



**USAID** | **AFGHANISTAN**  
FROM THE AMERICAN PEOPLE

## **SHEBERGHAN GAS GENERATION ACTIVITY (SGGA)**

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

### **MoM SGDP/IL Advice and Support Action Plan with Schedule (Deliverable 1-4)**

November 29, 2012

Prepared by:

Advanced Engineering Associates International, Inc. (AEAI)/SGGA Project Team  
1707 L Street, NW, Suite 1030, Washington, DC (USA) 20036  
Telephone: 1-202-263-0601

This IL Advice and Support Action Plan with Schedule is made possible by support from the American People jointly sponsored by United States Agency for International Development (USAID) and the Government of the Islamic Republic of Afghanistan. The contents of this IL Advice and Support Action Plan were prepared by Advanced Engineering Associates International, Inc. and are the sole responsibility of Advanced Engineering Associates International, Inc. and do not necessarily reflect the views of USAID or the United States Government.

## Table of Contents

Acronyms and Abbreviations .....	1
1 Executive Summary.....	1
2 Background .....	2
3 Gap Analysis Methodology.....	3
4 Implementation Letter Conditions Precedent.....	4
5 Submittal Strategy .....	7
6 Revised Conditions Precedent .....	8
7 Compliance Schedule.....	9
8 Path Forward.....	9

## List of Figures and Tables

Figure 1 – Gap Analysis Illustration.....	4
Table 1- IL No. 1 – Conditions Precedent – First Submission Package.....	5
Table 2- IL No. 1 – Conditions Precedent – Second Submission Package.....	5
Table 3- IL No. 1 – Conditions Precedent – Third Submission Package .....	7
Table 4- IL Conditions Precedent – Revised Completion Actions.....	8

## Acronyms and Abbreviations

AEAI	Advanced Engineering Associates International, Inc.
AFMIS	Afghanistan Financial Management Information System
DG	Director General (of MoM)
DM	Deputy Minister (of MoM)
E&Y	Ernst and Young
GIRoA	Government Islamic Republic of Afghanistan
Grantee	Ministry of Mines
HR	Human Resources
IL	Implementation Letter
MoF	Ministry of Finance
MoM	Ministry of Mines
OFM	Office of Financial Management (USAID)
SGDP	Sheberghan Gas Development Project
SGGA	Sheberghan Gas Generation Activity
USAID	United States Agency for International Development
USD	United States Dollar
USG	United States Government

## 1 Executive Summary

The United States Agency for International Development (USAID) developed Implementation Letter (IL) No. 1 to delineate the conditions upon which the United States Government (USG) would transfer funding to pay for Sheberghan gas well development work conducted through contract(s) awarded by the Government of the Islamic Republic of Afghanistan (GIROA) in support of the Sheberghan Gas Development Project, Phase I (SGDP-I). The IL also requires government institutional and business reforms that will help to safeguard the funds involved and increase the capacity of the Grantee, the Ministry of Mines (MoM).

A gap analysis undertaken by USAID's Contractor providing expert advice, technical assistance and capacity building support for the SGDP-I through the implementation of the Sheberghan Gas Generation Activity (SGGA) organized the fifteen (15) conditions stipulated in IL No. 1 aimed at the institutional strengthening of MoM into three packages to facilitate their implementation by (and review of compliance by USAID) based on priority and complexity. Twelve of these conditions were required to be met in order to release USG funds for the gas development project.

The MoM achieved the tasks necessary for implementing the seven provisions of Package 1 and submitted these to USAID for review and approval on August 7, 2012, and the second package regarding five conditions precedent to the initial disbursement of funds for SGDP-I was submitted on August 18, 2012. MoM completed revisions and clarifications as directed by USAID for these two packages and resubmitted these on October 14, 2012. USAID has indicated its acceptance of these informally, pending amendment of the IL to formally accept them.

The third package dealing with the remaining three conditions precedent, though they are not tied to initial disbursement of funds or tendering, was submitted to USAID by MoM on November 26, 2012. This bulk of this package is primarily a Human Resources Manual.

The SGGA Team will continue its support of the MoM's implementation of the SGDP and will deepen its interface with the Ministry in coming months, under USAID's guidance and directives.

## 2 Background

It has been long known that the country of Afghanistan has vast natural resources which could greatly benefit the people of Afghanistan, but that have not been able to be commercially developed in recent decades. Among these resources are significant natural gas fields in the area of Sheberghan. To exploit the natural gas and utilize it to increase badly needed power generation capacity in Afghanistan, the United States Agency for International Development – which has been a key agent in restoring and modernizing the energy sector since 2004 as a lynchpin for the country's peaceful development – crafted Implementation Letter (IL) No. 1 to delineate the conditions upon which the USG would transfer funds to pay for gas well development work conducted through contract(s) competitively awarded by the GIRoA in support of the Sheberghan Gas Development Project, Phase I. USAID contracted with Advanced Engineering Associates International, Inc. (AEAI, or Contractor) to provide expert advice, technical assistance and capacity building support for the SGDP-I through the implementation of the complementary Sheberghan Gas Generation Activity (SGGA).

USAID employed the IL as a tool to accomplish far more than the gas field development work at Sheberghan. While gas field development is central to bringing the indigenous energy resources to play in the country's economic development and energy security, the IL also requires the GIRoA to implement government institutional business reforms that will help to safeguard the funds involved and increase the capacity of MoM as the Grantee and primary agency of GIRoA for the development of the Sheberghan gas fields. A number of conditions in the IL are required to be fulfilled in order to release transfer of funds by the USG, which require active attention from MoM.

AEAI is executing the SGGA, through which USAID continues to assist MoM in many different ways, particularly in satisfying the IL conditions precedent to release of funds for SGDP, including fifteen important actions or reforms to prepare MoM for greater responsibilities.

A gap analysis methodology was performed by the SGGA to assist MoM in completing some of the more complex conditions required to be met in the IL. Using a status quo measurement of MoM and a desired end state, the shortfall or "gap" was defined and worked aggressively over the Spring/Summer of 2012.

Based upon the initial gap analysis, the fifteen conditions precedent were subdivided into three groups to simplify submissions to USAID by MoM. These groupings ensured that long-lead items wouldn't slow down those items that could be completed more quickly. Each grouping shows compliance with the conditions precedent and efficient resource allocation by MoM to achieve the requirements of the conditions through a focused effort:

- Package 1: Seven of the 15 conditions precedent were fairly straightforward and were processed in the first package, submitted to USAID for compliance review on a priority basis in early August 2012 and subsequently revised and resubmitted in October 2012;
- Package 2: Five of the 15 conditions were more complex and were processed in a follow-up second package submitted to USAID by MoM for compliance review and approval in late August 2012. In October, revisions were provided and both packages 1 and 2 were informally ready for acceptance in October 2012;
- Package 3: Three of the 15 conditions were non-precedent to the first distribution of funds and were submitted to USAID for compliance review on November 26, 2012. That review is pending

as of the date of this report. Tables 1, 2 and 3 on the following pages show which IL-1 conditions were grouped into each package.

Fortunately, MoM and SGGA were able to begin analyzing MoM processes and start work on reforms months earlier than scheduled based upon information provided in the Ernst and Young (E&Y) Pre-Award Assessment. This head start allowed for setting an aggressive compliance schedule to expedite MoM compliance with the IL. In turn, breaking MoM submissions demonstrating achievement of IL conditions into three manageable packages made it easier for USAID to review and assess MoM compliance with the IL. In fact, all conditions precedent to the first disbursement, as contained in Packages 1 and 2 were submitted within 84 days of IL signature, even though many allowed for up to 180 days to submit. The early submittal allowed for receiving review feedback from USAID on the two packages, revising cover letters and a few documents, and resubmitting the two finalized packages, demonstrating compliance prior to the 180 day deadline.

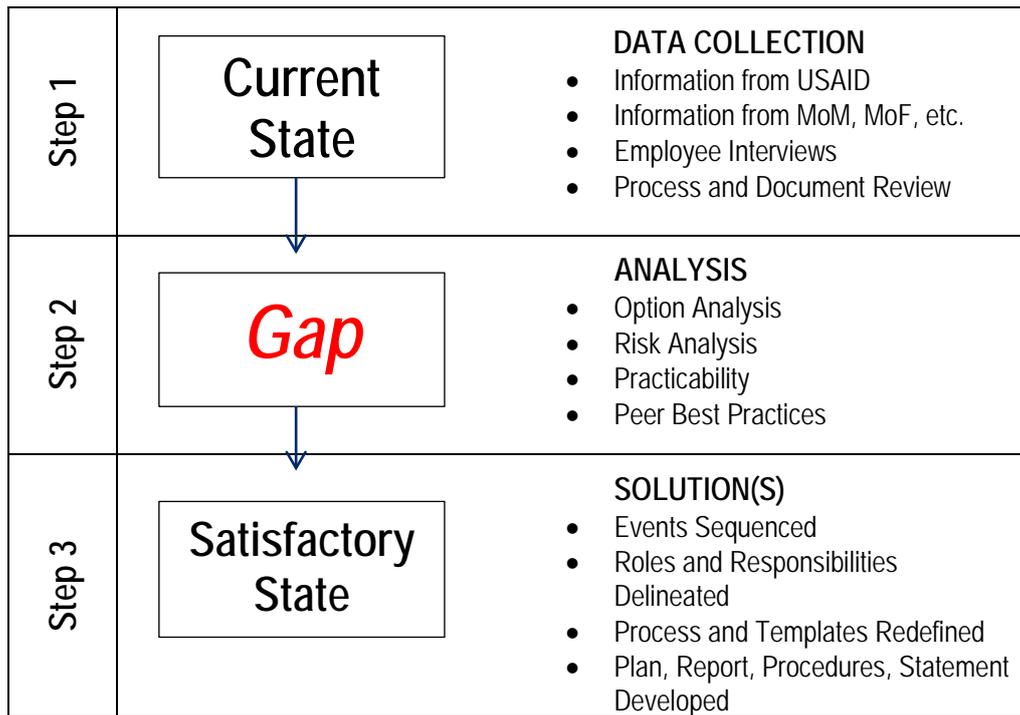
### 3 Gap Analysis Methodology

After a review of the IL's conditions precedent, it was determined that it would be best to use a structured approach to satisfy them. As a result, a gap analysis methodology was utilized by SGGA to assist MoM in organizing/approaching fulfillment of some of the more complex conditions precedent.

- First, MoM processes were mapped and analyzed to determine the current state of each MoM business process and then compared to the requirement of the IL. This was achieved by reviewing documents, interviewing employees, monitoring operations, and assessing effectiveness of the resulting outcomes.
- Next, a satisfactory end state for each process and the synergistic interface between processes were projected based upon the requirements of the IL, recommendations of the E&Y Pre-Award Assessment, and expert advice.
- The delta between the two was the "gap" which needed to be bridged in order to attain the satisfactory process outcome. Options to achieve the targeted outcomes were evaluated in light of risk and efficiency, applicable best practices were studied, and a practical implementation path optimizing the desired results was chosen.

The gap analysis process applied to MoM is illustrated in Figure 1.

Figure 1 – Gap Analysis Illustration



#### 4 Implementation Letter Conditions Precedent

USAID is utilizing IL No. 1 to accomplish several important functions. The conditions serve both as a tool for ensuring safeguards for USAID funds provided to GIRoA for a specific purpose, and as an influence for critically needed institutional reforms within MoM. The reform aspect of the IL is often overlooked by other Sheberghan stakeholders focusing on the issue of awarding a gas drilling contract as quickly as possible. However, the reforms are very important and result from issues identified as obstacles to ultimate success by E&Y’s October 2011 Pre-Award Assessment. Through this third-party risk assessment, E&Y highlighted key areas where improvement was necessary or desirable relating to the MoM’s business operations.

The 15 primary conditions precedent delineated in the Implementation Letter and its attachments cross the entire business spectrum MoM, dealing with its relevant functional areas such as finance, procurement, legal frameworks, human resources, and management. They are most clearly explained in Attachment 2 to the IL. Twelve of the 15 conditions are requisite to release of the first disbursement of funds to the SGDP. The remaining three conditions are not precedent to the first disbursement. The “Grantee” depicted within Tables 1 through 4 grouping the IL’s conditions by package (Tables 1-3) and then by their revisions (Table 4) is MoM.

Table 1- IL No. 1 – Conditions Precedent – First Submission Package

Implementation Letter No. 1 – Conditions Precedent to First Disbursement – First Package			
Order	Grantee	Subject of Condition Precedent	Turn-In Date
C.P. # 2	The Grantee shall	Include SGDP in GIRoA's annual budget.	7 Aug 12
C.P. # 3	The Grantee shall	Establish a Monitoring and Evaluation Committee.	7 Aug 12
C.P. # 4	The Grantee shall	Develop a Monitoring, Evaluation, and Reporting Plan.	7 Aug 12
C.P. # 7	The Grantee shall	Provide evidence that it has established, approved, and implemented a Procurement Committee.	7 Aug 12
C.P. # 9	The Grantee shall	Provide the plan to transition its current financial management system to a computer-based, fully integrated financial management information system where the Afghanistan Financial Management Information System (AFMIS) may serve as the base system.	7 Aug 12
C.P. # 10	The Grantee shall	Provide a copy of the MoM established, approved, and operational cash control system procedures.	7 Aug 12
C.P. # 12	The Grantee shall	Provide its certification to USAID that (1) no USAID funds will be used to purchase ineligible commodities; (2) no USAID funds will be used to finance a restricted commodity; and (3) no USAID funds will be used deal with ammonium nitrate or calcium ammonium nitrate. The Grantee will transfer these conditions into all contracts awarded by it for SGDP and required this be passed along to subcontractors. Additionally, contracts will not be awarded to prohibited sources.	7 Aug 12

Table 2- IL No. 1 – Conditions Precedent – Second Submission Package

Implementation Letter No. 1 – Conditions Precedent to First Disbursement – Second Package			
Order	Grantee	Subject of Condition Precedent	Turn-In Date
C.P. # 1	The Grantee shall	Establish a special United States Dollar account for SGDP at Da Afghanistan Bank, non-commingled.	18 Aug 12
C.P. # 5	The Grantee shall	Develop a Sustainability or Operations and Maintenance Plan for SGDP.	18 Aug 12
C.P. # 6	The Grantee shall	Provide a statement that the Grantee will budget and allocate funds sufficient to properly operate and maintain the SGDP facilities and equipment.	18 Aug 12
C.P. # 8	The Grantee shall	Provide a MoM Procurement Manual.	18 Aug 12

C.P. # 11	The Grantee shall	Provide a plan outlining the types, qualifications, and numbers of grantee staff who will be assigned to work on SGDP to include vacancy recruiting plans.	18 Aug 12
-----------	-------------------	--	-----------

Table 2 highlights what ultimately, were the most complex conditions precedent, though they might not have appeared that way in the beginning. Opening the bank account (C.P. #1 in Package 2), for instance, took much longer than expected; while the Monitoring, Evaluation, and Reporting Plan (C.P. #4) in Package 1 was quickly embraced by the Ministry and sailed through much faster than USAID or SGGA originally contemplated. The new bank account created many problems in its establishment and access. For example, it took weeks to track down the basic account log-in information, such as the user ID and password.

Table 3 shows those conditions precedent which are not requisite to release the first disbursement of funds. Two of the conditions in this package required very little effort and were largely completed previously through two other related conditions precedent: C.P. #13 and C.P. #14. The bank statements of C.P. #13 are tied to the bank account opening and the reports format of C.P. #14 were a part of the Monitoring, Evaluation, and Reporting Plan. The Human Resources (HR) Manual (C.P. #15) was the only condition of consequence of this package, but was turned in to USAID on November 26, 2012. Although 365 days were provided, the HR Manual was turned in to USAID for compliance review six months ahead of the official submittal date of this condition precedent. The HR Manual turned out to be as complex of a condition precedent as envisioned when the authors of the IL allowed 365 days for completion. In actuality, it is a series of manuals, handbooks, and assorted policy documents that required research, translation, review, a few targeted revisions, and assembly into a 10-part binder to sufficiently address the concerns of the IL.

Table 3- IL No. 1 – Conditions Precedent – Third Submission Package

Implementation Letter No. 1 – Conditions Precedent to Subsequent Disbursements			
Order	Grantee	Subject of Condition Precedent	Estimated Turn-In Date
C.P. # 13	The Grantee shall	Provide on a quarterly basis, a full accounting of all transactions and activities of the Special U.S. Dollar account, including a copy of all monthly bank statements.	26 Nov 12
C.P. # 14	The Grantee shall	Provide on a monthly basis, progress reports on SGDP.	26 Nov 12
C.P. # 15	The Grantee shall	Provide evidence that the MoM has developed and approved a written Human Resource (HR) Manual.	26 Nov 12

The amount of time that the IL allocated to MoM to successfully address these conditions precedent for the first or for subsequent disbursements ranged from a minimum of 90 days to a maximum of 365 days. Most deadlines were set for either 90 days or 180 days. Ideally, there would have been a larger gap between the first and second package submissions, but due to the rigorous travel schedule of MoM leadership the first submittal was submitted a little later than anticipated, so in the end the two submittals were made less than two weeks apart, rather than a month as originally planned. The third submittal was made in November, as planned.

There are a number of additional smaller requirements within the IL. However, simple compliance instructions such as requiring review and approval of tender and contract documents prior to release or paying invoices one at a time are instructive in nature and do not require special analysis and implementation in order to comply.

## 5 Submittal Strategy

In order not to overwhelm USAID, the SGGA worked with MoM to develop a three-pronged submittal strategy. For this, all conditions precedent were analyzed and assigned into three packages based upon similarity, complexity, and required level of research or effort to achieve compliance and its proof of such for submission to USAID. Another factor for the groupings was whether or not they were conditions applicable to the release of the first disbursement. By breaking MoM's compliance submissions into three packages, it was also expected that USAID's process for reviewing these would be facilitated. Following is a basic description of the characteristics for the conditions precedent for each of the three packages.

### 5.1 Straightforward

These were the seven simpler conditions and in general those that required an obvious or direct action without a lot of (multidisciplinary) research. The Ministry of Mines gave initial priority to achieving these conditions in order to present an expedited compliance submission package for USAID.

### 5.2 Complex

These were the five conditions which required greater analysis, development, and implementation efforts. They took longer to research and resolve, and required multidisciplinary

skills to complete.

### 5.3 Non-Precedent

These three conditions were non-precedent in regards to the first disbursement and therefore could be somewhat delayed. Composed of one complex and two straightforward conditions, these were reserved for completion after the first two submissions were made, to avoid overburdening staff and to focus on achieving the requisite conditions for initial disbursement first.

## 6 Revised Conditions Precedent

The initial submittals required additional clarifications and fine tuning based on feedback from the USAID Office of Financial Management (OFM). MoM completed the revisions in early October 2012, and they were subsequently submitted to USAID in fully complete binders, so that the final submissions included what was previously acceptable as well as the revised conditions precedent. Details of the revisions are provided in Table 4 below.

Table 4- IL Conditions Precedent – Revised Completion Actions

Implementation Letter Conditions Precedent Revised Completion Schedule		
Order	Condition	Revision Action
C.P. # 1	Establish Special USD Account for SGDP	Submitted lost (misrouted) letter identifying log-in information (user ID and password)
C.P. # 2	Incorporate SGDP into GIRoA's Annual Budget	Submitted an original copy of the entire 1391 budget book
C. P. # 4	Develop a Monitoring, Evaluation, & Reporting Plan for SGGA	Submitted a specific cover letter adopting the plan
C.P. # 5	Develop a Sustainability of Operations/ Maintenance Plan for SGDP	Submitted a more detailed cover letter adopting the plan
C.P. # 11	Develop a Plan to Transition to AFMIS	Submitted letter from MoF stating that implementation was complete
C.P. # 9	Procedures for Cash Control System	No action: OFM agreed to review a second time to determine if original submission was adequate
C.P. # 10	Report Explaining Staff Assigned to SGDP and Recruiting Plan for Vacancies	Submitted revised plan including basic qualifications of each position

Implementation Letter Conditions Precedent Revised Completion Schedule		
Order	Condition	Revision Action
C.P. # 12	Certification MoM Will Not Use Funds to Pay for Certain Commodities; Must also be Included in Contracts and Subs	Submitted a cover letter containing certification statement

The revisions also included two general cover letters necessary for transmitting submission of the first two packages and a delegation of authority from the Minister to the Deputy Minister (DM) to establish that the DM is the Minister's agent to respond on behalf of the Ministry of Mines.

## 7 Compliance Schedule

The final remaining IL signature was unofficially obtained on May 26<sup>th</sup>, 2012 when GIRoA's Minister of Finance signed it and a formal signing ceremony was held on June 25<sup>th</sup>, 2012. The timeline started running on May 26<sup>th</sup>, 2012, however, so that created a deadline of August 24<sup>th</sup>, 2012 for all 90-day compliance items for conditions precedent and November 22<sup>nd</sup>, 2012 for all 180-day compliance items. The schedule for submission of the three compliance packages is shown below.

### 7.1 Straightforward

MoM's compliance package for meeting the first seven of the IL conditions precedent (those viewed as least complex) were submitted to USAID on August 7<sup>th</sup>, 2012.

### 7.2 Complex

MoM's second compliance package for the five most complex of the conditions precedent were submitted to USAID on August 18<sup>th</sup>, 2012.

- **Revisions**

MoM revisions to Package 1 and Package 2 of the submitted conditions precedent as listed in Table 4 were re-submitted to USAID on October 14, 2012. USAID unofficially indicated that they were acceptable prior to the end of October 2012, but an IL amendment would be required to formally accept these, which is in process as of late November 2012, even as this report is being prepared.

### 7.3 Non-Precedent

MoM's third compliance package for the final three of the 15 IL conditions (and which were non-precedent to the first disbursement) was submitted to USAID for review on November 26, 2012. The primary schedule driver of these conditions was the "HR Manual," which encompasses a 10-part suite of HR manuals, handbooks, and policy documents.

## 8 Path Forward

It is possible that some of the conditions may, in the opinion of USAID, require additional due diligence in follow up reviews in 2013 or 2014. In those cases, there are several options going forward:

- If urgent action is required or the MoM approach is far from expected results, the SGGA can assist MoM in reworking and resubmitting the materials, process, or actions, as was already accomplished for the first three packages.
- In instances where MoM has a long path to full implementation, such as the case with AFMIS, and additional due diligence is required to ensure future milestones are achieved, a new IL condition precedent could be established through an amendment to the IL and possibly added to a future SGDP-Phase II IL to ensure compliance.

On behalf of USAID, the SGGA continues to work closely with MoM and has plans to more deeply systematize/entrench its interface and relationship with MoM in the future. The SGGA has interfaced weekly with USAID to provide feedback on the status of IL compliance/implementation progress, not only from a conditions precedent perspective, but also regarding preparation of/assistance on tendering and capacity development. The SGGA stands ready to assist USAID and MoM on all future requirements regarding SGDP and Implementation Letter No. 1 (recently renumbered to 45-1 in IL amendment 02).