leading trade partner for the region**. There is a mutual wish by the EU and partner countries to enhance economic co-operation, including **diversification** of trade and investment promotion. However, this is an area of the Strategy where **progress needs to be made**.

Growth of trade and invest relations requires an **improvement of the business climate and investment environment** in partner countries, further liberalization and diversification of economies, and improving legal certainty.

Furthermore, trade and investment flows would benefit from the **elimination of technical barriers to trade, alignment of industrial standards, including in food safety, sanitary and phytosanitary areas**. Better guarantees for intellectual property rights would increase the scope for transfer of know how from the EU, benefitting innovation and enhancing competitiveness.

Accession to the World Trade Organization (WTO) is a key step in ensuring integration with the global economy and boosting international trade and investment. WTO accession is also an important tool to support modernisation of the economies of the Central Asian countries which would pave the way to develop real market economies. The accession process is not without challenges. So far, only the Kyrgyz Republic has joined WTO, while Tajikistan and Kazakhstan have made good progress. Two other countries, though, lag behind: namely, Uzbekistan, whose accession process is stalled since 2005; and, Turkmenistan, who has not officially presented its application to the WTO.

Kazakhstan is at an advanced stage of its accession negotiation for WTO membership. Accession to WTO is expected to reinvigorate the bilateral relations with the EU. The new enhanced bilateral Partnership and Co-operation Agreement under negotiation between the EU side and Kazakhstan is expected to deepen co-operation on economic development and trade in goods and services.

The creation of the Customs Union between Russia, Belarus and Kazakhstan has created a new setting in the region. The EU is of the hope that the closer regional integration between the countries concerned would result in real opening to the world economy and world markets while also opening ways for a dynamic and sustainable development of all countries in the region.

A number of EU technical assistance programmes launched put specific emphasis on the attraction of the EU investments, including, in particular, the Central Asia Invest (CAI) programme. The programme has so far focused on reinforcing Business Intermediary Organisations working with SMEs, on improving the business climate for SMEs and encouraging regional economic integration. It supported the OECD Eurasia Competitiveness Programme with the aim to strengthen investment policy and promotion in the region, promoting access to finance and human capital development, and improve competitiveness.

The extension of the mandate of the European Investment Bank has allowed the EU to expand its support for economic reform in the region. The EIB supports projects that contribute to sustainable economic development by sharing of the EU's modernization agenda, contributing to dissemination of best practices and up to date technologies and approaches.

The EU Generalised System of Preferences (GSP) remains an important tool to promote and diversify the exports of Central Asian countries to the EU. The new GSP Regulation under discussion and scheduled to enter into force in January 2014 at the latest is likely to focus on countries most in need, providing for significant new opportunities for the poorest Central Asian countries to increase their exports to the EU.

Energy and transport

Energy

Co-operation in the energy area is a top priority in EU-Central Asia Relations. Central Asia is rich in energy resources and the region is emerging as a major source of growth in global oil and gas supply. **Diversification of energy supply and export routes is a key mutual interest.**

Central Asia has a vast potential for **energy savings and use of renewable energy** sources, such as solar, wind and sustainable hydropower. The region holds an important potential as a cross-roads for the transit of energy resources.

For the region, energy is central for fostering economic growth and sustainable development as well as contributing to creating stability and security. All Central Asian countries are parties to the Energy Charter Treaty.

The EU has taken a comprehensive approach in developing co-operation with both regional and bilateral tracks. Regional energy co-operation is led by the political dialogue that was launched by the Ministerial Conference in Baku in November 2004 between the EU and the countries of Eastern Europe, the Caucasus and Central Asia, called the '**Baku initiative**'. Agreed objectives are in the areas of **energy market convergence, sustainable energy, energy security and energy investments**. Furthermore, at the second Ministerial Meeting under the Baku Initiative, energy ministers adopted a Roadmap for each of the priorities.

The **INOGATE regional** programme has promoted policy reform and convergence to support energy market integration and sustainable energy. It has also provided support for sharing EU energy legislation, energy standards and energy regulation best practices so as to assist continuing integration of energy markets with those of the EU.

Bilaterally the EU is deepening co-operation and over the past years has agreed **Memoranda of Understanding** with Kazakhstan, Turkmenistan and Uzbekistan with a special focus on energy security and industrial co-operation, energy sector development, including energy efficiency and renewables, and the improvement of the investment climate.

A significant development occurred in September 2011, when the Council gave the authorisation to the European Commission to negotiate **a legally binding treaty between the EU, Azerbaijan and Turkmenistan to build a Trans-Caspian Pipeline System**. For the European Union, a Trans-Caspian gas Pipeline would be an important contribution to the development of the Southern Corridor. It can also help to support broader strategic objectives such as promoting, where appropriate, necessary inward investment, investment and demand security, as well as full value chain developments. This is also the first time that the European Union has proposed a treaty with third countries in support of an infrastructure project.

The increasing presence in the energy sector in the region of Asian countries seeking access to energy and other natural resources is making EU efforts to develop ties in this area all the more urgent.

Transport

Co-operation on transport is aimed at building **reliable, stable and efficient transport connections** that would underpin economic development of the region and would reduce resources spent on the transportation of goods and passengers. A key priority on this matter is to bring closer standards on safety, security and environmental impact of the transport system to the EU ones.

In the area of transport co-operation is aimed at promoting **policy reform** (air and maritime transport, multimodal transport links and logistics centers, safety issues) and **the South East pan-European Corridor through the Caspian Sea** for which the TRACECA¹ programme provides the co-operation framework and cooperates closely with IFIs to carry out priority projects. It is also important for the efficiency of transcontinental links to promote further alignment of policies and technical standards with those of the EU.

The South East pan-European Corridor through the Black Sea and the **Caspian Sea** remains a priority for co-operation between the EU, which complements the transcontinental transport corridors under construction and will better link Europe with Asia through Central Asia. The TRACECA programme has supported, inter alia, development of multimodal links by supporting the development of the ports in Aktau and Turkmenbashi, and strengthening links between those ports and Baku.

Air transport has become ever more important in our relations with Central Asia as demonstrated by the growing number of air passengers between the EU and the Central. Restoring a **sound legal basis for bilateral air services** is essential to enhance aviation relations between the EU and Central Asia. Progress in this respect would be achieved by the signing of *Horizontal Air Services Agreements*, which would allow any EU airline to use available frequencies on the routes to our partners in Central Asia.

Environment and water

The EU and several Member States have made a significant contribution to comprehensively address environmental and water issues as laid out in the Central Asia Strategy. The first ever **EU-Central Asia Joint Communiqué** issued in November 2009 in Rome has become the reference framework for close co-operation to tackle **environmental governance, climate change, and sustainable water management**. Environmental awareness and civil society involvement are also agreed priorities.

¹ Transport Corridor Europe Caucasus Asia

While Italy and Romania were engaged as co-ordinators, other Member States have made significant contributions, including Germany with €18 million for the "**Berlin Process**", aiming at enhanced transboundary water co-operation, Finland with the **Wider Europe Initiative** supports the EUWI-EECCA process with € 10 million and France put a focus on water issues in the framework of its G8 Presidency. At EU level, several regional programmes underpin our agenda with Central Asia in this area, notably the **EU Regional Environment Programme** for Central Asia (EURECA).

Sustainable development of the region is increasingly affected by the impact of **climate change**, with security implications, which is addressed in a number of bilateral initiatives by EU Member States and now needs to be taken into account as a priority in all aspects of policy making.

More attention is being paid to the link between environmental challenges and the security risks they entail. This is also the main focus of the ENVSEC security and environment initiative, which the EU is now concretely supporting through the OSCE and for which Finland is making a substantial contribution.

The EU has over the past years strengthened its interaction with Central Asian countries in this area through the existing **High Level Dialogue on Environment** and specific expert level working groups.¹ Co-operation has led to agreement on the need to focus on strengthening institutional frameworks, mitigation strategies and national plans for adaptation, which is done through a tailor-made approach based on the needs of the individual country. A platform project to support EU-Central Asia co-operation on environment and water was launched in 2011 to reinforce activities over the coming years.

¹ The 'Working group on Environmental Governance and Climate Change', which is chaired by Italy (together with the European Commission/EEAS), and the 'Working Group on Water Management', which is the already existing regional working group for EECCA of the EUWI, chaired by Romania.

Facilitating **sustainable and equitable water management** is one of the key priorities of EU engagement in Central Asia. Water underscores a number of other EU objectives for sustainable development in the region, such as food security, health, energy production and economic development. Through the **European Union Water Initiative** (EUWI), the EU has created a tool for strengthening political commitment, for improving water governance and water management, for more co-operation on river basins and for using better financial models.

National Policy Dialogues (NPDs) are the main operational instrument within the EUWI. They support water policy reform by facilitating country-specific actions in water supply and sanitation (WSS) and integrated water resource management (IWRM) as well as facilitate transparent policy making and efficient implementation. In 2008, the NPD process started in Central Asia with Kyrgyzstan. In 2010 and 2011, policy dialogues were initiated in Tajikistan, Turkmenistan and Uzbekistan. Kazakhstan started the process in 2012.

The **European Investment Bank** is now actively engaged in supporting EU policy objectives in the environmental area and the **Investment Facility for Central Asia** is used to leverage resources to finance key projects of mutual interest implementing reforms.
