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Central Asian Energy Efficiency Support Program (CAEESP)

Leader with Associates (LWA) Cooperative Agreement

Quarterly Performance Report: October – December 2011

Submitted by ICF International

January 17, 2012

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This document was prepared for the United States Agency for International Development (USAID) by ICF International under Cooperative Agreement No. AID-OAA-L-11-00003-00.

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1. INTRODUCTION

In this quarter, ICF International launched the new **Central Asian Energy Efficiency Support Program (CAEESP).** The CAEESP seeks to effectively lower the existing barriers to energy efficiency improvements by focusing on enabling activities in a broad base of commercial, residential, and industrial energy efficiency opportunities, strengthening the capacity and motivation of organizations in Kazakhstan to take action now and position themselves to take advantage of investment funding when it becomes available. The primary outcome of CAEESP is improved use and management of energy through the development of energy efficiency measures and applications. The CAEESP comprises five major Tasks:

1. Initial assessment and quick start prioritization
2. Stakeholder awareness raising and training in energy efficiency approaches and technologies
3. Energy efficiency project development and financing facilitation
4. Support for private sector energy efficiency service providers
5. Regional analysis and recommendations in the area of energy efficiency

During this first quarter of the program, ICF focused its efforts on project start-up and mobilization and completed some early planning, management, and initial stakeholder consultation and analysis activities under Task 1. Several team visits to Kazakhstan were conducted. The Chief of Party (CoP) for the project, Evgeniy Nadezhdin, was replaced by **Dr. Keith Little**. Dr. Little was approved by USAID/CAR and began his assignment on December 5, 2011. He traveled to Kazakhstan for two weeks in December and will be fully mobilized to Almaty in mid-January 2012.

2. OBJECTIVES AND OVERALL QUARTERLY PROGRESS

Overall Program Progress for this Quarter. The primary objectives for this quarter focused on achieving the following results: (1) program start-up and staff mobilization; (2) early outreach and program coordination with key stakeholders under *Task 1- Initial Stakeholder Assessment and Quick Start Prioritization*; (3) work plan development; and (4) development of program management and administrative systems. The team made progress on each of these objectives for this quarter but experienced a few delays typical of project start-up in Kazakhstan, including logistical and administrative obstacles related to registration and office establishment. These obstacles have been addressed and the team is proceeding quickly now to finalize the operational issues in January 2012. A number of operational tasks are running in parallel, and as the project team finalizes the registration process in January 2012, this does not prevent them from engaging in other required tasks. Indeed, the program has been active throughout the Kazakhstan New Year holiday period.

During this period and based on the assessment and early consultations, the team has gained additional programmatic insights that will help further shape the CAEESP moving forward. For example, the team learned about new policy developments and of new activities within Kazakhstan that will impact the CAEESP's work program. The key legislative proposal before the parliament is the draft energy efficiency law; key because this should set the parameters for aspects of the CAEESP's work. And it is an essential requisite of the CAEESP that the project work within the parameters established by the Government of Kazakhstan (GOK). Moreover, the Task 1 consultations and internal analysis within the ICF project team has led the CAEESP team to focus on developing the revised work program to maximize impact, to extract the highest the qualitative use of resources and to work

towards sustainable long-term policy aims. The team is re-examining the logical flow of tasks within the current draft CAEESP work plan and looking to create a program that has internal integrity and that corresponds with external events. The CAEESP will consider the impact of the proposed laws on the program activities. The team will continue to work to improve its energy efficiency intelligence and will measure the success and conduct an internal risk assessment against every policy action considered.

The CAEESP team will seek to build momentum as quickly as possible, and in an effort to gain momentum, will start up activities that are more discrete and have less dependency with other project actions.

Problems Encountered During Quarter. During the first quarter of the project, typical start-up obstacles were encountered, including working within the complex legal structure of Kazakhstan as a new firm beginning a new project. The pace of acquiring legal support and addressing legal requirements for local staffing and registration hampered immediate, quick operational start-up but it did not significantly affect the early Task 1 assessment and stakeholder outreach efforts. The project team was able to meet a variety of stakeholders and conducted three visits to Kazakhstan during the quarter.

Moreover, CAEESP's approved CoP Evgeniy Nadezhdin began the project and traveled to Kazakhstan in October during the initial mobilization mission with ICF, but he was not able to fulfill his requirements under the project and had to be replaced. This contributed to additional project delays as the ICF team had to recruit and seek approval for a replacement candidate.

The emphasis during the end of the first quarter is to build up a strong momentum in order to recover time lost on technical program implementation during the early phase of the project start-up and mobilization. This requires refining the research and intelligence gathering activities of the program in order to maximize and optimize impact in the next phases. The logistical preparations for CAEESP are almost complete and early meetings with stakeholders have been positive.

3. SUMMARY OF ACTIVITIES CONDUCTED – 1ST QUARTER FY 2012

This section provides a summary of major activities conducted since the contract signing on September 22, 2011 through December 31, 2011.

3.1 Administrative Actions and Issues

During the first quarter, a significant amount of time was devoted to administrative and operational matters as part of the project start-up efforts. These included mobilization of short-term and long-term staff to Kazakhstan, seeking an office space, and obtaining legal support for registration and to help better understand the requirements for working within the complex legal framework of Kazakhstan as a new organization there. Kazakhstan law and regulations have an extensive list of requirements exerting controlling protocols over organizations establishing representative offices and on persons working long-term in the country. During this period, for example, a new set of regulations has come into force concerning the additional requirements for foreigners to register with the national tax and social insurance authorities. ICF secured the GRATA Law Firm in Kazakhstan to provide legal support and advice for project start-up, staffing, and registration.

This short period was intensively occupied with settling the logistical arrangements for the program. The following section includes a discussion of issues and developments related to personnel actions, subcontracts, program facilities (office space), program registration, and related activities during this quarter.

3.1.1 Program Facilities – Office Space, Registration and Related

Office Space: The identification and establishment of a project office was a major goal during this start-up period. At project start-up in October, the ICF team's approach was to address cost-sharing requirements of the project and build upon its early relationship with the "Shafik Chokin" Energy Research and Design Institute of Power Engineering ("Chokin Institute") by seeking to obtain donated office space within the Chokin Institute at Baitursunova Street, 85, Almaty, 480012. During the team's initial visit to Kazakhstan from October 17-28, 201, meetings were held with senior-level Chokin Institute representatives who demonstrated interest in providing office space for the project and build stronger ties with the ICF team to engage the Institute's staff members in project training activities. A draft Letter of Agreement was prepared for review by both parties (ICF and Chokin) and negotiations continued through November during a second ICF team visit to Almaty on a variety of issues. Additional terms and conditions posed by the Institute subsequently surfaced for the office space, including financial and equipment transfer requirements.

The ICF team ultimately deemed some of the terms and conditions for the office space co-location within the Chokin Institute unacceptable for the project during a final round of meetings in December. Moreover, the team had some concerns that a strong commitment and affiliation with Chokin so early in the project's stakeholder consultation and analysis process could potentially undermine the project's perception of objectivity within Kazakhstan. The team however continues its relationship with the Institute, recognizing its reputation and expertize in Kazakhstan on energy efficiency, but has communicated with the Institute that it will seek project office space elsewhere. CAEESP will certainly seek to engage the Institute's staff and experts appropriately in training and other project activities as discussed earlier with them.

Since early December, with the delay in securing office premises, the team recognized that the most immediate critical concern has been to find and open the program office space. This was sourced within a few days during the December visit to Kazakhstan of the new Chief of party **Keith Little, PhD** and **Hoai B. Huynh,** ICF Headquarters Project Director, and negotiations concluded. The project has now two leases for office premises under review and expects to conclude an agreement in mid-January. For ICF this can be done quickly; the controlling factor has been the responsiveness of corresponding staffs for the lessor and of legal services by GRATA over the New Year period.

Registration. Office space is the highest priority because the registration of an office is the trigger permitting most other registration processes. The availability of operational premises permits the project team to continue its work. A Power of Attorney (PoA) has been extended by ICF to the Chief of Party of CAEESP, and personnel registration will continue as quickly as the authorities permit; this is a time consuming and unavoidable affair, but is not expected to interfere too much with early program implementation effectiveness. GRATA Law Firm is working closely with the project team and ICF headquarters to gather and submit all required legal registration forms and paperwork and expect final registration to be completed in early February.

Other Operational and Administrative Matters. In addition to the above, the team is finalizing the opening of a local bank account, recruitment of a local accounting firm to support project financial management, and procurement of office and project equipment and supplies. The team has begun a draft of an early *Field Office Operations Manual* for the project to delineate policies and procedures for local office operations, including procurements, accounting, personnel policies, local compensation, and other administrative matters. In addition to the CoP, the local office will have an Operations Manager, **Nadia Trubova,** who will continue to update the Manual in coordination with the CoP and ICF's headquarters Project Manager, **Laura Bell**.

3.1.2 Personnel and Staffing

As discussed, the primary personnel change was in the replacement of the CoP during this quarter from Evgeniy Nadezhdin to **Dr. Keith Little**, who was approved and began his engagement with the project on December 5, 2012, traveling to Almaty from December 12-23, 2012. He is scheduled to return to Kazakhstan in mid-January following the holiday period in Kazakhstan. ICF and Dr. Little were able to take advantage of the holiday period, when the Kazakhstan Embassy was closed in London to travel to ICF headquarters in Washington, DC to meet with the ICF management and technical teams to plan work plan activities and better familiarize himself with ICF's expertise and capabilities for the project.

During this period, the team also hired **Nadia Trubova** as local Office Operations Manager and recruited **Mr. German Trofimov** as a local energy efficiency expert consultant.

All core staff working in Kazakhstan is engaged now and will be ready to connect with the operations of the work program. In fact, early analyses have been made on a number of policy strands. Although a key member of our local staff, **Professor German Trofimov**, has been taken ill early in the New Year, was hospitalized and underwent urgent medical treatment. At the time of writing we are waiting for him to return home.

A number of short-term technical assistance (STTA) travel occurred during this start-up phase, including STTA personnel approved on the project: **Eric Boyle, Alexei Sankovski, and Elena Parkhomenko.**

Mr. Vitaliy Bekker, *Industrial Energy Efficiency Specialist,* from ICF's Moscow Office replaced **Mr. Andrey Mikhailov** on the STTA roster. Mr. Mikhailov is no longer with ICF. Mr. Bekker traveled to Astana in November to conduct meetings with some industry stakeholders and to examine early industrial energy efficiency opportunities for the project in Astana.

Mr. Hoai B. Huynh, who serves as ICF's HQ Project Director for CAEESP, is also an environmental specialist and replaced **Mr. James Gardiner** on this project in that technical capacity. Mr. Huynh recently joined ICF from AECOM, where he managed a number of major USAID programs in Asia and the Middle East. He is currently leading ICF's International Development practice in its Energy, Environment, and Transportation Group. He traveled to Almaty in December with Dr. Little and is preparing the project's environmental compliance manual, to ensure compliance with requirements under USAID 22 CFR Part 216 regulation, to be submitted in January 2012.

In addition to Mr. Huynh's HQ project management oversight of CAEESP, ICF recently hired **Laura Bell** to provide general HQ backstopping support for its USAID projects, including CAEESP. Ms. Bell was formerly with AECOM International Development, where she was the Home Office Contracts Administrator and Project Manager for USAID's Regional Trade Liberalization and Customs Project (RTLC) in Central Asia.

3.1.3 Sub-grants and Sub-contracts

No sub-grants were awarded during this quarter. Two local individual consultants were contracted to support the project – Nadia Trubova as Office Operations Manager and German Trofimov, Energy Expert. Ms. Trubova will be converted from consultant status to local full-time status once the registration has been completed.

3.2 Program Implementation Progress

In addition to operational and administrative matters, the project team began early work under *Task 1* to conduct outreach to relevant project stakeholders to better understand and assess the local Kazakhstan context for the CAEESP. These notes have been integrated into the Inception Report being prepared and factored into the revisions of the project's Work Plan. During December, the Kazakhstan Independence Day weekend and the New Year period prevented the team from being able to arrange additional meetings with the government in Astana or with regional authorities in Almaty then, but the staff will arrange these as soon as practicable after the holiday period during the second quarter of the project.

3.2.1 Stakeholder Meetings and Consultations under Task 1

The project team has held meetings with a wide ranging group of potential project stakeholders during the first quarter, through three visits to Kazakhstan and through contacts with our local energy expert, Mr. German Trofimov. These included educational institutes, GOK agencies, industry members, international financial institutes (IFIs), non-governmental organizations, and other potential project partners.

During the trips to Kazakhstan in October and November 2011, the project team focused both on logistical and operational start-up as well as outreach to identified local and international organizations in Almaty and Astana. The October visit to Almaty included the then CoP Evgeniy Nadezhdin, the project's Technical Director **Alexei Sankovski** on the technical assessment**.** In November, the visit to Kazakhstan included energy efficiency experts **Mark Allington** and **Vitaliy Bekker**, who continued additional outreach. The following are organizations that the team met with during this quarter:

<u>Kazakhstan Agencies and Institutes</u>

- Ministry of Industry and New Technology (MINT), Energy Efficiency Unit, Astana
- Ministry of Environmental Protection, Kyoto Protocol Department, Astana
- "Shafik Chokin" Energy Research and Design Institute, Nazarbaev University, Energy Center
- Kazakh Ecology and Climate Research Institute
- Kazakhstan Center for Communal Services Modernization and Development
- Institute of Nuclear Physics, Centre for Complex Ecological Investigations, Energy Audit Group

Non-Governmental Organizations

- Eurasia Foundation of Central Asia
- Central Asia regional Environmental Center
- Kazakh Electro-energeticheskaya Associatsia (Kazakh Energy Association –KASEC), Astana
- JSC Kazakhstan Housing and Utilities Sector Reform Centre, Astana

International Organizations

- UNDP/GEF Project "Promotion of Energy Efficient lighting in Kazakhstan," Almaty
- UNDP Project "Removing barriers to energy efficiency in municipal heat and hot water supply", Astana
- UNDP Project "Energy efficiency in Buildings, " Astana
- Delegation of the EU to Kazakhstan, Operations Section
- Asian Credit Fund LLC
- EBRD's Kazakhstan Sustainable Energy Financing Facility" (KAZSEFF)
- Pricewaterhouse Coopers
- American Chamber of Commerce/Kazakhstan

Industries/Private Sector

- EnergoStroyProekt LLP
- Energy Saving Centre, Astana
- Azimut Energy Services (AES), Astana
- EnergoAuditKazakhstan (EAK), Semipalatinsk
- KazCarbon, Astana

In October's visit to Astana, the team, led by **Alexei Sankovski**, met with the Head of the Energy Efficiency Unit within Ministry of Industry and New Technology (MINT), the major governmental entity on EE policy in Kazakhstan. The team discussed the MINT's support of the passage of a new EE law (due start of 2012) and its desires to adopting green building standards (LEEDs, etc.) in Kazakhstan with support from the Ministry of Standards. The Ministry was also interested in the development of an energy auditor certification scheme as well as potentially developing and implementing demand-side management (DSM) activities at the regional level in central Asia.

In November, Mr. Vitaliy Bekker from the ICF Moscow office traveled to Kazakhstan to conduct site visits at three manufacturing companies in Semipalatinsk (Eastern Kazakhstan) to learn more about the current Kazakhstan context for energy efficiency in the industrial sector and to investigate possibilities for EE project implementation. He was accompanied by a representative from a local auditing company, *EnergoAuditKazakhstan* (EAK). The companies included a cement factory, one that produced building materials (reinforced concrete), and a machinery company. He and the EAK representative held extensive discussions with the facility managers about the CAEESP and opportunities for engagement in further project activities. In addition, preliminary opportunities were identified for 15 energy efficiency sub-projects. The industrial focus will be an important aspect of CAEESP and will be furthered expanded and reported in subsequent quarters.

During his visit to Almaty, December 12-23, 2011, the new CoP **Keith Little** met with two representatives from the ADB (Asian Development Bank) and with an officer of the IFC (International Finance Corporation). A meeting had also been arranged with the key representative of the IFC who has responsibility for investment into energy efficiency projects; at the time of our presence in Almaty this person was on mission in Uzbekistan.

The team has contacted the EBRD (European Bank for Reconstruction and Development) in London, Moscow and Almaty, and will meet with EBRD officers in Almaty in January 2012. In December, the team also met with representatives from three academic institutions, each having a key interest in the CAEESP: Chokin Institute; Almaty University of Power Engineering and Telecommunications (AUPET); and British-Kazakhstan Technical University. In each meeting the project team introduced the program and its aims and began discussing how the institutes' operational aims intersect with the CAEESP. These meetings have been especially valuable as they have each enabled the team to quickly extend its network of contacts in Kazakhstan. For example, Professor Stoyak of AUPET informed the team of AUPET's continuing engagement with a Norwegian company working on behalf of the Norwegian Government which is training energy auditors in Kazakhstan. The team also met with Mr. Kenzhemurat Dukenbaev, who was an author of the Kazakhstan draft laws on renewable energy. These meetings extended the project team's intelligence, including on the subject of negotiations related to energy price tariffs.

4. PROGRAM COORDINATION

Program coordination is a continued effort for CAEESP, in order to maximize available resources for the project and to avoid duplicative activities and approaches. The stakeholder meetings and outreach efforts served as opportunities to identify agencies and organizations that might be additional resources for the project or can be candidates for future partnerships. Where possible, the team sought opportunities to identify areas for potential collaboration and coordination with CAEESP, including during meetings with Kazakhstan's government officials, potential local partners such as the Chokin Institute and Nazerbaev University, and donor organizations such as the ADB, European Commission Delegation, UNDP, and EBRD.

5. MONITORING AND EVALUATION

During this quarter, a draft Performance Monitoring and Evaluation Plan (PMEP) was prepared and submitted to USAID/CAR. Comments were received and the team is revising it to align with the revised work plan. With program implementation beginning more fully in Quarter 2, future reports will include program progress reporting to align objectives, indicators, and results, in accordance with the PMEP.

6. FINANCIAL INFORMATION

For the first quarter of the project, the budget summary follows, prepared to align with budget categories in the Cooperative Agreement:

Budget Category	Expended to date	Total Budget	Remaining
Personnel	$69,044	$637,486	$568,442
Other Direct Costs (ODC)	$51,089	$440,026	$388,937
Direct Costs	$120,133	$1,077,512	$957,379
Subgrants	$0	$95,000	$95,000
Training Costs	$0	$60,000	$60,000
Subtotal Direct Costs	$120,133	$1,232,512	$1,112,379
Indirect Costs	$71,922	$667,324	$595,402
Total USAID	$192,055	$1,899,836	$1,707,781
Cost Share	$0	$125,000	$125,000
Total Program Amount	**$192,055**	**$2,024,836**	**$1,832,781**

7. PLANS AND SCHEDULE FOR NEXT QUARTER

The CAEESP staff has an extended list of other parties and stakeholders to meet with during the next quarter, and in the immediate future, the team will hold both focused and more wide ranging discussions in order to deepen its intelligence with respect to the objectives of this program. At the policy level, the earliest external event having an impact on the project is likely to be the impact of the parliamentary elections of mid-January 2012. The team will watch for any outcomes from the elections that will impact on the energy efficiency policy environment. The work program for the January-March period is proposed to be within the following implementation framework:

ACTIVITY	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8
TASK 1 Initial Assessment Prioritization								
Finalize work plan, establish project office, mobilize team, prepare inception report	x							
TASK 2: Stakeholder Awareness and Education in Energy Efficiency								
Develop outreach and training needs assessment	x	x						
Plan outreach and training activities	x	x						
Implement outreach activities		x	x	x	x	x	x	x
Implement training activities		x	x	x	x	x	x	x
TASK 3: Energy Efficiency Project Development and Financing Facilitation								
Develop plan for facilitation activities	x							
Assist borrowers and project developers		x	x	x	x	x	x	x
Assist financial institutions		x	x	x	x	x	x	x
Monitoring, reporting and verification		x	x	x	x	x	x	x
Disseminate good practice				x	x	x	x	x
TASK 4: Support for Private Sector Energy Efficiency Service Providers								
Develop plan for support activities	x							
Design and implement energy auditor certification scheme		x	x	x	x	x	x	
Provide capacity building support to ESCOs		x	x	x	x	x	x	x
TASK 5: Regional Analysis and Recommendations In the Area of Energy Efficiency								
Conduct regional assessment of Central Asian countries to identify support opportunities			x				x	
Region expansion recommendations report				x				x

Task 1- Assessment and Research: Learning and research will be a continuous process driving this work, and so this task will continue throughout the lifetime of the project. At this time there are a number of shorter analyses being conducted by the expert team which will bring to the CAEESP a deeper understanding of energy efficiency in Kazakhstan.

Task 2 - Awareness: The team will ensure that preparations are made for the delivery of the training courses identified in the original work program in order to fit with the demand

driven approach, as it is required. Most of these courses may be tied with other activities in the work program, such as working with companies identified under Task 3. The team will concentrate on delivering actions that are less dependent on other subsequent tasks and which can be used to drive forward momentum for the project. In particular this concerns activities connected with voluntary certification and labeling in energy appliances.

The USEPA's Energy Star Program, for example, is an ICF managed program rolled out throughout the US and represents one of ICF's most prominent activities within the US. With ICF's leading experience, CAEESP can assist Kazakhstan to develop its own energy use labeling system for appliances and more.

Early next quarter, the team will seek discussions with the government of Kazakhstan in order to ascertain its views on energy labeling, and to discuss potential cooperation. Other training topics this next quarter will be to support the development of ESCOs in Kazakhstan, as discussed under Task 4, below.

Task 3 - Energy efficiency project development and financing facility: CAEESP will deepen its connections within the financial community and within the government in order to fully comprehend the picture of investment into energy efficiency projects in Kazakhstan and Central Asia. Before committing to adopting actual activities to support the development of documentation, the CAEESP will deliver a report on its findings; expected to be delivered the next quarter. Team experts have already met with private sector companies interested in the aims of the project. It is very useful to build our internal understanding with site visits and discussions, and the team will continue with this, passing findings to its technical experts.

Task 4 - Support for private sector energy efficiency service providers: The team plans on delivering a seminar explaining how CAEESP can support progress in ESCO development. But first, the CAEESP will complete a study to more fully assess the possibilities in this policy sphere, where an analysis is already under way. Moreover, it is aware of another study currently being undertaken under UNDP in the same policy arena.

Task 5 - Regional analysis and recommendations: At this moment, further analysis of energy efficiency policy and actions in the other central Asian republics is not a high priority. Having said this, the CAEESP team will be meeting with many organizations and extending a wide network of contacts during the next quarter.