**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 5 November 2025[1]

REPUBLIC OF TAJIKISTAN

ENERGY LOSS REDUCTION

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

[1] As per section 1.4.8 of EBRD's Directive on Access to Information (2024), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

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ABBREVIATIONS / CURRENCY CONVERSIONS

ADB	Asian Development Bank	ISCO	International Standard Classification of Occupations
AMI	Advanced metering infrastructure	ISO	International Organisation for Standardisation
APIF	Asia Pacific Investment Facility	IT	Information technology
BT	Barqi Tojik	JSC	Joint Stock Company
CAPEX	Capital Expenditures	NOSS	National Occupational Skills Standards
CRP	Cybersecurity Resilience Programme	NQS	National Qualification System
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization	PA	Paris Agreement
ECEPP	EBRD Client e-Procurement Platform	PCI	Policy Coordination Instrument
ERD	Electricity Regulatory Department	PD	Probability of Default
ESP	Environmental and Social Policy	PIU	Project Implementation Unit
ESAP	Environmental and Social Action Plan	PP&R	Procurement Policies & Rules
ESCO	European Skills, Competences, Qualifications and Occupations	PRs	Performance Requirements
ESDD	Environmental and Social Due Diligence	REP	Regional Economic Prospects
ESMS	Environmental and social management system	SIB	Shabakahoi Intiqoli Barq
ETI	Expected Transition Impact	SOE	State-Owned Enterprise
EUR	Euro	STB	Shabakahoi Taqsimoti Barq
E&S	Environmental and Social	SEP	Stakeholder Engagement Plan
GDP	Gross Domestic Product	S&P	Standard & Poor's
GET	Green Economy Transition	TC	Technical Cooperation
GHG	Greenhouse gas	TVET	Technical and Vocational Education and Training
HPP	Hydropower Plant	TJS	Tajik Somoni
IFRS	International Financial Accounting Standards	USD	US Dollar
IMF	International Monetary Fund	WB	World Bank
IoT	Internet of Things	YE	Year End

CURRENCY CONVERSIONS

1 EUR = 11.24; 1 USD = 9.58
(as of 24 July 2025)

MEASURES

1 Megawatt	MW	=	1,000 kilowatts (10^3 kW)
1 Gigawatt	GW	=	1 million kilowatt-hours (106 kWh)
1 Megawatt-hour	MWh	=	1,000 kilowatts (10^3 kW)
1 Gigawatt-hour	GWh	=	1 million kilowatt-hours (10^6 kW)
1 Terawatt-hour	TWh	=	1 billion kilowatt-hours (10^9 kW)

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of the Republic of Tajikistan (the "Borrower") to be implemented through a state-owned Open Joint Stock Company "Shabakahoi Taqsimoti Barq" ("STB", the "Company"), incorporated in the Republic of Tajikistan and responsible for operation of the distribution network in the country are submitted for consideration by the Board of Directors.

The facility will consist of a sovereign loan in the amount of up to EUR 28 million from the Bank. The proceeds of the loan will be on-lent to the Company. The Project is expected to be co-financed by a EUR 15 million investment grant from the EU Asia Pacific Investment Facility (the "APIF"). TC support will be provided by the EBRD Shareholder Special Fund (the "SSF"), with EUR 1 million from the 2025 Work Plan and by EU APIF.

The operation will enable the Company to upgrade its billing and metering infrastructure in the electricity distribution networks of Sugd and Khatlon regions in Tajikistan. The expected Transition Impact of the Project will result from a policy dialogue initiative to improve energy sector governance, provide support for the development of a distribution network grid code, and support integration of renewable power into the distribution network, building on the Bank's existing engagements in the power sector of Tajikistan. The Company's cybersecurity capacity will be strengthened through a tailored TC support via the Bank's Cybersecurity Resilience Program ("CRP") (*Resilient*). The Project will also promote human capital development by introducing a new nationally accredited training programme on green skills for young people, with a particular focus on women, as well as by enhancing the existing National Qualifications System ("NQS") and by developing National Occupational Skills Standards ("NOSS") and educational standards for two emerging occupations in the renewable energy field (*Inclusive*). The Project is 100% GET through distribution losses reduction as a result of the upgrade and modernization of the electricity network,[REDACTED] .

The Company will also promote women's empowerment and participation in the male-dominated energy sector by integrating gender-considerations throughout the project design and implementation aiming to increase the share of women in technical and managerial roles (*Gender Smart*). The Bank will also support introduction of private renewables in the power sector of Tajikistan through a tailored TC support.

I am satisfied that the operation is consistent with the Bank's Strategy for Tajikistan, Energy Sector Strategy, the Equality of Opportunity Strategy, the Strategy for the Promotion of Gender Equality, Green Economy Transition Approach, the EBRD's Approach to Accelerating the Digital Transition and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan and the EBRD SSF TC grant substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

TAJIKISTAN – Energy Loss Reduction - DTM 55544	
Transaction / Board Decision	Board approval[2] is sought for a sovereign loan of up to EUR 28 million in favour of the Republic of Tajikistan ("Tajikistan") to finance installation of advanced metering infrastructure and billing systems in Sugd and Khatlon regions of the country. Board approval is also sought for utilisation of funds under the current Shareholder Special Fund ("SSF") Work Plan in the amount of up to EUR 1 million to partly finance the project implementation unit support ("PIS") technical cooperation ("TC") assignment[3].
Client	The Republic of Tajikistan, on-lending to OJSC "Shabakahoi Taqsimoti Barq" ("STB", the "Company"), a 100% state-owned power utility responsible for the country's electricity distribution.
Main Elements of the Proposal	Transition impact: *Primary Quality* – **Resilient**: the Project entails a policy dialogue initiative, building on existing engagements, to improve energy sector governance, provide support for the development of a distribution network grid code, regulations on net metering and build capacity of the Company developing guidelines on investment planning and strengthening cybersecurity. *Secondary Quality* – **Inclusive**: The Project will promote human capital development and increase access to skills and employment opportunities for youth and females through (i) introduction of the new nationally accredited technical training programme on modern smart and digital grid technologies, (ii) enhancement of the National Qualifications System by integrating international standards (such as ISCO, ESCO), and (iii) development of national occupations skills standards and educational standards for two emerging occupations in the renewable energy field. Additionality: - *Financing Structure:* Long-term financing for large infrastructure projects is currently unavailable from local commercial banks. - *Risk Mitigation, Policy and Regulatory Change, and Knowledge, Innovation and Capacity Building:* The Bank's technical, institutional and regulatory expertise with the turnaround of national utilities, technical cooperation and policy dialogue are complementary to the ongoing work in the power sector of Tajikistan. - *Standard-setting:* The Company will promote women's empowerment and participation in the male-dominated energy sector across their operations through various awareness raising activities and increase share of women in technical and managerial positions by integrating gender considerations throughout the project design and implementation. Sound banking: The EBRD loan will be backed by the sovereign debt capacity. While relying ultimately on the sovereign creditworthiness, the transaction is structured on the basis of underlying cash flow projections for the Company in order to ensure the financial viability at the project level.
Key Risks	• Implementation risk: will be mitigated by the involvement of a Project Implementation Support consultant; • Sovereign debt capacity*:* S&P Global Ratings upgraded Tajikistan to B/Stable in August 2024, while Moody's affirmed its B3/Positive rating in April 2025. Tajikistan's Government debt to GDP ratio equalled 25% as of YE2024. The EBRD loan is of a relatively small and targeted amount and is not expected to have major impacts on the sovereign debt capacity.
Strategic Fit Summary	The Project is in line with the Green Economy Transition Approach and the Energy Sector Strategy. The Project is also in line with the Strategy for Tajikistan, the EBRD's Approach to Accelerating the Digital Transition as well as the Equality of Opportunity Strategy and the Strategy for the Promotion of Gender Equality 2021-2025.

[2] Article 27 of the AEB provides the basis for this decision.
[REDACTED]

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	A sovereign loan to the Republic of Tajikistan of up to EUR 28 million to finance installation of advanced metering infrastructure and billing systems in the Company's distribution networks in Sugd and Khatlon regions of Tajikistan (the "Project"). OJSC "Shabakahoi Taqsimoti Barq" ("STB", the "Company), a 100% state-owned power utility responsible for the country's electricity distribution will be the Project implementing entity. The loan will be co-financed by an investment grant from the EU Asia Pacific Investment Facility ("APIF").
Existing Exposure	Sovereign exposure to the Republic of Tajikistan: EUR 449 million. Total current exposure to the Company: EUR 41.0 million, including: • Khatlon Energy Loss Reduction Project, 2020: EUR 19.4 million; • Dushanbe Energy Loss Reduction Project, 2021: EUR 21.6 million.
Maturity / Exit / Repayment	The Project has a proposed tenor of up to 20-years [REDACTED].
Potential AMI eligible financing	None.
Use of Proceeds - Description	The proceeds of the EBRD loan will be used to finance modernisation/digitalisation including cybersecurity investments into the Company's power distribution grid in nine towns in Sugd and Khatlon regions of Tajikistan.
Investment Plan	[REDACTED]
Financing Plan	[REDACTED]
Key Parties Involved	Borrower: the Republic of Tajikistan Project Entity: OJSC "Shabakahoi Taqsimoti Barq" EU Asia Pacific Investment Facility
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	Sovereign loan
Other material agreements	[REDACTED]
Associated Donor Funded TC and Blended Concessional Finance	**A. Technical Cooperation (TC):** *Post-signing:* **TC 1 – Project Implementation Support ("PIS").** The assignment will ensure that the Project is implemented in accordance with the Bank's requirements and will help to build local capacity through (i) assistance with procurement of the goods, works and services under the Project including development of tender documentation, tenders' evaluation, contracting, assistance with technical acceptance, documentation and training; (ii) assistance with monitoring and supervision of the contract, and (iii) implementation of the ESAP. [REDACTED] **TC 2 – Gender and Inclusion.** The assignment will increase access to skills and employment opportunities for youth and females through (i) introduction of the new nationally accredited technical training programme on modern smart grid technologies, (ii) enhancement of the National Qualifications System by integrating international standards (such as ISCO, ESCO), and (iii) development of national occupations skills

	standards and educational standards for two emerging occupations in the renewable energy field. [REDACTED] **TC 3 – Promoting Private Sector Investment in Hydropower Development.** The assignment will promote private sector participation in the development of hydropower potential of Tajikistan by (i) screening and pre-feasibility assessment of hydropower projects, and (ii) preparing feasibility study and environmental and social impact assessment for hydropower plants on the Zarafshon river to a bankable standard for potential private investment. The TC will contribute to the Bank's on-going policy dialogue on market reforms and is expected to strengthen the regional energy security, increase renewable capacity, and attract private investment. [REDACTED] **TC 4 – SMART Corporate Development Programme.** The assignment will assist STB with the development of the Distribution Grid Code, Net Metering Regulation, and Investment Planning. [REDACTED] **TC 5 - Cybersecurity Resilience Programme.** The assignment will assist the STB in conducting a cybersecurity gap analysis of its main assets and processes, formulate an action plan for enhancing the client's cybersecurity capacity including investment into cybersecurity CAPEX, and conducting training to upskill the client's IT/OT security personnel to help them assess and mitigate I/OT related cyber risks. [REDACTED] **B. Blended Concessional Finance** The Project will be co-financed by an investment grant from the EU APIF in the amount of EUR 15.0 million (approved by the Board of APIF on 13 November 2024). ***Cost-sharing:*** In line with the qualifying considerations under the client's contribution policy, no cash contribution will be provided.

[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Tajikistan is among the most climate-vulnerable countries in Central Asia, with significant risks due to its mountainous geography, low adaptive capacity, and climate-sensitive economy. Extreme weather events, increased aridity, rising temperatures, and irregular precipitation threaten the river basins that supply Tajikistan's hydropower and irrigation, making efficient use of energy a national priority. Tajikistan's energy sector has long struggled with aging infrastructure, underinvestment, and weak enforcement of payment systems, resulting in high electricity losses.

Building on the Bank's successful track record in Tajikistan – including the Sugd Energy Loss Reduction Project (the "Sugd Project"), Khatlon Energy Loss Reduction Project (the "Khatlon Project") and Dushanbe Energy Loss Reduction Project (2020, the "Dushanbe Project"), the proposed Project will target further modernisation of the distribution grid across the country and further reduction in electricity distribution losses, currently exceeding 20% nationwide. Collectively, these projects cover approximately 30% of total customer base of the Company. The Sugd Project notably reduced losses in the Khujand city network from 27% to below 10% and achieved near-total cash collection. The ongoing Khatlon Project [REDACTED] is projected to deliver similar improvements. These efforts are aligned with the Government's strategic goal of reducing distribution losses and improving the financial health of the energy sector through an increase in revenue recovery.

The proposed Project represents a strategically critical investment to significantly enhance the sustainability and efficiency of Tajikistan's electricity distribution network. The existing distribution infrastructure, especially in the Sugd and Khatlon regions, suffers from aging equipment, high electricity losses, and ineffective billing systems, undermining the financial stability and reliability of the Company. Addressing these systemic challenges is vital for ensuring economic resilience and environmental sustainability amid growing electricity demand and climate change pressures. The implementation of the Project is expected to (i) improve the efficiency of the electricity network through the installation of a modern metering system; (ii) improve the Company's financial standing by reducing electricity losses in the distribution network; and (iii) establish a separate billing and collection unit for Khatlon and Sugd electricity networks, improving transparency and accountability for the revenues from electricity payments.

The Project will scale up previous successes by replacing outdated infrastructure, deploying advanced metering infrastructure ("AMI"), and enhancing billing and payment practices [REDACTED] in seven towns in Khatlon and two towns in Sugd regions. These improvements are expected to yield annual electricity savings [REDACTED] generate [REDACTED] additional revenue, and reduce CO2 emissions [REDACTED]. The installation of [REDACTED] advanced meters is expected to sharply reduce losses in the distribution network [REDACTED]leading to improved cash collection, strengthened financial sustainability of STB, and substantial climate mitigation outcomes through a reduction in CO_2 emissions. AMI technology will facilitate real-time energy monitoring, help eliminate disruptions from illegal connections to the grid, and ensure equitable billing and payment practices.

Modernisation efforts will be complemented by strengthening cybersecurity resilience, aligned with Tajikistan's cybersecurity roadmap for the electricity sector. The Project encompasses technical

cooperation assignment aimed at strengthening the cyber-resilience of the client and of the metering and billing infrastructure procured under the Project. The Bank will also support advancing sector reforms by assisting the development of the Distribution Grid Code and Net Metering Regulation.

Furthermore, the Bank will promote private participation in the hydropower sector of the country through a technical assistance to support early-stage planning for renewable energy investments into HPPs on the Zarafshon river which would support cross border cooperation between Tajikistan and Uzbekistan (the projects are expected to be located in Tajikistan with off-take to Uzbekistan). Through this assistance, the Bank will strengthen its on-going policy dialogue on market reforms and regional energy security, and help increase renewable capacity and attract private investment.

The Bank will also help address through the Project some of the persistent challenges that hinder the alignment of education and training systems with evolving demands of the labour market. Youth unemployment stands at 40% for those aged 15-24, and over 60% of employment is in the informal sector. The technical and vocational education and training ("TVET") system is underdeveloped and not responsive to emerging sectors such as renewable energy, construction, and green technologies. Employers frequently report that graduates lack practical skills and basic workplace readiness, highlighting a disconnect between education provision and labour market requirements. To address these issues and modernise the system, the Project will support the integration of international standards such as the International Standard Classification of Occupations ("ISCO") and European Skills, Competences, Qualifications and Occupations ("ESCO") frameworks, that will provide a structured taxonomy of skills and occupations, facilitating better alignment between educational outcomes and labour market requirements. In addition, the Project will support the development of National Occupational Skills Standards and educational standards for two emerging occupations to contribute to human capital development in Tajikistan's energy sector, as well as help introduce technical training programmes to facilitate access to market-relevant skills and employment opportunities for young labour market entrants.

The Project is in line with the Green Economy Transition Approach and the Energy Sector Strategy aimed at supporting cleaner production and distribution of energy through greater energy and resource efficiency. The Project is also in line with the Strategy for Tajikistan, the EBRD's Approach to Accelerating the Digital Transition as well as the Strategy for the Promotion of Gender Equality and the Equality of Opportunity Strategy. The Project is 100% GET.

1.2 TRANSITION IMPACT

Primary Quality: Resilient

Obj. No.	Objective	Details
1.1	*The project introduces new operational approaches that will have a significant effect on the efficiency of client operations.*	The Project will help to improve efficiency of the distribution network through introduction of the billing and metering system in seven towns in Khatlon and two towns in Sugd regions leading to improved transparency and accountability of the network operations, ultimately leading to the reduction of system losses and generating additional revenue through increased collections.
1.2	*The project entails a policy dialogue initiative that has*	The Project entails a policy dialogue initiative, building on existing engagements, to improve

	been assessed as Good by the sector economist.	energy sector governance, provide support for the development of a distribution network grid code, recommendations for the introduction of regulations on net metering to support the introduction of renewables and to build capacity of the Company through developing guidelines and methodologies on investment planning.
1.3	*The project supports the roll out of smart meters in a non-EU or Energy Community country. The installed meters meet the 10 common minimum functionalities for smart metering systems defined by Article 42 of European Commission Recommendation 2012/148/EU.*	The Project will support improved energy efficiency and digitalisation through roll out of advanced metering infrastructure in nine networks in Sugd and Khatlon regions of Tajikistan.
1.4	*The Project helps the client achieve industry accepted standards for cyber resiliency and/or higher cybersecurity/data protection regulatory compliance (e.g., ISO 27001, NIS and/or GDPR compliance or equivalent)*	The Project will support the client in achieving industry accepted standards for cyber resilience. This includes assistance to the client in assessing gaps in its cybersecurity posture, developing a cybersecurity roadmap, including identification of necessary cybersecurity-related capital expenditure which will benefit from use of proceeds. It also includes cybersecurity training/upskilling for the client's IT/IoT staff.

Secondary Quality: Inclusive

Obj. No.	Objective	Details
2.1	*EMPLOYABILITY: The Project broadens access to market-relevant skills and training opportunities, boosting supply of human capital with demonstrably critical need and outstanding effectiveness*	The Project will improve the school-to-work transition of prospective green energy specialists in Tajikistan by introducing a new nationally accredited technical vocational training programme (e.g. "Smart Meter Technician Certification Program") aligned with industry standards developed in partnership with the Institute of Energy operating under Ministry of Energy and Water Resources. [REDACTED] The course will be focused on technical and digital skills and knowledge on how to install, maintain and troubleshoot smart meters, ensuring their effective integration into modern energy grids targeting energy sector employees transitioning to digital smart grid technologies and women interested in technical careers in the energy sector. Upon completion, graduates of the programme will be part of the talent pool of prospective green

		energy specialists, who will be able to tap into the opportunities offered by clean energy investments in the country. In addition, the Project will support the development and introduction of new National Occupational Skills Standards ("NOSS") and educational standards for two emerging occupations in the renewable energy sector. Both NOSS and educational standards will be developed in line with STB's needs to support its upcoming green and digital transitions driven by the introduction of a new billing process and smart metering system. This will help improve the planning capacity of STB's HR and Customer Services functions and the quality of the working environment by creating more sustainable solutions for talent management and end-user relationships.
2.2	*EMPLOYABILITY: The Project delivers inclusive business policies, practices and standards at the Client level with verifiable commitment within 1-2 distinct behavioural change areas*	The Project promotes inclusive business policies and practices across two distinct behavioural changes: First, STB will establish a partnership with the Institute of Energy to introduce new market-relevant technical training programme on digital and green skills aligned with market demands and STB's operational needs. As part of this partnership, STB will also enhance its hiring practices, establishing formal policies and procedures that will prioritise recruitment from the newly developed talent pool of programme graduates. Second, STB will align its internal workforce planning and human capital development framework with the updated NQS by revising its HR practices and policies to reflect new job profiles and career pathways aligned with the new occupational standards. This will strengthen institutional capacity of STB enabling them for better future-oriented workforce planning and positioning the company as a national leader in the alignment of corporate practices with internationally recognised standards for green and digital skills.
2.3	*EMPLOYABILITY: The Project encompasses sizeable impact on a policy, regional or sectoral scale with measurable policy-level outcomes.*	In response to national skills mismatch challenges, which were identified under ongoing assignment with STB on dual learning programme, the Project will support the enhancement and update of the existing NQS with the support from the Ministry of Energy and Water Resources and in close collaboration with Ministry of Labour, Migration

		and Employment of Population of the Republic of Tajikistan by integrating internationally recognised standards such as ISCO and ESCO, thereby strengthening the relevance, comparability and credibility of the existing qualifications and occupational standards. These globally recognised taxonomies will offer a common language for defining skills and occupations profiles, which will enable training providers to design the curricula and assessment methods based on clearly defined, industry-aligned competencies. Moreover, it will provide policymakers and employers with efficient data-driven tools for labour market forecasting, strategic workforce planning and targeted investments in human capital. The harmonisation of the NQS will facilitate the recognition of emerging green occupations and accelerate the development of a highly skilled workforce with cross-cutting technical and green skills required to support country's green economy transition.

The main risks applicable to the Project relate to: (i) successful implementation of the training programmes may be at risk in case the local educational institutions lack the commitment and/or resources, and (ii) successful physical project implementation; mitigated through TC support provided by the Bank.

Digital Approach: The project is aligned with the Adaptation area of intervention outlined in the EBRD Approach to Accelerating the Digital Transition 2021-2025, as it will enable the client to enhance their cybersecurity resilience. The cybersecurity component of the Project is in support of the Resilient Transition Quality as outlined above and in monitoring indicator 1.5.

1.3 ADDITIONALITY

Identified triggers	**Description**
A subsequent/consecutive transaction (issuance) with the same client/group either with the same use of proceeds or in the same destination country (repeat transaction).	The Project builds on EBRD's sustained engagement in Tajikistan's power distribution sector, following the Sugd Energy Loss Reduction Project (2011), Khatlon Energy Loss Reduction Project (2020) and Dushanbe Energy Loss Reduction Project (2020). While the institutional structure has evolved — with the client transitioning from Barqi Tojik to Shabakahoi Taqsimoti Barq (STB) — the nature of EBRD's intervention remains consistent: financing modernisation of power distribution infrastructure to reduce electricity losses, improve cash collection and improve reliability and quality of power supply. EBRD's continued engagement supports the scale-up of successful reforms and technology roll-out piloted in previous operations. While the prior projects helped to significantly

	reduce losses in selected areas, the current Project expands these results to underserved regions and introduces further enhancements such as strengthened cybersecurity, updated regulatory frameworks (e.g., Grid Code, net metering), and inclusive workforce development (e.g., national green skills programmes).

Additionality sources	**Description of additionality sources**
Financing structure: EBRD offers financing that is not available in the market from commercial sources on reasonable terms and conditions, e.g. a longer grace period than the market average, restricted foreign currency financing etc. Such financing is necessary to structure the project.	Long-term funding from commercial sources is not available for projects in the power sector. There are no sources of long-term financing that match the lifetime of the power assets and have sufficient grace period for the project implementation. The proposed financing will help the Company to move on with modernization programme aimed at efficiency improvement in the sector.
Standard-setting: helping projects and clients achieve higher standards: Client seeks/makes use of EBRD expertise on best international procurement standards.	Through the Project, the EBRD will introduce high standards beyond local requirements and practices on ESAP and procurement that are still innovative for the country. In particular, ESAP will require implementation of an Environmental and Social Management System (ESMS) for the Company structured according to ISO 9001/14001 standards. It will be replicable across distribution branches, and replication is reinforced by the ESAP requirement to develop and implement an environmental and social management system (ESMS) aligned to ISO 14001 and ISO 45001 standards at a corporate level. Procurement will follow the EBRD's PP&R including EBRD Client e-Procurement Platform ("ECEPP") in order to maintain eligibility for the EBRD financing.
Standard-setting: Gender SMART Tag: EBRD provides expertise on **higher gender standards** and/or equal opportunities action plans.	The Project will integrate gender considerations throughout the Project design and implementation, including the targeted trainings to STB employees and management on gender equality, green and digital transition, creating pathways for women empowerment and representation in male-dominated energy sector. In addition, STB will promote gender equality across its operations with the ambition to increase the share of women in the technical and managerial positions across its workforce [REDACTED]. This will be achieved through mentorship programmes for junior and mid-level female employees.
Policy, sector, institutional, or regulatory change: EBRD's involvement in a project is	The Bank is supporting the Government with the power sector reform. The Project entails a policy dialogue initiative, building on existing engagements, to improve energy sector governance, provide support for the

considered additional when it is designed **to trigger a change in the policy**, sector, institutional or regulatory framework, or enhance practices at the sector or country level.	development of a distribution network grid code, recommendations for the introduction of regulations on net metering to support integration of renewables and to build capacity of the Company through developing guidelines and methodologies on investment planning.
Knowledge, innovation, and capacity building: EBRD provides expertise, innovation, knowledge and/or capabilities that are material to the timely realisation of the project's objectives, including support to strengthen the capacity of the client.	The Bank has accumulated significant experience in financing distribution sector in the country including Sugd project (signed in 2011) which has become a showcase with network losses in the Khujand city network reduced from 27% to below 10% as the result of the project implementation. The Bank supports engagement of an experienced PIU consultant which will work closely with the Company to assist with procurement, tendering, contract implementation, compliance and reporting obligations and other Project implementation procedures.

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Tajikistan sovereign risk and fiscal space	Medium / High	[REDACTED]
Regulatory risk	Medium / Medium	The Project operates in a regulatory environment that is still evolving. While progress has been made with the adoption of a new tariff methodology and the ongoing policy dialogue supported by international financial institutions, risks remain due to the limited independence and capacity of the regulatory authority. *Mitigation:* Continued engagement in policy dialogue, the presence of international consultants, and recent improvements in tariff setting reduce the likelihood of abrupt or adverse regulatory shifts. The Bank's ongoing policy dialogue will further support institutional strengthening and alignment with good practices.
Implementation and procurement risk	Medium / Medium	[REDACTED] *Mitigation*: The Bank provides TC support to engage a PIS consultant for supervision and implementation of the Project to ensure that preparation of contracts and implementation of the Project will be in compliance with the Bank's PP&R by the use of ECEPP. The PIS consultant will provide assistance to the Company within project design phase, tendering phase, tender evaluation, contract finalisation and implementation phase. With the involvement of the consultant, the Company will have access to the best practices in the implementation of the Project and procurement of works, goods and services, as well as advice on specific technical issues including E&S requirements. All

		procurement processes will be managed through the ECEPP from procurement planning through to tendering and contract award in accordance with the EBRD's PP&R.
Cost over-run risk	Medium / Medium	[REDACTED] *Mitigation:* Project cost estimates have been prepared on the basis of recent market benchmarks. Adequate contingency provisions have been included in the budget. Close Bank monitoring during procurement and implementation will help flag any risks early and allow for timely mitigation.
Foreign exchange risk	Medium / Medium	Tajik Somoni devaluation could adversely affect the ability of the Borrower to repay the hard currency loan. *Mitigating factors*: Risk of external debt distress is manageable given accumulated reserves (USD 4.7 billion as of April 2025).

2. MEASURING / MONITORING SUCCESS

Transition Impact Monitoring Indicators

TI indicator(s), primary Quality: Resilient

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Legal, institutional or regulatory frameworks in target areas improved	Distribution Grid Code is developed and adopted.	No	Yes	[REDACTED]
1.2	Legal, institutional or regulatory frameworks in target areas improved	Net Metering Regulations are developed and adopted.	No	Yes	[REDACTED]
1.3	Legal, institutional or regulatory frameworks in target areas improved	Investment planning guidelines and methodologies are developed and adopted.	No	Yes	[REDACTED]
1.4	Operational performance of the client: efficiency	The Project is expected to deliver climate mitigation benefits through improving energy efficiency of the electricity distribution network. The Project will significantly reduce electricity distribution losses, and is expected to result in GHG emissions savings. [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.5	Improved Cybersecurity Standards	Cybersecurity controls implemented according to accepted standards/frameworks; cybersecurity control coverage expanded to more digital assets; certifications for the organisation, employees or other relevant practitioners, service providers, or vendors achieved; demonstration of substantial alignment with one or more aspects of a recognised cybersecurity standard.	No	Yes	[REDACTED]
1.6	Demonstrated quantitative evidence of client's improved cyber resilience	Reduction in mean time of fixing critical vulnerabilities; reduction in number of known vulnerabilities facing the Internet; reduction in number of system misconfigurations facing the Internet and posing security risks	[REDACTED]	[REDACTED]	[REDACTED]

TI indicator(s), secondary Quality: Inclusive

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	Tailored training programme developed and implemented	The Project will introduce a new nationally accredited technical vocational training programme (e.g. "Smart Meter Technician Certification Program") aligned with industry standards and directly addresses the current operational need of STB to support the installation, operation and	No	Yes	[REDACTED]

		maintenance of the new smart meters as part of STB's ongoing digitalisation efforts			
2.2	Number of individuals enhancing their skills as a result of training	The Project will equip [REDACTED] young people to gain higher market-relevant technical skills in modern smart metering and digital grid technologies[REDACTED]. Graduates of the programme will become part of STB's talent pool from which the Company will recruit to address future workforce demands.	[REDACTED]	[REDACTED]	[REDACTED]
2.3	Recommended policy or strategy or regulatory frameworks/standards agreed by relevant stakeholders	The Project will support enhancement of the existing National Qualifications system by updating and aligning it with international standards (such as ISCO, ESCO), which will be adopted by the Ministry of Labour and Science to ensure sustainability and reinforce national capacity to deliver labour market-relevant qualifications.	No	Yes	[REDACTED]
2.4	Partnership between private sector and education providers established or strengthened	The Project will entail a partnership with Institute of Energy to co-develop and introduce a new curriculum on green energy and digital skills.	No	Yes	[REDACTED]
2.5	Practices of relevant stakeholders improved (skills development)	STB will review and strengthen its HR practices and policies to reflect new job profiles and career pathways aligned with the new occupational standards.	No	Yes	[REDACTED]
2.6	Recommended policy or strategy or regulatory frameworks/standards agreed by relevant stakeholders	The Project will introduce new National Occupational Skills Standards and educational standard(s) for two emerging occupations in the energy field with the support from the Ministry of Energy and Water Resources and in close collaboration with Ministry of Labour, Migration and Employment of Population.	No	Yes	[REDACTED]

3. KEY PARTIES

3.1 THE BORROWER

Republic of Tajikistan will be the Borrower for the Project, and the Company will serve as the implementing entity for the Project.

3.2 THE COMPANY

The Company was established by decree of the Government in June 2019 by separating electricity distribution assets of BT. The Company is responsible for supply of electricity to end-users, operating and maintaining the electricity distribution grid up to 110kV, and collection of payments for electricity supply in Tajikistan. The Company operates the distribution grid through seven branches: three branches in Sugd region, two branches in Khatlon region, a branch in Dushanbe, and a branch covering central part of Tajikistan.

[REDACTED]

4. MARKET CONTEXT

The power system of Tajikistan has total installed capacity of around 6.98 GW (hydropower accounts for approximately 90% of installed capacity and thermal combined heat and power plant accounts for the remaining 10%). Despite vulnerability to climate-related risks due to heavy reliance on hydropower, recent infrastructure improvements have enhanced domestic electricity supply security and enabled increased electricity exports, particularly to neighbouring Uzbekistan, significantly contributing to regional CO_2 emissions reductions. In 2024 the power system generated circa 23.4 TWh, of which 17% was exported and the rest consumed by households (33%), industry (29%), agribusiness (11%), others (27%). Total losses in the distribution network in 2024 were estimated at 20%.

The energy sector faces challenges of aging infrastructure, with historical underinvestment leading to substantial energy losses and inadequate metering and billing infrastructure in the distribution segment, which in turn affects payment discipline. The Bank is actively supporting efforts to rehabilitate hydropower infrastructure, to increase transmission capacity, and to introduce advanced metering and billing infrastructure, with projects strategically located across northern, southern, and central regions of the country.

Following the sector's unbundling, BT remains responsible for generation (installed generation capacity of 4.88 GW), while electricity transmission is handled by the national electricity transmission company, and electricity distribution by the Company, both of which were established in 2019 and became operational as of 1 January 2021. An escrow account mechanism to manage financial flows and capturing revenues from domestic customers was introduced by the Government in January 2023. In May 2025 the Government further revised the escrow account mechanism to capture export sales and to ensure transparent allocation of revenues across the generation, transmission, and distribution segments. Sector debts remain consolidated within BT, with the Government implementing a World Bank supported financial recovery plan aimed at stabilizing the sector's finances. The newly formed transmission and distribution entities were established free of historical debts. Additionally, in 2022, the Government selected international firms TATA and Mercados under a five-year management contract to improve operational efficiency, reduce network losses, and enhance corporate governance of the Company.

Installed capacity of other power producers is 2.1 GW and includes Sangtuda-1 HPP (670 MW), Sangtuda-2 HPP (220 MW), and Rogun HPP (currently operational at partial capacity of 1.2 GW)

supplying electricity directly to BT. Pamir Energy, a private energy company operates in the Gorno-Badakhshan region, in the east of Tajikistan with total capacity of 55 MW.

The Government approved a new cost recovery tariff methodology allowing for recovery of all economically justified costs by 2027. In line with this, electricity tariffs were increased by 15% in October 2022, by 16% in January 2024, and by a further 15% in April 2025, reflecting the government's ongoing commitment to gradual tariff reform while considering affordability constraints. Concurrently, the Republic of Tajikistan enacted the Law on Targeted Social Support to mitigate the tariff's financial impact on vulnerable consumers. This legislation defines eligibility criteria and provides targeted assistance, ensuring a balanced approach toward financial stability in the power sector and protection for vulnerable groups. The most recent increase of end user tariffs resulted in USDc 7.3/kWh for industrial customers (represent 5% of total customers and 65% of revenue) and USDc 3.2/kWh for residential customers (represent 95% of total customers and 35% of revenue).

To strengthen regulatory oversight, the Bank has supported Tajikistan with establishing an energy sector regulatory unit. The Electricity Regulatory Department ("ERD") was established in 2019 under the Anti-Monopoly Service. The Bank assisted the Government with a roadmap for evolvement of ERD into an independent regulator. The Bank and other IFIs have since provided capacity-building support, including support with implementing a modern tariff-setting methodology.

The Bank is actively engaged in the policy work in the power sector of Tajikistan alongside other IFIs. The work has been increasingly focused on solutions for the sector's financial and operational turn-around. The Bank maintains strong leverage through project conditionalities and continues to work with the authorities to advance reforms.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 BORROWER

In 2024, Tajikistan reported real GDP growth at 8.4%, following 8.3% growth in 2023. Growth was driven by agriculture, services and industry. Exports increased by 14.3% year-on-year in US dollar terms in 2023, while imports grew by 13.8%. The country has historically been dependent on remittances that accounted for about one third of the country's GDP. In recent years, resilient remittance inflows and significant public investments have spurred a strong economic performance. However, the economy remains vulnerable to external shocks including the negative spill-over effects from potential escalation of trade tensions and hikes of interest rates abroad.

According to the IMF, public debt / GDP ratio stood at c. 25% in 2024. Apart from the USD 500 million Eurobond issued in 2017, the external public debt portfolio is comprised of loans granted by international financiers on favourable terms. The IMF considers the level of Tajikistan's public debt to be sustainable in the medium term, as long as the government keeps the budget deficit below 2.5% of GDP (Tajikistan recorded a surplus of 0.3% of GDP in 2024). ADB and World Bank ("WB") finance their energy sector projects in the Republic of Tajikistan largely with grant funding.

Tajikistan is rated B/Stable by S&P, B3/Positive by Moody's. S&P Global Ratings upgraded Tajikistan to B/Stable in August 2024, while Moody's affirmed its B3/Positive rating in April 2025. The agencies evaluations were based on robust real GDP growth supported by infrastructural developments, low debt servicing costs due to the high share of concessional borrowing, improved foreign exchange reserves, and sustained IMF engagement. These developments are tempered by structural vulnerabilities, including weak institutional effectiveness, low economic diversification, and high reliance on workers' remittances. Furthermore, fiscal risks, including contingent liability risk, continue to weigh on the rating.

Nevertheless, the positive outlook as given by Moody's reflects confidence that improving engagement with international partners and access to concessional funding will reduce medium-term fiscal liquidity and infrastructure projects completion risks, as well as in government's ability to sustain fiscal discipline and structural reform momentum.

5.2 PROJECT ENTITY

The Company prepares audited financial statements in accordance with the IFRS[4].

Summary of financials

	2022	2023	2022	2023
	TJSm	TJSm	USDm	USDm
Revenue	3,146	3,739	287	343
EBITDA	(402)	214	(37)	19
EBIT	(612)	6	(56)	1
Net profit	(683)	(16)	(62)	(1)
Net cash flow from operating activities	185	110	17	10
Total assets	4,377	4,439	400	407
Total debt	142	279	13	26
Equity	2,382	2,366	218	217
EBITDA margin	(12.8%)	5.7%		
Total debt / EBITDA	N/A	1.30		
Electricity distribution per annum (GWh)	13,537	14,046		
TJS/USD aop	10.95	10.90		

[REDACTED]

5.3 PROJECTED PROFITABILITY FOR THE BANK

4 [REDACTED]

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorised B (2019 ESP) as the environmental and social impacts associated with the installation of metering and billing infrastructure are site-specific and/or readily identified and addressed through appropriate mitigation measures. Shabakahoi Taqsimoti Barq (STB) is a relatively new company but an existing client to the Bank which was formed from the unbundling of the national power utility Barqi Tojik, who has previously been subject to detailed Environmental and Social Due Diligence (ESDD).

For the current project, ESDD was undertaken internally and included a review of an E&S questionnaire, current environmental, health and safety and social practices employed by the Company and evaluation of the implementation progress by the Company and its compliance with the previously agreed ESAP associated with the Khatlon Energy Loss Reduction project that was approved earlier.

The results of the ESDD indicated that STB operates in compliance with the applicable national regulation of Tajikistan, but lacks institutional capacity and requires further enhancement of its environmental and social management systems (ESMS) to achieve compliance with the Performance Requirements (PRs). The key E&S issues associated with the proposed investment that require adequate management include retrenchment of fee collectors due to the automation of billing and payment processes, ensuring quality and accuracy of smart meters and billing; provision of accessible billing, customer support, and equipment maintenance services, stakeholder engagement and grievance mechanism as part of project planning, implementation, and monitoring. The impact on the number and type of jobs required for the project will be addressed via timely resourcing and retrenchment planning in accordance with PR2. The Company's Human Resources Policy is in place and all employees are protected by a collective agreement signed between the workers' organisation and the Employer. Further improvements and incorporation of Non-Discrimination, Equal Opportunity, and Harassment Policy is required. The project will not need to acquire any additional land or result in land use changes or economic displacement as the smart meters will be installed inside the houses. The Company does not have a formal public information disclosure policy or a corporate communication plan that would inform this specific project. Accordingly, a Stakeholder Engagement Plan and a formal third-party grievance mechanism will be developed, publicly disclosed, and kept updated to ensure transparency and responsiveness.

A dedicated ESAP has been developed and agreed with the Company to ensure that the Project is structured to achieve full compliance with the PRs.

The Project will be implemented by Project Implementation Unit (PIU) and will be supported by a PIS consultant. The Client will allocate dedicated E&S resources for monitoring and ESAP implementation. STB will continue to benefit from the Bank-supported E&S Capacity Building Technical Cooperation Assignment, which includes training on Good International Practice (GIP), development of the ESMS, and support for implementation of the ESAP—particularly with respect to PR1 (Assessment and Management of Environmental and Social Impacts), PR2 (Labour and Working Conditions), PR4 (Health and Safety), and PR10 (Stakeholder Engagement).

6.2 INTEGRITY

In conjunction with OCCO integrity due diligence was undertaken on the Company, its senior management and other relevant parties. [REDACTED]
All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the project, and the project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the project.

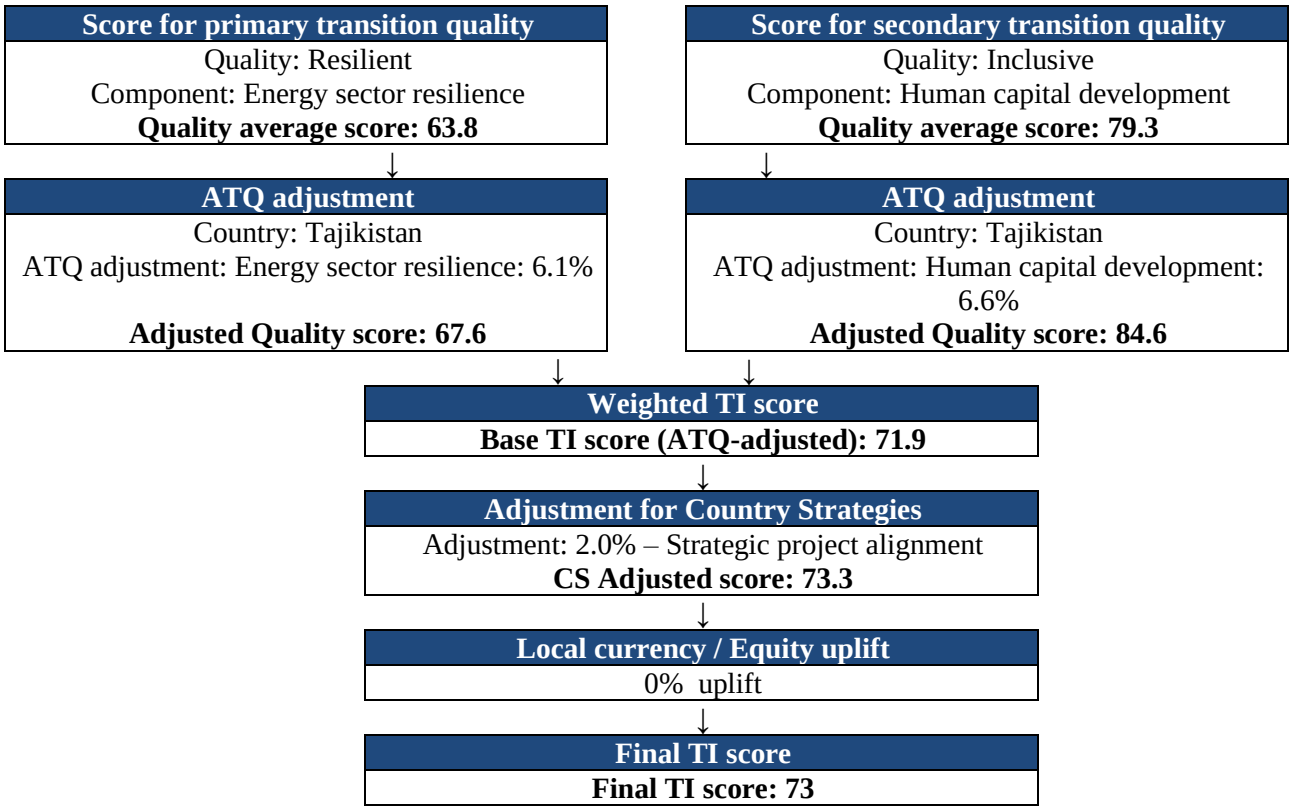
6.3 OTHER ISSUES

Concessional finance – The Project uses capital grants from EU APIF to finance procurement and installation of advanced metering infrastructure in the electricity distribution network of the Company, and TC grants from the Shareholder Special Fund and EU APIF to finance pilot introduction of renewable energy supply and regulatory support, Gender and Inclusion consultant and PIU support. A TC grant from Digital Hub Cybersecurity Resilience Programme ("CRP") will be used to assist the client in addressing the cybersecurity gap in its main assets and processes. The use of concessional finance in the form of a co-investment grant from EU APIF is justified based on (i) a significant reduction in project cost pass-through to electricity consumers, addressing potential affordability constraints and (ii) the Republic of Tajikistan's policy goals and concessional finance requirements for new external government debt under the PCI. The EU APIF contribution for the Project agreed by the Ministry of Energy and Water Resources and the EU APIF takes into account the macroeconomic situation in Tajikistan (Tajikistan is a low-income country with limited borrowing capacity), the importance of the Project and the urgent needs of addressing the power sector investments in a sustainable and affordable manner.

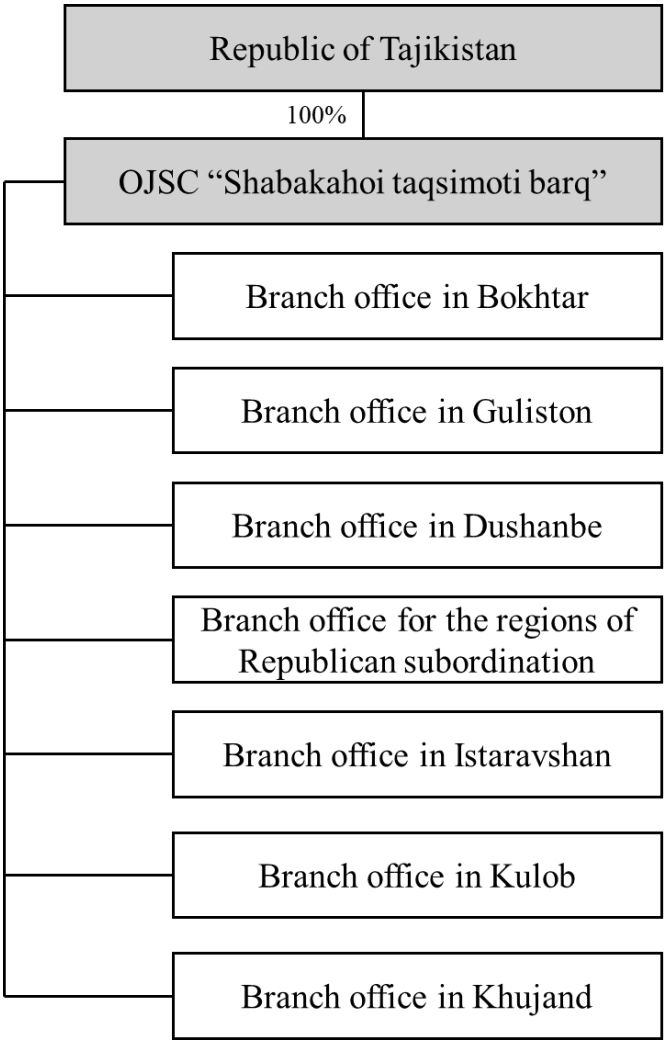
ANNEXES TO OPERATION REPORT

ANNEX 1	Transition Impact Scoring Chart
ANNEX 2	Shareholding Structure
ANNEX 3	Project Implementation
ANNEX 4	Green Assessments
ANNEX 5	EBRD SSF TC Fiche

ANNEX 1 – TRANSITION IMPACT SCORING CHART



ANNEX 2 – SHAREHOLDING STRUCTURE



ANNEX 3 – PROJECT IMPLEMENTATION

Procurement classification – *Public [sovereign]*

[REDACTED] A dedicated Project Implementation Adviser ("PIA") was involved in the project's due diligence and structuring. The PIA conducted a client procurement capacity assessment using the Bank's simplified toolkit. All categories i.e. legal framework, organisation of procurement function, support/control systems, staffing, record keeping, procurement planning, procurement cycle, general assessment of the client, and project risk have been assessed. The assessment identified capacity gaps within STB, which will be addressed through the establishment of a dedicated Project Implementation Unit ("PIU"). The establishment of the PIU is in the process of Government approval and currently a procurement and environmental specialist has been hired. Four additional positions (Project Manager, Quality Assurance, Engineer as well as coordinator) have been advertised. These positions in accordance with the PIU guidance were approved by STB Supervisory Board. The PIU under STB will be responsible for all procurement in accordance with the Procurement Plan as amended from time to time.

[REDACTED]. The mitigation of contractual and implementation risks will be ensured through dedicated PIU under STB and support from experienced consultants.

Project implementation arrangements:
The project is classified as public for procurement purposes. Accordingly, all goods, services and consultancy services financed from the Bank's loan will be procured through Open Competitive Procedures, in accordance with requirements of Section III, Article 3 of the Bank's Procurement Policies and Rules (PP&R) for public sector operations using the Bank's Standard Procurement Documents.

[REDACTED]

PIU will be responsible for the Project's day-to-day management during the entire Project implementation period, including but not limited to preparing Project implementation plans, procurement documents and progress reports, as well as managing all contracts, including consultancy contracts. To ensure quality and alignment with the EBRD procedures, they will be supported by qualified PIS consultants.

These will be in place to coordinate and support the respective PIU with all procurement activities as well as with supervision and monitoring of the Project implementation until completion. This structure should strengthen Project implementation ability and mitigate risks of procurement and Project implementation delays, while significantly speeding up the implementation of the Project. Procurement for any works contracts will only commence after the engagement of the PIS consultant. The PIS consultants' selection will be supported by an EBRD-financed framework consultant to ensure sufficient competition and adherence to the PP&R and to facilitate the evaluation.

To mitigate procurement and implementation risks:

- The Terms of Reference (ToR) for the PIS Consultant will include provisions for early-stage site investigations and preparation of preliminary design. These findings must be incorporated into procurement documents prior to launching the works tender.
- The PIS consultant contract will include appropriate performance management provisions, including the ability to terminate early in case of non-performance.
- The PIA will provide a briefing to the PIS consultant during the kick-off meeting, covering the Bank's PPR and specific project arrangements.

- A Cybersecurity consultancy contract, which will be contracted by the Bank to provide technical support and oversight on cybersecurity aspects of the project, ensuring alignment with international standards and best practices in the requirements of the goods tender.

[REDACTED]

Procurement arrangements:
All contracts under the Project will be procured following open tendering procedure by using ECEPP in accordance with the requirements of the EBRD PP&R for public sector operations. The goods contract will be co-financed by the EBRD loan and EU/APIF grants. The PIS consultant consultancy firm will be selected through one stage-two envelope competitive selection and financed by TC funds. The PIS consultant is expected to be selected by March 2026, with the procurement process expected to be launched in November 2025.

[REDACTED]

ANNEX 4 – GREEN ASSESSMENTS

SUMMARY

- The Project will introduce advanced metering infrastructure and billing system in 9 towns in the Sugd and Khatlon regions of Tajikistan.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed 100% **GET.**

[REDACTED]

PARIS ALIGNMENT ASSESSMENT

Alignment with the mitigation goals of Paris Agreement

The project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank's Paris alignment approach for direct finance.

- The project's activity is included in the 'MDBs' aligned list' under the category "Electricity transmission and distribution, including energy access, energy storage and demand-side management".
- There are no activities included in the 'non-aligned list'.

Alignment with the adaptation goals of Paris Agreement

The project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. No material physical climate risks have been identified.

GET ATTRIBUTION

The Project is attributed 100% GET. This share has been calculated in line with the criteria: "Activities targeting customers of energy systems that support a reduction in consumption or enhanced uptake of renewable energy".

The implementation of the Project is expected to (i) improve the efficiency of the electricity network through the installation of a modern metering system; (ii) improve the Company's financial standing by reducing electricity losses; and (iii) establish a separate billing and collection unit for Khatlon and Sugd electricity networks, improving transparency and accountability for the revenues from electricity payments.

[REDACTED]

ANNEX 5 – EBRD SSF TC FICHE
[REDACTED]