

Development Cooperation Strategy for Uzbekistan 2022–2025

Uzbekistan Situation Analysis

Since Shavkat Mirziyoyev became President of Uzbekistan in 2016 (re-elected for the second term on 24 October 2021), the country has been pursuing an ambitious programme of reforms, focusing on reforming state institutions and state-owned enterprises, shifting towards a market economy, promoting investment in human resources, creating jobs, attracting foreign investment and building a green economy. Uzbekistan has opened up to the world, with the abolition of visas for Western citizens, the opening of foreign trade, currency convertibility, democratic and governance reforms, and a more pluralistic social environment. A privatisation programme has been launched, the investment climate and business environment have improved, and the internal market is being steadily liberalised. In the World Bank's Business Attractiveness Index, Uzbekistan moved from 141st place in 2015 to 69th place in 2020. The country's GDP grew at an average annual rate of 6 % from 2016 until the pandemic. Even in 2020, the economy grew by 0.6 %.

Uzbekistan has the fastest population growth in the post-Soviet space (from 19.8 million in 1991 to 34.8 million in 2020), and is also a rapidly growing market. Uzbekistan aims to become an upper-middle-income country by 2030. In 2020, the country's GDP was USD 57.7 billion, and GDP *per capita* was USD 1,930. Low income of the country's residents is a major economic problem. More than 50 % of the population live in rural areas, and income inequality between urban and rural areas has been increasing rapidly in recent years.

Uzbekistan is working towards WTO membership, but is not yet ready because most of its economy is classified as non-privatised (energy, transport, agriculture, automotive, some food industries, two state-owned banks, etc.). Uzbekistan imposes extremely high import duties to protect domestic producers.

Uzbekistan is still slow to implement political reforms. There is no real opposition in the country, independent civil society organisations have difficulty registering, and there is no alternative media except for a few bloggers. All the official political parties support the President's policies, and there is no real competition in the electoral process.

Uzbekistan has a 144 km border with Afghanistan. Following the Taliban takeover in Afghanistan, the European Union (EU) will seek to deepen border management cooperation with Central Asian countries, including Uzbekistan, with the aim of strengthening the preparedness of the countries in the region to manage potential migratory flows and to prevent trafficking in arms, drugs and people.

Activities of international donors, in particular of the EU, in the country

Uzbekistan's Official Development Assistance (ODA) has been steadily increasing, from 0.25 % of GDP in 2011 to 1.96 % of GDP in 2019, amounting to EUR 1.13 billion. The most significant increase in support comes from international financial institutions. The ODA allocated to Uzbekistan in 2019 is made up of support from the following international donors: EU – EUR 210.5 million (19 % of ODA), Japan – EUR 363 million (32 % of ODA), the Asian Development Bank –

EUR 178 million (16 0% of ODA), the World Bank – EUR 153 million (14 % of ODA), and other partners – EUR 210 million (19 % of ODA). The ODA allocated by the EU was made up of EUR 25.3 million from the EU institutions, EUR 163.4 million from France, EUR 19.8 million from Germany and EUR 2 million from other EU Member States.

The EU's Multiannual Programme for Uzbekistan 2021–2027 includes support for the following three priority areas: 1) effective democratic governance and digital transformation; 2) digital and green growth; 3) modernisation of the agriculture and food industry. Gender equality, human rights, digitisation, youth and civil society partnerships will become parallel priorities. The priorities of the *Team Europe* initiative are as follows: 1) democratic governance, human rights and the rule of law; 2) building resilience in the areas of environment, climate and water; 3) economic reforms; 4) promoting trade and investment; 5) connectivity (transport, energy, digitalisation, border management); 6) supporting a modern, sustainable agri-food sector and sustainable rural development; 7) investing in youth, health, education, innovation and culture. In 2021–2027, EU institutional support is provisionally estimated at EUR 111.4 million, including EUR 21.4 million for democratic governance, EUR 50.4 million for digital and green growth and EUR 41.6 million for agriculture and food. It should be noted that the EU applies unilateral GSP+ trade preferences to Uzbekistan to promote sustainable development and good governance.

Needs of the partner country

The main challenges in the country are the functioning of democratic institutions, good governance, respect for human rights, ensuring the rule of law, ensuring the independence of the legal system, creating conditions for the functioning of civil society organisations, developing social and medical services, promoting and diversifying exports, attracting foreign investment, reducing poverty and social exclusion, creating a competitive business environment, restructuring and privatising state-owned enterprises, and rationalising the use of natural resources.

With 57 % of the country's population under the age of 30, one of the biggest needs in Uzbekistan is access to education, especially higher education, for young people. It is also an opportunity for Lithuanian research and study institutions.

Potential niches for Lithuania's contribution (partnership): needs of the partner country or society, activities of other donors and opportunities for engagement of the Lithuanian public sector, NGOs, higher education institutions and business

Lithuania's future support to Uzbekistan will be dedicated to the implementation of the provisions of the EU-Uzbekistan Enhanced Partnership and Cooperation Agreement (EPCA), once it is signed and enters into force. It is in Lithuania's interest to support the EU's contribution to Uzbekistan as actively as possible, and to pass on Lithuania's reform experience. Possible niches for Lithuania's activities in relation to Uzbekistan's needs:

- training highly qualified specialists in Lithuania by providing scholarships for Uzbek students and PhD students;
- digitisation in education: Lithuanian institutions, companies and experts could be involved in a range of digitisation programmes, such as e-diaries, educational registers, improving distance learning, and developing and implementing other digitisation programmes in

- education;
- transfer of experience in reforming Lithuania's general education, vocational training and higher education systems. promoting cooperation between research and higher education institutions;
 - supporting efforts to reduce climate change through the deployment of advanced technologies in renewable energy, while helping to develop renewable energy legislation; transfer of Lithuania's experience in integrated border management.

Content and objectives of Lithuania's development cooperation activities

Lithuania has not carried out bilateral development cooperation activities in Uzbekistan so far. The most solid contribution of Lithuanian institutions and experts in the field of development cooperation is the **integrated border management** within the framework of the EU's Central Asia Border Management Programme BOMCA. This should be continued through participation in this and similar programmes, as well as through the development of bilateral programmes that share Lithuania's expertise in border management.

Strategic objectives and policy directions for Lithuania's development cooperation in Uzbekistan for 2022–2025 (up to 3 directions)

Lithuania's strategic objectives for development cooperation are based on Uzbekistan's needs, the Programme of the Government of the Republic of Lithuania, the EU's Multiannual Framework for Development Cooperation 2021–2027 and the EU Strategy for Central Asia. The main strategic objectives are as follows: 1) supporting the reform process in Uzbekistan; 2) supporting the implementation of EPCA (in the future); 3) creating favourable conditions for Lithuanian business; 4) beneficial mutual cooperation in the field of research and higher education.

The key principles are as follows: 1) to promote democratic governance, respect for human rights and the rule of law; 2) to participate in the *Team Europe* initiative or take into account the activities envisaged by *Team Europe* when planning activities; 3) to give priority to specific changes in targeted areas where the added value of Lithuania's experience from the transition period and the interest of Lithuanian business, research and study institutions and NGOs are evident; 4) to actively use the existing development cooperation instruments, most notably delegated cooperation in the implementation of EU programmes and projects; 5) to apply in parallel the provisions of the EU's Gender Equality Action Plan (GEAP III); 6) to apply in parallel the EU's Green Deal to promote the use of renewable energy sources.

The sectoral priorities of Lithuania's development cooperation strategy in Uzbekistan are as follows:

STRATEGIC PRIORITY 1: SUPPORTING THE EDUCATION SYSTEM IN UZBEKISTAN

Objective: To help Uzbekistan develop the necessary skills in priority areas and implement reforms in general education, vocational training and higher education, introduce information technology in education, and contribute to the implementation of the "Digital Uzbekistan 2030" initiative.

Activities: 1) to provide scholarships to Uzbek students and PhD students wishing to study in Lithuanian higher education institutions, taking into account the priorities of this country; 2) to carry out digitisation programmes in the education system and individual educational institutions; 3) to

contribute to improving the digital skills of women and young people; 4) to provide support to Uzbekistan in the reform of higher education and vocational training; and 5) to support cooperation between Lithuanian and Uzbek research and higher education institutions.

STRATEGIC PRIORITY 2: MITIGATING CLIMATE CHANGE AND DEPLOYING INNOVATIVE TECHNOLOGIES

Objective: To help Uzbekistan to increase the use of renewable energy resources, in particular solar energy, in the country's particularly favourable climate conditions, thereby contributing to the implementation of the Paris Agreement.

Activities: 1) to install solar power plants for electricity supply; 2) to transfer Lithuania's experience in the development of renewable energy legislation; 3) to provide support for cooperation projects of non-governmental organisations working in the field of climate change mitigation; 4) to provide public education in the field of climate change and the creation of green economy.

STRATEGIC PRIORITY 3: IMPROVING THE EFFECTIVENESS OF BORDER MANAGEMENT IN UZBEKISTAN (CENTRAL ASIA)

Objective: To increase the effectiveness of border management in Central Asia by adapting elements of the Integrated Border Management System, contributing to reforms in border management and migration institutions, improving the management of migration flows and facilitating international trade.

Activities: 1) to support programmes and projects to transfer the experience of Lithuanian institutions in the field of integrated border management, taking into account the results of the EU Central Asia Border Management Programme BOMCA; 2) to participate in the implementation of EU-funded programmes in the field of integrated border management in Central Asia.