

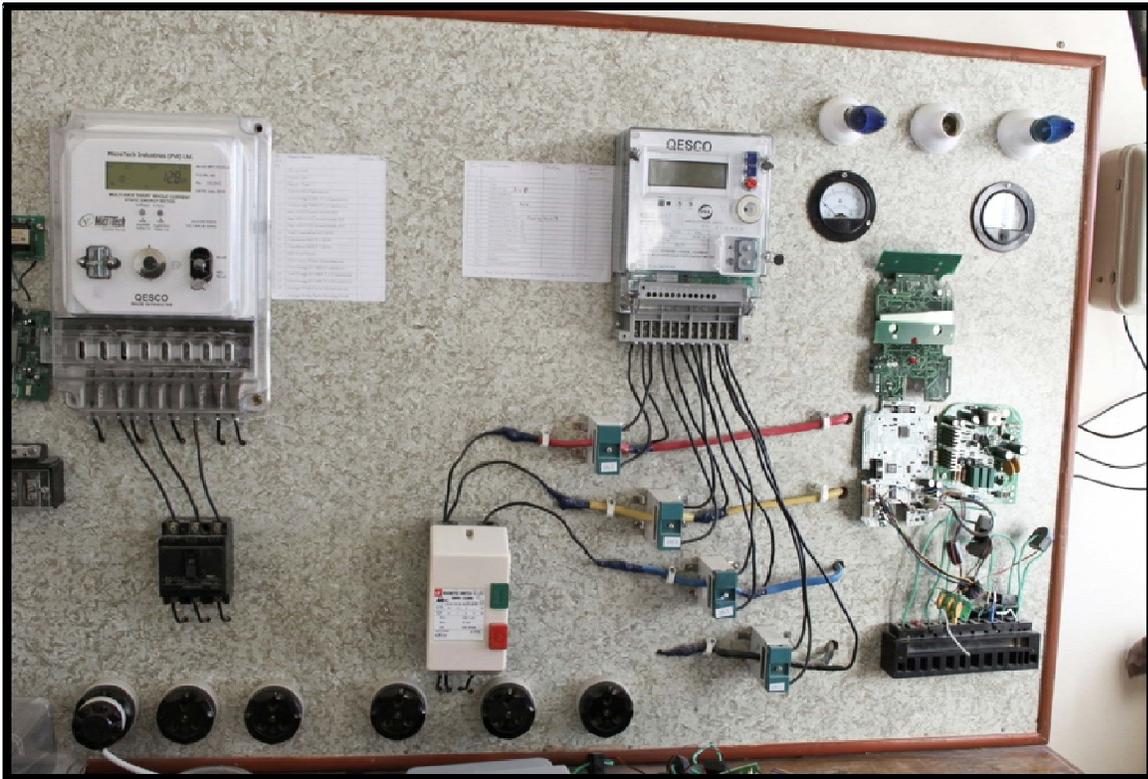


SECOND QUARTERLY PERFORMANCE REPORT JANUARY-MARCH 2011

Produced by: PDIP Program Team

**USAID POWER DISTRIBUTION
IMPROVEMENT PROGRAM**
in partnership with MWP

15 APRIL 2011



Top: Linemen at work. PDIP will provide training to linemen in safe work practices.

Bottom: Meters being tested at QESCO.

PAKISTAN-US ENERGY PARTNERSHIP

MWP-USAID POWER DISTRIBUTION IMPROVEMENT PROGRAM

SECONDQUARTERLY PERFORMANCE REPORT JANUARY-MARCH 2011

ENERGY II IQC CONTRACT EPP-I-00-03-00006
TASK ORDER 13

MWP-USAID Power Distribution improvement Program
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This report was produced for review by the United States Agency for International Development (USAID). It was prepared by International Resources Group (IRG) for the Power Distribution Improvement Program (PDIP).

Disclaimer

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ACRONYMS

AA	Ask Corporation
ACSS	Allocated Cost of Service Study
ADB	Asian Development Bank
Af/Pak	Afghanistan/Pakistan Task Force
Barqaab	Barqaab Consulting Services (Pvt.) Limited
CCN	Cooperating County National
CEDD	Coal and Energy Development Department
CPPA	Central Power Purchasing Agency
CEO	Chief Executive Officer
CFL	Compact Fluorescent Lamp
CFO	Chief Financial Officer
CIS	Customer Information System
CM	Change Management
COP	Chief of Party
COTR	Contracting Officer's Technical Representative
CPFF	Cost plus Fixed Fee
CPR	Contractor Performance Reports
CRCP	Consumer Rights Commission of Pakistan Limited
CRM	Customer Relationship Management
CSO	Civil Society Organization
CT	Current Transfer
CTS	Capital Techno Security
DCOP	Deputy Chief of Party
DISCO	Power Distribution Company
DSM	Demand Side Management
EAM	Enterprise Asset Management
EBRD	European Bank for Reconstruction and Development
ECI	Empowerment thru Creative Integration (Pvt.) Limited
EDS	Electricity Distribution System
EEC	USAID/Pakistan Energy Efficiency and Capital Program
EGAT	Economic Growth Agriculture and Trade Bureau, USAID

EMG	Energy Markets Group
ENERCON	National Energy Conservation Centre
EPP	USAID/Liberia Emergency Power Program
ERP	Enterprise Resources Planning
ESCO	Energy Service Company
EU	European Union
FAR	Federal Acquisition Regulation
FESCO	Faisalabad Electric Supply Company Ltd.
FT	Field Team
GENCOs	Government-Owned Thermal Power Generation Companies
GIT	Government Indicator Toolkit
GOP	Government of Pakistan
GRA	Gas Regulatory Authority
GRT	Governance Restructuring Team
HESCO	Hyderabad Electric Supply Company Limited
HO	Home Office
HR	Human Resource
HT	High Tension
IEC	International Electro technical Commission
IEEP	Institution of Electrical and Electronic Engineers Pakistan
IESCO	Islamabad Electric Supply Company Limited
IPP	Independent Power Producer
IQC	Independent Quality Contract
IRG	International Resources Group
IT	Information Technology
JBIC	Japan Bank for International Cooperation
KESC	Karachi Electric Supply Company Limited
KPI	Key Performance Indicators
KPMG	KPMG Tasee Hadi & Company
KV	Kilovolts
kVARh	Kilo Voltage Amperes Reactive per hour
kW	Kilowatt
kWh	Kilowatt-hour

LEAP	USAID/Liberia Energy Assistance Program
LEC	Liberia Electric Corporation
LESCO	Lahore Electric Supply Company Limited
LIFE	USAID/Egypt Lifting Incomes from Environment
LOE	Level of Effort
LRMC	Long Run Marginal Cost
LT	Long Term
LT	Low Tension
LV	Low voltage
M&E	Monitoring and Evaluation
MD	Managing Director
MIS	Management Information System
MOF	Ministry of Finance
MOU	Memoranda of Understanding
MEPCO	Multan Electric Power Company Limited
MPNR	Ministry of Petroleum & Natural Resources
MW	Megawatt
MWP	Ministry of Water and Power
NEPRA	National Electric Power Regulatory Authority
NGO	Non-Governmental Organization
NRECA	NRECA International Limited
NTDC	National Transmission and Dispatch Company Limited
O&M	Operations and Maintenance
PCP	Power Conservation Plan
PDIP	Pakistan Power Distribution Companies Performance Improvement Program
PEPCO	Pakistan Electric Power Company
PESCO	Peshawar Electric Power Company
PIAP	Performance Improvement Action Plan
PIP	Performance Improvement Project
PITCO	Pakistan Industrial Trading Company (Pvt.) Limited
PM	Project Manager
PNAC	Pakistan National Accreditation Council
PPIB	Private Power and Infrastructure Board

PPP	Public-Private Partnership
PSQACA	Pakistan Standards and Quality Control Authority
PT	Power Transformer (voltage to voltage)
QC	Quality Control
QESCO	Quetta Electric Supply Company Limited
RFTOP	Request for Task Order Proposal
RSO	Regional Security Officer
RIAA	Rizvi, Isa, Afridi and Angell
RTC	Regional Training Centers
SAIDI	System Average Interruption Frequency Index
SIMS	System Information Services
SMS	Smart Systems (SMC-Pvt.) Limited
SOW	Statement of Work
TCEB	Thar Coal and Energy Board
TCN	Third Country National
TDY	Temporary Duty
TelcoNet	TelcoNet Services (Pvt.) Limited
TESCO	Tribal Area Electric Power Company Limited
TNA	Training Needs Assessment
TOT	Training of Trainers
UN	United Nations
USTDA	United States Trade and Development Agency
US	United States
USAID	United States Agency for International Development
USEA	United States Energy Association
USG	United States Government
USN	United States National
USTDA	United States Trade and Development Agency
V&A	Vitelli & Associates
VAR	Voltage Amperes Reactive
VP	Vice President
WAPDA	Pakistan Water and Power Development Authority
WB	World Bank

I. OVERVIEW BY CHIEF OF PARTY

The second Quarterly Report covers the continuing efforts made by United States Agency for International Development (USAID) and International Resources Group (IRG) to improve overall commercial performance of the participating Pakistan Government owned Power Distribution Companies (DISCOs) and related power sector reforms. The Ministry of Water and Power (MWP)-USAID Power Distribution Improvement Program (PDIP) has two components. Under Component 1, “PDIP Implementation Planning and Start-Up,” USAID familiarized itself with the MWP, the eight DISCOs, the National Electric Power Regulatory Authority (NEPRA) and their current performance, preparing reports, conducting operational audits, and developing in partnership with these agencies performance improvement Action Plans (PIAPs). These led to Component 2 of the program where the customized Action Plans and related Performance Improvement Projects (PIPs) will be finalized and carried out in partnership with the agencies to assist them to address the identified challenges/constraints.

I.1. COMPONENT 2 – PROGRAM IMPLEMENTATION – PERFORMANCE IMPROVEMENT ACTION PLANS (PIAPS)

Component 2 will finalize and then carry out, in partnership with the DISCOs, MWP, and other entities, the implementation of PIAPs to:

- Improve governance,
- Empower DISCO managers and Boards of Directors to make independent informed decisions,
- Build support for investment in DISCOs,
- Improve revenues,
- Achieve substantial reduction in technical and non-technical losses,
- Build the capacity of the DISCO staff and organization and
- Improve customer relations by better communication and increased emphasis on customer needs and services.

The PIAPs will include technical assistance, performance improvement projects and donor assistance coordination, including USAID Fixed Amount Reimbursement Agreements, and will be carried out under Partnership Agreements between the individual DISCOs and the Joint PDIP Implementation Task Force, made up of IRG and DISCO provided specialist staff.

I.2. PROGRAM ACCELERATION

The plans for execution of prerequisite activities for the completion of the Component 2 proposal were accelerated by six months to advance the completion and submittal of the Component 2 proposal from September 2011 to March 10, 2011. As of March 31, 2011 this activity had completed its accelerated schedule, with submittal of the Component 2 proposal achieved on March 10, 2011 and USAID exercising of the Component 2 Option of the IQC Contract Task Order on March 30, 2011.

I.3. PROGRAM FINANCIAL SUMMARY

Contract No:	EPP-1-00-03-00006-00, Task Order 13
Date of Issuance of Task Order:	September 17, 2010
Date of exercise of Task Order Component 2 Option:	March 30, 2011
Amount Obligated Under Task Order:	US\$14,499,409
Total Project Funds Expended to Date:	US\$3,829,459
Project Funds Expended During the Reporting Quarter:	US\$3,144,395

I.4. KEY PERSONNEL

	Key Personnel Name	Designation	Employee Type ¹			Employment Type		Contact Number	Email Address
			USN	TCN	CCN	Long-Term	Short-Term		
1	J. R. "Dick" Dumford	Chief of Party (COP)	x	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>	0301-8550123	ddumford@pdip.pk
2	M. Saleem Arif	Deputy Chief of Party (DCOP)	<input type="checkbox"/>	<input type="checkbox"/>	x	x	<input type="checkbox"/>	0333-4088513	m.saleem.arif@pdip.pk
3	Cameron Macnish	Director Finance & Admin	x	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>	0336-5135331	cmacnish@pdip.pk
4	Tahir Ali Khan	Senior Change Management Advisor	<input type="checkbox"/>	<input type="checkbox"/>	x	x	<input type="checkbox"/>	051-2270991-16	tahirkhan@pdip.pk
5	Robert Kolling	Senior Manager/Advisor Distribution	x	<input type="checkbox"/>	<input type="checkbox"/>	x	<input type="checkbox"/>	051-2270991-16	rkolling@pdip.pk

¹ USN-United States National; TCN-Third Country National; CCN-Client Country National

2. PROGRAM HIGHLIGHTS

2.1. OPERATIONAL AUDITS

The first major activity of the Program was the operational audit of DISCOs to establish baseline information for performance improvement projects in each of the functional areas of finance, commercial management, human resource, engineering & operations, and communications & customer relations. It began with LESCO in Lahore on November 24, 2010 and was completed on January 28, 2011.

Schedule of operational audit:

- LESCO 11/24/10 – 11/30/10
- FESCO 12/13/10 – 12/18/10
- HESCO 12/20/10 – 12/24/10
- PESCO 12/28/10 – 01/01/11
- MEPCO 01/18/11 – 01/22/11
- GEPCO 01/11/11 – 01/19/11
- IESCO 01/05/11 – 01/08/11
- QESCO 01/25/11 – 01/27/11

The PDIP Team is continuing to work with all eight DISCOs to help them develop improved Business Plans. All DISCOs had submitted revised FYE 2010 initial Business Plans to PDIP by February 28, 2011.

Team Leads, led by the COP, visited Lahore on January 15, 2011, and held an Audit Consultation meeting with the senior management of LESCO. Audit findings and resultant action plans were discussed. In general, the management was agreeable to the proposed improvement action plans and interventions. Certain areas, such as the proposed structural reorganization of LESCO, would need further discussion, before a clear way forward is agreed upon.

FESCO senior management visited the PDIP office, where an Audit Consultation meeting was held. Audit findings and proposed improvement action plans were discussed. The management was fully in agreement with the plans and promised their full coordination and support for successful implementation.

2.2. PERFORMANCE IMPROVEMENT ACTION PLANS (PIAPS)

Based on the operational audit reports, PIAPs for all the eight DISCOs have been drafted along with specific performance improvement projects. Draft PIAPs were completed on February 28, 2011. The final internal quality review is underway on these plans. Due diligence to verify the parameters of the first project at FESCO is underway, including technical evaluation of equipment, in particular AMR meter types.

Consultative Meetings with individual DISCOs to brief them on the findings of the operational audits and PIAP activities, including performance improvement projects, have been held with two of the eight DISCOs and the rest are planned to be held by April 30, 2011.

2.3. GOVERNANCE RESTRUCTURING TEAM (GRT) ASSIGNED TO MWP

GRT undertook the following major activities in this quarter:

- Reviewed MWP processes and interviewed MWP officials to understand problems, issues and weaknesses at MWP. An interim report was submitted and discussed with the Secretary on January 22, 2011.
- Developed an MWP Action Plan and budget for implementation during PDIP Component 2 through September 2013. This activity was completed on February 28, 2011. Now developing a revised comprehensive Action Plan that will cover activities under both PDIP and GTIP.
- Assisted the Secretary, MWP in a number of meetings for the orderly dissolution of PEPCO. GRT will be joining yet-to-be-notified MWP working group to achieve this objective.
- Developing a conceptual organizational structure of MWP including permanent technical staff and, policy and planning cell.
- Developing a scope of work for the least cost generation study to complement two previous studies:
 - (i) Pak IEM (Integrated Energy Model) developed for the Planning Commission (Energy Wing) under funding from ADB and
 - (ii) National Power Plan being developed by a Canadian contractor for NTDC (National Transmission and Dispatch Company).
- Working with an executive search firm to find CEO for CPPA (Central Power Purchasing Agency).
- Assisting MWP in the identification of CEOs and COOs for Generation Companies (GENCOs).

2.4. NEPRA

As a part of Component 1, an assessment of the legal, regulatory and policy aspects of the National Electric Power Regulatory Authority (NEPRA)–DISCO operational relationship concluded with a list of potential areas of assistance and recommendations for improvements. Two situations have developed which may impact the nature of further assistance to NEPRA. First, the recent passage of the 18th Amendment to the Pakistan Constitution empowers the Provinces to have their own regulators, and second, the Friends of Pakistan Report recommends combining the electric and oil regulators. Until these two issues are clarified, efforts at NEPRA will be deferred.

3. PROGRAM STAFFING

	Employee Name	US citizen/ TCN/ CCN*	Work location in country	Position Title	Type T or A†	Employment Term		Remarks
						From	To	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
IRG DIRECT HIRE								
1	Dick Dumford	US Citizen	Islamabad	Chief of Party	A	21-Oct-10	30-Sep-13	
2	Saleem Arif	CCN	Islamabad	Deputy Chief of Party	A	1-Oct-10	30-Sep-11	
3	Cameron Macnish	TCN/UK Citizen	Islamabad	Director Finance & Admin	A	27-Jan-11	27-Jan-12	
4	Qurat ul Ain Ibrahim	CCN	Islamabad	Project Manager Associate	A	18-Oct-10	16-Sep-11	
5	Javed Akhtar	CCN	Islamabad	Security Manager	A	29-Oct-10	16-Sep-11	
6	Makhdoom Umar	CCN	Islamabad	Accounting Manager	T	26-Oct-10	16-Sep-11	
7	Shoab Zafar	CCN	Islamabad	IT Manager	T	11-Oct-10	16-Sep-11	
8	Zia ur Rehman	CCN	Islamabad	Communication Manager	T	1-Apr-11	16-Sep-11	
9	Faiz Alam	CCN	Islamabad	Finance & Admin Office Manager	A	5-Apr-11	16-Sep-11	
10	Kishwar Mohsin	CCN	Islamabad	Receptionist	A	4-Nov-10	16-Sep-11	
11	Malik Khurram Shahzad	CCN	Islamabad	Admin Assistant	A	4-Nov-10	16-Sep-11	
12	Zahid Noor	CCN	Islamabad	Accounting Assistant	T	6-Jan-11	16-Sep-11	
13	Waseem Iftikhar	CCN	Islamabad	Admin Assistant	A	18-Jan-11	16-Sep-11	
14	Inam ullah Khan	CCN	Islamabad	IT Assistant	T	10-Jan-11	16-Sep-11	
15	Sarwat Shafique	CCN	Islamabad	Office Assistant	A	5-Nov-10	16-Sep-11	
16	Michael John	CCN	Islamabad	Cook # 22	A	21-Oct-10	16-Sep-11	
17	Waseem Soraya	CCN	Islamabad	Cook Assistant	A	26-Oct-10	16-Sep-11	
18	MASIH Afzaal Gulzar	CCN	Islamabad	Janitorial Support	A	21-Oct-10	16-Sep-11	

* CCN – client country national; TCN – third country national.

† T – technical position; A – administrative position.

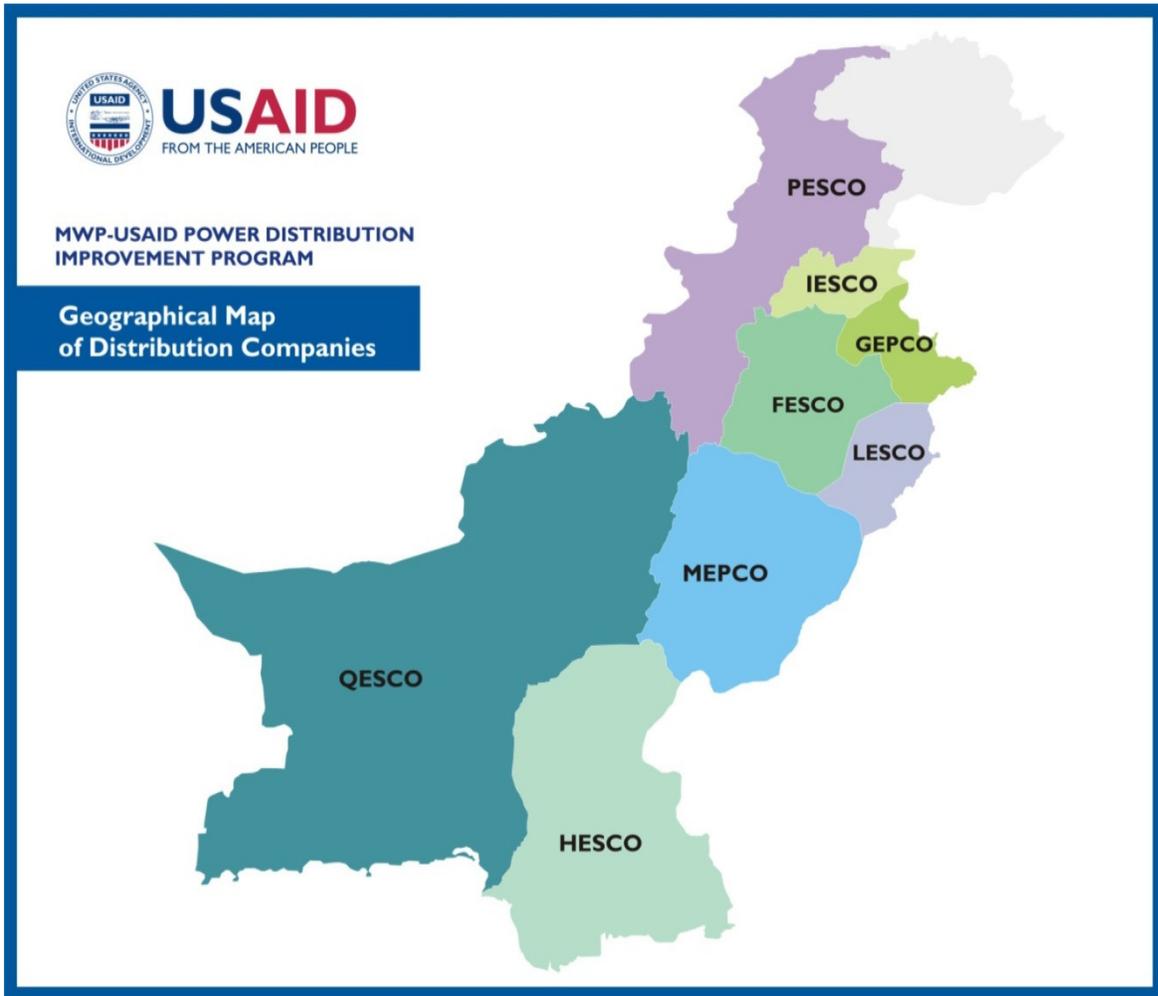
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						From	To	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
19	Jan Ghulam	CCN	Islamabad	Gardener	A	26-Oct-10	16-Sep-11	
20	Zahid Malik	CCN	Islamabad	Cook house # 23	A	7-Jan-11	16-Sep-11	
21	Ijaz	CCN	Islamabad	Janitorial Support house # 22	A	15-Dec-10	16-Sep-11	
22	Bilhuda Rasheed	CCN	Islamabad	Administration Coordinator	A	12-Mar-11	16-Sep-11	
Subcontractor: NRECA International Limited								
1	Gary Bartlett	US Citizen	Islamabad	Finance Management Accounting Expert	T	1-Nov-10	30-Sep-13	Lead - NECRA
2	Janet Kauffman	US Citizen	Islamabad	Commercial Ops Billing Cycle Expert	T	21-Oct-10	30-Sep-13	Lead - NECRA
3	Robert Kolling	US Citizen	Islamabad	Sr. Manager/ Advisor Distribution	T	15-Dec-10	30-Sep-13	Advisory Group, MWP
Subcontractor: EMG (Energy Markets Group)								
1	Joseph Ghanem	US Citizen	Islamabad	Hr Capacity Building Support	T	21-Oct-10	30-Sep-13	Advisory Group, MWP
2	Masood Ahmad	US Citizen	Islamabad	Advisor Energy	T	15-Nov-10	30-Sep-13	Advisory Group, MWP
3	Ashfaq Mahmood	CCN	Islamabad	QA Senior Advisor	T	21-Oct-10	30-Sep-13	
Subcontractor: PITCO (Pakistan Industrial Trading Company)								
1	Usman Malik	CCN	All DISCO cities	Field Project Manager	T	18-Sep-10	17-Sep-11	From mobilization date
2	Tahir Khan	CCN	Islamabad	Director Change Management - PDIP	A	8-Nov-10	31-Jan-11	
3	Tehseen Chohan	CCN	as above	HR Team Lead	T	1-Oct-10	3--Sept-11	
4	Noor Mengal	CCN	as above	Sr. Distribution Systems Construction Planner	T	1-Oct-10	3--Sept-11	as above
5	Shahid Zaidi	CCN	as above	Sr. Commercial Operation/billing cycle expert	T	22-Nov-10	21-Nov-11	as above
6	Kamran Riaz	CCN	as above	Sr. Cost of Service and Tariff Design	T	18-Oct-10	24-Nov-11	as above
7	Fazal-e-Khaliq	CCN	as above	Customer Accounts/Record Specialist	T	23-Nov-10	21-Nov-11	as above
8	Rehan Hameed	CCN	as above	HR Specialist	T	22-Nov-10	22-Mar-11	
9	Shahid Iqbal	CCN	as above	Disco Financial Management Accounting Director	T	4-Oct-10	30-Sep-11	Co-lead

3. PROGRAM STAFFING

	Employee Name	US citizen/ TCN/ CCN*	Work location in country	Position Title	Type T or A†	Employment Term		Remarks
						From	To	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
10	Hafiz Muhammad Nabeel Ishaque	CCN		GIS/ Mapping Specialist	T	28-Feb-11	17-Sep-11	
11	Hasnain Gohar	CCN		GIS/ Mapping Specialist	T	28-Feb-11	17-Sep-11	
12	Jamshaid Akhtar	CCN		GIS/ Mapping Specialist	T	28-Feb-11	17-Sep-11	
13	Muhammad Sikandar	CCN		GIS/ Mapping Specialist	T	28-Feb-11	17-Sep-11	
14	Mustafa Ahmed Bangash	CCN		GIS/ Mapping Specialist	T	28-Feb-11	17-Sep-11	
15	Sohail Rehman Khan	CCN		GIS/ Mapping Specialist	T	28-Feb-11	17-Sep-11	
Subcontractor: RIAA (Rizvi, Isa, Afridi and Angell)								
1	Jaffer Sibtain	CCN	Islamabad	Legal Advisor	T	6-Dec-10	5-Jun-11	Advisory Group, MWP
Subcontractor: SMC Private Limited								
1	Dr. Zahir Fikri	CCN	All DISCO cities	Quality Manager	T	2-Oct-10	30-Sep-13	Mobilized
2	Shafique ur Rehman	CCN	as above	Sr. Distribution Planning Advisor	T	6-Dec-10	30-Sep-13	Mobilized Nov 2010
3	Akhlaq Ahmed	CCN	as above	Sr. Tariff & Cost of Service Specialist	T	1-Nov-10	30-Sep-13	Mobilized Nov 2010
Subcontractor: TELCONET Services Private Limited								
1	Khurram Ehtesham	CCN	All DISCO cities	Metering Sys. Advisor	T	Nov, 2010	30-Sep-11	Mobilized Nov 2010
2	Atta ur Rehman	CCN	as above	Customer Acct's & Record Specialist	T	18-Sep-10	30-Sep-11	
3	Ahmad Kamal Janjua	CCN	as above	HR Specialist	T	22-Nov-11	30-Sep-11	Mobilized Nov 2010
4	Arshad Mehmood	CCN	as above	Billing Sys. Specialist	T	18-Sep-10	30-Sep-11	Mobilized since start date

4. GEOGRAPHIC COVERAGE



5. PROGRESS AND ACCOMPLISHMENTS

Deliverables completed in the first quarter (October-December 2010) are included below here for reference but are faded, except for comments on them from the current quarter. They will be removed completely from the next quarterly report.

Task Order Deliverable Ref. #	Task Order Deliverable	Task Order SOW Ref. #	Activities towards Deliverable	Results/Remarks
	(a)	(b)	(c)	(d)
1.	Comprehensive Report on Start-Up Workshop	C.4.1.1	The Power Sector Reform workshop was held in Lahore on November 11-12, 2010 which served as the start-up workshop for PDIP. Managers, CFOs and CEOs from all 8 DISCOs participated in this event. It served as an excellent platform to introduce PDIP to not just the DISCOs but all stakeholders of the power sector including: MWP, Ministry of Finance, Board of Investment, Ministry of Petroleum and Natural Resources, NEPRA, GENCOs, NTDC, IPPs, international donors, World Bank, Asian Development Bank, and KfW. Workshop report draft has been provided to USAID 14 December 2010 for approval.	Developed a shared set of reasonable expectations for what PDIP can provide, how the PDIP Team and the DISCOs will cooperate, the capabilities of the PDIP Team, and the respective roles of USAID and the GOP. USAID has agreed this deliverable will be finalized under Component 2.
2.	Factual Report on the present governance of DISCOs including the roles of MWP, NEPRA, PEPCO, and Boards of Directors of DISCOs, and planned changes therein	C.4.1.6	A factual report has been developed which (i) provides the status of each of the DISCOs with emphasis on governance and financial health; (ii) describes the roles of the Government agencies in power distribution sector; and (iii) presents a “think piece” for the constitution of a Task Force and participation of DISCOs in PDIP. Report draft has been provided to USAID 14 December 2010 for approval. This report has been undertaken as a “desk study”, that is, information was taken from published sources in Pakistan, on the Internet, from documents of international finance institutions, and from USAID	The data in this report serve as the “baseline” for PDIP’s performance improvement projects with DISCOs. It identifies major issues in governance, technical infrastructure, network operations, commercial practices, finance, customer care and service, human resources, legal framework, and corruption. It recommends five specific steps through which PDIP will best support GOP’s reform agenda. USAID has agreed this deliverable will be finalized under Component 2.

5. PROGRESS AND ACCOMPLISHMENTS

Task Order Deliverable Ref. #	Task Order Deliverable	Task Order SOW Ref. #	Activities towards Deliverable	Results/Remarks
	(a)	(b)	(c)	(d)
			files as well as Energy Markets Group (EMG) and other PDIP team members files.	
3.	A comprehensive report on current revenue management policies and practices, including the roles of the DISCOs, PEPCO and banks in the policies and practices	C.4.1.4	Report draft has been provided to USAID on November 23, 2010 for approval, which includes an analysis of the revenue collection/management policies in the DISCOs and a comparison of the policies with the practices on the ground. The study evaluates the funds transferred from DISCOs to the Central Power Purchasing Agency (CPPA), and the application of subsidies by GOP to cover differences between the cost of service and authorized tariffs. The report also evaluates the incentives/disincentives in place to DISCOs to ensure cost recovery.	The report identifies needs and opportunities and gives conclusions and recommendations for improvement in revenue management with due consideration to the practicality of recommendations in DISCO-specific scenarios. USAID has agreed this deliverable will be finalized under Component 2.
4.	Draft reports on the review of NEPRA	C.4.1.8	PDIP was introduced to NEPRA during the November 2010 start-up workshop. Subsequent meetings were held with NEPRA in which a list of potential improvement assistance actions was developed in conjunction with NEPRA. Report draft has been provided to USAID December 23,2010 for approval, which provides a fundamental legal and policy review of NEPRA and DISCO operations and relations. It provides summary information on NEPRA management and operations, legal basis for the appointment of NEPRA chairman and members, how its budget is funded, and the role of NEPRA in DISCO licensing and tariffs. This report is under USAID review.	Key findings and recommendations have been identified in conjunction with NEPRA for revisions in NEPRA's existing legal framework, policies, regulations, and practices, which are required to permit and/or require improvement in the performance of DISCOs as either GOP- or private sector-owned public utilities.. This assessment of the legal, regulatory and policy aspects of the National Electric Power Regulatory Authority (NEPRA)–DISCO operational relationship concluded with a list of potential areas of assistance and recommendations for improvements. Two situations have developed which may impact the nature of further assistance to NEPRA. First, the recent passage of the 18 th Amendment to the Pakistan Constitution empowers the Provinces to have their own regulators, and second, the Friends of Pakistan Report recommends combining the electric and oil regulators. Until these two issues are clarified efforts at NEPRA will be deferred. USAID has agreed this deliverable will be finalized under Component 2.

5. PROGRESS AND ACCOMPLISHMENTS

Task Order Deliverable Ref. #	Task Order Deliverable	Task Order SOW Ref. #	Activities towards Deliverable	Results/Remarks
	(a)	(b)	(c)	(d)
5.	Report on review of performance agreements of DISCOs	C.4.1.9	A draft review was provided to USAID for approval on January 3, 2011 on the "Performance Contracts" which have resulted from the "Performance Agreements" between DISCOs and MWP. The report analyses performance indicators and institutional arrangements required for their implementation. It identifies areas where difficulties may be encountered, and where the methodology may be improved, and where gaps may be addressed in areas normally covered in performance contracting.	The key finding of the review is to modify but not use the Performance Contracts in the proposed manner. It recommends using an alternative approach to improve DISCO performance, redraft performance indicators, and distinguish performance targets based on each DISCO's operations. USAID has agreed this deliverable will be finalized under Component 2.
6.	Draft Component 1 Work Plan			Final draft was provided to USAID on February 20, 2011 and will be combined with Component 2 Work plan for approval. USAID has agreed this deliverable will be finalized under Component 2
7.	Draft Component 1 Security Plan		A Security Handbook has been compiled as a comprehensive policy document in accordance with IRG project office safety and security guide. Report draft was provided to USAID December 20,2010 for approval.	The document evaluates country-wide threat and formulates a mandatory security and travel plan for the safety of PDIP staff. A final Security Plan has been developed for Component 2 and will be submitted to USAID in the next quarter. A final security plan was developed by PDIP, approved by the IRG Security Consultant and passed to USAID on February 28, 2011.
8.	Draft Component 1 Monitoring and Evaluation (M&E) Plan		The M&E Plan was developed according to the guidelines of the Automated Directives System (ADS) 201-203 to fulfill the management, monitoring, assessment, evaluation and reporting requirements of USAID/Pakistan. Report draft has been provided to USAID for approval.	The M&E Plan will support informed management decisions, improved organizational processes, identification of performance gaps, and the setting of goals for improvements. Updating of the M&E Plan will be conducted at the end of the first year of implementation. A short-term M&E consultant will help staff collect performance information. Performance M&E will serve to track the ongoing PDIP deliverables and support the constructive review of Work Plan activities for the adoption of feasible and effective approaches to implementation. USAID has agreed this deliverable will

5. PROGRESS AND ACCOMPLISHMENTS

Task Order Deliverable Ref. #	Task Order Deliverable	Task Order SOW Ref. #	Activities towards Deliverable	Results/Remarks
	(a)	(b)	(c)	(d)
				be finalized under Component 2.
9.	Draft Component I Branding and Marking (B&M) Plan		Report draft has been provided to USAID October 2010 for approval. It is currently under revision with PDIP. The branding strategy is guided by USAID's Documentation Outreach and Communications office in Pakistan. This document facilitates PDIP's goals by summarizing PDIP's communications objectives and publicity mechanics, It incorporates a draft list of stakeholders including primary and secondary target audiences to be engaged through appropriate communication methods and materials. The Marking Plan identifies an illustrative list of items that will bear USAID's graphic identity along with key visual templates.	The plan determines how the Program will position, promote, and communicate the USAID brand through most effectively informing the host-country's government, civil society organizations, media, the private sector, multilateral agencies, and bilateral donors about USAID's commitment to the power sector reforms. This message will continue to resonate actively, strategically, and consistently in a variety of ways through PDIP's scheduled completion. The Marking Plan translates into communicating a coherent, consistent and visible USAID brand. USAID has agreed this deliverable will be finalized under Component 2. Details of the plan will be completed by April 30, 2011.
10.	A report with recommendations and proposals concerning the establishment, staffing and functioning of the PDIP Implementation Task Force	C.4.1.2 & C.4.1.3	<p>The Implementation Task Force of PDIP is being led by IRG under the leadership of the IRG Chief of party (COP) and consists of 43 IRG professional personnel, 37 Pakistani, and 6expatriates. Fully equipped office facilities, transportation and support services have been established to facilitate the working of the PDIP Team.</p> <p>Identification of new posts under Component 2have been identified and recruiting planning to fill all appointments at the right time is underway. Advertisements will be placed in April, interviews conducted and posts filled, where appropriate.</p>	In the implementation phase it will be supplemented by additional personnel including employees from the individual DISCOs selected to serve on the PDIP Implementation Team. The Task Force Manager will conduct periodic meetings with the DISCOs and MWP and other interested stakeholders to share information, inform progress of performance improvement project activities, and present information regarding problems/solutions to issues common to all DISCOs and other stakeholders. USAID has agreed this deliverable will be finalized under Component 2.
11.	Submission of Final USAID-approved Component I Work Plan, Security Plan, M&E Plan and B&M Plan		Submission pending USAID approval of individual plans.	See individual report statuses above.

5. PROGRESS AND ACCOMPLISHMENTS

Task Order Deliverable Ref. #	Task Order Deliverable	Task Order SOW Ref. #	Activities towards Deliverable	Results/Remarks
	(a)	(b)	(c)	(d)
12.	Submission of first Draft DISCO Operational Audit Report	C.4.1.4	First major activity of the Program was operational audit of DISCOs. It began with LESCO in Lahore on November 24, 2010. LESCO Operation Audit Report was submitted to USAID mid-January, 2011.	USAID representative attended meeting on review of findings with LESCO in Lahore on January 15, 2011. Report was subsequently provided to the Secretary, MWP by USAID for review. USAID has agreed this deliverable will be finalized under Component 2.
13.	Submission of first Final DISCO Operational Audit Report	C.4.1.4	See Task Order Deliverable Ref. # 12.	This deliverable is due under Component 2.
14.	Submission of first Draft PIAP	C.4.1.5	LESCO PIAP is being drafted along with the description of specific performance improvement projects. The document will present a summary of proposed performance improvements, together with an action plan to accomplish the targets. Two sets of actions are presented in the Action Plan – general interventions that will be the focus of technical assistance and training efforts; and projects that will have a more specific purpose that may have engineering, commercial management, HR and other functions, and may require procurement of materials and construction of works. Draft LESCO PIAP was submitted to USAID for approval.	The goal of this report is to provide a blueprint to modernize LESCO as an electric distribution utility; to present a vision of how LESCO can achieve the high standards of electric distribution performance to which its consumers are entitled; and to present specific targets and actions that define the goals and objectives of the performance improvement program. Lastly, this report presents a time-scheduled plan with estimated investment costs describing how LESCO can achieve the targets defined herein. USAID has agreed this deliverable will be finalized under Component 2.
15.	Submission of first Final PIAP	C.4.1.5	Final LESCO PIAP is under internal verification.	USAID has agreed this deliverable will be finalized under Component 2.
16.	Staggered Submission of the balance of required draft and final DISCO Operational Audit Reports and Draft PIAP	C.4.1.4 & C.4.1.5	<ul style="list-style-type: none"> • The PDIP Team paid pre-audit visits to all the eight DISCOs, one by one (18 Oct-4 Nov, 2010), to introduce the Program and to have a preliminary assessment of their operations and business. • Schedule of pre-audit visits: <ul style="list-style-type: none"> • LESCO 10/18/10 	USAID has agreed this deliverable will be finalized under Component 2.

5. PROGRESS AND ACCOMPLISHMENTS

Task Order Deliverable Ref. #	Task Order Deliverable	Task Order SOW Ref. #	Activities towards Deliverable	Results/Remarks
	(a)	(b)	(c)	(d)
			<ul style="list-style-type: none"> • GEPCO 10/19/10 • FESCO 10/21/10 • HESCO 10/28/10 • IESCO 10/29/10 • PESCO 11/01/10 • QESCO 11/02/10 • MEPCO 11/04/10 • An operational audit of each of the eight DISCOs was conducted by the PDIP Team in partnership with each DISCO to establish baseline information for improvement interventions in each of the functional area of finance, commercial management, human resource, engineering & operations and communications & customer relations. This intensive activity was completed in all the eight DISCOs by 28 January, 2011. <p>Schedule of operational audit:</p> <ul style="list-style-type: none"> • LESCO 11/24/10 – 11/30/10 • FESCO 12/13/10 – 12/18/10 • HESCO 12/20/10 – 12/24/10 • PESCO 12/28/10 – 01/01/11 • MEPCO 01/18/11 – 01/22/11 • GEPCO 01/11/11 – 01/19/11 • IESCO 01/05/11 – 01/08/11 • QESCO 01/25/11 – 01/27/11 	<ul style="list-style-type: none"> • The team determined DISCOs actual procedures and practice especially with respect to loss control, restoration of service and safety standards. Baseline information regarding DISCOs performance will be established and interventions will be identified. USAID has agreed this deliverable will be finalized under Component 2. • There will be a continuing effort with the DISCOs to establish the necessary framework for presenting regular and quality Business Plans. • The required 10 year forecast, power requirement studies and long range construction work plan have not yet been included because DISCOs lack training to use forecasting software. PDIP is working with the DISCOs to develop these skills in a sustainable manner. Some of the software was provided by World Bank and others quite a long time ago but has not been used. USAID has agreed this deliverable will be finalized under Component 2.

5. PROGRESS AND ACCOMPLISHMENTS

Task Order Deliverable Ref. #	Task Order Deliverable	Task Order SOW Ref. #	Activities towards Deliverable	Results/Remarks
	(a)	(b)	(c)	(d)
			<ul style="list-style-type: none"> • The PDIP Team worked with all eight DISCOs to help them develop improved Business Plans. DISCOs have submitted revised FYE 2010 Business Plans to PDIP by February 28, 2011. • Based on the operational audit reports, PIAPs for all the eight DISCOs are being drafted along with the description of specific performance improvement projects. Action Plan drafts were provided to USAID for three DISCOs (LESCO, FESCO and PESCO) for approval. Draft Action Plans were complete by February 28 for all 8 DISCOs. The detailed final Reports are planned to complete by May 30, 2011. • Consultative Meetings with individual DISCOs to brief them on the findings of the operational audits and performance improvement action plan activities including performance improvement projects have been held with two of the eight DISCOs and the rest are planned to be held by April 30, 2011. Saleem Arif, Usman Malik • A Partnership Agreement is being developed between the individual DISCO, MWP, and USAID on how Performance Action Plan and Performance Improvement Project responsibilities will be shared. This development is anticipated to be completed by April 30, and the Partnership Agreements executed by the parties May 31, 2011. 	
17.	Submission of first Draft MWP	C.4.1.6	<u>Activities for Performance Improvement of NEPRA</u>	

5. PROGRESS AND ACCOMPLISHMENTS

Task Order Deliverable Ref. #	Task Order Deliverable	Task Order SOW Ref. #	Activities towards Deliverable	Results/Remarks
	(a)	(b)	(c)	(d)
	and NEPRA Participation Action Plan		<p>See serial 4.</p> <p><u>Activities with the Governance Restructuring Team (GRT) Assigned to MWP</u></p> <ul style="list-style-type: none"> • GRT reviewed MWP processes and interviewed MWP officials to understand problems, issues and weaknesses at MWP – Interim report was submitted and discussed with the Secretary on January 22, 2011. • GRT has developed MWP Action Plan and budget for implementation during PDIP Phase II through September 2013. These were completed on February 28, 2011. Now developing revised comprehensive Action Plan that will cover activities under both PDIP and GTIP. • GRT assisted the Secretary, MWP in a number of meetings for the orderly dissolution of PEPCO. Joined MWP working group to achieve this objective by June 2011. • Provided MWP legal support on a number of MWP issues including policy development, monitoring, public outreach and handling of tariff/regulatory issues. • Drafted a memo on Post 18th Constitutional Amendment scenario pertaining to electricity. • GRT is assisting MWP in the identification of CEOs and COOs for GENCOs. GRT is working with an executive search firm to find CEO of CPPA (Central Power Purchasing Agency). • GRT is developing a scope of work for a least cost generation study to complement two previous studies; <ul style="list-style-type: none"> ○ (i) Pak IEM (Integrated Energy Model) 	<p>Component 2 of PDIP will assist MWP in the following areas;</p> <ol style="list-style-type: none"> a. Improve sector governance b. Restructure power sector c. Strengthen the MWP d. Develop future leaders for the power sector e. Establish a policy and planning cell f. Develop key performance indicators

5. PROGRESS AND ACCOMPLISHMENTS

Task Order Deliverable Ref. #	Task Order Deliverable	Task Order SOW Ref. #	Activities towards Deliverable	Results/Remarks
	(a)	(b)	(c)	(d)
			<p>developed for the Planning Commission (Energy Wing) and</p> <ul style="list-style-type: none"> ○ (ii) National Power Plan being developed by a Canadian contractor for NTDC (National Transmission and Dispatch Company). • Drafted a memo discussing concepts for merging some PEPCO functions into CPPA and devolving some other functional areas to DISCOs as part of PEPCO dissolution. • Reviewed a staffing report submitted to MWP by Alternative Energy Development Board and summarized content. • Presented and discussed a plan for leadership development with Secretary and MWP Officers. • Supported a meeting at Planning Commission, chaired by Deputy Chairman, Nadeem-ul-Haq, and attended by MWP official, NEPRA, MOF, WB, and key consultants of PSRP team on Uniform Tariffs. The committee met twice within the week and reviewed different concepts including the one proposed by PDIP. • At MWP's request, started reviewing Electricity Acts for the purpose of recommending amendments that reinforce good governance and remove some of the obstacles in electricity theft prosecution and add more clarity to the roles of various institutions. • Drafted a memo giving options for making DISCO and GENCO BODs more independent. Drafted a proposed notification by GOP to affect BOD independence. • Developed and presented a conceptual framework for O&M contracts. 	

5. PROGRESS AND ACCOMPLISHMENTS

Task Order Deliverable Ref. #	Task Order Deliverable	Task Order SOW Ref. #	Activities towards Deliverable	Results/Remarks
	(a)	(b)	(c)	(d)
18.	Integrated Commercial Office for a subdivision		The Commercial Team has drafted an estimate of resources required to create an Integrated Commercial Office for a subdivision. Various CIS software packages are being reviewed and specifications are being prepared for the RFP.	
19.	Engineering Activities at DISCOs		<p>FESCO was chosen as the location of the first subdivision optimization project due to their unsuccessful use of GIS software. It was decided that FESCO could be trained on the use and benefits of GIS software while assisting it with the development of an engineering model for the 'model subdivision'. Subdivisions with high quantities of loss whose consumer mix closely resembled FESCO as a whole were evaluated to find a suitable subdivision for the site of the first subdivision optimization project.</p> <p>The elements of the FESCO Subdivision Optimization Project include:</p> <ol style="list-style-type: none"> 1. Develop geographic information system (GIS) of subdivision HT and LT distribution circuits. 2. Evaluate modifications required in HT and LT circuits – extending HT to reduce LT losses, introducing new transformers, and replacing 	<p>1.As desired by COP, FESCO participation was assured by providing FESCO staff enough training in setting up and maintaining GIS Mapping Data Base using already procured ARC GIS software by FESCO Planning and Engineering. With the help of FESCO staff we prepared single line diagrams for all of the feeders for Garden Colony sub division along with the technical data to run preliminary analysis with their existing software which was used for comparison. The filed pole to pole survey of entire HT network of Garden Colony sub division has been completed with the help and active participation of FESCO Planning and Engineering. LT network survey is in progress.</p> <p>2. WindMill models are being prepared in consultation with Jim Vancouvering to ascertain the required</p>

5. PROGRESS AND ACCOMPLISHMENTS

Task Order Deliverable Ref. #	Task Order Deliverable	Task Order SOW Ref. #	Activities towards Deliverable	Results/Remarks
	(a)	(b)	(c)	(d)
			<p>sections of LT line with multiplex to reduce vulnerability of theft.</p> <p>3. Install AMR metering on feeders and distribution transformers.</p> <p>4. Review meter installations, replacing meters as needed to ensure accurate revenue metering.</p>	<p>rehabilitation plans.</p> <p>3. Existing AMR projects in Pakistan have been studied and their lessons learned taken into consideration in developing the scope of the AMR portion of this project. Selection of the system configuration and topology is currently being decided.</p> <p>4. Plans are being finalized to test each energy meter with the help of FESCO M&T department and install a bar code tag to each meter containing customer account and other information. In addition, each distribution transformer is going to be assigned a unique identification number so that the customers are linked to the transformer.</p>
20.	Change Management Plan		A Change Management Plan, with focus on HR, was developed. A presentation was made to senior staff for a general review and feedback.	
21.	Utility Exchange Program		A concept paper was developed for the Utility Exchange Program.	Details on how to proceed were shared with USEA, which will be responsible for implementation. PDIP will, however, develop criteria for selecting candidates from DISCOs.
22.	DISCO seconded staff on Implementation Task Force		Job Descriptions (11) were developed, covering all PDIP areas (operations, finance, HR, Communications and Outreach), as a first step for having DISCO seconded staff as part of the PDIP partnership team.	Criteria will be developed for the selection of candidates and DISCOs will be invited to nominate staff with high potential to join PDIP. The per diem arrangements for these employees are under discussion with USAID.

6. KEY EVENTS AND MEETINGS

Sr. #	Title	Date	Participants	Outcome/Result
(a)	(b)	(c)	(d)	(e)
1	Financial Management Component 2 Initiatives	March 2011	PDIP Financial Management Team, KESC CIO, PWC, KPMG, Jaffer Bros., Abacus Consulting	Discuss, evaluate and solicit proposals from potential partners for the documentation and implementation of DISCO ERP solutions.
2	Audit Consultation meeting with LESCO	January 15, 2011	Team leads led by COP, senior management of LESCO	Audit findings and resultant action plans were discussed. In general, the management was agreeable to the proposed improvement action plans and interventions. Certain areas, such as the proposed structural reorganization of LESCO would need further discussion, before a clear way forward is agreed upon.
3	Audit Consultation meeting with FESCO		Team leads led by COP, senior management of FESCO	Audit findings and proposed improvement action plans were discussed. The management was fully in agreement with the plans and promised their full coordination and support for successful implementation.
4	US Trip for Secretary for the Ministry of Water & Power	March 6 to March 16, 2011	Secretary of MWP, Javed Iqbal and MWP Senior Distribution Advisor, Bob Kolling	The Secretary was able to attend the NRECA Annual meeting in Orlando, FL to visit with other countries' energy officials and discuss their energy issues. Attended meetings on governance, leadership, capacity building & advanced technology. Visited Peace River Cooperative and discussed policy building. Spent two days in NYC and many visits with private energy organizations, state agencies and local regulatory authorities to assist build an effective policy power sector for Pakistan.

6. KEY EVENTS AND MEETINGS

5	Presentation of PDIP to new Boards of directors at the training sessions provided by PDIP	Feb 14 – 25, 2011	Newly appointed Boards of Directors and Members for DISCOs	
6	Presentation of PDIP to <ul style="list-style-type: none">Chairman WAPDADeputy Secretary Planning Commission		PDIP COP, USAID and Deputy Planning Commission officials Senior GOP officials	Presented summary of PDIP and actions in power sector reform
7	Presentation of Operational Audit Findings to Secretary MWP		PDIP COP and senior staff, Secretary MWP, Joint Secretary Power MWP, Minister of Energy and Planning Commission	Presented situations found in the DISCOs

7. PROBLEMS AND OBSTACLES

Sr. #	Problems/Obstacles/Issues	Steps Taken to Remedy Them
	(a)	(b)
1	Initially, it was felt all DISCOs needed their own stand alone ERP solution. However, the size and quality of IT staff required to adequately sustain an ERP infrastructure does not exist at most DISCOs.	To allow certain DISCOs to take advantage of an organizational ERP solution while minimizing the need for a large sustainable quality IT staffed department, PDIP is proposing that certain DISCOs consider a shared services arrangement. These DISCO ERP systems would be managed from a third party host environment with large and sustainable IT resources. Sustainable resources include continuous ERP training.
2.	Secretary, Water & Power and MWP's senior officers are very busy with daily operations. As a result, their attention on reform issues is derailed. GRT's activities are subsequently delayed.	GRT tried to manage this obstacle by requesting official appointments with the appropriate officers. However, this attempt was partially successful as meetings were often postponed. GRT proposed to the Secretary and senior officers to join them at lunch time and discuss pending issues and progress to-date.

8. SECURITY RISKS

Security Risks	Steps Taken to Overcome Them	Progress/Remarks
<p>The presence of Al-Qaida, Taliban elements, and indigenous militant sectarian groups continues to pose a potential danger to US and other western citizens and US companies like IRG throughout Pakistan. Terrorists and their sympathizers have continued acts of terrorism throughout the quarter all over Pakistan, especially in Baluchistan, Khyber Pakhtunkhwa and Punjab, on civilian, government, and foreign targets, in particular mounting a large IED explosion on March 8, 2011 at what was formerly the low (moderate) risk city of Faisalabad.</p>	<ul style="list-style-type: none"> • Security assessment conducted of House # 22 Margala Road (PDIP expat residence) • PDIP Security Plan was reviewed, re-written and finalized on February 28, 2011. • 2 x security plan briefings, including actions to be taken in the event of IED, riots, kidnapping and RTAs, for all staff were conducted on March 11 and 29. • Emergency procedures in the event of the above potential security incidents were taken from the security plan, laminated, and left in each car. • Security assessment conducted of House # 20 Hill Road (new PDIP office). • Emergency rations (sufficient for 15 days) were ordered and stored in both houses in the event of civil disturbances disrupting access to shops. 	<ul style="list-style-type: none"> • Completed in January 2011 and recommendations implemented. • Plan approved and endorsed by the IRG Security Consultant, Bob MacPherson. All staff informed of its location on the central server. • A total of 27 staff attended the briefing and signed the copy of Security Plan. Further security briefings are planned for the 3rd quarter to capture remaining and new staff joining the program. • This provides an immediate referral for PDIP passengers in the event of a security incident. • Completed in March 2011 and security work underway ready for occupation in late April.
<p>Increased security risk occurred due to the Raymond Davis case on the day of his release (March 16) from Lahore prison and the 3 days that followed.</p>	<p>US embassy perceived a major threat to all US citizens and interests and the US embassy closed down. PDIP was also closed down Friday - Sunday.</p>	<p>All operations were stopped, local staff sent on leave to home and expats restricted to their residence. Emergency rations, procured the week before as a contingency option for such an event, were used for expat staff.</p>

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