

**MEMORANDUM OF UNDERSTANDING
for the establishment of the
CAREC Members Electricity Regulators Forum**

1. RATIONALE

All the countries of the Central Asia Regional Economic Cooperation¹ are moving their electricity sectors from vertically integrated, centralised state ownership and management to unbundled and potentially competitive structures. Progress has been made at different speeds and in different ways.

Efficient and cost-effective electricity sectors in the countries of the region bring enormous benefits, both to the countries making reforms, and to all their neighbours. Improved regulation is vital, as it greatly improves the investment climate in the power sector, the provision of vital human and commercial services, and the economic basis for regional cooperation in the wider energy sector.

As these transitions take place the responsibilities of the regulators will continue to change. Regulatory skills are new to many of the CAREC countries. There will be benefits for all if the experience of regulatory successes and failures are understood and shared across the region so that successes are reproduced and mistakes are not repeated.

With enhanced regional economic development and growing international cooperation, it is appropriate that the power sectors of CAREC move in patterns that are suited to the individual country needs, but at the same time remain compatible with those of their neighbours.

2. BACKGROUND

The 3rd Ministerial Conference of the CAREC was held in Astana, Kazakhstan from 31 October – 1 November 2004. At the conference, ministers noted that CAREC Member Countries can create a climate of trust and positive outlook to attract international investors, tourists, and others who will bring capital, innovation, and job opportunities to the people who live in the region and help in securing peaceful relations among countries.

Ministers agreed that regional cooperation provides a strategic means for achieving sustainable and inclusive growth and for reducing poverty in Central Asia. They reaffirmed their earlier pledge to work closely to realize their shared vision of a region where people live in harmony and prosperity, with free movement of goods, services, people, and ideas.

¹ Central Asia Regional Economic Cooperation (CAREC) member countries are: Azerbaijan, Peoples Republic of China Kazakhstan the Kyrgyz Republic Mongolia, Tajikistan and Uzbekistan.

Ministers further stated that economic growth prospects for most CAREC member countries are excellent. They also expressed confidence that the improved economic performance in recent years will be sustained, showing the vital importance of economic integration and of strengthening links with regional and global markets.

Ministers agreed that a number of challenges will be jointly addressed if the considerable potential of the region is to be fully realized, including the improvement of infrastructure particularly energy, electric power and other infrastructure.

Ministers reaffirmed their commitment to regional economic cooperation aimed at addressing these challenges and meeting this potential. Electricity regulation has an important role to play in all the fields of international cooperation identified by ministers.

In this regard, the Ministers welcomed ADB's proposal to establish a forum of electricity regulators to facilitate an exchange of ideas among member regulators, help harmonize electric power regulations, and conduct training programs for members.

3. Commitment

It is in the spirit of the Ministerial Conference that those countries represented in CAREC agree to the proposal to establish the CAREC Members Electricity Regulators Forum (CMERF).

The Forum will primarily be an organisation that brings together those involved in the regulation of electricity sectors to share information and experience, jointly investigate common problems, conduct research and training, and act as a focal point and knowledge base for regulatory skills and information.

Members will use their best endeavours to ensure and facilitate the attendance and participation of appropriate regulators and regulatory officials, and give support to studies and research aimed at enhancing knowledge and skills regarding regulatory objectives, practices, and processes.

The topics of such studies will be proposed by members and the secretariat, and will be prioritized and agreed by the members at CMERF's annual meetings.

Participation will be voluntary and on a basis of cooperation and mutual benefit among members.

Contributions of resources will be solicited from members, donors and Multilateral Development Institutions according to CMERF's needs.

4. Organization

The Governing Body of CMERF will comprise designated principal and alternate member regulators from each country, and provide overall leadership for the Forum, determining the broad scope of CMERF's priorities, meeting agendas, and study topics. The chairmanship of the Governing Body will be rotated among the CAREC members every two years.

The Secretariat of CMERF will be responsible for facilitation and implementation of such decisions. This will include the preparation of technical and logistical inputs to, and outputs of the deliberations of the Governing body.

In the first phase of CMERF's existence, Asian Development Bank (ADB) will serve as CMERF Secretariat. Subsequently, as the demands placed upon CMERF become more regular, the responsibilities of the Secretariat will be passed on to an organization selected by the Governing Body.

5. Tenure

CMERF will continue to exist and operate until it is dissolved by the Governing Body.

6. Signed