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Related documents: CC 375, CC 390 Rev. 2

DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: Conclusions on the In-Depth Report on Investment Climate and Market Structure (ICMS) of Tajikistan

[The Energy Charter Conference at its 20th Meeting held on 9 December 2009 *approved* the Conclusions of the In-depth Report on Investment Climate and Market Structure of Tajikistan as presented in document CC 375 (*Annex*).]

Keywords: ICMS, Tajikistan

Policy Conclusions to the In-Depth Report on the Investment Climate and Market Structure in the Energy Sector of the Republic of Tajikistan

as adopted by the Energy Charter Conference
at its 20th Meeting on 9 December 2009

The Charter Conference,

Having regard to the Report from the Investment Group with respect to the In-depth Review on Investment Climate and Market Structure of the Republic of Tajikistan

NOTED

- a) That the Republic of Tajikistan has undergone a major transformation in the last eighteen years since independence. Tajikistan is a reform oriented country moving towards establishing open market economy principles and the institutional framework for democracy.
- b) That the Government has taken many steps towards a better investment climate in general with emphasis on opening the energy sector to foreign investors. Despite these major positive developments, substantial challenges remain including implementation and practice of market reform in the gas and electricity sectors.
- c) That the Republic of Tajikistan is endowed with substantial hydroelectric resources and coal reserves which could be developed to meet the internal energy demand and allow exports of electricity to neighboring countries.
- d) In particular:
 - Appreciated the intent and the efforts of the Government to manage the passage of the country through a long and difficult transition period, struggling to establish a stable and fully functioning democratic regime based on market principles, and noted that there are recent encouraging developments towards achieving better governance and stability in the country, which would further increase investor confidence, but pointed at the obvious need for expediting the process of implementing the reform programs and encouraged the Government to take more decisive actions;
 - Welcomed the steps taken by the Government to promote private sector development through streamlining business registration, licensing, reducing inspection requirements and strengthen the legal and institutional framework to promote competition and transparency of the privatization process, but noted that laws are yet often poorly implemented in the judicial system and that investors cite difficulties relating to the effectiveness of the legal system as the major constraint;
 - Appreciated that, to alleviate obstacles in attracting FDI into the country, the Government has established an investment-promotion intermediary, the State Committee on Investment and State Property Management as a one-stop shop to assist foreign investors in investing in the country, and the Consultative Council on Improving Investment Climate under the President

of Republic of Tajikistan, as a platform for major stakeholders to exchange views and discuss policy implementation and related measures in improving the investment climate of the country;

- Welcomed the efforts to gradually strengthen the use and the scope of market-based approaches in the energy sector, thus boosting investor confidence, but noted that the reform process remains incomplete, with poor corporate management of the utility companies and prices of electricity and district heating suppressed, thus hampering the gradual transformation of these sectors into profitable entities which could generate savings and attract investments;
- Invited the Government of Tajikistan to positively consider ratification of the Trade Amendment to the Energy Charter Treaty in order to promote the Energy Charter process by bringing consistency between the WTO and the ECT;
- Took note of the potential role of Tajikistan as one of the mainstays in bridging electricity supply and demand in the region and the wider area, and in this respect acknowledged the role of the country as a supply partner to other countries, by referring to the hydroelectricity generation projects already in service and the ones that are currently being developed, noting the importance of greater transparency in energy sector projects;
- Acknowledged that the Tajik Republic is still developing solutions to the difficult task of striking a balance between liberalization, competition and supply security in the energy sector, and is looking at an acceptable supply-demand balance of energy, including by intensifying regional cooperation, and invited the Tajik Republic to consider more actively the benefits of national, regional and international competitive energy markets, as drivers for new investments while trying not to undermine supply security;
- Invited the Government to complete the process of separating government functions by separating responsibilities for policy making and regulation enforcement through the establishment of an independent Regulatory Authority;
- Noted that demand-side measures regarding energy savings and efficiency should be strongly addressed in energy policy, and welcomed the recent efforts of the Government in this context;
- Invited the Government to consider development of economically viable alternatives to electricity for space heating within the context of energy saving and efficiency improvements.