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SHEBERGHAN GAS GENERATION ACTIVITY (SGGA)

Contract No. EPP-I-00-03-00004-00, Task Order No. AID-306-TO-12-00002

Monthly Report

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Table of Contents

1	COUNTRY TEAM STAFFING AT CLOSE OF MONTH.....	1
2	SECURITY	1
3	KEY PROGRAM ACTIVITIES DURING APRIL	1
3.1	General Activities.....	1
3.2	Sheberghan Working Group	1
3.3	MoM - SGDP/IL and Other Gas Elements of the Gas-to-Power Initiative (Program)	1
3.4	Meetings with MEW	2
3.5	Meetings with DABS	2
3.6	Capacity Building & Sustainable Institutional Development Strategy.....	2
4	STATUS OF DELIVERABLES.....	2
5	IMPORTANT GENERAL ISSUES TO BE ADDRESSED.....	2
6	KEY AEAI IMPACTS	3
7	CONSTRAINTS ENCOUNTERED	3
8	KEY PENDING AND UPCOMING USAID ACTIONS	3
9	CONTRACTOR'S ESTIMATE OF ACCRUED EXPENDITURES AND COMMITMENTS.....	4
10	PROPOSED TIME AND AGENDA OF NEXT MONTHLY MEETING WITH COTR AS REQUIRED BY TASK ORDER ARTICLE F.5.A.2.....	4

Acronyms and Abbreviations

ADB	Asian Development Bank
AEAI	Advanced Engineering Associates International Inc.
AGC	Afghan Gas Corporation
AGE	Afghan Gas Enterprise
APPF	Afghan Public Protection Force
ARDS	Afghanistan Reconstruction and Development Services
CEO	Chief Executive Officer
COTR	Contracting Officer's Technical Representative
DABS	Da Afghanistan Breshna Sherkat
GIRoA	Government Islamic Republic of Afghanistan
ICE	Inter-Ministerial Committee on Energy
IL	Implementation Letter
IMF	International Monetary Fund
LBG	Louis Berger Group
MEW	Ministry of Energy and Water
MoC	Memorandum of Collaboration
MoF	Ministry of Finance
OAPA	Office of Afghanistan and Pakistan Affairs
PMU	Program Management Unit
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
SWG	Sheberghan Working Group
USAID	United States Agency for International Development

1 COUNTRY TEAM STAFFING AT CLOSE OF MONTH

Benjamin Kinney, Legal Specialist, departed Afghanistan on 4/25/12. The remaining in Country team members on April 30 were:

2 SECURITY

The transfer of responsibility for armed security services to the Afghan Public Protection Force (APPF) is progressing slowly apparently due to its rapid institutional growth requirements.

3 KEY PROGRAM ACTIVITIES DURING APRIL

3.1 General Activities

- a) With the USAID approved "Road Map for Sheberghan Gas Field Development and Construction and Operation of a Gas-Fired Power Plant in the Form of an Independent Power Producer" and other documents prepared under the predecessor Sheberghan Gas Field development Project as starting points, the SGGA technical team advanced significantly in the forging of working relationships with MoM, AGE, MEW, DABS, MoF and ARDS; the formation of Joint PMU units in MEW and DABS as well as the continuation of PMU activities at MoM, the design of a gas-to-power economic and financial model, the preparation of Gas to Power Implementation Action Plans, preparatory work on development of a joint Gantt chart as requested by the stakeholders, and the provision of general and specific advice and support to USAID.
- b) Continued the settling in to the new and more secure AEAI/SGGA compound that is located nearer USAID and key GIRoA Counterparts.

3.2 Sheberghan Working Group

The Sheberghan Working Group Meeting scheduled for April 18th was rescheduled for May 2nd, due to scheduling conflicts on behalf of several members.

3.3 MoM - SGDP/IL and Other Gas Elements of the Gas-to-Power Initiative (Program)

AEAI met with representatives of the Ministry of Mines, including individuals working on the tender funded by an ADB grant, on several occasions to discuss the ADB project, issues associated with the Implementation Letter, and related issues with the Ministry of Mines. MoM has agreed to expand the office space available for the Joint MoM-AEAI Team.

- a) **Draft Implementation Letter (IL)** – AEAI met with MoM eight times and MoF twice providing conditions precedent assistance, templates, and documentation, which is still ongoing. Using a gap analysis strategy, we have guided approximately six of the fifteen USAID conditions precedent near to completion and are deep in research on the rest. We envision making three submittals to USAID on progress, starting with the less complex conditions shortly after IL signature. The IL should be ready for Ministry signature in early May. We are combing deep into MoM offices in order to review their financial and procurement systems and expect that work to intensify in the coming month.
- b) **Bashikurd/Juma Gas Field Development Tender** – AEAI reviewed draft tender and continues to update a change matrix encompassing proposed tender changes, most of which are administrative in nature. We have also built a two year proposed timeline for completing the

tender and all work performance for the contract. AEAI met with ARDS two times and has coordinated for quick tender refreshment once we learn the final decision on advance payments, import duties/taxes applicability, and bid proposal type (fixed-price or daily rate). We expect to bring most remaining open issues to closure over the coming month, to the point that the only unknown will be the tender advertising date, which cannot be determined until USAID accepts MoM's IL responses.

- c) **Task Order 15** _ AEAI conducted an in-depth internal review of a former LBG task order for drilling in the same region as our project. Found nearly 2,000 pages of historical documents and progress reports. Research indicated that the major issues impacting schedule previously were: customs, visas, security, and weather. AEAI now has the data and context of each problem in a chronological document and will use to avoid similar problems under the new program.

3.4 Meetings with MEW

AEAI met with representatives of MEW to discuss the Sheberghan Gas to Power Program status generally, and to discuss comments on the Master Plan and Inception Report being funded by ADB and implemented by Fichner. MEW has agreed to work with AEAI in the identification and addressing of Gas-to Power relevant issues within MEW's scope of continued responsibility. Additionally, MEW has agreed to provide office space for a Joint MEW-AEAI team.

3.5 Meetings with DABS

AEAI met with representatives of DABS on several occasions to discuss various issues associated with the implementation of the Sheberghan Gas to Power Program. DABS has agreed to work with AEAI in the identification and addressing of Gas-to Power relevant issues within DABS scope of responsibility. Additionally, DABS has agreed to provide office space for a Joint DABS-AEAI-team.

3.6 Capacity Building & Sustainable Institutional Development Strategy

AEAI is well advanced in the development of a joint capacity building and sustainable institutional development strategy that will build on the PMU that was set-up in MoM under the Strategic Plan developed by AEAI under SGGA's predecessor USAID-funded Task Order. It is important to point out that MoM has not yet committed any human resources to the PMU, as was promised to USAID prior to the establishment of the PMU in early 2011. At the heart of the strategy is proposed AEAI agreements with MoM, AGC, MEW and DABS that commit each party to a specified set of responsibility and benefits.

4 STATUS OF DELIVERABLES

AEAI must defer the preparation of deliverables until Sections C and F of SGGA are revised to reflect the evolved scope of USAID support of the Gas-to-Power Program. Significant preparatory work is underway that will permit early submission of front end deliverables soon after Sections C and F are revised.

5 IMPORTANT GENERAL ISSUES TO BE ADDRESSED

- a) Memorandum of Collaboration (MoC) - USAID has agreed to have all parties sign an updated MoC once the Implementation Letter is signed. – The original MoC was only partially executed on September 22, 2011; USAID intends to meet with GIRoA stakeholders to discuss the current

configuration of the Program, introduce the PMC????? and inform GIRoA about the intent to get all of the stakeholders to sign the Updated MoC in a public Ceremony.

- b) Sovereign Guarantee - USAID Washington (OAPA) will follow-up with the World Bank and IMF on the issue of sovereign guarantee. State Department (US Embassy in Kabul) will contact the IMF representative in Kabul on this issue as well. No updates as of April 30, 2012.

6 KEY AEAI IMPACTS

A major AEAI impact in April has been in the provision of advice and support to MoM, MoF, ARDS, and USAID concerning Implementation Letter No. One and MoM compliance with the numerous Conditions Precedent of the Implementation Letter.

Another major impact has been the understanding of DABS and MEW of their roles and responsibilities with respect to the Sheberghan Gas-to-Power transaction and taking ownership of addressing issues related to the program. MEW and DABS have provided office space as well as assigned staff to jointly work with AEAI on addressing these issues.

7 CONSTRAINTS ENCOUNTERED

The most serious constraints that AEAI encountered in April were:

- a) Uncertainty concerning conditions precedent and other project details that will continue until discussions are concluded and MoM and MoF accept Implementation Letter (IL) No. One for Sheberghan Gas Development Project. The IL obligates USAID funds for on-budget project activities.
- b) Lack of a clear understanding with USAID concerning the role and types of Advice and Support that AEAI can/must provide USAID as its Gas-to-Power implementing partner.
- c) Lack of certainty concerning the timing of revisions of Sections C and F of the SGGA Task Order to bring them in line with the requirements of above mentioned Implementation Letter Number One.

This is the most critical of these three constraints because it contractually limits AEAI's authority to engage in several aspects of the now fully defined scope of the Gas-to- Power Program ability. Until Sections C and F are revised, AEAI is unable to definitize scopes of work, schedules and budgets of required sub-contracts and seek CO approval to sub-contract with already identified firms. Revisions of Sections C and F are also required for AEAI to be able to complete its country team staffing and to complete and submit SGGA deliverables.

8 KEY PENDING AND UPCOMING USAID ACTIONS

- a) As soon as possible finalize discussions and achieve MoM and MoF acceptance of Implementation Letter Number One.
- b) As soon as possible conclude adjustments in Sections C and F of the Task Order.
- c) As soon as possible meet with GIRoA stakeholders, mainly Minister of Mines, Minister of Energy and Water, Minister of Finance, and CEO of DABS to discuss the current configuration of the Program, introduce the SGGA Team and inform GIRoA about the intent to get all of the stakeholders to sign the Updated MoC in a public ceremony.
- d) Anticipate and promptly consent to AEAI subcontracting the drilling technical advisor and supervisor, Senergy Oil and Gas, as AEAI will request shortly after adjustments in Task Order Sections C & F are concluded.

9 CONTRACTOR'S ESTIMATE OF ACCRUED EXPENDITURES AND COMMITMENTS

1. LOP Budgeted Amount: \$ (financial information omitted)
2. Base period: \$ (financial information omitted)

10 PROPOSED TIME AND AGENDA OF NEXT MONTHLY MEETING WITH COTR AS REQUIRED BY TASK ORDER ARTICLE F.5.A.2

Proposed Time: 11 am Monday, May 23 in AEAI Compound

Proposed Agenda:

1. Review and Discussion of this April Report with a focus on identified Constraints and Key Issues.
2. May 27 ICE Meeting and Issues and Strategies
3. Next SWG Meeting Issues and Strategies