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for the period 2007-2013

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Table of Contents

Executive Summary

1. EC Cooperation objectives
 - 1.1 Overall external policy goals of the EU
 - 1.2 Rationale for a regional approach
 - 1.3 Strategic objectives of EU/EC cooperation with Central Asia
2. Policy Agenda of CA countries
 - 2.1 General aspects
 - 2.2 Internal policy
 - 2.3 External policy
3. Analysis of the region
 - 3.1 Common and shared challenges faced by CA countries
 - 3.2 Economic and social situation
 - 3.3 Political risks to security
4. Overview of past and ongoing EC cooperation
 - 4.1 EC assistance to CA 2002-2006
 - Regional cooperation programmes
 - EC Bilateral programmes of assistance
 - 4.2 Key lessons for the new programming cycle
 - Regional programmes
 - Bilateral programmes
 - 4.3 Coordination and complementarity with other donors
 - 4.4 Coherence of policy mix
5. The EC Response Strategy
 - 5.1 The Response Strategy
 - 5.2 Complementarity with other EC programmes

Annexes

1. **List of acronyms/abbreviations**
2. **Central Asia at a glance – basic data and indicators**
3. **Central Asia: Environmental profile**
4. **EC assistance 2000-2005**

Maps

I. EC COOPERATION OBJECTIVES

1.1 Overall external policy goals of the EU

The EU promotes its values and interests by operating simultaneously as a continental power and as a global economic and political player, using a variety of instruments, ranging from the Common Foreign and Security Policy (CFSP), to assistance and trade and the external dimension of the EU's internal policies.

The EU strives in particular to promote prosperity, solidarity, human rights and democracy, decent work, security and sustainable development worldwide.

Of utmost importance for the EU is the definition of the right 'policy mix', meaning that, in the light of the strategic objectives of EU external relations policy, coherence needs to be ensured between all available instruments when dealing with Central Asia

Country-specific, regional and global strategic objectives together shape the EU/EC's approach to cooperation with Central Asia

A mutually beneficial partnership promoting stability and security in the region

The EU has individual Partnership and Cooperation Agreements (PCAs) with all five Central Asian states, although only those agreements with Kazakhstan, the Kyrgyz Republic and Uzbekistan are in force. The PCAs with Tajikistan and Turkmenistan have yet to complete their ratification processes. These agreements, while concluded on a bilateral basis, provide a common regional framework for the EU's cooperation with all five Central Asian Republics.

The EU and the five countries of Central Asia commit themselves in the Partnership and Cooperation Agreement (PCA) to establishing a partnership that provides for close political and mutually beneficial trade and investment relations as well as economic, social, financial, civil, scientific, technological and cultural cooperation. The partnership is designed to encourage these emerging transition countries to implement democratic and market economic ideas which form the bedrock of EU principles.

Enhancing relations with Central Asia and implementing the European Security Strategy

In addition, the EU has launched an EU-Central Asia regional political dialogue to promote better cooperation both amongst the countries of the region and also between these countries and the EU. This regional dialogue complements and reinforces the EU's bilateral relations with each individual state and seeks to achieve the following objectives:

- assist the countries in the region to address common problems and contribute to the establishment of a positive climate of mutual trust and confidence;
- respond to the wishes of Central Asian countries for closer relations with Europe and engage on issues of common interest;
- support the Commission's regional assistance strategy for Central Asia.

Facing Security Challenges

In the European Security Strategy (ESS) of 12 December 2003 the EU clearly acknowledged that as a union of 25 states with over 450 million people producing a quarter of the world's Gross Domestic Product (GDP), it is inevitably a global player. On the same occasion, the EU also recognised that:

—i) Europe faces new threats which are more diverse, less visible and less predictable, including terrorism, the proliferation of weapons of mass destruction, regional conflicts, state failure, organised crime; and

ii) in contrast to the massive visible threat in the Cold War, none of the new threats is purely military, nor can they be tackled by purely military means. Each requires a mixture of instruments. In particular, security and law enforcement measures have to be combined with democratisation, rule of law, respect for human rights and poverty reduction.

The strategic objectives set out in the European Security Strategy of December 2003 make explicit reference to the Central Asian region in regard to the fight against organised crime, including the trafficking of drugs and WMDs.

The EU considers security and good governance to be key objectives in Central Asia. One of the key implications of the European Security Strategy¹ is the need to “promote a ring of well governed countries to the East of the European Union ...”. In addition to this, the EU is committed by international conventions to supporting efforts in the fight against organised crime and terrorism, including the fight against the proliferation of weapons of mass destruction and their means of delivery. Cooperation on border and migration management is an essential complement to this, and to regional stability. Integrated border management principles have proven useful for transparent but secure borders.

The Central Asian states are situated between the world’s largest illegal opium producers and the lucrative markets of Western Europe. They border, or are located in close proximity to, the countries of the Golden Crescent (Afghanistan, Pakistan and Iran) and, via China, have access to the countries of the Golden Triangle (Burma, Laos and Thailand), which are the world’s largest producers of illegal opiates. As a result, since the disintegration of the Soviet Union, CA has emerged as a major international drug-trafficking centre, with links to trans-border criminality and terrorism. According to some estimates, some 100 tonnes of heroin are smuggled from Afghanistan through Tajikistan and other Central Asia states annually and reach the Russian and European markets.

Improving good governance, dealing with corruption and the abuse of power, establishing the rule of law and protecting human rights are all integral components of the ESS. One of the key policy implications of the European Security Strategy is the need for the EU to “promote a ring of well governed countries to the East of the European Union with whom we can enjoy close and cooperative relations”. In addition to this, the Strategy clearly acknowledges the importance of promoting an international order based on effective multilateralism.

The EU designated a Special Representative for Central Asia in 2005 to enhance cooperation with the region in the area of foreign and security policy, including ESDP

Diversification of energy supply

The growing dependency of EU member states upon external sources of energy and ensuring security of energy supply are issues of especial concern to the European Union. Central Asia, with

¹ 12 December 2003

its significant hydrocarbon resources and favourable geographical location for transport routes to European markets, will play an important role in ensuring the EU's energy supplies. Together with Russia, Kazakhstan, Turkmenistan and Uzbekistan possess the world's second largest reserves of oil and gas. Kazakhstan alone has double the oil reserves of the North Sea (with government figures estimating total reserves to be three times higher), whilst Turkmenistan's and Uzbekistan's gas reserves are believed to be the 5th and 8th highest in the world respectively. Moreover, both Kazakhstan and Turkmenistan have significant quantities of —uranium, with the former constituting the world's third largest producer of uranium, and a major - supplier to the EU.

The challenge for the EU and its partners in Central Asia is to develop a mutually beneficial dialogue between energy producers, transit countries and consumers at both bilateral and regional level. Relations with the main producer countries, Kazakhstan and Turkmenistan, need to be enhanced. Regional cooperation in this sphere will be pursued in the follow-up to the Energy Ministerial Conference between EU and the Black Sea and Caspian Sea Littoral States that was held in Baku in November 2004, in line with the ENPI Regional Strategy for Eastern Europe 2007-10

-Promoting the Millennium Development Goals

The EU's development policy is driven by the primary objective of poverty reduction with the complementary aims of promoting good governance and greater respect for human rights in a bid to ensure the stability and security of the countries in the region.² At the same time, it emphasises the need for a differentiated approach depending on the context and the particular needs of individual states.

The five countries of Central Asia are currently classified as transition countries in the OECD's Development Assistance Committee (DAC) list of aid recipients. With GNI per capita ranging from US\$ 2750 in Kazakhstan to just \$280 in Tajikistan (World Bank 2005), the disparity is wide even within the category of lower-middle and low income countries. All of the countries are included in the list of Official Development Assistance (ODA) recipients. Development policy objectives and in particular the Millennium Development Goals (MDGs) must therefore be taken into account in defining cooperation objectives, together with the outcomes and commitments of the 2005 Millennium Development Review Summit.

1.2 Rationale for a regional approach

Promoting good neighbourly relations and regional cooperation

In the case of Central Asia, an additional specific objective has been established to promote greater regional cooperation. Differences between the countries of Central Asia in their economic achievements and their political outlook can, and do, create significant challenges for the smooth circulation of goods, services and people, and produce tensions, which hinder joint approaches to solve shared problems. Improved regional economic cooperation between the Republics of Central Asia, and between them, their neighbours and the European Union provide the key to their security, stability and sustainable socio-economic development.

Several challenges faced in Central Asia, such as developing regional trading corridors, creating energy networks and systems, managing rivers and river basins, and fighting against terrorism and organised crime, are inherently cross-border in character and can only be tackled effectively through a cooperative effort at regional level. The long-term nature of these regional challenges

²Joint Statement by the Council, the European Parliament and the Commission on European Union Development Policy: "The European Consensus", December 2005.

calls for continuity and consistency with past EC regional strategy/assistance programmes. Furthermore, a number of regional and sub-regional organisations and forums have emerged since the 1990s in this region. Some of these are now mature enough to provide a good basis for strengthened inter-state cooperation.

Central Asia in the wider context - link with EU ENP and Common Spaces with Russia

In view of the latest round of enlargement in 2004, and the next phase due to take place in 2007, the EU has launched a new policy to share the EU's stability, security and prosperity with neighbouring countries (ENP) and the Russian Federation (Common Spaces). The overall goal of these initiatives is to prevent the emergence of new dividing lines in Europe and to offer neighbouring countries the prospect of closer political, security, economic and cultural cooperation.

Both the enlargement of the Union and the new Neighbourhood Policy have fundamental implications for the nature of relations between the EU and the states of Central Asia, and cannot help but reinforce bilateral links between the two. The latter have essentially become **the “neighbours of our neighbours”**, given their strong political, economic and cultural relations with the countries covered by the new EU policy.

The EU Strategy for Central Asia – especially after EU enlargement – hence cannot be seen separately from the approach and objectives pursued by the EU through the Common Spaces Initiative and the European Neighbourhood Policy in Eastern Europe and the Southern Caucasus. To help achieve this wider objective, it is important to anchor the Central Asian countries in broader EU policies promoted under ENPI to enhance regional cooperation and integration. Therefore, it is foreseen that CA countries will be able to participate in ENPI regional assistance programmes on the basis of art 27 of the ENPI Regulation. Indeed, these countries are already fully associated with a number of regional initiatives involving Eastern Europe ENP countries and Russia designed to enhance cooperation in key sectors such as transport, energy, higher education and the environment.

1.3 Strategic objectives of EU/EC cooperation with Central Asia

The core objectives of EU cooperation in Central Asia can therefore be summed up as follows:

- To ensure the stability and the security of the countries of the region
- To help eradicate poverty and increase living standards in the context of Millennium Development Goals
- To facilitate/promote closer regional cooperation both within Central Asia and between Central Asia and the EU, particularly in the energy, transport, higher education and environmental sectors.

It is the EU's firm belief that the first priority of assistance must be to help each of the five Republics to eradicate poverty, and to improve the living standards, education and job opportunities of their respective populations. In this way, the EU will enable the states of Central Asia to complete their political and economic transition, and thus to consolidate broader values of democracy, the rule of law, good governance and respect for human rights and decent work on which sustainable development must be built.

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2. OUTLINE OF THE POLICY AGENDA IN CENTRAL ASIA COUNTRIES

2.1 General aspects

The agenda of reforms needed to establish democratic institutions and a market economy in each country is evidently distinct, reflecting the differences in both national policies adopted since independence, and in the distribution of natural and human resources across the region. Kazakhstan has clearly taken the lead in terms of political, economic and social reforms and is providing a role model for the other countries to follow. It is also a strong advocate of regional cooperation, having developed good relations in recent years with the Kyrgyz Republic and Tajikistan and, to a lesser extent, with Turkmenistan. Uzbekistan, centrally located and the most populated of the Central Asian republics, has tended to contest Kazakhstan's hegemonic position, but remains generally isolated and feared by its neighbours.

These differences in national agendas are reflected in the foreign policy of the five Central Asian states, which combines the assertion of national independence and identity with the pursuit of meaningful insertion into the world economy through participation in multilateral and regional organisations. The landlocked geographic position of these states also makes them heavily dependant on their larger, immediate neighbours - Russia, China, and Iran – whilst the situation in Afghanistan continues to have a direct impact on their security and stability.

The Central Asian governments have set out their reform priorities in national programmes, which revolve broadly around the pursuit of the following central objectives:

- a) the improved well-being of their people through diversification of the economy and the creation of new jobs, including through better higher and technical education,
- b) poverty alleviation / raising living standards and the protection of vulnerable social groups, particularly through PRSP approaches;
- c) the fight against terrorism, organised crime, drugs and human trafficking and corruption.

Reforms in these areas are vital in accelerating progress towards the full political and economic transition of these countries. The fact that the objectives outlined above mirror closely the three priority areas identified in this Strategy Paper for EU assistance in Central Asia indicates that this transition process is using the EU model, as well as OSCE and UN standards, as an essential point of reference.

The two sections that follow highlight some of the key factors shaping the domestic and foreign policy agendas of the states of Central Asia. A more detailed review of recent political and economic developments can be found in the five individual country profiles in Annex 2 of the Central Asia Indicative Programme 2007-2010.

2.2 Internal Policy

Consolidating democracy, protection of human rights and fundamental freedoms

In reaction to the so-called “colour revolutions” in Ukraine, the Georgia and, latterly, Kyrgyz Republic governments have further tightened their control over opposition groups, civil society and the media. In Kazakhstan and the Kyrgyz Republic, several positive developments have taken place, such as the ratification by Kazakhstan in January 2006 of the UN Covenant on Civil and Political Rights and the UN Covenant on Economic, Social and Cultural Rights and the development of human rights’ Ombudsmen. On the other hand, in 2005 the UN General Assembly expressed its deep concern at a wide variety of human rights abuses in Uzbekistan and Turkmenistan. Overall, the countries range along the spectrum of authoritarian regimes to electoral

democracies, but are still far from being liberal democracies based on the rule of law and respect for human rights.

Terrorism

The perceived threat to security from violent acts by “illegal” opposition groups, or terrorist organisations, have come to dominate the agenda of Central Asian states. This signals a partial reverse of previous advances made with regard to the protection of human rights, particularly in Uzbekistan and Tajikistan. Authorities are increasingly worried about radical religious doctrines and their potential to destabilise the region. Even though such threats should in no way be underestimated, the restrictive policies adopted by the Central Asian states towards civil society and traditional Islam risk being counterproductive, fuelling the phenomenon rather than countering it. The conflation of Islamic fundamentalism and terrorism by some governments in particular invites further radicalisation.–

Enhancing the judiciary and rule of law

Kazakhstan and the Kyrgyz Republic have both declared their intention to undertake further judicial and legal reform to strengthen the independence and administrative capacity of the judiciary, and to enhance the conditions for proper defence and impartiality of prosecution.– Uzbekistan, for its part, has recognised the need to curb torture and to ensure more humane treatment of prisoners. The international community has, however, repeatedly expressed its concern about the conduct of trials arising from the events in Andijan.

Progress in abolishing the death penalty has also been varied. Turkmenistan (1999) and Tajikistan (2005) have introduced outright bans, whilst Kazakhstan and the Kyrgyz Republic have both declared a moratorium on the issue. Uzbekistan has announced its intention to abolish the practice in 2008, without introducing an interim moratorium.

Effective fight against corruption

The fight against corruption formally constitutes a leading concern for all five countries. Approaches to the problem differ widely, however, with Kazakhstan, for example, alone in subscribing to the UK Extractive Industry Transparency Initiative (EITI).

Public sector reform

The five governments have all declared their intention to promote public sector reform, including administrative reform as well as the regulatory reforms needed to improve public governance and reduce corruption. Except in Kazakhstan, however, administrative reforms have barely started. Many supporters of –former regimes remain in the highest echelons of state institutions, whilst lower levels of government are still subservient to the central executive. National Security and Defence Councils are the focal point of power, enjoying a firm hold on decision-making in the foreign and security policy spheres. On the positive side, decentralisation is on the agenda of Kazakhstan, Tajikistan and the Kyrgyz Republic.

Improving the trade and investment climate

Trade policy issues, and in particular WTO accession, form a central plank of the economic strategy of Central Asian governments, but progress towards this objective remains unequal. The Kyrgyz Republic has already joined, but has so far failed to reap significant benefits due to the weak implementation of its own commitments. Kazakhstan has announced its intention to join the WTO in 2006, but the accession of either Tajikistan or Uzbekistan remains a more distant prospect.

At the last session of the World Customs Organisation in June 2005, Kazakhstan, the Kyrgyz Republic and Tajikistan all expressed their intention to begin implementing the organisation’s

Framework of Standards provisions for securing and facilitating global trade. These are aimed at establishing customs control standards in order to insulate the trade supply chain from organised crime, and to improve the administrative capacity of the customs administration.

More generally, a key component of the governments' programme is to further diversify and modernise the economy and promote growth. Greater attention has been given to adjusting education systems to the labour markets needs of emerging transition economies, especially higher and technical education. Governments are seeking to address a broad range of issues affecting the investment climate with a view to attracting investors. Programmes aimed at promoting entrepreneurial activity, and in particular the development of SMEs, have been announced (issues registration, financing and tax collection/inspection.). In Tajikistan in particular, however, the conditions for private investment and FDI remain entirely inadequate.

Employment and social policy

In their national policy strategies, CA administrations recognise employment creation as one of the dominant policy challenges to Central Asia and commit themselves to promoting productive employment, decent work and income generation opportunities and to improving social protection. Unemployment, as recorded by labour forces surveys, is in the order of 10% for most countries, aggravated by the retreat of the unemployed into agricultural activities or into undeclared and informal work. Long-term unemployment benefit systems and few (re) training opportunities, give cause for concern. Discrimination in access to employment also remains a problem in the region. Recruiting highly qualified staff is a problem due to low wage levels which, together with high poverty levels, further tend to lead to large labour migration outflows. Finally, while there is a full commitment to ILO fundamental principles and rights at work in the region, problems do remain as to their effective implementation, and the ILO is requested to actively promote and assist with it.

Poverty reduction and the provision of social services

Through PRSPs or similar documents, CA administrations have committed themselves to implementing strong anti-poverty measures, improving social services and access to education and healthcare as well as to addressing rural development. Recently, governments have increased the share of social sector spending in the national budgets. Some countries have also incorporated sustained economic growth as a means of attaining the MDGs by 2015, focusing in particular on the importance of private investment and Public Private Partnerships in this process.

2.3 External Policy

All Central Asian governments recognise the importance of strong bilateral relations with Russia, given the latter's strong political, economic and social interests in the region. At the same time, however, they are also seeking to develop a broader circle of support, including the US, China, Japan, Iran, and the EU, as a means of preserving their independence and national sovereignty.

Security alliances & Collective security: CSTO, SCO, NATO

Enhancing anti-terrorist capabilities plays an important part in Central Asian security concerns. The perception of terrorist threats, both domestic and external, has led the CA states to consolidate their security alliance with Russia within the Collective Security Treaty Organization (the CSTO), establishing an anti-terrorist centre in Tashkent. The CSTO thereby provides a counterbalance to the Shanghai Cooperation Organization, which is largely a Chinese initiative.

On the Caspian Sea, an international naval operations group called CASFOR was launched in 2005 to deal with the dangers posed by terrorism, WMD proliferation, and arms and drug trafficking in the area. CASFOR is conceived as a conventional naval force within a Russian command structure.

All five Central Asian states also participate in NATO's Partnership for Peace, whilst many of them have also made a significant contribution to the fight against international terrorism in the aftermath of September 11: Turkmenistan channelled much of the humanitarian aid to northern Afghanistan, whilst Tajikistan, the Kyrgyz Republic and Uzbekistan all allowed international coalition troops access to air bases on their soil.

The US may have been asked to vacate its base in Uzbekistan by the end of 2005, but it still has a base in the Kyrgyz Republic. The American government has also allocated about \$100 million to Azerbaijan and Kazakhstan through Operation Caspian Guard to help them enhance their capabilities for monitoring and surveillance in the Caspian Sea, to defend their energy platforms and to conduct counter-proliferation activities. Kazakhstan provided a small contingent of peacekeepers for operations in Iraq.

Regional economic integration and cooperation with Russia, China and Japan

Eurasian Economic Community (EURASEC/Evrases): Three Central Asian countries - Kazakhstan, the Kyrgyz Republic and Tajikistan – along with Russia and Belarus, are members, whilst Uzbekistan's decision to join in January 2006 represents a marked improvement in the potential for cooperation with its CA neighbours. EURASEC aims at developing a free trade zone between its members, but has thus far had difficulty in making such a zone operational. A number of economic and trade policies are, however, increasingly coordinated in this framework.

Russia's recent large-scale investments in the energy infrastructure and other economic assets have indeed been responsible for most of the capital inflows into Uzbekistan, Tajikistan and the Kyrgyz Republic, including as part of debt swaps. For instance, Russia has pledged investments totalling \$1.8 billion to the construction of hydroelectric stations and aluminium plants in Tajikistan. Gasprom has concluded arrangements on a comparable scale with Uzbekistan for the joint exploration, exploitation and transportation of oil and gas.

At the same time, however, Central Asian countries wish to diversify external relations and join the global market. WTO accession remains a primary objective in this regard, whilst Central Asian countries are already part of a number of multilateral forums (OSCE, UN ECE, ILO, WCO) or regional organisations (ECO, SCO or CAREC).

One such body, the **Shanghai Cooperation Organisation (SCO), led by China**, aims to bring stability to Central Asia, by building and consolidating good relations amongst member states, and developing cooperation in the political, economic, and scientific spheres. In early 2006, the SCO formed an "energy working group" to consider the joint development of energy resources and regional oil and gas pipelines, which would link Russia and China to oil and gas fields in Kazakhstan, as well as to hydroelectricity projects and other ventures within Central Asia.

Over the last couple of years, China has been developing its security and energy strategic interests in the region with determination, both bilaterally and at regional level through the SCO. Considerable investments have been mobilised to gain access to Caspian hydrocarbon resources and transport them to Xinjan (Chinese Turkistan). China has also sought to engage the Central Asia countries on security issues, terrorism threats and Islamic extremism, which concerns its

autochthonous populations of Western China. Its repressive approach to internal democracy has also some pernicious appeal to some Central Asia leaders.

The “**Central Asia Plus Japan**” dialogue was launched in August 2004, as testimony to the growing desire of Japan to become engaged in the region. This interest is primarily motivated by energy and geo-strategic considerations. Highly dependent on imported oil, Japan views Central Asia as a means of diversifying its energy supplies. Japan is also interested in counterbalancing both the rising power of China in the region and the combined Sino-Russian influence embodied in the Shanghai Cooperation Organisation.

CA Regional leadership and cooperation

Kazakhstan and Uzbekistan have clearly sought to secure a leading role both in the immediate sub-region and in the surrounding area, facilitating operations in Afghanistan, and proposing initiatives for improving intra-regional cooperation: Kazakhstan, for example, called for a Central Asia Common Market/Free Trade Zone in the framework of a central Asian Economic Cooperation Organisation (CACO). The CACO was however merged with EURASEC in mid-2005.

Central Asian countries have established a number of specific forums to discuss matters of mutual interest - energy, water, environment, customs, security, health (HIV/AIDS). These groupings are for the most declined in different combination around the core cluster of Kazakhstan, the Kyrgyz Republic and Tajikistan. The smaller upland states are the most partial to integration as they are most likely to benefit from it.

Central Asian countries’ relations with Afghanistan are dictated by the important national minorities in Afghan border regions, particularly Tajikistan, with whom they seek to maintain privileged links and influence, including for security and stability motives - although booming drug trafficking and organised crime put these relations in an ambiguous light. Afghanistan is also considered for its export potential related to the international reconstruction effort. Tajikistan is also developing strong relations with Iran, based on historical and cultural affinities.

Special Relationship with the European Union

The leaders of each of the five Central Asian countries have constantly reaffirmed their view that the EU constitutes a fundamental reference point in so far as it provides a model for democratic, political and economic transition which they must aspire to follow. Each state is linked contractually to the EU through an individual Partnership and Cooperation Agreement (PCA) framework (PCAs still have to be ratified for Tajikistan and Turkmenistan), which provides clear prospects for *rapprochement* with the EU and commits the governments concerned to aligning their national legislation with the “*acquis communautaire*” and to putting in place the necessary statutory reforms.

All five states have also expressed their interest in deepening bilateral relations with the EU. Those with a PCA in force wish to enter a new contractual framework which will extend the scope of cooperation and convergence beyond that presently envisaged once the current PCAs come to an end in 2009. Kazakhstan in particular has made clear its desire to join the countries of Eastern Europe and the Southern Caucasus in participating in the European Neighbourhood policy. Both the Kyrgyz Republic and, to a lesser extent, Uzbekistan have expressed similar wishes..

3. ANALYSIS OF THE REGIONAL POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION

In spite of its geographical situation as a bridge between Asia, especially China, and Europe, Central Asia has in reality been integrated into the broader sphere of European influence in politics, culture, trade and economics for several centuries, since the indigenous Turkic population fell successively under Ottoman and then Russian control. There are deep-rooted bonds between Europe and Central Asia which prevail to this day in the way their societies operate. Since achieving independence in 1991, the speed and manner in which the countries of Central Asia have embarked upon the path of profound political, economic, cultural and social transition has varied significantly in view of the peculiar circumstances of each one. These newly sovereign states had to establish, from a weak basis, a completely new political and administrative apparatus at a time when dramatic economic collapse (and, in the case of Tajikistan, civil war) was causing considerable human misery and economic deprivation. Today, the five countries continue to differ markedly in terms of population size, territorial area, endowment of natural resources, the level of human development, political orientation, and in terms of their relative willingness to cooperate and integrate with the rest of the world.

They are, however, all bound together by their common experience as former states of the Soviet Union. The period of Soviet rule not only brought about deep economic integration at the sub-regional level, it also created region-wide integrated systems for transport, energy and the management of natural resources. It also established close links between Central Asian states, Russia and the rest of the Soviet republics, which remain strong today. The present level of regional cooperation has proved insufficient to maintain the normal functioning of these shared infrastructure networks. An enhanced level of intraregional coordination and effort is needed if the five Central Asian states are to meet their common challenge of putting their demographic transition, and socio-economic development, on a more sustainable, long-term footing.

3.1 Common and shared challenges

This section will only focus on the key factors and issues affecting the region as a whole, as in-depth country analyses are available in the individual profiles appended to this text.

Trade and access to world markets

Trade, both within Central Asia and between Central Asian states and the rest of the world, continues to be hampered by numerous barriers: complex trade policies that are badly coordinated and lack transparency; high costs from poor transport and transit conditions; delays at border crossings; and onerous administrative and clearance requirements. In Kazakhstan, for instance, it takes an estimated 93 days to move standard cargo from the factory gate to the nearest export port to fulfil all the customs, administrative and export requirements to load the cargo onto its destination, whilst in Uzbekistan 139 days are needed on average to import a standardised shipment of goods. Moreover, the overlapping trade agreements and rules in the region are confusing, they create opportunities for corruption, and hinder rather than facilitate trade. As a result of all these factors, intra-regional trade has contracted to less than 10% of the total trade of Central Asia, with Russia remaining the region's foremost commercial partner. The EU is the leading trading partner for Kazakhstan, accounting for one-third of its external trade, and the third largest for Turkmenistan. For the other three Central Asian Republics, between 10% and 30% of their external trade is currently conducted with the EU.

Delays for imports and exports of goods have a great impact on trade. An IFC and World Bank study (2006) finds that each day of delays reduces a country's export volumes by about 1%. Particularly long hold-ups also make it impossible to export perishable agricultural products such as meat, fruit and vegetables. This factor is of particular importance in Central Asia where such commodities make up a significant proportion of exports in those countries lacking significant energy resources. Such reliance on primary resources also leaves these economies vulnerable to external shocks and violent fluctuations in market prices, thereby highlighting the need for greater diversification of exports.

Lowering commercial barriers will help CA countries to expand these currently low levels of trade flows, and opportunities for business. In particular, accession to the WTO for the four non-member states would represent a decisive step towards harmonising and streamlining trade conditions, whilst benefits from the reduction in tariffs and cross-border costs would boost economic growth and employment. In practice, this means simplifying and harmonising visa regimes, and customs and border crossing rules and procedures, and improving professionalism at customs and border services.

Business and Investment climate

The investment climate remains unpredictable in most countries, characterised by confusing laws and regulations, which are unevenly and arbitrarily enforced. Registration and licensing are lengthy processes, whilst obtaining credit for SMEs remains problematic in all countries. Land property rights have not yet been fully established in most of the countries, and privatisation and restructuring of the larger economic concerns are still pending. The adjustment of energy prices to market conditions and the restructuring of the utilities sector will be one of the major challenges of economic transition in the region.

Foreign direct investment (FDI) in CA outside of the extractive sector is also very low in comparison with other ex-Soviet Republics, totalling just \$ 3 to \$ 9 per capita in Tajikistan, the Kyrgyz Republic and Uzbekistan. Gross capital formation is low, hovering around 15%, except in Kazakhstan and Turkmenistan where it exceeds 25%. Given the level of state indebtedness, much of the required increase in investments in Tajikistan and the Kyrgyz Republic will have to come from external sources and the private sector. It is therefore recognised that Public-Private Partnership (PPP) arrangements will be crucial for most infrastructure investments.

Transport

Latent mistrust between Central Asian neighbouring states means that individual governments are investing in costly new transport links rather than using their limited financial resources to upgrade existing links that provide vital connections to foreign markets (notably the ENP countries, Russia and the EU). To overcome these difficulties, a broader view is needed, aiming at the progressive integration of the transport markets of Central Asian and ENPI eastern countries, the gradual approximation with the EU's legal framework and standards and effective implementation of international agreements in the transport sector; the improvement of rail and road safety; the improvement of aviation safety and air traffic management, and of maritime and aviation security to international standards; the improvement of inland waterway transport; and the introduction of EU inter-modal concepts.

Management of shared natural resources

Water, energy and environmental resources are closely linked to both geography and the vast infrastructure systems put in place by the Soviet Union. The republics are tightly interconnected through the management of these resources and the interdependence reflecting differences in natural resources endowment. For instance, the Kyrgyz Republic and Tajikistan have considerable potential to produce hydroelectric power potential for exports, while countries downstream depend on the same water for irrigation.

In the environmental sphere, perhaps the greatest challenge to be faced is the management of regional water resources between competing demands for human consumption, irrigation, industrial use and the generation of electricity. Some Central Asian countries are also showing an interest in the area of climate change, motivated not least by the possibility of selling surplus emission credits under the Kyoto protocol. Implementation and enforcement of the relevant rules remain weak, however, due to the limited administrative capacity of the states involved, whilst public information and participation remains underdeveloped. An additional problem is that of deforestation, as increased demand for timber products from the region means that forests in Central Asia now account for only 25% of the area they covered in the 1960s.

Coping with the consequences of dismantlement of the ex-Soviet chemical/_industrial/_mining/_nuclear/_military apparatus is also a considerable challenge.

Moreover, natural disasters present a constant threat to the population of the region, with landslides a frequent occurrence in the Kyrgyz Republic and Tajikistan, and active seismic zones located in the Ashgabad area of Turkmenistan, the Tian Shan Mountains in the Kyrgyz Republic, southern Kazakhstan and Uzbekistan. All countries have institutions for emergency response, and progress has been made in addressing dam safety, which has hitherto heightened the risk of flooding in the region. Since 2003, the EC has also funded Disaster Preparedness Action Plans for Central Asia through DG ECHO. More coordinated approaches at both national and regional level are required to promote better cross-border contingency planning, with the Hyogo Framework of Action on Disaster Reduction providing a good template

In the energy sphere, hydrocarbon resources in Central Asia are of global significance, and have a key role to play in helping to meet the ever-growing energy needs of the EU. In recognition of this, an EU-Caspian region and neighbouring countries' Ministerial Conference on energy cooperation was held in Baku, in November 2004. The meeting brought together representatives from the European Commission and the twelve countries of the Caspian and Black Sea regions, including Central Asian states who have agreed to open new cooperation aimed at the progressive integration of their energy markets (the so-called "Baku initiative"), with the creation of dedicated expert working groups. At present, a Ministerial Conference wrapping up the results and adopting recommendations of these working groups is scheduled to be held in Almaty in November 2006.

Social development and Poverty Reduction

According to the latest UN Human Development Report for the region published in December 2005, Central Asian countries rank between 80th (Kazakhstan) and 122nd (Tajikistan) on the Human Development Index scale, with values ranging from 0.761 to 0.652. They are therefore falling significantly behind other NIS in Central/Eastern European and Russia. (footnote to annex here)

The incidence of poverty remains high throughout the region, even in Kazakhstan and Turkmenistan, where 21% of the population live on less than \$ 2.15 per day. The rate is even higher in Uzbekistan (47%), whilst in Tajikistan (65%) and the Kyrgyz Republic (70%)-, extreme poverty continues to afflict well over half of the population, particularly in rural provinces. These figures do, however, represent a slight improvement on the previous period. There is an increasing concentration of poverty in rural areas. Coping strategies include labour migration and remittances, as well as fairly generalised subsistence farming. Low productivity employment in rural areas is a cause of poverty. Special attention to spatial poverty, job creation and productivity growth, as well as public service delivery to ensure a better impact of economic growth on poverty.

At the same time, Central Asian countries have highly unequal income distribution by international standards. A large income gap is developing between urban and rural areas, with average rural salaries less than half of those in towns and cities. As a result of the dire living conditions, and exploitative practices for cotton and grain cultivation that they are forced to endure, rural labourers are migrating in greater numbers to Russia and Kazakhstan to seek cash income. Over 400 000 people in both Tajikistan and the Kyrgyz Republic (i.e. between 30 and 40% of the male population of working age) are involved in this massive seasonal labour migration, with the remittances from these labourers estimated between \$ 350 and \$ 400 million for each country annually, equivalent to the state budgets. Underemployment, lack of decent job opportunities, insufficient social protection and poverty are also fuelling the pursuit of illegal sources of income, with smuggling and drug trafficking thriving in border provinces. According to the World Bank, as much as one-third of Tajikistan's GDP is linked to drug trafficking, whilst Uzbekistan is experiencing similar difficulties.

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Demography is marked by the high proportion of under 20 year-olds and a surge in population growth - except in Kazakhstan - despite high mortality and low life expectancy. This is building pressure on the use of already debilitated social services/infrastructure, and on limited natural resources. Irrigated land and water resources in particular have become potential sources of conflict.

There is a resurgence of communicable diseases such as tuberculosis, diphtheria and even cholera. Drug abuse is also spreading, including by intravenous injection, and affects an estimated 500 000 addicts. Sex trafficking, particularly towards Russia and the Gulf states, continues to involve a significant number of women who have no alternative source of income. The levels of HIV/AIDS are soaring,

Between 15% and 40% of the population in Central Asian countries have no access to safe water and over 40% to improved sanitation with a direct impact on the health of the population, in particular children, with much higher percentages for Tajikistan and rural areas. However, due to the lack of maintenance and constant degradation of the systems, these figures are due to increase unless significant sustainable investment is made in this sector.

While overall literacy and enrolment indicators are high, with an adult literacy rate over 95%, and a net primary education enrolment ratio over 80%, there are signs that these are declining in some countries and gender disparities remain. The education sector in CA countries suffers from increasingly unequal access, eroding quality and low efficiency in the use of resources. In particular, higher and technical education –are ill suited to meeting labour market needs and preparing the next generation of professionals capable of pursuing the transition process.

Overall, while there has been an increase in social spending, there is still great inefficiency in coverage and actual delivery of services to the poor, and the richest part of the population has benefited most: for instance in Kyrgyzstan, only 19% social expenditures go the poor households—over 50% population. Lack of affordability and poor quality undermine access.

3.2 Political risks to security

Since gaining independence, the states of Central Asia have experienced periodic outbreaks of violence, including inter-clan, inter-ethnic and inter-religious conflicts. Tajikistan was engulfed in a civil war from 1992 to 1997, which left severe scars on the country's economic and social fabric. In 2005, the Kyrgyz Republic underwent a change of government in the aftermath of prolonged popular uprising against the flawed results of earlier elections. The new government has proved to

be ineffective, beset by internal disputes; public confidence in the administration and law enforcement is slipping whilst the influence of criminal circles is increasing. There is a risk that the central government will lose control of both institutions and territory. In Uzbekistan, the growing harassment of civil society and religious groups after the bloody intervention of security forces in Andijan (May 2005) has exacerbated existing discontent among much of the population. Unstable social and economic conditions, if not addressed, threaten to bring about widespread protests and to paralyse the incumbent regime. These last two examples demonstrate that mounting popular discontent, if handled in an authoritarian manner, might pave the way for a period of turbulence and destabilisation at a time of political secession, which is due to occur in the coming years in most of the Central Asian states.

The political and security situation is highly conditioned by the region's geographical location, and in particular its proximity to Afghanistan. Drug trafficking is endemic in all CA republics, located as they are between the world's largest supplier of heroin, namely Afghanistan, and the regions of highest consumption, Russia and Europe. Drug consumption within the region itself has also risen sharply, with addiction currently affecting up to 1% of the population. Endemic levels of poverty, the porosity of national boundaries, and the potential for high earnings all contribute to the problem. The drug trade undermines economic and political stability by fostering corruption, weakening government structures and the response by law enforcement. Criminals cover the whole spectrum of activities, including money laundering, human trafficking and the gradual takeover of state law enforcement and economic functions.

While Central Asian countries have identified international terrorism as the greatest threat to stability, the greater threat is in fact intra-regional as cooperation increases between extremist, terrorist and criminal groups and networks operating within Central Asia. Poverty, inequality and frustration in the face of faltering state responses to such deep-seated problems provide the breeding ground for trans-border crime and terrorism, which in turn destabilise internal political systems and trade still further. Central Asian governments therefore need to look for developmental, and not only control-oriented, solutions, for example by linking drug control to governance reform with the involvement of local communities and civil society. The strong mutual interest in greater security enhances the possibility of expanding cooperation at regional level.

4. AN OVERVIEW OF PAST AND ONGOING EC COOPERATION

4.1 EC assistance to CA 2002-2006

The EU is one of the largest donors to Central Asia. Assistance provided by the European Community alone has amounted to more than € 1 billion since 1991. This includes assistance under the TACIS programme (including its regional, cross-border and nuclear safety components) as well as macro-financial assistance, support under thematic budget lines such as the European Initiative for Democracy and Human Rights (EIDHR) and humanitarian assistance and disaster preparedness actions provided by ECHO.³

The **CA Strategy Paper (CSP) 2002-2006** provided a new framework for assistance to the countries of the region through a regional approach designed to provide a better response to the challenges faced by the region, and to enhance effectiveness, coherence and the overall impact.

The CA strategy focused on the three priority areas of: i) support for institutional, legal and administrative reform, ii) natural resources/networks, and iii) support in addressing the social consequences of transition. During the five years covered by the CSP (2002-2006) 26% of

³ A detailed breakdown of EC assistance to Central Asia over the period 1991-2005 can be found in Annex 6.

available resources were allocated to regional cooperation, 54% to bilateral programmes and 25% to targeted poverty reduction schemes. So-called “Small Project Programmes”, including policy advice projects, civil society support programmes (IBPP), Bistro, Managers’ Training programme, Customs, Statistics Tempus an EIDHR, made up a large component of the bilateral programmes.

A major impact of the Strategy for Central Asia 2002-2006 has been to highlight the importance of good neighbourly relations and to enhance the participation of Central Asia states in the Tacis regional programmes through the additional resources made available. At the same time it promoted intensification of their own sub-regional cooperation and EU/CA dialogue. These programmes have focused on sectors related to the EU’s own experience, or where it has recognised expertise, and also sectors related to the EU’s own competences or linked with EC policies with external impact where the Commission and the EU have put their political weight behind them.

A second major impact of the CA strategy has been to increase the focus of the TACIS bilateral programmes on poverty reduction policies and programmes, and on key trade and investment reforms in convergence with the EU while promoting civil society and democratisation.

4.1.1 EC Regional cooperation

For over ten years, the countries of Central Asia have been fully involved in all the Tacis Regional and Inter-State programmes. They have participated as equal partners with other CIS countries, candidate countries and new EU Member States in strategic areas such as transport and energy networks and policies, sustainable management of natural resources focusing mainly on water, and higher education. Central Asian countries have subscribed, for instance, to the TRACECA multilateral agreement on transit and transport, the INOGATE Umbrella Agreement on gas and oil, the EC-supported Environment for Europe Process, and the EU Water Initiative for Eastern Europe and Central Asia, and have been eager to align the reform of their higher education systems with the Bologna Process, notably through the TEMPUS programme. The Central Asia regional programmes in these domains have been fully integrated in the corresponding TACIS Regional programmes with the CIS countries now covered by the ENPI, with which they shared priorities and objectives and received sizeable funding.

TACIS regional cooperation support for Central Asia has also addressed issues relating to increased inter-state cooperation in border management, improving migration and asylum management and the fight against drug trafficking and organised crime, using a pragmatic variable geometry format to match the varying levels of country engagement and interest.

Promoting Trade and Investment flows

EU Regional Assistance for Central Asia under this heading has focused on two sub-priorities: Oil and Gas Networks and Transport Cooperation.

Regional cooperation in oil and gas networks has been undertaken within the framework of the INOGATE Programme, which also led to the INOGATE Umbrella agreement where the participants committed themselves to seeking harmonised conditions for energy transport and transit. Between 2002 and 2006 the EC committed a total of €26m to this sub-priority under the Tacis Regional programme and an additional € 19m from the Central Asia Indicative Programmes. The assistance focused mainly on the following areas: leveraging grant funds toward stimulating IFI investments in oil and gas projects; harmonising the gas and oil standards of participating countries with those of the EU, including gas transport through joint metering stations; and providing support for priority assistance aimed at reducing critical gas losses.

Under the Tacis Regional Indicative programme 2004-2006, an amount of €22 million was allocated to the Transport sector, with an additional €7 million from the Central Asia Indicative Programmes, thus bringing the total amount of funds committed and spent by the EC to transport projects since 1993 to €150 million. EC funding for Transport through the Tacis Regional Programmes has focused on harmonising conditions for transit and funding feasibility studies and other small, non-bankable components of road, maritime and rail infrastructure projects across the ENPI Eastern and Central Asian regions, leveraging over one billion euros of investment financing by the IFIs. In addition to this additional funding for IFI and national co-financed infrastructure projects, there have also been projects developing coordinated transport policies, increasing institutional capacities and providing training.

Freedom, Security and Justice

An amount of €85 million has been allocated for activities in the area of JHA under the Regional Tacis Programme, in addition to the €27 million from the Central Asia Programme (2002-2006). These activities have focused on three main priority areas: the fight against organised crime, border management and migration and asylum management.

In the priority area of fighting **organised crime**, the main focus for the region has been on the fight against drugs and trafficking in human beings. In **border management**, activities have focused on supporting the partner countries' efforts in reforming their national border management systems into a modern organisation closer to EU best practice through training and capacity building projects and the supply of modern equipment. In the Central Asia programme, special emphasis was placed on control of the Tajik/Afghan border. Projects in the area of **migration and asylum management** have been implemented from the Western NIS to Central Asia. Activities have focused on improving the legislative framework, supporting adequate organisation and a system more in line with EU standards and improving the capacities of officials in charge of migration and asylum matters.

In a related field, the EC is a major contributor to **the Global Fund to fight AIDS, Tuberculosis and Malaria**, i.e. it is a major player in Central Asia in the area of the fight against HIV/AIDS. The Global Fund is about to release funding for phase 2 of its activities for a maximum total amount of US\$ 70m for the region, which will complement actions undertaken in the fight against drugs. **Global Fund** Phase 2 activities are supposed to run until **2008**.

Nuclear

In the area of **nuclear safety** the EC has provided support since the early nineties to Kazakhstan/Kyrgyzstan/Uzbekistan. An Agreement for cooperation in the peaceful uses of nuclear energy between EURATOM and the Government of the Republic of Uzbekistan was signed in 2003 and an Agreement for cooperation in the peaceful uses of nuclear energy between Euratom and the Government of the Republic of Kazakhstan is under preparation

The EC is also providing an annual contribution both to INTAS and to the **International Science and Technology Centre** ISTC, which is an intergovernmental organisation established by a number of donor countries dedicated to the non-proliferation of technologies and expertise related to weapons of mass destruction. These programmes are benefiting four CA countries and will be pursued under the ENPI. .

Sustainable Management of Natural Resources

Tacis has been working with CIS countries on the environment from 1992. At regional level, the main focus has been on water issues, including the regional seas, followed by support for environmental policy and plans, environmental education and awareness and environmental non-governmental organisations, through regional environmental centres. Overall, environmental cooperation accounted for a quarter of funds allocated to Tacis regional programmes.

The Tacis Regional Indicative Programme 2004-2006 allocated an indicative budget of €50m, with an additional €10m from the Central Asia Indicative programme over the three-year period, to address the three priority areas of: Water, Biodiversity and Sustainable Management of Natural Resources, and Climate Change. At the same time, it aimed to foster economic development, and contribute to stability and security in the region.

The Central Asian states participate in the Environment for Europe Process, the framework created in 1989 with the support of the Commission for pan-European environmental cooperation, which sets out to promote the integration of environmental considerations into the political and economic restructuring of Eastern Europe, South Caucasus and Central Asia.

In addition, the CA states are actively participating in the Environmental Action Programme Task Force, co-chaired by the Commission and established to promote policy reform and institution building in the region.

4.1.2 EC Bilateral programmes of assistance

Over the period 2002-2006, a total of € 142 million has been committed to bilateral assistance for the five countries of Central Asia under the TACIS, EC FSP and exceptional macro-financial assistance programmes (see Annex 6 for details). In addition, since 1993 ECHO has provided over € 200 million to the region in form of humanitarian and disaster preparedness assistance, out of which € 170 million went to Tajikistan. One of the main impacts of the Strategy for Central Asia 2002-2006 has been a greater focus and concentration of assistance throughout the region and at country level.

Poverty reduction has become the first pillar of EC bilateral assistance programmes. Nearly 60% of EC assistance under the Strategy for Central Asia 2002-2006 was directly geared to poverty reduction, *inter alia*, through sector reform-oriented budget support and local development schemes, combining Tacis and the EC FSP programme. The impact of EC FSP in the Kyrgyz Republic and Tajikistan has been significant at central government level on public finance management and the line Ministries concerned. The EC FSP, coupling technical assistance with targeted budget support, has been actively involved in the rationalisation and consolidation of the functions of the Ministry of Finance, enabling Medium-Term Expenditure Frameworks to be drawn up which are now coordinated with the PRSPs. EC FSP has helped to secure budget and improve service delivery of important MoAgr. programmes aimed at protecting farmers' assets through livestock vaccination, crop protection and irrigation in the Kyrgyz Republic, and enabling the distribution of land certificates in Tajikistan. Food and agriculture production has increased in both countries.

The impact of EC FSP on social protection reform and improved effectiveness has also been notable: the programmes have contributed to the phasing out of in-kind food benefits, which are particularly prone to abuse. It is now aiming at improving the criteria and mechanisms used to target and reach the most vulnerable segments of the population. It is also contributing to the monetisation of other benefits in energy and transport, which are essential for the rationalisation and efficiency of government policies in these sectors. The budget lines secured by EC FSP

supported social protection for more than half a million people in each country. A notable decrease in poverty and extreme poverty levels, as well as better nutrition, has been recorded over the last three years among the targeted groups and institutions, to which the above measures have contributed. Overall, the impact has no doubt contributed to the decline in poverty levels in the two countries. A comprehensive sector wide approach is still however missing due to weakness in policy formulation capacity.

The second major component of bilateral assistance (approximately 20% of funds) has targeted administrative, legal and regulatory reforms linked with PCA commitments, mainly in trade and investment policies, as well as civil service reform and governance. Decentralised cooperation with civil society and higher learning institutions through the Small Project programme have used the bulk of the remaining funds, i.e. Bistro, Institution Building Partnership Programme, Manager Training programme and TEMPUS. Finally, the TACIS Policy Advice Small Project Programme has provided a quick and flexible response to governments' emerging priorities and urgent needs in key areas of economic and social reforms. In many instances, these advisory functions have been called upon to help in major legislative pieces, framing the governments' transition agenda along EU lines and standards in key areas. These actions have often paved the way for longer-term structured assistance to support implementation of these government-led specific reforms. Such assistance was found most successfully in key areas of EC competence, such as trade and economic policy, central tax and budget reforms.–

Country assistance programmes have helped substantially to support EU policy dialogue in the context of the PCAs/TCAs, where mutual interest issues and priorities for cooperation are discussed. Establishment of the basic fundamentals of the legal framework has made progress, notably in Kazakhstan and the Kyrgyz Republic, where key issues now revolve around good governance and consolidation of the administrative capacity to implement these measures, including the functioning of an impartial judiciary and rule of law.

A number of important weaknesses in governance and public finance management remain to be solved, including at decentralised level. Audit and control functions are still immature, and public decision-making, budget allocations and spending are far from transparent. Overall, public finance management is still in the initial phase of reform, and further institution building and enhancement of capacity is required to improve decision-making and expenditure functions, and to restrain corruption. Broader sector-wide reform strategies and policies in the domains covered by EC FSP are in the early stages of development, particularly for the agriculture and rural sector.

NGO Partners working on both ECHO and TACIS projects noted that the ECHO instrument is considerably more flexible and adaptable to changing situations. Its limitations are its short time frames and modes through which it can work. However, in the case of Tajikistan, it is the improvement of the socio-economic situation which makes the Tacis instruments better suited to rehabilitation and development than ECHO's, which were better suited to the relief assistance of the past. As ECHO humanitarian assistance to Tajikistan will end in 2007, in line with the EU Linking Relief, Reconstruction and Development policy (LRRD), the bilateral assistance programme will continue assistance to vulnerable populations at local level, in particular through the targeted rural development schemes where well established European NGOs could act as effective implementing agencies. In this context, it will be crucial to identify humanitarian needs and gaps in service in terms of vulnerability while programming poverty alleviation strategies at all levels.

4.2 Key lessons learnt for the new programming cycle: Relevance, ownership and impact

General

Recently, evaluations of the EC Food Security and TACIS programmes and of the various TACIS regional and national programmes and major projects, such as TRACECA, INOGATE, TEMPUS, IBPP and PCA implementation support projects, have been made. Systematic monitoring of Tacis projects and programmes through large-scale samples also provides an indication as to the impact and sustainability of EC assistance in the region. These independent assessments provide important policy and operational recommendations, which are duly reflected in the new 2007-2013 Strategy for Central Asia.

TACIS assistance has generally proved to be highly relevant and responsive to the needs of the states involved. In the years immediately following its inception, the TACIS programme was mainly governed by a “top-down” approach. This was partly a consequence of the need for institution building in the newly independent states, and partly due to an insufficient sense of ownership on the part of the national authorities. However, through time, the response of the authorities, backed by EC-funded technical advice to consolidate the coordination of external assistance, has much improved, and dialogue capability has enhanced with positive results on the impact of EC assistance. At the other end of the governance spectrum, support for civil society and local initiatives (Institution Building Partnership Programme (IBPP), Bistro, NGO projects and EIDHR) is also described as a success, not least because actions proved to be more flexible than larger projects and more responsive to local needs. The TEMPUS Programme has also had a remarkable and sustained impact on higher education systems, including on employment, and has provided high EU visibility to the people.

Responsiveness of aid delivery appears to be a major issue, although quality technical assistance brings satisfactory results in the end. The negative impact of new EU regulations on the implementation of EC assistance suffers from a long succession of procedures, from initial discussions on assistance priorities with national authorities through to the formal decision-making on funds availability and the actual launching of assistance. The time lag has led to a dispersion of efforts and a lack of ownership. However, despite often identified deficiencies in original project design, the majority of TACIS projects are increasingly considered to be productive, with adjustments made as necessary during the inception and implementation stages, and quality inputs generally allowing projects to function efficiently and to achieve their intended results and objectives. For this reason, TACIS evaluators recommend that future Indicative Programmes should contain a broad identification of the cooperation priority areas, with financial allocations-, addressing these focal areas as a whole and avoiding detailed project or action lists.

High ratings for *Effectiveness, Impact and Sustainability* in TACIS generally indicate good formulation of achievable project purpose, which in combination with reasonable *Efficiency of Implementation* and proper support for properly identified Project Partners ensures good prospects for contribution to wider objectives. At the same time, this increases project ownership, and thus also results in a better *Sustainability* score.

Deconcentration appears already to have tangible results, with impressive gains in *Efficiency* during 2004/05. The presence of Project Managers in the field, often in combination with, if not real then perceived, more intensive participation in everyday project life, activities and events, has a strong motivating effect on all other stakeholders.

Regional programmes

Overall, assessments seem to indicate that, in spite of inter-state political tensions, there is substantial potential for regional cooperation across the EECCA region **in appropriate variable and flexible formats**, depending on a realistic perception of common challenges that can only be tackled through a regional and/or sub-regional approach. In Central Asia, experience has shown that a pragmatic approach of variable geometry format for joint programmes among neighbouring states, including through their involvement in wider inter-state initiatives, produces significant results. For instance, the launching of the Central Asia Border Management programme was initially based on the close cooperation that already existed between Kazakhstan, the Kyrgyz Republic and Tajikistan. However, the programme's step-by-step approach, both for extensive consultation among key stakeholders and for concrete operational activities (from legal approximation to joint training), has gradually engaged Turkmenistan and Uzbekistan in a number of programme activities. The systematic process foreseen during different phases of BOMCA, which builds on the active participation of all stakeholders, will make tangible contributions to achieving the overall objectives. This approach has also developed a mechanism for coordinating BOMCA/CADAP with the activities of other international players in the field.

Similarly, TACIS has also been instrumental in supporting the Central Asia Sustainable Development Initiative on environmental issues, which is now being promoted by the five CA countries as a common basis for harmonised environmental policies across the region. As regards cross-border river basin management, the projects supported by TACIS on a bi- or trilateral basis have helped to develop a more comprehensive concept of integrated water resource management (IWMS), which is gradually being taken into account by the countries of the region.

TACIS Regional and Central Asia programmes have been effective in many cases in creating a system of regional networks or mechanisms enabling joint identification of priorities and mutual interest projects, for example, in Transport, Energy and the Environment across the EECCA region. TACIS Regional Cooperation has acted as a catalyst for the establishment of new regional mechanisms, such as the TRACECA Intergovernmental Conference or the Caspian Sea Environmental Convention, EAP Task Force, etc., which have reached a substantial level of maturity and have every prospect of becoming self-sustained processes in the future. By making it possible to share best practices and lessons learned among partners, by promoting harmonisation of measures and offering related capacity building, EU regional programmes have enhanced the pace and sustainability of reform processes across the whole region in the sectors concerned.

Sustained support at political level is a key factor for regional programmes: Looking back to past implementation of the regional Indicative programmes in the period 2000-2006, the most successful projects have often been those which, from the onset, have benefited from sustained political support provided through the organisation of regular high-level meetings to coordinate and exchange views on the proposed programmes, which increase the ownership and sustainability of assistance programmes. In contrast, isolated projects that have been identified through an ad hoc or bottom-up approach, i.e. as a result of demand from individual partner countries, and the lack of a well defined political multi-state framework, even when successfully implemented, have tended to remain isolated and in general have not managed to foster -genuine regional spin-off.

Good record on leveraging investments: EU political impulse through focused regional cooperation initiatives has shown that it can also provide the credibility needed for enhancing IFI interest in operations with a transition impact and possibly generating financing in participating countries: in the transport and environment sectors, a leveraging factor ranging from 5 to 10 has been achieved for EC funds through TRACECA or the GEP Facility. IFIs have expressed their appreciation at having regional programmes assisting in the harmonised transfer of know-how among beneficiaries, and in preparing high quality requests for bankable projects.

Recent evaluations⁴ have also concluded that **a perceived lack of ownership of Regional programmes** expressed by TACIS National Coordinators in some sectors **has hindered their effectiveness in terms of impact at regional level**. For example, the Environment sector has been identified as suffering from a lack of support from partner central governments and little political leverage on the part of the EU.

The methods of implementation of regional programmes are crucial: the high number of stakeholders involved and the geographical coverage of regional projects requires strong and efficient coordination mechanisms to ensure an adequate level of information and direct involvement of the various stakeholders for efficient sequencing of the various stages of the project cycle⁵ and good project specification. Drawing on experience to enhance effectiveness and impact, the Commission has now set up stronger political regional cooperation mechanisms, especially in the context of the ENPI, combining high (ministerial) level and expert working level in the priority sectors. This provides the framework for introducing the mutually agreed priorities in the governments' policy agenda and the basis for developing effective assistance programmes with the stakeholders directly concerned.

In consequence, the implementation of regional cooperation for Central Asia in 2007-2013 will rely as much as possible on the enhanced regional cooperation initiatives and mechanisms under the ENPI Regional Strategy (East) 2007-2013. Building on the willingness of the Central Asian states to cooperate with the EU and with the countries now covered by ENPI on key issues of mutual interest, this approach should increase both the relevance, ownership and impact of regional assistance programmes.

At Central Asia level, regional joint meetings of the TACIS National Coordinators and corresponding governmental bodies have proved beneficial to furthering closer cooperation with the governments of partner states on implementation of the EU assistance programmes; this practice will be pursued and will include the Coordinators of EC programmes concerning ENPI Regional programmes.

The choice between regional and national level assistance must also take into account the additional contribution of regional cooperation to the sharing of best experiences, to the overall convergence of policies and to the transition impact through demonstration effects. This consideration is directly relevant for the capacity of leveraging IFI investment funds, which are often required to implement the respective governments' policies and programmes in full. While IFIs in general prefer to operate on a bilateral rather than a multilateral basis at project implementation level, they are fully supportive of EU regional programmes that set a common policy framework for all stakeholders and promote coherence of reforms for the sectors concerned across the region.

Bilateral programmes

Fundamentally, evaluation and assessment studies have supported the relevance, impact and positive achievement of the EC programmes undertaken in the past, stressing however the need for a stronger national policy framework and adequate institutional capacity to support project/policy development and implementation.

Results-oriented monitoring (ROM) of all TACIS projects for the years 2003, 2004 and 2005 confirmed the increasingly good results of the programme as a whole, including in Central Asia. At country level, using the project monitoring criteria, projects performed well in 2004/2005: with 'very good' and 'good' being given in 80% of the monitoring reports for Uzbekistan, 95% for the

⁴ For example, DRN *et al*, *Evaluation of Council Regulation 99/2000 (Tacis) and its Implementation*, (INSERT DATE), vol.1, p.80

⁵ *Ibid*, p.82

Kyrgyz Republic and 76% for Turkmenistan (TACIS assistance for Tajikistan was interrupted in 1998 and only resumed effectively at the end of 2003). The situation in Kazakhstan has been in contrast with the others.- The transfer of most Governmental, national and institutional bodies and State companies to the new capital of Astana, situated one thousand kilometres north of Almaty, must have made the implementation of projects more difficult. For all projects, this move has created a geographical split between the contractor and the project partner and (a number of) the direct beneficiaries. Many project partners in Astana have been unable to provide office space for projects, as the existing infrastructure in Astana was not yet sufficient. The move to Astana of most governmental/national, institutional bodies and State companies has also affected the functioning of the Government and institutions in Kazakhstan, against the backdrop of an already rapidly changing setting caused by the rapid transition and adaptation to international standards. Astana has now been established as a fully fledged capital.

Value added of EC assistance

The Commission has clearly been most successful when addressing issues related to an enabling regulatory environment for trade, business and investment. The two specific areas of institutional capacity and governance, the largest portfolio (34% of projects), and Trade and Development (19% of projects) were the leading/best performing sectors with a score of 2.71 (NB: The scores for all criteria are higher than 2.50 - the hypothetical middle line chosen by the EC as being "on track" and following the programmed course). The assessment also clearly confirms the strategic importance of maintaining PCA implementation as a core objective in all countries, with specific and flexible actions adjusted to the needs of individual states and the peculiarity of their reform processes. Issues related to regulatory reforms and trade and investment are at the forefront of the PCA agenda and will remain key areas for Commission support in the future.

Overall, **independent evaluations confirms that the contribution of TACIS to regulatory convergence and legislative approximation has been substantial.** many PLACs succeeded in producing in a timely way the planned output and were judged most of the time as having been of good quality. If well managed, PLACs can function very effectively: they can decide themselves, flexibly and quite rapidly to recruit the specialised experts needed for specific tasks on request. If of a sufficient size, PLACs can specialise and train in-house experts who can make specific contributions and who can coordinate and supervise external short-term inputs. Results include strengthening the legal process, approximation of legislation, institution building, raising awareness of PCA norms and values, including to civil society, integration into world economy and reforming the economy; the impact on the thinking and mentality of decision makers, administrations and even the public is hard to measure but it can be very important and far-reaching over time. Specific mid-term assessment of the implementation of the PCAs with Kazakhstan and the Kyrgyz Republic in July 2005 has provided a positive measure of the progress made under the various areas of cooperation, identifying in particular the crucial role played by TACIS assistance in legal and administrative approximation with the EU. The continued input of EU advisory assistance has kept the Central Asian states in the general transition reform process that started in the early 1990s with the Central European States that have since joined the European Union.

It is true, however, that Central Asia was the least advanced part of the ex-Soviet Union and the reforms undertaken in each country have happened at different speeds depending on the nature and general difficulty in establishing effective implementation mechanisms and administrative capacity. Hence, with further support needed on policy and legislative reform, **major attention needs to be given to capacity building and institutional strengthening.** To promote the countries' sustainable economic growth, key policy areas for reforms remain their integration into international trade, the promotion of incentives and guarantees required to attract foreign

investment and technology, the promotion of higher education, decent work opportunities and higher labour productivity, and the improvement and extension of social protection systems to facilitate restructuring and encourage labour reallocation, together with the implementation of effective poverty reduction policies.

Food security and sustainable rural development projects have received lower assessment, in part because the environment in which these programmes operate means that they are invariably more complex to manage and need more time to produce positive results: governance issues, assessment of local needs and resources, seasonally dependent, poor infrastructure and local capacity, timely provision of equipment, etc. Whereas adaptability has been one of the positive conclusions regarding TACIS projects, initial project design deficiencies take longer to redress in rural settings. In this regard, the application of LLRD and positive lessons drawn from experience with NGOs of ECHO, which is now stopping its relief programmes in Tajikistan, and EC FSP will need careful attention under the new DCECI instrument.

While disaster preparedness actions through ECHO are proving successful, it is recommended that other EC instruments continue working on Disaster Reduction measures as a cross-cutting issue, in particular in their poverty alleviation and environment programmes.

The rural community-driven schemes for poverty alleviation launched under the 2002-2006 CA Indicative programmes will require continued EC assistance: the selected areas were chosen in part because of the high degree of poverty and lack of administrative capacity and infrastructure to attend to the basic needs of the population; on the other hand, the target provinces are also those most affected by political instability and the destabilising influence of the drug trade and illegal migration, as confirmed by recent popular unrest in these areas. The poverty reduction objective is fully in line with the comprehensive prevention approach called for by the “European Consensus on development” (December 2005) in situations of state fragility and significant risk of conflict. Hence, the strategic option to concentrate over time on these particular provinces in order to have an impact and increase visibility remains entirely valid. The structures for delivering assistance directly to the target regions are now in place and should be able to effectively mobilise a substantial flow of well targeted EC assistance. The pilot schemes enjoy the full support locally of the authorities and population concerned. The improved knowledge of prevailing conditions in the field suggests that, with the consolidation of the schemes envisaged, significant achievements will be made. These will be monitored through appropriate indicators, including MDGs.

Programming, sustainability and types of assistance

One of the priorities when implementing the CA Strategy 2007-2013 will be to ensure continuity and focus of assistance and thus continued progress in and commitment to reform over time. The TACIS programme is reputed to have a large number of “stand-alone” technical assistance projects, in particular in the area of institutional and administrative reform. These actions often achieve good results at project level⁶ but have limited impact at sector and national policy level due to a lack of continuity and coherent long-term sector planning. Inevitably, this has had negative effects on sustainability.

With the introduction of new external assistance instruments, flexibility at instrument level will increase substantially. Technical assistance will no longer be the only tool of the Commission’s programmes to Central Asia. New types of assistance will be possible, including infrastructure and equipment funding, twinning and budgetary support where appropriate situations exist and the required conditions are met, in particular in the context of sector-wide approaches (SWAPs). Twinning will already be phased in under the current TACIS programme. Furthermore, specific

⁶ This is confirmed by a detailed analysis of project monitoring reports for Central Asia, over the period 2004-2005, which show an overall rating of 2.64.

capacity building measures have been included since 2004 in TACIS Central Asia Action Programmes to support the national authorities in the preparation of coherent sector strategies. In terms of implementation, the deconcentration and strengthening of Commission field staff is also helping to improve the impact and sustainability of projects, and to make the implementation of EC assistance more effective.

4.3 Coordination and complementarity with other donors

The EC has sought to coordinate the preparation of the 2007-2013 CA Strategy at an early stage with all the relevant donors, including Member States. Constructive and open discussions were held with all key players. Current and future priorities of other donors have been factored into this strategy in order to ensure cohesion and complementarity. At the strategy development and programming stage, no major risks of duplication of effort have been identified.

Formal government-led donor coordination has been relatively weak in the past: at country level, coordination and harmonisation of external assistance is through in-country consultative groups (ICGs) in the Kyrgyz Republic and Tajikistan. Formal and informal donor meetings for coordination and information sharing are also frequent in all countries. Theme meetings, where each donor coordinates a subject and sector reform approach reflecting its comparative advantage, provide other in-country forums for coordination where the Commission Delegation is actively involved. In the two countries in which the Commission does not currently have a Delegation (Turkmenistan and Uzbekistan), special consideration has been given to the assistance programmes of other donors in the country profiles (Annex 3).

The importance of partner countries exercising effective leadership over their development policies was expressed in the Paris Declaration on Aid Effectiveness in March 2005, to which both the Kyrgyz Republic and Tajikistan signed up. In Tajikistan and the Kyrgyz Republic, where EC assistance has directly supported the Poverty Reduction Strategy and Action Plans of the governments, specific coordination mechanisms have been established with a division of labour among major donors. It is in this context that it is proposed that focal areas should be those in which the EC has taken responsibility during 2002-2006 through the EC FSP, e.g. public finance management, agriculture sector, social protection.

Cooperation with IFIs will be an important component in the promotion of regional cooperation programmes, including for the facilitation of investments at policy and project level. The Commission is monitoring the work of the ADB-led CAREC together with the other IFIs and intends to participate in the different technical expert groups to consolidate plans and programmes for greater sub-regional integration and optimise leverage on investments from its cooperation in the priority domains referred to above. Account will also be taken of the priorities, main trends and plan of actions of the other regional integration associations and other organisations mentioned above.

The Commission cooperates closely with the EBRD to identify areas for common action, in particular in infrastructure development (energy, transport, water, clean technology). The mandate of the EIB is set to be extended to all ENPI East countries and to Central Asia for the 2007-2013 period, with substantial funds. The Commission intends to support the development of EIB operations in the region. A tri-partite Memorandum of Understanding (EIB/_EBRD/_Commission) is to be signed in 2006 and will provide the institutional frame for developing this joint cooperation in Central Asia in line with EU strategic priorities.

A detailed description of priorities of other donors, including Member States, and complementarity with EC assistance is presented in the Central Asia Indicative programme 2007-2010.

4.4 Coherence of EC cooperation policy with other core policies of the EU (“policy mix”)

Relations with the countries of the region are affected by a number of other Community policies, which makes the choice of the right ‘policy mix’ so important. This concerns in particular the areas of Common Foreign and Security Policy (CFSP), border management and migration, trade, energy, transport and trans-boundary environmental threats, as well as all other areas included in the 2006 Council conclusions on policy coherence for development.

In the area of **Common Foreign and Security Policy (CFSP)**, CA is becoming an increasingly important partner for the EU, in particular on issues of drug trafficking and anti-terrorism, in connection with Afghanistan. Airbases in three countries support Coalition operations: Uzbekistan, the Kyrgyz Republic and Tajikistan.

Border and migration policies: Over recent years, EC assistance has provided substantial support, in particular under the regional programmes, to border services and management as well as to migration and asylum policies. All these issues form an integral part of this strategy.

Drugs policy: The EC’s CADAP programme aims to foster a drug control and demand reduction strategy in line with the CA EU Action Plan on Drugs, which provides the political basis for further cooperation on law enforcement to control the drug supply and deploy measures to reduce drugs demand in Central Asia. The EU’s efforts to fight against the consumption, production and trafficking of illicit drugs are translated into the 2005-2012 EU Drugs strategy⁷ (and the new EU Action Plan on Drugs 2005-2008), which provides a framework for a balanced, integrated approach to the problem of illicit drugs. Both at regional and at national level, the fight against drugs and the EU’s co-responsibility in this area has been and will remain reflected in its strategies and cooperation activities.

In the field of **development policy**, CA countries are committed to combating poverty in line with the Millennium Development Goals and are supported in their efforts by EC assistance.

Concerning **trade policy**, the EU supports the ambition of Central Asian states to join the WTO as soon as possible. Bilateral WTO negotiations are ongoing with Uzbekistan, Kazakhstan and Tajikistan. In this connection, trade-related Technical Assistance has recently been an important component of EC assistance and it will continue to be so under this strategy.

In the area of **transport** and energy: INOGATE, TRACECA and Baku process signatories, in close conjunction with the EIB, the EBRD and the WB. At the same time it will be important to ensure that environmental and social safeguards are respected.

Global environmental threats like climate change affect CA as well as the EU. Both parties are committed to implementing the provisions under the Kyoto Protocol and the UN Framework Convention on Climate Change. The EC currently provides support in this area through a regional TACIS project and envisages follow-up measures under future assistance programmes.

On nuclear issues, the EU support to safety and decommissioning of nuclear plants and the remediation to nuclear test sites and other potentially contaminated areas appears necessary (in

⁷ EU Drugs Strategy (2005-2012), Doc No 15074/0422, November 2004.

relation with EU instrument for Nuclear Safety cooperation and EU strategic Programme for nuclear safety).

5. THE EC RESPONSE STRATEGY

5.1. The Response Strategy: Principal objectives

The Commission's response strategy to CA is rooted in the strategic objectives of EU/EC cooperation with the countries outlined in chapter 1, and in the policy agenda of the CA governments outlined in chapter 2 and analysed more in detail at country level in Annex 3.

These objectives are reflected in the Partnership and Cooperation Agreements (PCAs).

The key feature of EU-CA assistance cooperation at this stage is to support increasingly close relationships between the EU and CA countries, going beyond past levels of cooperation to greater economic integration and a deepening of political cooperation at sub-regional and bilateral level.

Priorities for action 2007-2013

The principal objectives of EC assistance over the period covered by this strategy are therefore to:

- promote Central Asian regional cooperation and good neighbourly relations;
- reduce poverty and increase living standards, in the context of the Millennium Development Goals;
- promote democratisation, human rights, good governance and economic reform.

Such assistance will be most effective when it covers a limited number of issues selected on the basis of the following criteria:

- i) particular strategic importance in the context of EU-CA relations
- ii) lessons learnt from previous assistance
- iii) complementarity with the strategies and actions of other donors, including IFIs
- iv) coherence with other core policies of the EU ("policy mix").

The last three points are discussed in more detail in chapter 4 of this strategy paper.

Key issues to be addressed

Based on the above objectives and criteria, the following issues have been identified as needing to be addressed over the period covered by this strategy.

-1. Promote Central Asia regional cooperation and good neighbourly relations

EC assistance in this area will help to achieve the objectives outlined in this Strategy by addressing a limited number of priorities relevant to all CA countries but having a genuine regional dimension both in terms of joint implementation and in terms of regional impact. They are in line with the objectives and priorities of the ENPI Regional Strategy 2007-2013. The objective is to help CA countries to benefit from these enhanced cooperation initiatives, including through their direct participation in ENPI regional initiatives and programmes with the aim of **deepening EU/Central Asia relations**. This is in line with EC policies for over ten years, where all Central Asian

countries have participated in EC regional and inter-state programmes as equal partners with other CIS countries, candidate countries and new EU member states in areas which can be considered as strategic for the sustainable development of Central Asia and for the rest of the continent. The regional programmes will also be developed under a variable geometry format to maximise opportunities to enhance good neighbourly relations, as well as to act as a catalyst for attracting private investors and international financial institutions to fund projects, in particular with transition and policy reform impact. Programmes will be linked with IFIs in a way to leverage the investments needed to achieve the expected results, in particular through the EIB, the EBRD and the FEMIP, including through interest rate subsidies under proper conditionality.

a. Networks and market integration

The process builds upon past activities under the INOGATE and TRACECA programmes, as well as for the transport sector on the TRACECA Strategy for the period up to 2015 and the recommendations of the High Level Group on the extension of the trans-European networks. EC assistance in this area will focus on support for the energy and transport sectors along the lines agreed by the 2004 EU – Black Sea – Caspian Basin Energy and Transport Ministerial Conferences, and their respective Expert Working Groups (so-called Baku Initiative). In the Energy sector, the necessary technical assistance will be provided for the implementation of the recommendations agreed in the framework of the “Baku Initiative”, including for CA countries. The objective is to enhance the security of the energy supplies to the EU through the development of additional supply routes to the EU from the Caspian Region. Moreover the assistance will support the progressive integration of the region’s energy markets and enhancing of the IFI financing for regional energy projects of common interest. In addition, support will be offered in the area of improving energy efficiency and promoting new or renewable energies. In Transport, this can be supplemented by support linking EU bound transport networks to the major axes of the Trans-European Networks (TENs) and region-wide activities complementing national programme activities in the area of regulatory reform; or the gradual approximation with EU standards and legislation, including statistical standards and methods, and effective implementation of international agreements in the transport sectors, including air safety, air traffic management and security, maritime safety and security, road safety and rail interoperability where there are clear advantages in regional-level assistance. Also, foreign investments in both sectors, including through PPPs, may be enhanced through support for regional convergence of policies and approximation of norms and standards in line with the EU.

There may also be support for regional cooperation between SMEs to increase investment opportunities.

b. Environment

Experience has demonstrated that the environment is an area where regional work provides clear added value and where cooperative relationships can be built despite political tensions. Furthermore, it can provide opportunities for private sector and civil society involvement.

On the 5th and 6th April 2006 in a Ministerial Conference in Almaty, the representatives of the Central Asian States and the EU have agreed that enhanced environmental cooperation would constitute an important component of the EU-Central Asia Regional political dialogue and agreed on key priorities. It has also been agreed to set up an EU-Central Asia Joint Expert Working Group in order to develop and strengthen cooperation on environmental issues, focusing on water, including transboundary waters and climate change.

EC Regional Assistance in the Environment sector will also comprise sustainable management and governance in the water and forestry sectors, including biodiversity conservation, nature protection,

and land degradation, with support for the regional aspects of existing mechanisms in these areas, such as the EU Water Initiative (EUWI) in the water sector, and the Forest Law Enforcement and Governance process (FLEG) in the forest sector. Assistance will also be given to data collection, monitoring and assessment, and to civil society cooperation in the environment field. As a cross-cutting issue, disaster reduction measures in the context of the Hyogo Framework of Action 2005-2015 will be encouraged.

Cooperation with IFIs in the area of water and climate change /industrial pollution, in line with the EU Sixth environmental action plan.⁸

Nuclear safety issues will be dealt with through the new dedicated EU cooperation instrument.

c. Border and Migration Management, the Fight against Organised Crime and Customs

There is a strong rationale for region-wide activities, as shown by the endorsement of the BOMCA-CADAP Programme by the five Central Asia states. This relates to :a) the trans-boundary nature of these areas and their associated challenges; b) the economies of scale afforded by certain activities, such as training on a regional or sub-regional basis; c) the countries' high political interest and increased opportunity for cooperation and contacts which such activities provide for partner countries, and the coordination of activities on both side of borders; and d) the need for reliable and comparable statistics based on European standards at regional level.

Assistance in this sector will provide support for regional border and migration management initiatives. Special emphasis will continue to be put on the Tajik and Kyrgyz border management services. In the fight against organised crime and financial crime, there will be support for cooperation between the partner countries themselves, and between partner countries and the EU, and the potential to support existing and future regional initiatives. In customs, there will be assistance for the promotion of internationally agreed norms and standards (alignment of customs legislation and procedures on international and EU standards in view of trade facilitation) to ensure security of the international trade supply chain (including the World Customs Organisation's Framework of Standards) and promote cooperation between customs administrations, particularly at the border. The assistance should also be provided on enhancing the administrative capacity, fighting corruption and strengthening the customs controls at the border (including transit of goods). A particular focus should also be put on the control of IPR (Intellectual Property Rights).

In the field of enhanced cooperation on foreign and security policy, particular attention will be given to issues related to combating terrorism and WMD proliferation, all forms of organised crime, including money laundering, trafficking of human beings, drugs, trafficking of small arms and light weapons (SALW), trafficking in WMD agents, materials and know-how, and conflict prevention, with the focus in particular on the Ferghana valley.

In this context, it is essential to support and enhance efforts by both civil society and CA governments in the fight against trafficking and illicit spread of SALW, contamination by explosive remnants of war and anti-personnel landmines, the proliferation of WMD and efforts conducted in order to fulfil international obligations in the fight against terrorism (implementation of the relevant UN Security Council resolutions and international conventions).

d. People-to-people activities

People-to-people exchange actions and exchanges with regard to science and technology, as well support for the reform and upgrade of higher education, technical training and research systems;

⁸ REFERENCE

capacity building and training are key areas where EC support will be required, particularly for higher and technical education. This includes greater participation in exchange programmes such as TEMPUS. It is also important to foster cooperation between social partners and civil society within the region and between partner countries and the EU as well as between governments. Cooperation between social partners and civil society in the EU and the partner countries, and between partner countries, is particularly important where cooperation between governments may be difficult. EC Assistance in this area will also therefore provide support for cross-region and cross-sub-region cooperation between social partners and civil society organisations.

2. Reduce poverty and increase living standards in the context of the Millennium Development Goals

The incidence of poverty remains very high throughout the region. The Kyrgyz Republic and Tajikistan are still among the poorest countries. In spite of the satisfactory economic growth during last years, the people living under poverty line are respectively 45 and 64% of the population. The corresponding figures for extreme poverty are 13 and 20%. The incidence of poverty is higher in rural area and there are considerable differences between provinces.

Beyond human suffering, inequal income distribution and poverty nourishes as well instability, insecurity and extremism for the society as a whole. There is also a high risk of cross border destabilisation through spill-over effects. Reducing poverty and increasing living standards will be a key to address human security and bring long term stability to the region.

a. Community Development and targeted rural development schemes

The Strategy proposes that the EC focus continue to be on tackling poverty in the field and assisting rural populations by local development schemes, especially in the Ferghana valley (the Kyrgyz Republic, Tajikistan and Uzbekistan) and Southern Tajikistan, building on the Central Asia Indicative Programmes 2002/2006.

The objective is to assist local communities in their efforts to increase living standards and tackle poverty, particularly amongst the most vulnerable sections of the rural populations, through measures designed to improve local governance, food security, social protection, income, employment opportunities and access to basic health care. The aim will be to support the institutional capacity to collect and make progress with MDG indicators in the target areas. Efforts will, wherever possible and appropriate, also promote cross-border cooperation at local level. Reducing regional imbalances and improving local development capacities are further important issues.

b. National sector reform policies, in agriculture and social protection

Promotion and mainstreaming of sustainable development into all relevant sector policies is a key element of PRSPs. Strengthening the administrative and statistical capabilities to develop and implement sector strategies and policies consistent with national key objectives for poverty reduction and food security is a general priority for all the countries of the region, and will be applied in accordance with mutually agreed priorities, in coordination with other donors.

In particular:

- Support for national sector reform policies and programmes for agriculture and land reform, in line with the PRSPs adopted by the governments; reducing regional imbalances and improving local development capacities are further important issues.
- Support for implementation of social protection reforms and mechanisms, particularly aimed at the most vulnerable populations.

3. Promote good governance and economic reform

Strengthening of political reforms is an important element for ensuring stability of CA countries. Public administration reform and improved public finance management are crucial elements in enhancing the institutional capacities and improving the transparency and public accountability of state and administrative structure at all levels. This is also a major element in ensuring good governance and the effectiveness of the fight against crime and corruption.

For each country, only one or two of the focal areas below will be chosen as priorities for assistance. Bilateral cooperation priorities will be developed in the framework of a specific EU medium-term cooperation approach for each partner country.

Key issues to be addressed

a. Democratic development and good governance

- Promotion of civil society and democratic processes

EC assistance in this area will focus on strengthening democracy, the rule of law, human rights and fundamental freedoms. This also covers support for democratic institutions and fostering the development of civil society and media.

- Judicial reform, greater independence and efficiency of the judiciary in line with international practice and improvement of rule of law and of citizens' equal access to justice, information and respect of their fundamental rights

- Good Governance and Public Service reform:

- civil service and administrative reform: to increase governance and effectiveness of public administration, reduce corruption and enhance the rule of law; to help implement institutional strengthening and human resources management measures,
- to improve transparency and rationalisation of public budget management, as well as effectiveness of policy planning. by way of 1) general macroeconomic framework; 2) expenditure framework; 3) issues related to financial management and state procurement, including accounting standards, financial control and audit. These are essential prerequisites for any sector-wide approach to reform with budget support.

b. Trade, market and regulatory reform

- EC assistance will be offered to support the process of market and regulatory reforms and policy dialogue in line with PCA commitments, through exchange of know-how, best practices, capacity building and other measures in areas of common interest. In particular, it will further improve trade and investment, bearing in mind the challenges that Central Asian countries will face in completing the envisaged WTO accession process, removing barriers to intra-CA trade and promoting business sector growth and investment and paying due attention to the employment and social dimension of trade liberalisation and globalisation.

With DCECI, support for institutional, legal, administrative and sector reforms through a combination of a range of different instruments will be possible, including technical assistance (E.G. statistics), capacity building, institutional strengthening, and investments or budgetary support wherever the necessary conditions are met. The involvement of civil society in the reform processes and participation in public decision-making will be pursued as a cross cutting issue in EC-funded assistance programmes and projects.

All assistance activities will take due account of aspects relating to the protection of human rights and fundamental freedoms. Gender **and environmental concerns** as cross-cutting issues will be integrated, notably in poverty reduction programmes, as far as possible into the design of programmes relating to all the key issues outlined above.

5.2 Complementarity with other EC programmes

Instruments and means

As from 2007, EC assistance will be provided through a new set of instruments. While the DCECI, including its thematic components, will be the new principal tool for assistance provision to Central Asia countries, they will be also able to participate in ENPI Regional Programmes, although activities/projects to the direct benefit of CA will be funded under the CA DCECI. In addition, certain measures, in particular in the area of security, conflict prevention and crisis management and resolution, may also be supported under the future Stability Instrument. Nuclear safety will also be covered under a dedicated Nuclear Safety Instrument.

DCECI allocation for countries of Central Asia

Assistance provided under the national component budgets will focus on the cross-cutting issues of support for democratic development, human rights and good governance, enhancing living standards and poverty reduction, plus support for regulatory reform and administrative capacity building.

DCECI Thematic programmes⁹

A total of seven thematic programmes will be available under the new instruments. Of these, the thematic programmes on “Democracy and Human rights” (ex-EIDHR), Food Security (ex-EC FSP), which contributed half to one third of EC assistance to the Kyrgyz Republic and Tajikistan in recent years, “Migration and Asylum” (ex-Aeneas), Non-State actors and local authorities in development will be particularly relevant for Central Asia. These issues are explicitly addressed under the CA Strategy 2007-2013. Given the structural nature of food insecurity in the two countries mentioned above, the corresponding thematic programme will be used as a contribution to their EC bilateral assistance programmes during the CA IP 2007-2010.

In addition, the thematic programme on “Human and Social Development” may be important for Central Asia in the context of the fight against HIV/AIDS. It may also be important via the sub-theme on ‘knowledge and skills for all’. Indeed, the theme, which underlines the importance of vocational and technical education systems and its relation to improving employment opportunities, could be used to assist the countries in making the crucial link between skills development and poverty reduction initiatives. It may be worth launching additional thematic activities as specific additional needs arise during the period covered by this strategy.

Nuclear Safety Instrument

Beyond 2006, EC assistance in the area of Nuclear Safety will be provided under a new instrument. It is expected that support will continue to be provided for better safety of nuclear plants, the Nuclear Regulator and projects, dealing with remediation measures for nuclear contaminated sites, under the new dedicated for Nuclear Safety Cooperation, particularly in Kazakhstan and the Kyrgyz Republic.

Stability Instrument

⁹ Financial resources allocated to each thematic programme will be programmed on the basis of a single strategy document CSPs/RSPs, but in establishing the policy mix they should identify opportunities for adding value to the NIPs/RIPs by using thematic programmes.

The main goal of the Stability Instrument is to provide an effective, timely, flexible and integrated response to situations of crisis, emerging crisis or continued political instability.

Concerning security aspect, the Stability Instrument is to provide safeguards or anti-terrorist measures as well to improve the security of critical infrastructures, notably nuclear sites, particularly in Kazakhstan and the Kyrgyz Republic

Important also for Central Asia would be measures to address the effects on the civilian population of anti-personnel mines, unexploded ordnance or other explosive devices.

Humanitarian instrument

Given the high risks of natural catastrophes in Central Asia, the DIPECHO instrument will remain available to strengthen cooperation and enhance disaster preparedness and emergency planning at local level and in complement with other Disaster Reduction actions.

In line with its mandate, ECHO will also remain ready to respond to any humanitarian crisis which might develop in the Central Asian region.

Annex I

LIST OF ACRONYMS

AP	Action Plan	IFIs	International Financial Institution
APL	Anti-personnel Landmine	ILO	International Labour Organisation
BSEC	Black Sea Economic Cooperation	IMO	International Maritime Organisation
Central Asia	Central Asia	INOGATE	Interstate Oil and Gas Transport to Europe
CBC	Cross-Border Cooperation	IP	Indicative Programme
CBC	Cross-Border Cooperation	IPA	Instrument for Pre-Accession
CDM	Clean Development Mechanism	JHA	Justice and Home Affairs
CFSP	Common Foreign and Security Policy	LRRD	Linking Relief to Rehabilitation and Development
CIS	Commonwealth of Independent States	MEDA	Financial instrument of the European Union for the implementation of the Euro-Mediterranean Partnership
CSP	Country Strategy Paper	NGO	Non-Governmental Organisation
DCECI	Development Cooperation and Economic Cooperation Instrument	NIP	national Indicative Programme
EBRD	European Bank for Reconstruction and Development	NIS	Newly Independent States
EC	European Community	NPPs	Neighbourhood and Partnership Programmes (Successor to Neighbourhood Programmes)
ECHO	EC Directorate General for Humanitarian aid	NSI	Nuclear Safety Instrument
EECCA	Eastern Europe, Caucasus, and Central Asia	PCA	Partnership and Cooperation Agreement
EIB	European investment Bank	REC	Regional Environment Centre
ENP	European Neighbourhood Policy	RSP	Regional Strategy Paper
ENPI	European Neighbourhood and Partnership Instrument	SI	Stability Instrument
EU	European Union	SMEs	Small and Medium Enterprises
EUWI	European Union Water Initiative	TACIS	Technical Assistance to the Commonwealth of Independent States (The forerunner of ENPI)
DIPECHO	Disaster preparedness (ECHO)	TEN-T	Trans-European Transport Networks
FLEG	Ministerial conference on Forest Law Enforcement and Governance for Europe and North Asia	TRA	Trade-Related Assistance
GDP	Gross Domestic Product	TRACECA	Transport Corridor Europe Caucasus Asia
GUAM	Georgia, Ukraine, Azerbaijan and Moldova	UNDP	United Nations Development Programme
ICAO	International Civil Aviation Organization	UNECE	United Nations Economic Commission for Europe

WB World Bank

WCO World Customs Organisation

WMDs Weapons of Mass Destruction

WTO World Trade Organisation

Annex II: Central Asia at a Glance - Selected Economic and Social Indicators (2004)

	Kazakhstan	The Kyrgyz Republic	Tajikistan	Turkmenistan	Uzbekistan
GENERAL					
Area (millions km ²)	2.7	0.199	0.143	0.488	0.447
Population (millions)	15.0	5.1	6.4	4.9	26
Urban Population (% of total)	57.0	34.0	24.8	46	36.7
Life Expectancy at birth (years)	63.2	65.0	66	64	66.5
Population growth rate (annual %)	0.5	0.9	0.7	1.5	1.3
Fertility rate (births per women)	1.8	2.4	2.9	2.7	2.3
Human Development Index (HDI)/Ranking	0.761/80	0.702/109	0.652/122	0.738/97	0.696/111
GINI Index	0.32	0.28	0.33	-	0.35
Adult literacy (%)	99.5	98.7	99.5	97	99.3
ECONOMY					
GDP (billions US \$)	40.7	2.2	2.1	6.6	12.0
GNP per capita (US\$)	2260	400	280	1340	460.0
GDP per sector : Agriculture	8.4	38.7	24.2	21.0	31.1
(% of GDP) Industry	37.6	22.9	28.1	44.6	25.2
Services	53.9	38.4	47.7	34.4	43.7
Real GDP growth rate (%)	9.4	7.1	10.6	17.0	7.7
External debt stock (billions US\$)	32.6	2.0			5.1
Debt Service (% of exports of goods and services)	25.5	18.3	9.1		22.7
Inflation Rate % (2004)	6.9	4.1	7.1	10.0	1.7
TRADE – WORLD					
Exports of goods and services (billions US\$)	20.603	0.733	1.097	4.094	4.837
Imports of goods and services (billions US\$)	13.818	0.904	1.232	3.524	3.949
Current account balance (billions US \$)	0.533	-0.101	-0.057	-0.3	1.194

FDI (millions US \$)	2100	45.5	20	226	70
TRADE – EU					
Exports to EC (millions €)	6355	25	186	495	605
Imports from EC (millions €)	3229	96	64	412	464
Trade Balance with EC (millions €)	3186	-71	122	83	141
EU % of total trade	33	7.8	28.3	15.5	19.5
SOCIAL DEVELOPMENT INDICATORS					
% of population below \$2.15 per day (PPP) [MDG1]	21	70	74	44*	47
Primary enrolment rate [MDG2]	95	90	111		103
Women's % share of paid employment [MDG3]					
Under 5 malnutrition [MDGS 1,4]	4			12	8
Infant mortality (per 1000 live births) [MDG4]	63	59	76	79	57
Under 5 mortality rate (per 1000 live births) [MDG4]	73	68	95	102.0	69
Maternal mortality ratio (per 100,000 births) [MDG5]					
Adults/Children (0-49) living with HIV [MDG6]	16500	3900			11000
Access to safe water (%) [MDG7]	86	76	58	71	89
Access to improved sanitation – (%) [MDG7]	72	60	53	62	57

Sources: World Bank website, UN Human Development Report for Central Asia (Dec 2005), EU Trade Website

* Turkmenistan's figure taken from 1998

List of MDGs:

MDG 1: Reduce extreme poverty by half
Reduce hunger by half

MDG 2: Universal primary schooling

MDG 3: Promote gender equality and empower women

MDG 4: Reduce mortality of under-five-year-olds by 2/3.

MDG 5: Reduce maternal mortality by 75%

MDG 6: Halt and reverse spread of HIV/AIDS and other diseases

MDG 7: Halve proportion without improved drinking water
Halve proportion without sanitation

ANNEX 3

CENTRAL ASIA DRAFT ENVIRONMENT PROFILE

1. Description of the state of the environment in Central Asia

Central Asia is a unique natural environment with an enormous variety of ecosystems, including the very high mountain ranges of the Pamirs, Tien Shan and Altai Mmountains, vast deserts and steppes, large rivers and abundance of lakes.

The sub-region is rich in natural and energy resources. Central Asia is known for a rich variety of flora and fauna, with many regions serving as natural habitats and migration sites, and where wild varieties of many cultigens have their historical origins.

One distinctive feature of Central Asia is the vulnerability of its ecosystems. Central Asia forms a uniform environmental area comprising the closed drainage system of the Caspian and Aral basins with no outlet to the ocean, which combined with the arid climate results in significant environmental limitations on economic activity and trade.

Water is a key factor for the well being of the Central Asia populations, with availability of clean water determining the quality of life and future development of the sub-region. The countries are bound together by the ecosystems of water basins. The continentality and aridity of the climate and the extreme uneven distribution of water resources in the region and from season to season place additional demands on the arrangements for water use in central Asia. The imbalance between the interest of the upstream countries 'electricity generating industry and irrigation downstream , and uneven pattern of water consumption are aggravating the tensions. While there are differences between countries, the key environment issues in the region relate to water management and quality, waste management, air quality, nature protection and climate change. Land degradation and desertification also constitute a particular challenge.

1.1 Water issues are the core of the environmental problems in Central Asia.

The resource-based approach that evolved during the arms race still dominates water management thinking in Central Asian countries. Despite the compelling example of the Aral disaster, water is primarily considered in terms of agriculture and power generation without any regard for its other functions. Consequently, drinking water quality, human health, soil fertility and crop yields are deteriorating, and poverty, unemployment and migration are on the increase.

The development of irrigation agriculture in the Aral Sea basin on unprecedented scale in mid XX^o century overstrained the ecosystem and led to its ultimate ruin. Intensive water uptake caused the level of the Aral Ssea to drop 20 meters and its capacity to decrease by 80%. By mid 90s, the Sea ceased to exist virtually and a catalogue of woes became apparent, drastic deterioration in water quality and human health, large scale desertification, soil salinity and swamping, decreased biological diversity and increase in adverse climatic effects. According to the experts estimation the damage from the Aral Sea devastation caused by decreasing of the sea level and water pollution only in Kazakhstan is more than 45 billion US dollars.

Lake Balkash plays also a significant role in maintaining the natural and climatic balance in the region. Shallowing and salinization of Balkash may have repercussions comparable to the Aral Sea tragedy. The Irtysh Rriver -is another source of water of regional importance which decreased discharge could have disastrous consequences. Annual floods cause a serious damage due to uncoordinated actions: growing of mountain ecosystems degradation, decrease of the area and yield of productive lands, unproductive losses of water in agriculture and industry.

Central Asia prosperity depends to a great extent also on the natural equilibrium in the zones of river formation – the mountainous ecosystems of the Pamir, Tien Shan and Altai. Degradation processes such as deforestation and erosion, waste pollution and rangeland reduction are increasingly causing problems : combined with the effect of climate change, the Pamir and Altai glaciers have lost over 25% of their ice reserves from 1957 to 2000 and this process is continuing apace.

Population growth and economic development have significantly increased the demand for water. Annual surface and groundwater draw-offs as proportion of total water reserves in Central Asia countries varies from 20-205% in Kazakhstan, The Kyrgyz Republic and Tajikistan to 80-90% in Uzbekistan and Turkmenistan. Water shortage is having adverse effects on the social and economic situation. Water supply in lower reaches of the Amu Darya has accounted for less than 50% of agreed draw-off limit, which was already insufficient to satisfy demand; Afghanistan 's claim on the river flows for its own purpose risks to further aggravate the problem, together with accelerating processes of desertification and climate change.

Water resources are also poorly managed: water losses due to mismanagement and obsolete technologies account for as much as 37% water supplied. Per capita water consumption in Central Asia is on average twice that of OECD countries .However, supply of water for domestic and drinking needs remains inadequate: 60 to 90% in urban areas, 70-75% in rural areas. Supply of safe drinking water is poor: About 40% Tajik population uses water from open sources. The rising costs of water supplies, lack of transparency in pricing and non existent public monitoring are further causes of increasing social tensions. The sub regional death rates, particularly maternal and infant mortality is still very high, with gastro-enterological diseases one of the commonest causes of infant deaths. Life expectancy is less than 65 years in all the countries.

With regard to **water quality**, the use and protection of shared waters is a key issue. Existing problems are related to both quantity and quality of water. Water quality is affected by discharges of municipal and industrial waste-water, contaminated return flow from agriculture and oil pollution in coastal areas, imposing health and ecological threats including loss of biodiversity. In industry, increased leakage from water mains and distribution networks is attributable to the run down of the supply systems. Existing infrastructure for waste water collection and treatment in the region is poor and needs to be upgraded as well as new capacity constructed.

1.2 Other issues

Waste management is a serious issue, including its prevention, collection, treatment, recovery and final disposal. In many of the countries there is a problem with stocks of obsolete pesticides. As well as causing environmental degradation,

Air pollution is becoming a health and social problem, in particular in urban areas where transport is an important source of pollution but also linked with the drying of Aral Sea.

Ecosystem deterioration has led to a **marked reduction in biodiversity**. The number of extinct or endangered animal species and plant varieties is growing. In some cases these processes are irreversible. Overregulated river water flow and pollution have reduced fish reserves. The overall catch from the natural reservoirs of Central Asia has decreased by over 60% since 1990.

With regard to **land use**, more than a half of Central Asia is prone to desertification. The land area affected by degradation in Kazakhstan is 179.9 million hectares or 66% of the country, and as much as 80% is affected in Turkmenistan and Uzbekistan. If salination trends persist, most agricultural land in river basins will become unsuitable for irrigation farming within a few decades and salinization of rivers will preclude their use as sources of drinking water. Clearing of forestlands and outdated farming practices contribute to land degradation and desertification.

As regards **nature protection**, degradation of forests is continuing. Forested areas in Central Asia have shrunk to less than one quarter of their original extent since the middle of the last century. Saxaul and flood plain forests (tugais) have been particularly hard hit by human activities. In the flood plain of the Amu Darya alone, the area under forest has decreased from 150,000 hectares to 22,000-23,000 hectares in the past decade. This process is continuing. The degradation of tugai forests has been strongly affected by the disruption of the hydrological system of the rivers. Illegal logging cause economic costs as well as loss of biodiversity, for instance through logging of national parks, and can contribute to deforestation. The establishment of effectively managed protected areas constitutes a challenge.

As regards **global environment issues**, fast economic growth in some of the countries of the region might lead to unintended consequences on green house gas (GHG) emission levels. The countries in the region are party to the UN Framework Convention on Climate Change and the Kyoto Protocol and need to implement their provisions (for instance with regard to monitoring and reporting), and have the possibilities to explore the flexible mechanisms of the Kyoto Protocol.

2 Environment Policy

Over the past decade, steps have been undertaken in the region to reform environmental institutions, policies and legislation. Various strategies and action plans have been adopted. However, the issue of strategic planning and prioritization in light of scarce resources and competing needs continues to constitute a challenge for the countries in the region. Many of the planning documents identify a wide range of competing priorities. Realistic implementation strategies, including with regard to financing, are often missing. In developing environmental programmes, sufficient attention is not always given to the involvement of stakeholders and building support for environmental reform. Although there is considerable variation throughout the region, integrating environmental considerations into other policy areas is often proving difficult.

3 Environment legislation and its implementation

The situation with regard to environmental legislation varies throughout the region, but in many cases legislation needs further development, in particular with regard to implementing legislation. In several cases emission standards need to be reviewed. The countries of the region face difficulties with regard to implementation and enforcement of environment legislation due to lack of administrative capacity and financial resources.

Throughout the region, the level of public participation and awareness of environment issues, does not always allow civil society actors to fully assume their role in the development and implementation of environmental policy and legislation. This is important, in particular as NGOs can have the possibility to work towards solutions for environmental problems which for political reasons governments are not addressing.

The Central Asia Regional Environmental Centre (CAREC) aims to help addressing environment issues through the promotion of cooperation between various stakeholders, including NGOs, governmental bodies, local communities and the business sector. The RECs also aim to promote civil society participation in the public decision making process.

4. Administrative capacity

In order to ensure implementation and enforcement of environmental legislation and multilateral environmental agreements, the strengthening of administrative capacities, strategic planning, data collection and monitoring constitutes an important challenge for the region. In this respect, procedural development, increased financial resources and staff training are important issues.

Addressing trans-boundary problems is a complex and often problematic issue, including ensuring the institutional (for instance basin management bodies) and legal frameworks to address them efficiently. Many of the countries need to strengthen procedures for implementation of commitments under multilateral environmental agreements and capacity for implementation of multi-country projects financed by international organisations and donors. Support and recommendations from secretariats of international Conventions can contribute to facilitating the process.

5. Regional and international processes

The countries of the region have ratified relevant **international and regional conventions (with regard to the latter, in particular UN-ECE Conventions are of importance)** such as the Espoo Convention on Environmental Impact Assessment (its Strategic Environmental Impact Assessment Protocol, the Stockholm Convention on Persistent Organic Pollutants, the Water.

Kazakhstan and Turkmenistan are members of the **Caspian Sea Environmental Convention**, which provides a platform for cooperation between IFIs, donors and beneficiaries for water protection and water-related issues of the Caspian Sea and adjacent rivers. The main aim is to encourage a strategic focus to the use of financing, and to ensure coordinated action between all financial instruments operating in the region.

The “**Environment for Europe**” process is a multilateral framework created in 1989 to steer the process of invigorating environmental awareness in the countries of Central and Eastern Europe, emerging from the old regimes and moving closer to the EU. The core activities of this process are undertaken by a Task Force co-chaired by the Commission and an NIS environment minister.

The Eastern European, Caucasus and Central Asia component of the EU Water Initiative, a regional component of the EU Water Initiative as agreed at the 2002 World Summit on Sustainable Development, involves all countries in the region. The initiative aims to promote improved water governance and coordination between stakeholders.

The countries of the region are participating in **the Forest Law Enforcement and Governance (FLEG) process** concerning the protection and sustainability of forests in Eastern Europe, South Caucasus and Central Asia.

6. Key environment areas where action is required

The region faces significant challenges with regard to environment protection. Key areas include water management and quality, waste management, nature protection and land use. As regards climate change, the countries need to implement the UN Framework Convention on Climate Change and the Kyoto Protocol.

The institutional and administrative capacity requires strengthening, including with regard to data collection and monitoring. Strengthening of public participation and awareness of environment issues is important for the development and implementation of environment policy. In this respect, the Central Asia Regional Environment Centre can assist in promoting environmental awareness and protection through providing a forum for cooperation between various stakeholders.

7. Cross Cutting Issue-Disaster Reduction

Natural disasters represent another key challenge to the region. Effects of disasters are in many cases accrued by poor environmental practices in land and water management, deforestation etc, and both the frequency and impact of natural disasters has increased in recent years. In this context, disaster reduction measures and the implementation of the Hyogo Framework of Action 2005-2015 should be fully integrated as a cross-cutting issue, in relevant programming.

Overview of EC assistance to Central Asia: 1991-2006

(i) Breakdown by Programme (€ millions by budgetary year)

	Uzb	Kaz	Kyr	Turk	Taj	Total CA
Tacis National Allocations						
1991	2,0	8,0	1,0	1,0		
1992	18,8	20,6	9,2	8,8		
1993		14,0	10,0			
1994	15,0	14,0		8,0	4,0	
1995	10,0	15,0	8,0	4,0	4,0	
1996	28,0					
1997		24,0	13,0	11,5		
1998	29,0					
1999		24,0	12,0	9,0		
2000	15,4					
2001		15,0	10,0			
2002						50
2003						50
2004**						50
2005						66
2006						60
Total Tacis	118,2	134,6	63,2	42,3	8,0	642,3
ECHO						
1991						
1992					0,3	
1993			3,6		7,4	
1994			6,3		9,8	
1995			8,0		16,1	
1996			3,9		14,1	
1997			2,8		14,9	
1998			1,8		16,7	
1999			2,1		18,8	
2000					15,0	
2001					12,0	
2002					10,0	
2003					10,0	
2004					8,0	
2005					6,0	
Total ECHO			28,4		159,1	187,5
Food Assistance						
FEOGA 1994-1995			14,0		11,0	

FEOGA 1995-1996			4,7	2,1	15,9	
Food Security 1996			10,0		17,2	
1997			8,5		5,5	
1998			8,5		4,1	
1999			8,5		3,4	
2000			10,0		9,0	
2001			10,0		3,7	
2002	1,2		10,0		4,0	
2003			10,0		8,0	
2004			9,0		8,0	
2005			9,0		8,0	
Total Food	1,2		112,2	2,1	92,8	259,4
Rehabilitation						
1999					4,0	
2000					1,5	
Exceptional TA						
Total Rehab+TA			2,0		5,5	7,5
ECFIN						
1991						
1992*					6,7	
1993*		9,6	21,3	44,3	47,8	
1994*		15,3	1,4	0,6		
1995*	58,7					
1996						
1997						
1998						
1999						
2000					60,0	
2001						
Exceptional financial assistance (grant)						
2000					7,0	
2001					7,0	
2003					7,0	
Total ECFIN	58,7	24,9	22,7	44,9	135,5	286,7
* these loans were fully reimbursed						
Grand TOTAL	177,1	159,5	228,5	89,3	400,9	1332,3

** planned allocation

Regional Programmes (figures shown are for all NIS countries and cover the regional cooperation, nuclear safety, cross-border, Bangkok Facility, IST/STCU, Rehabilitation, Incentive scheme and administration. The figures should be treated with caution as the Central Asian countries have received a small share of these programmes).

1991	106
1992	89
1993	172
1994	132
1995	125
1996	152
1997	135
1998	156
1999	133
2000	129
2001	148
<i>2002-2005</i>	215.1
Total Regional	1692.1