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**LONG-TERM ADVISORY SERVICES
FRANCES NOWAK - UZBEKISTAN
PERIOD COVERED FEBRUARY, 1997 - SEPTEMBER, 1998**

**NIS INSTITUTIONAL BASED SERVICES UNDER THE
ENERGY EFFICIENCY AND MARKET REFORM PROJECT
Contract No CCN-Q-00-93-00152-00
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**Central Asian Republics
Regional Energy Sector Initiative**

Final Report

Prepared for

U S Agency for International Development
Bureau for Europe and NIS
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BACKGROUND

Since February 1997, with the brief exception of an approximate two month planning period in the U S , Frances Nowak has resided in Uzbekistan For that time period Miss Nowak spent, on the average, 95% of her time in Tashkent, with occasional visits to Almaty for planning purposes

She first arrived in February 1997 with an accompanying party of Hagler Bailly and USAID Washington, Almaty and Tashkent representatives, and was introduced, along with Hagler Bailly's Turkmenistan Advisors, to Agencies and Institutions vital to the Delivery Order (DO) 17 project

This meant an early introduction to representatives of Uzbekneftegaz, the National Corporation of Oil and Gas Industry At that first meeting, those present from the Corporation were Uzbekneftegaz Deputy Chairman, the Head of the Scientific and Technological Section and the Director and Deputy Director of Uzneshneftegaz, the Section on Foreign Relations

The delegation also met with the Chief of the World Bank mission to Tashkent, with the Director and staff of USAID Tashkent, and with the Director of the TACIS program for Uzbekistan Individual meetings with other interested parties also took place during that team visit and every attempt was made to give Miss Nowak a picture of the oil and gas sector in Uzbekistan and USAID's relationship to the major players in that sector

It was quickly apparent that USAID was not well known in the oil and gas sector although it was known in other sectors The attitude of the Uzbekneftegaz representatives was polite but reserved and rather skeptical As to the World Bank, it said little about its involvement in energy reform (funding Clifford Chance's effort to draft a Petroleum Law) but emphasized instead that it was not at that time' engaged in the oil and gas area A clear picture of their actual involvement in the legislation area and the status of the Clifford Chance-Uzbekneftegaz relationship was never provided Miss Nowak nor Hagler Bailly It did not become evident until many months later This information would have been useful at the very beginning as USAID/Hagler Bailly assistance in the law effort could have been brought in much earlier

It also became clearer much later in the Project that this round of initial introductions was not made at sufficiently high levels and this mistake was never able to be remedied

Although the original intent was that Miss Nowak along with the other Hagler Bailly consultants, should visit Kazakhstan and Turkmenistan so as to familiarize themselves with the entire region, USAID decided Miss Nowak would better serve the Project by remaining in Tashkent and beginning her acclimatization immediately She stayed on alone in Tashkent for two weeks and

began the process of identifying likely future counterparts Miss Nowak then joined her consultant colleagues for a group indoctrination week in Almaty before heading back to the States to plan her move to Tashkent

By the beginning of May Miss Nowak was back in Tashkent and in temporary hotel quarters which served as residence and office Once appropriate locations were found, household goods arrived from the U S , and basic office supplies installed, Miss Nowak opened the Hagler Bailly office at 54 General Karimov Street in a central, residential section of Tashkent Her living quarters occupied a small portion of the same building but were separate from the office area and caused no interference with office operations

By this time Miss Nowak had identified and hired an Uzbek assistant, Mr Dilmurad Baimatov, who was serving in all general office capacities office manager, driver, bookkeeper, purchasing agent, building superintendent, personal assistant and general Project Assistant This arrangement lasted from May until August when one other Uzbek staff member, Mr Fotikh Mirjalolov, was added, to fill the position of Project Analyst This remained the staff until the present day All translation and interpretation work throughout the DO 17 project, was done by hourly free-lance assistants hired on an as-needed basis

Although advised to hire no permanent translator/interpreters, as a 'lesson learned' this proved to be a mistake The very fact that translator/interpreters do not work under contract means they may be working for other clients at the very time they are most needed This happened often and caused considerable inconvenience to the Project

The Hagler Bailly Tashkent staff was joined for short periods by Hagler Bailly consultants in Tashkent to deliver a Workshop/Seminar or to offer short-term assistance in the legal and regulatory reform tasks assigned DO 17

No other USAID consultants (Hagler Bailly) resided in Tashkent for any length of time but several "short-time advisors" contributed many man-hours in country and continued to monitor and stay in touch with Uzbekistan events, when back in the States Of those advisors, the only one with enough time spent on Uzbekistan DO 17 training and technical assistance so as to develop relationships with counterparts, was John Sanders He also become sufficiently informed about the economic and political conditions in Uzbekistan so as to serve effectively as a co-Advisor during his stays in Tashkent

Patrick Grammar, Bhamy Shenoy and to a lesser extent, Paul Teleki, also added continuity to in-country assistance by not only spending some time with the Project in Tashkent, but also by following through on ideas initiated, providing input and work-product on a regular basis and monitoring events long-distance, even when involved simultaneously with other projects

As to the overall scope of the work effort in Uzbekistan, the main document outlining project tasks was drafted early in the life of the project. USAID and Miss Nowak, at the request of Uzbekneftegaz, drafted a Memorandum of Understanding (MOU) specifying the general issues to which USAID training and technical assistance would be addressed, and the obligations on the latter, as recipient of this aid. Although the document was many months under negotiation and progress was slow, actual assistance began immediately with Miss Nowak's arrival. In her meetings with Uzbekneftegaz counterparts, a need for training was constantly expressed. Together they developed a list of topics around which training could be centered. This information was passed to the U.S. where Hagler Bailly consultants were designing Workshop/Seminars and accompanying course materials in English and Russian.

In July 1997, Frances Nowak and Hagler Bailly consultant John Sanders, lectured on U.S. legal issues to Human Resources specialists enrolled in government-mandated Continuing Education classes at the Tashkent State Institute of Law. In mid-August the first Workshop/Seminar was held in the series designed in response to specific topic requests from Uzbekneftegaz.

The first program on the topic of international oil and gas agreements, was given mainly for jurists and participants represented a wide range of governmental agencies, institutions and ministries. Thad Grundy, an international attorney with previous experience in the former Soviet Union, was the instructor. Finding a location, obtaining official permissions, identifying and securing the right level and mixture of participants, obtaining the needed course materials in English and in Russian, making last minute changes and additions to these materials, finding a qualified interpreter with knowledge of American oil and gas terminology, securing assistance in planning lunches, breaks and reception, leasing necessary audio-visual equipment and finding help for dismantling and cleanup after the program—was an exhausting task since at the time there was only the Resident Advisor and her one assistant.

Post-program analysis revealed another 'lesson learned' it was simply not possible to stage quality training programs of any consistent nature unless at least one full-time local staff member was assigned to this task. As this was not possible budget-wise, the following five Workshop/Seminars held in Uzbekistan, required excessively large amounts of time to plan and present. This expenditure of time and effort would have been more effectively used if Hagler Bailly's U.S. training coordinator had a full-time counterpart resident in the CAR region.

Once training began to arouse interest on the part of Uzbekneftegaz counterparts, all attempts were made to bring together in one Workshop, persons identified as potential policy-makers in the oil and gas sector, whether from the Corporation itself or other institutions. Contacts were slowly developed with other Uzbek professionals whose positions gave them regular interchange with Uzbekneftegaz or whose agencies had somewhat of a monitoring or controlling function over oil and gas activity. Some of these agencies are identified in the 'Counterpart' section which follows.

While the Memorandum of Understanding was still in the process of negotiation, it was often difficult to gain access to individuals within Uzbekneftegaz who were designated as Hagler Bailly's working counterparts. All departments suffered from under-staffing and the prime DO 17 counterpart department, Uzneshneftegaz, or the Section for Foreign Relations, was one of the worst. Chronically undermanned and over-worked, the very individuals chosen by USAID as working colleagues, did not have time to meet or telephone. Since not "commanded" to do so by their superiors, meetings had to be coaxed and nearly coerced, although the need for assistance was obvious at every get-together.

(Again, the lack of access to the very top of the Uzbekneftegaz command structure caused problems from the very beginning on up to the present day)

With a great deal of patience a trust was eventually developed with Uzneshneftegaz directors so that Miss Nowak was given a clearer picture of the nature of support USAID could expect in efforts toward legislative and regulatory reform in the oil and gas sector. In the Fall of 1997, USAID assistance was somewhat coyly, but officially, requested for completion of the draft law project begun by Clifford Chance. It was not made evident at that time that the Clifford Chance-Uzbekneftegaz relationship had deteriorated entirely to the embarrassment of both parties. What was clear was that Uzbekneftegaz officials themselves were getting unfavorable notice for the length of time already expended on the law drafting process. Once a copy was released to Hagler Bailly of the latest version of the Petroleum Law, Hagler Bailly consultants in the U.S. began immediate work on its analysis and recommendations for improvements. The proviso given Hagler Bailly on this effort was that Uzbekneftegaz had no desire to go back to the beginning in the drafting process. For better or worse, Hagler Bailly would only be able to modify the current draft, not construct an entirely new law.

While efforts were continuing in the legislative area, discussions had already begun in mid-97 with the State Committee for State Property Management and Entrepreneurship Support (GKI) on USAID assistance in the further privatization of Uzbekneftegaz. Initially this idea was not in the DO 17 program as a major assignment but as it became better understood that Uzbekneftegaz was the oil and gas industry in Uzbekistan and without its restructuring there could be no serious reform, the privatization issue took on more importance. After several meetings with Hagler Bailly, GKI officially asked for its assistance in procuring USAID financing for restructuring of Uzbekneftegaz. GKI was not willing to proceed without a formal protocol outlining the level of assistance USAID was willing to offer. USAID insisted that Uzbekneftegaz be a signatory to the Protocol as no work could proceed without their agreement. The first draft protocol was drawn up between the Parties in early 1998 and negotiations continued regularly until May of 1998 when USAID felt a re-evaluation of this commitment was warranted. USAID did not reopen negotiations on this matter until September 1998 and discussions are continuing at the present time.

As training programs began to provide a clearer picture of the level of expertise in the oil and gas industry, the consensus or lack of it on national energy policy, the workplace structure in place in counterpart organizations and the decision-making process governing employees' activities, talent, industriousness and intelligence was evident throughout. So was the lack of exposure to western and international analysis and practice. Program participants literally 'thirsted' for more information on international methods and standards. They had little access to information from outside sources, work tools at their disposal were poor or non-existent and their ability to guide their own professional development was extremely limited. The rigidly controlled, command-style nature of the oil and gas industry was revealed in every conversation. Although innovative ideas were discussed for improvements in their own work areas, most of the professionals met through training, felt it impossible to impose change from within. All major day-to-day decisions were made at the top and passed on downward for performance.

This understanding helped to shape the text of the Memorandum of Understanding that USAID developed for the Government of Uzbekistan. Actual signing of the MOU between both governments took place at the end of December 1997. U.S. Ambassador Joseph Presel signed for the U.S. and Deputy Prime Minister and Chairman of Uzbekneftegaz, Kayim Khakkulov, signed on behalf of the Government of Uzbekistan.

With the MOU in place, Miss Nowak had a mechanism with which to gain entrance to local agencies and with which to compel greater cooperation and participation from Uzbekneftegaz counterparts.

UZBEKISTAN OIL AND GAS SECTOR COUNTERPARTS

Uzbekneftegaz

The oil and gas industry in the Republic of Uzbekistan is at present a Government controlled monopoly and all operations are entirely within the purview of the National Corporation of Oil and Gas Industry (Uzbekneftegaz). Thus, USAID and Hagler Bailly could not have carried out the training and technical assistance agreed to by the U.S. and Uzbekistan governments without finding counterpart specialists within Uzbekneftegaz. However, because initial introductions of Miss Nowak did not take place at the level of Uzbekneftegaz Chairman Khakkulov, and because Hagler Bailly was immediately requested to channel all contact with Uzbekneftegaz, the Uzbekneftegaz section on Foreign Relations, contacts for the next 1-1/2 years took place several levels below the Chairmanship. In actuality, the Director of Uzbekneftegaz relegated all contact to his Deputy, so dialogue conducted throughout DO#17 remained at this level. On occasion, at Miss Nowak's insistence, meetings were held with Deputy Uzbekneftegaz Chairman Akhmedov but these meetings were difficult to arrange, given his level of responsibility and demanding workload. They were little productive for resolving day to day project concerns.

Of course, there can be no understanding of Uzbekistan oil and gas policy unless one has a contact within the National Corporation at some level. USAID formally instituted a relationship with Uzneshneftegaz earlier, during initial discussions with the Government of Uzbekistan in 1996. The 1994 World Bank grant to support the creation of a Petroleum Law for Uzbekistan, was put under the day to day control of Uzneshneftegaz. The Petroleum Legislation Working Group which has worked on this project up to the present, was also managed by this same section. In effect, all corporation contacts involving foreign entities, are under the supervision of Uzneshneftegaz. This group has been the one to form the closest relationships with the Hagler Bailly office in Tashkent and those who have met with Hagler Bailly short-term advisors have shown themselves ready to support passage of a Petroleum Law, for establishment of an OGRA, for wider use of international standards and contractual agreements, and for gradual but concrete steps toward privatization of Uzbekneftegaz itself.

Faculty of Oil and Gas, Tashkent State Technical University

While in Houston in June 1996, Miss Nowak attended President Karimov's first presentation there to the U.S. oil and gas industry. She was introduced to a member of the Presidential party, Deputy Uzbekneftegaz Chairman Kh. Zhumaev. In a discussion of education for Uzbekistan oil and gas specialists, she learned that the overwhelming majority of Uzbekneftegaz' technical specialists graduate from Tashkent State Technical University (TSTU). The National Corporation and the TSTU work hand-in-hand to fill Uzbekneftegaz' needs through training and apprenticeship programs. Most of today's industry's leaders however, received advanced training in Moscow when Uzbekistan was still under Soviet rule. Discussion revealed that the Tashkent training facilities were inadequate by most international standards.

At Uzbekistan's first international Oil and Gas Conference in May 1997 Deputy Chairman Zhumaev introduced Miss Nowak to the Dean of the oil and gas faculty at the TSTU and to several of the senior faculty members. This meeting led to development of a close contact between the Hagler Bailly office and the oil and gas faculty and to the inclusion of TSTU curriculum enhancement in the Memorandum of Understanding.

Contact with the oil and gas faculty has provided useful information on planned and current oil and gas activity plus insights into oil and gas policy-making. While dependent on Uzbekneftegaz for the extra financial support it provides for educating its student-employees, the faculty is still enough detached as to be free to develop outside contacts in the name of academic pursuits.

Oil and gas faculty members have participated in Hagler Bailly-conducted workshop/seminars and especially in the more oil field-specific training, their participation has added to the program's success.

Lessons learned: The educational system in the CAR is not well understood by most American consultants. Although it is one of the sectors undergoing the most changes in Uzbek society

State Universities are poorly financed and oil and gas training in particular, receives little direct government support. Even the ablest students in this discipline, are receiving sub-standard education due to outdated materials, poorly-trained teachers, little or no classroom equipment, lack of exposure to outside influences and most importantly, no local competition for their job skills, once graduated. Either graduating oil and gas specialists find work in the National Corporation, or they do not work directly in the oil and gas industry. The present leadership in almost all industries in Uzbekistan is far younger than their Western counterparts. This is slowly also happening in Uzbekneftegaz. Unless these new industry leaders get a better education than is available to them right now in Uzbekistan, Western attempts in influence economic reform will have little impact. USAID should be looking at training, not as a separate line item in the technical assistance budget, but as the fundamental framework on which the entire DO is premised. Only when enough specialists have been prepared so that their numbers can influence sector policy, can any real and lasting change take place.

Tashkent State Institute of Law

Dating back approximately 75 years, this Institute was once a part of the main university for this entire region, the Central Asian University. The Institute today enjoys new-found popularity as lawyers are being seen as Western symbols of financial success. The Institute is well-funded, has extremely high fees and unfortunately, arbitrary and often corrupt practices for controlling and limiting entrants. Lawyers graduating from the Institute and entering Uzbekneftegaz, will not have received any oil and gas-related courses while in law school, nor any substantial continuing education on these topics, while on the job.

The role of Western lawyers in contracts and negotiations is only slowly being understood and accepted in the oil and gas sector but in general, lawyers' skills are not respected and there is no custom of technical specialists and oil and gas lawyers working together in team approaches to problem solving. Even the concept of an "oil and gas attorney" is not generally understood. The Uzbekneftegaz lawyers who participated in Hagler Bailly-instructed workshop/seminars were uniformly hungry for information and advanced education. They were hard-working, responsible and serious-minded professionals but kept out of almost all policy making in their workplace.

Workshop exposure played a small role in skill-enhancement for the limited few lawyers who were invited to DO 17 training programs. Hagler Bailly consultants also found the lawyers to be another articulate source of information on oil and gas affairs.

It would be highly desirable in the future, for USAID to fund more oil and gas training aimed directly at working lawyers in the industry and yearly exchanges with seasoned oil and gas attorneys from the US. DO 17's aim of impacting legal and regulatory reform could have been significantly aided by support from industry jurists.

Committee On Industry, Energy, Transport, Communications, and Municipal Services of Parliament

The Ojly Majlis (Parliament) of Uzbekistan is viewed by many foreign critics as simply a "rubber stamp" of the President's policy initiatives. Nevertheless, it plays a substantial role in passage of new legislation. If Parliamentary Committees feel that a proposed law fails to comply with existing legislation, is contrary to the interests of the nation as a whole, or is simply poorly drafted, they can block its passage or so delay passage as to defeat it. Miss Nowak was introduced to the Chairman of the above-mentioned committee early in the DO 17 project and met with him several times, alone or with other Hagler Bailly consultants. While not able to take a direct part in the law drafting process, the Chairman was able to offer useful advice on oil and gas policy issues. The Chairman was also one of those invited to participate in an USAID-financed study tour but was not able to attend.

In the opinion of the Country Manager/Resident Advisor, USAID assistance should be directed at empowering the small staff of this Committee, so as to sharpen their analytical skills, expose them to international practice in the economic sectors they monitor and encourage them to play an initiating rather than passive role in this sector monitoring. Especially useful for this Committee would be Study Tours observing other democratic Parliamentary systems.

INDUSTRY REPRESENTATION (U.S.)

Unlike Kazakhstan, where enough U.S. oil and gas companies are operating so as to give the sufficient number needed for a voice in policy making, Uzbekistan currently has only Texaco, and its operations are confined to the downstream sector.

Enron Oil and Gas Uzbekistan, Ltd

At the time of this writing, Enron Oil and Gas Uzbekistan, Ltd no longer has an active presence in Uzbekistan, but for several years, it was the only substantial U.S. oil and gas operation. Its local representative was instrumental in organizing the Tashkent-based American Chamber of Commerce, and later a special AmCHAM section for just natural resources interests. By bringing together the mining and the oil and gas companies, a small but articulate section was organized giving for the first time an arena for U.S. (and British) companies to air their grievances and learn from each other's experiences. To date the mining sector has been more vocal given their greater number. Enron attempted, through this vehicle, to bring to public attention the ideas and concerns of foreign investors in the natural resources area. Despite the best of intentions and an constantly improving program, the Natural Resources Section is simply too small to have a serious influence on oil and gas policy making in Uzbekistan. The section at times also became

dangerously close to reflecting just the views of one company, through its one representative, rather than reflecting a wide spectrum of U S oil and gas companies. At the September meeting she attended, Miss Nowak was aware of a growing desire on the part of the mining company representatives, to separate from the AmCHAM and form a Mining Industry Association. If this should occur, the Natural Resources Section will be forced to disband.

Unocal International Energy Ventures, Ltd

Unocal has had a low-key presence in Uzbekistan and less of a U S oil and gas company image due to having no full-time resident representative. As the only other U S player in the upstream sector, it has usually joined with Enron as the voice of U S investment in Uzbekistan's oil and gas sector. It stood alone however, on its expressed support for a southern pipeline through Afghanistan. Whether because its exploratory studies revealed little of interest, or because of recent events in Afghanistan, Unocal currently has no active Uzbekistan presence.

Texaco Downstream Holdings, Inc

Texaco initially looked at both upstream and downstream sectors but has concentrated on the downstream only at present. After nearly two years of negotiation and preparation, it is today actively engaged in a lubricants joint venture and appears to be conducting normal operations. Whenever interviewed, Texaco's representative has been openly critical of the bureaucratic hurdles and delays set in their path but the company is beginning to increase its public profile in Uzbekistan business life and its Resident Director, to be a positive image of a successful U S venture. In the Natural Resources Section, Texaco has been vocal in support of the need for economic reforms affecting the energy sector and been willing to work toward a more active role for the AmCHAM in its dialogue with the Government of Uzbekistan.

Lessons Learned USAID was slow to realize that the U S "oil and gas industry" in Uzbekistan was more a wish than an actuality. In particular, it did not appreciate the fact that although encouraged by the few representatives it spoke with, to continue its advisory services role to Uzbekneftegaz that role would entail inevitable differences of opinion on policy issues. When initial introductions were made to the three companies' representatives at Miss Nowak's arrival, all expressed their support for USAID's presence in the oil and gas sector in Uzbekistan. In practice however, this was acceptable only when USAID/Hagler Bailly's statements or comments mirrored their own. While Unocal and Texaco representatives remained cordial despite occasional variances in viewpoints, Enron, on several occasions, displayed genuine hostility when Miss Nowak expressed differing views. This greatly reduced the effectiveness USAID and the industry could have had if working together cooperatively.

GOVERNMENT REPRESENTATION (U.S.)

U S Embassy

Again, as all comparisons are relative, the U S Embassy's influence on oil and gas matters is not significant, as there are at present no active U S participants upstream. The present Ambassador, however, because of his Russian-speaking ability and knowledge of this region, could be much more effectively used in promoting oil and gas sector reform than he has been to date.

Lesson learned USAID has preferred in the past to be the go-between for contractor and Embassy relations. This has led Miss Nowak to relegate meetings with the Ambassador to the initiative of USAID-Tashkent. Thus in 1-1/2 years only one meeting took place and its agenda was carefully controlled with no opportunity for informal discussion on a wide range of oil and gas sector issues. Time has shown however that USAID Tashkent was always willing to set up meetings for contractors, it needed but to be asked. In the future, it is recommended that the Country Manager/Resident Advisor make good use of the Ambassadorial presence in Tashkent for help with a crucial introduction or simply for Embassy representation at an important event.

USAID

As stated earlier, the work of USAID is well recognized in Uzbekistan. However, this does not apply to the oil and gas sector as DO 17 is USAID's first entry into that area in Uzbekistan. Added to the lack of identity among oil and gas specialists, USAID was competing for counterpart attention with TACIS which was better established across all industry sectors and had already begun assistance to the oil and gas industry. This lack of identity also meant that Miss Nowak could not depend on USAID for high level introductions to oil and gas leadership. Later in the project, there was disagreement on the issue of how contractors represent themselves to their counterparts. With Uzbekneftegaz, their desire for "personal advisers" was expressed to USAID as early as February 1997 and it was agreed that Hagler Bailly would fulfill that role, but would not involve itself in the Corporations' negotiations with U S companies. Thus, Hagler Bailly tried to keep the delicate balance between the role of "personal advisor" and USAID representative. USAID Tashkent was quite supportive of contractors playing an advisory role as long as they were kept informed of all important issues and activities. They also actively supported DO 17 training programs and opened and/or participated in most of the workshop seminars. This helped present not only the program participants to USAID but USAID to local counterparts. USAID Tashkent and Almaty also encouraged Miss Nowak to participate actively in the Natural Resources Section of the AmCHAM, not representing a particular company point of view but the neutral voice reflective of a wide specter of U S oil and gas businesses.

As far as introductions to other expatriate members of the Uzbekistan community, USAID Tashkent played a leading role in bringing contractors together. Through monthly round tables and social events, contractors from various sectors were able to meet and exchange information and experiences in a non-threatening environment. The USAID Tashkent office also provided space and computer access to contractors just getting established. The USAID Tashkent office staff was also accessible and helpful to resident contractors and their local staff.

Lessons Learned USAID Tashkent was very successful in bringing together contractor representatives in professional and social settings. It did not attempt to bring together contractors and counterparts in a social setting. The one attempt made by the Embassy to do so, through the coordination of USAID, was a failure. Almost none of the invited Uzbek counterparts arrived. However, as most of the contractors later remarked, the idea was a good one, and if contractors are informed ahead of time, they themselves can take responsibility for seeing that their counterpart guests attend. Having USAID sponsor the occasion would heighten its importance in counterparts' eyes and allow counterparts to get a better understanding of the full spectrum of USAID-funded activities. As it concerns DO 17 in particular, this could be the mechanism for USAID to develop its own contacts in the oil and gas sector, where it has not successfully done so previously.

U S. Department of Commerce

The U S Department of Commerce and the American Business Center were helpful resources when Hagler Bailly's Tashkent office was not yet fully operational. One could find translation services, rental computers and printers, and professional copying assistance. Once the office was fully equipped however, and it became less necessary to visit the Commercial Service quarters, contact with them lessened. Miss Nowak gave initial briefings to the former and current Commercial Officer on DO 17 activity in the oil and gas sector but once the crush of daily work began, regular contact with that department ceased.

Lessons Learned Future Country Manager/Resident Advisors may overlook a valuable resource if the Commerce Department in Tashkent is not utilized. Not only do they maintain a substantial library of trade and investment-related material, they are tied in to CAR regional TDA activities which often are directly related to an issue of interest to oil and gas sector counterparts.

ACCOMPLISHMENTS of COUNTRY MANAGER

Major Activities Undertaken

Miss Nowak hired two Uzbek assistants during her 1-1/2 year residence in Tashkent. Interpreters were used primarily for workshop/seminars and whenever Short-Term Advisors were in Tashkent. All official correspondence and working documents were done in Russian and for this work free-lance translators were hired who worked on an hourly, as-needed basis. All tasks

necessary to implementation of DO 17 in Uzbekistan that were not done by the Project Analyst or the Project Assistant, were done by Miss Nowak

Activities included

- ◆ location, design and equipping of suitable building for office and Country Manager/Resident Advisor living quarters
- ◆ identification and hire of Assistant and Analyst and free-lance translators and interpreters,
- ◆ management of Hagler Bailly DO 17 project office
- ◆ identification of main business counterparts,
- ◆ development of contact network within Uzbekneftegaz,
- ◆ participation in Harvard Institute of International Development Round Table with Uzbek government representatives
- ◆ participation in regular round table meetings of USAID contractors resident in Uzbekistan
- ◆ drafting of Uzbekistan Status and Implementation Reports
- ◆ identification of non-Uzbekneftegaz oil and gas specialist contacts
- ◆ acquaintances formed with Rector of Tashkent State Institute of Law and Dean of oil and gas faculty, TSTU
- ◆ televised interviews given on DO 17 and USAID's training and technical assistance to Government of Uzbekistan
- ◆ plan, direction of, and participation in six workshop/seminars instructed by Hagler Bailly consultants
- ◆ acquaintance formed with Chairman of Parliament Committee for Industry, Energy, Transport, Communications, and Municipal Services
- ◆ drafting of Memorandum of Understanding with USAID for the Government of Uzbekistan
- ◆ Uzbekneftegaz invitation to re-draft Petroleum Law and take over Clifford Chance effort
- ◆ initiation of relationship with Goskomimmuschestvo (GKI) with goal of offering USAID assistance in privatization of oil and gas industry
- ◆ workplan conception and supervision of its implementation,
- ◆ drafting of 3-way privatization Protocol to be signed by Uzbekneftegaz, USAID and GKI
- ◆ selection of GKI specialists to work together with Hagler Bailly consultants as a Working/Liaison Group on privatization
- ◆ assistance in re-drafting of Hagler Bailly version of Petroleum Law
- ◆ planning of Petroleum Legislation Working Group meetings and individual follow-up interviews
- ◆ participation in Natural Resources Section of local American Chamber of Commerce
- ◆ paper given at Uzbekistan International Oil and Gas Conference

- ◆ re-drafting of Conceptual Analysis of Production Sharing Contracts for Uzbekneftegaz purposes
- ◆ preparation of all project correspondence and work documents and proofreading of their Russian translations
- ◆ design of training templates for future AED training offerings in Uzbekistan
- ◆ maintenance of DO 17 project archive,
- ◆ issuance of regular activity reports on a weekly, monthly, and quarterly basis and regular reporting of project expenditures
- ◆ follow-through on activities to implement the spirit as well as the substance of the MOU between the United States Government and the Government of Uzbekistan
- ◆ response to all requests received from local entities, from USAID Tashkent or Almaty, and Hagler Bailly Houston or Arlington,

Management of Short-Term Advisors

“Management of Short-Term Advisors” was never a problem for the Country Manager/Resident Advisor as only two persons who could be said to have functioned as such during DO 17's duration in Uzbekistan were John Sanders and Patrick Grammar. Bhamy Shenoy and Paul Teleki showed great interest in assisting in Uzbekistan training and technical assistance but were never assigned sufficient time in Tashkent to play a significant role.

For three-fourths of the DO 17 project in Tashkent, there were no other expatriate consultants working in Uzbekistan except Miss Nowak. In the last quarter of the project, John Sanders was assigned considerable time in Uzbekistan and became sufficiently acquainted with counterparts so as to function as a Co-Resident Advisor for Hagler Bailly.

Due to his disciplined and dedicated approach, John Sanders was able to use his time effectively in Tashkent and offer the resident staff genuine support in project implementation.

Lessons Learned Promised assistance never arrived at the level originally planned for Uzbekistan when first workplans were discussed. Budgetary limitations, regional distribution of moneys tending to give priority to Kazakhstan, lack of knowledge and understanding of the situation in Uzbekistan, constant shifting of consultants from one task to another without follow-up and follow-through of tasks initiated, problems, delays, and inflexibility in travel and visa arrangements, and lack of contractor control over personnel deployment all amounted to less than a full-fledged effort in Uzbekistan. USAID approached the Republic with skepticism and never seemed able to rid itself of this attitude where Uzbekistan was concerned. Although a Memorandum of Understanding was signed with the Government of Uzbekistan, at no time during Miss Nowak's residency, was there manpower available to fully cover these commitments. Future Country Manager/Resident Advisors should be cautioned to proceed carefully before making promises to counterparts for assistance they may not be able to put forward.

DO 17 LESSONS LEARNED

Uzbek Oil Sector Counterparts

As mentioned above, Country Managers and their Short-term Advisors must be cautious when promising assistance or services which may not later be followed up or supported. This has happened with many donor organizations like USAID, which are forced to respond to political influences which can change the direction of a donor program during its implementation. It must also be said that donor recipients the world over have completely unrealistic expectations and are often reluctant to take responsibility for the changes and reforms needed for foreign donor aid to be truly effective.

As USAID was new to the oil and gas sector in Uzbekistan, Miss Nowak did not meet with the usual unrealistic expectations on the part of Uzbek oil and gas sector representatives. However, Uzbek counterparts did present an extremely reserved, cautious, and at times suspicious response to attempts at close contact. More important than any other success factors in developing a relationship with government representatives, were a “permanent” presence and polite persistence. In this respect, USAID-funded projects were viewed with skepticism as being short-term and not “serious.”

The U.S. also suffers from negative press in recent years which has tended to heighten the attractiveness of countries within the European Union. The EU is plying Central Asia with many well-funded and attractive training and technical assistance programs which get more exposure and acclaim than U.S. financed efforts. Training programs, scholarships, professional exchanges and the like which are promoted through TACIS and other EU sponsors, are widely publicized and perceived to be “concrete” examples of assistance rather than the less visible aid of “legal and economic reform.”

Cynically, one might say this was merely the result of the travel opportunities many training programs offer and there is no doubt that participation in overseas study tours is highly prized. There is good reason for cynicism, however. Selected candidates have been replaced by government counterparts at the last moment and persons chosen with absolutely no connection to the DO 17 Project. Also the study tour designers never consulted with the Country Manager/Resident Advisor and costly activities were scheduled that were a complete waste of participants’ time and taxpayer money. Until the Country Manager/Resident Advisor has complete control of the selection of participants and a part in designing their overseas program, this type of “training” is ineffective and not recommended.

Positive training experiences could have been chosen early in the project, as soon as the counterparts were identified. For example, once acquaintance was made with the Chairman of

Parliament's Committee on Industry, Energy, Transport, Communications, and Municipal Services, a trip should have been carefully structured that would have introduced him and his committee to democratic Parliaments in Western countries. Britain and Norway would have been excellent choices and many U S oil companies have large operations in those countries and might have been willing to help underwrite such a program.

Names of the Petroleum Legislation Working Group were known as soon as Hagler Bailly started work on the Petroleum Law. How profitable it would have been to send this entire group to the U S or other oil-producing nations with large U S operations, and have them see first-hand how independent oil and gas regulatory authorities operate. The Ministry of Justice and the Ministries of Finance, which play such a critical role in approving legislation, could have had its Working Group members given special exposure to U S lawyers and accountants who have personal experience in drafting oil and gas legislation.

The Hagler Bailly designed workshop/seminars were built around the themes and specific questions originally given Miss Nowak by Uzbekneftegaz. The consultants brought in to teach these programs were seldom given more than four working days in Uzbekistan. This was a mistake. Enthusiasm and interest among workshop participants was always so high at the conclusion of the training that had the instructor been able to follow-through with individual meetings and small-group sessions afterwards, valuable ground could have been ploughed.

Instead, Miss Nowak and her assistants tried to keep contact with the most active participants and see that they were included in additional training whenever possible. This did engender some useful and lasting contacts but the impact of the total training program was weakened by the lack of connection between events. Delays in scheduling training which resulted from budget shortfalls and deployment of consultants to other tasks, also made for long periods of time with no training event of any kind. As any teacher is aware, for concepts to become embedded, they must be repeated and constantly reinforced. One advisor with two assistants simply was not enough to do this follow-through thoroughly.

In conclusion, it is recommended that the entire issue of training be re-evaluated. Rather than being viewed as a "necessary nuisance" as often seemed to be the case, it must be the foundation of the entire USAID effort. Until a cadre of confident and well-informed professionals is developed who will have the courage to raise new ideas in discussion with superiors, to themselves try new programs when given leadership positions, to take part in social contact-forming events with U S counterparts (not successful to date with oil and gas leaders), to themselves promote and implement changes and reforms drawn up cooperatively with USAID consultants, then most reform efforts will be superficial, without local support and doomed to failure.

USAID

The most important point to be repeated here as a lesson learned is the importance of high-level contacts in the societal structure of Uzbekistan. During the entire duration of Miss Nowak's role as Country Manager/Resident Advisor, she never met personally with the Head of Uzbekneftegaz, Kayim Khakkulov. Neither did USAID Tashkent nor Almaty representatives. He was seen only once, during the signing ceremony for the Memorandum of Understanding between the Uzbekistan and United States governments. As time would show, all decisions taken in the oil and gas industry were directed by Prime Minister Khakkulov. Lack of access to him personally, meant there was never any dialogue between the USAID donor and its main recipient - at the very level where all decisions were made.

USAID is still tentative also, in developing its role with the U.S. oil and gas industry. This is only a problem in Uzbekistan as there are so few players, but it often appears that USAID is not yet certain of what its role should be in this arena.

Most of the above discussion on training could be repeated here as the large monies already being expended by USAID on overseas training programs could be better used if directly integrated into specific DO's and designed and controlled by the Country Manager/Resident Advisors directing implementation of those DO's.

Only they have identified the contacts assumed to play a role in decision-making in the areas of their assistance. USAID must insist that the foreign government leave the selection process entirely up to the USAID consultants and make it clearly understood that unless this is the case, training opportunities will not be funded. Also, parceling off training funds to other contractors whose role is to assist in training logistics and implementation, is in theory, a good idea. However, in practice, it has been a time-consuming, bureaucratic hurdle rather than the time-saving assistance it is meant to be. It might be more effective if special contractors whose only role is planning training programs, be assigned directly to USAID Tashkent and used to design and run general programs promoting awareness of USAID activities in Uzbekistan. USAID still suffers from lack of recognition in Uzbekistan and imitating some of TACIS' public relations efforts could have positive results. Project-specific training should be left to the projects themselves.

Home Office Coordination

Nothing but kudos can be given to the hard-working, efficient and responsive staff of Hagler Bailly Arlington, Houston, and Almaty. Without their help, an effective workplace could never have been created here in Tashkent. Local staff would never have been exposed to the reference materials so important to their understanding of the "big picture" that is the international oil and

gas industry, special equipment and products unavailable locally could not be procured and the successful training program in Uzbekistan could never have been accomplished

Expatriate community

The expatriate community in Tashkent is quite well organized today, due to TACIS' past efforts in this regard. An excellent newsletter is published which highlights major local events and news items of importance to expatriates. Social events are scheduled often and run the gamut from sports and sightseeing to special courses and cultural activities. Americans associated with the American Embassy also hold regular social get-togethers for the U.S. community. The AmCHAM has had excellent social programs for section and main chapter members. Miss Nowak did not spend a great deal of time with expatriate colleagues. If more than one Resident Advisor were located in Uzbekistan, a more active role in the expatriate community would be recommended. For one person, the time demands of the DO make participation impossible.

SUGGESTIONS FOR FUTURE IMPROVEMENTS

DO 17

The USAID desire to address reform in Central Asian Republics as a regional issue rather than a set of varying local problems, has led to less effective effort in countries such as Uzbekistan which are still finding their own identity and today have significant differences with their neighboring four republics. Programs should be customized for each country to the greatest degree possible until reform reaches that level, in several years, when issues can be successfully addressed regionally.

Funding is obviously crucial to DO success but even limited funds can be better managed if the Country Manager/Resident Advisor is given the total budget picture. Miss Nowak was never given any information on what amount of money was exclusively dedicated to Uzbekistan. Regional distribution of funds inevitably meant that smaller programs just getting off the ground, such as Uzbekistan's, lost out when funds dwindled.

If a serious effort to reform the legal and regulatory structure of the Uzbekistan oil and gas industry was the intention, then there should have been at least one short-term advisor in Tashkent throughout the project. When told of the aims of DO 17, local counterparts looked askance at the staffing level expected to implement this program. When Short-Term Advisors finally were assigned to Uzbekistan, the same one seldom came twice. This did not impress counterparts as part of a concerted training and technical assistance program. One might quarrel with their assumptions but they proved accurate as the only lasting work done by Short-Term Advisors in Uzbekistan was done by those few assigned to repeat visits. "Throwing" various

consultants at a long-term task and a task being implemented in an alien environment, is completely ineffective. The learning curve must be overcome time and time again.

Language problems plague all foreign projects and are to be expected. In DO 17 Uzbekistan, the day-to-day problems of communication were minor. The biggest problem was that of producing high-quality professional work product, in Russian. There was no translation support from Arlington or Houston which meant that workproduct quality depended on a variety of local translators in Almaty or Tashkent. Compounding the problem in Uzbekistan is the fact that skilled Russian and English translator/interpreters seldom speak more than beginning Uzbek. Those skilled in Uzbek and Russian seldom speak more than beginning English.

All workproducts given to counterparts in Uzbekistan were done in Russian. All workshop/seminar materials were done in Russian with English originals only for the instructor and interpreter. Despite the help of skilled translators from Almaty and Tashkent, all materials used by DO 17 were criticized for faulty translation by those recipients who understood both languages.

After receiving this criticism many times, Miss Nowak instituted the practice of four-person editing of every Russian document. One Russian translator translated it, another translator proofread and edited it, the Project Analyst went over both versions and made the final revisions and then Miss Nowak read the Russian for cosmetic errors in style or preparation. This was an extremely time-consuming effort, especially on the countless revisions that were made of the Petroleum Law but anything less than this effort did not produce a document of the professional quality Hagler Bailly would demand in its English originals.

The amount of money needed to provide full-time, top quality translation services, must be built into the Delivery Order at its inception. This is a large expense, but crucial to project success and U.S. influence in reform measures. Counterparts only know Hagler Bailly or USAID through their Russian workproduct.

It is also to be recommended that the Country Manager/Resident Advisor be a Russian-speaking individual. Not speaking the language isolates the Manager from his or her staff who are seldom as articulate in English as one might wish. It also closes off the only news channels in Uzbekistan: television and local newspapers. It also closes one off from the Russian language news broadcasts, which are often superior to CNN in their world news coverage and often broadcast vital news concerning Uzbekistan which is not disseminated locally. Lengthy meetings with counterparts can also be extremely taxing on both the Manager and the counterparts if all communication is through interpreters. Most important, even the best interpreters have a habit of not translating the entire sentence but often shaping it so as to be most fitting (in their mind) to the conversation. This can lead to serious misunderstandings which often are not revealed until a

critical assumption is found to have been faulty. Lastly, language skill is a social asset and in a society as closed and clannish as the Uzbek, one needs to employ every social asset at one's command.

Personal

Given the opportunity again, Miss Nowak would have made a serious effort to learn the Uzbek language. Several Embassy staff have done so, the task is not daunting but needs a great deal of time. This skill could have bridged the gap with more senior government leaders whose English is poor or non-existent and also served as evidence of the seriousness of the USAID commitment. More cynically, it could also have given the Country Manager/Resident Advisor the ability to penetrate the dual messages often heard in Uzbek-U.S. meetings where the interpreter is interpreting Russian but the Uzbek guests are talking among themselves in Uzbek. Lastly, the ability to outwit your opponent is prized in Central Asia and language skills would add a bit more ammunition to the Country Manager/Resident Advisor's armament.

Miss Nowak would also have taken more direction of the DO 17 effort in Uzbekistan at the very beginning rather than waiting for direction from regional USAID and Hagler Bailly offices. Communication problems, distance, and lack of exposure to local issues, meant that regional direction was often not quick or specific enough to address an immediate need. This, of course, did not reveal itself immediately as all parties had their own learning curve in Uzbekistan to overcome.

Greater access to Embassy services, and to the Ambassador himself, would have been requested. The Embassy and the Ambassador are a source of information which could have been very useful to Miss Nowak but was seldom taken advantage of.

Greater use would have been made of the Commercial Section, their contact network and their informational materials.

A firmer hand in local training design and materials production would have been demanded. More customization to fit specific Uzbekistan issues, would have been desirable.

A more active role in the Natural Resources Section of the AmCHAM would have been assumed, or at least attempted, a higher individual profile carved out in the expatriate community which would reflect well on both USAID and Hagler Bailly.

Given the funds, an Uzbek national with legal training and skilled in English and Russian, should have been hired on a full-time or part-time basis.

Lastly, when faced with what she perceived were unreasonable expectations, Miss Nowak should have confronted them immediately rather than attempting to fulfill them. This usually led to time

being lost for other critical matters and detriment to personal health and well-being. In many instances, a simple request for assistance would have solved the problem.