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Regional Energy Sector Initiative

Final Report

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EXECUTIVE SUMMARY

I initially arrived in Central Asia on August 3, 1995 to open a regional office for electric power technical assistance (TA) in Almaty, Kazakhstan, as a consultant to Hagler Bailly. As the chief of party and regional manager of Central Asia, I managed Delivery Orders (DO) 5 and 11, which focused on electric power activities, under contract to the United States Agency for International Development (USAID). Besides undertaking these electric power projects, I was requested by USAID/CAR to establish close relations with the Government of Kazakhstan (GOK) Ministry of Oil and Gas Industry (MOGI), and the oil and gas community with investments in Kazakhstan, and conduct formal inquiries as to whether USAID could provide TA to the GOK in this sector.

In November 1995, the MOGI requested that USAID provide TA on draft oil and gas rules and regulations that were required by the June 1995 Presidential Edict "On Petroleum" and proposed by local and Russian consultants. Hagler Bailly responded to this request, within the short time frame allowed, by "red-lining" the proposed drafts, introducing the concept of independent regulation, and concentrating on results rather than inflexible prescriptiveness. After contributing to the working group activities to this task, requests for further TA in the oil and gas sector were made by the GOK, ranging from training to privatization issues. USAID began to promote this interest from the GOK in Washington and I was requested to take a reconnaissance field trip to Uzbekistan and Turkmenistan to make inquiries on their particular needs for TA with respect to legal, regulatory, and institutional reform. What I found was that Central Asia, in general, was very receptive to USAID TA in the oil and gas sector, and all three governments promised their full cooperation in developing projects which would serve to attract private investment.

After sending out a United States Government Interagency Team in the summer of 1996 to develop a SOW and assess more thoroughly the type of TA that was needed and could be provided, an agreement that formally initiated DO 17 was signed between Hagler Bailly and USAID on February 7, 1997. Besides being chief of party and regional manager, I was appointed DO 17 project manager, responsible for the oil and gas activities in Central Asia. I was also relieved of my project management duties of DO 5 and DO 11 in the electric power sector, so that I could concentrate on oil and gas activities. Hagler Bailly sent out a team of resident advisors and short term experts and immediately started TA assistance in Kazakhstan, Turkmenistan, and Uzbekistan. In Kazakhstan, we began activities in the formation of a working group for developing four offshore oil and gas rules and regulations, development of a steering committee for creating an internationally acceptable oil pipeline tariff methodology, and continued work relating to a prospectus for an Aral Sea oil and gas exploration consortium. Additionally, we continued to provide short term and as needed TA to the Committee for the

Regulation of Natural Monopolies and Protection of Competition, KazTransOil, KazakhOil, MOGI, Ministry of Energy, Industry, and Trade, Agency for Control of Natural Resources, Agency for Strategic Planning and Reform, Ministry of Ecology and Natural Resources, State Emergency Committee, and several other Government entities on oil and gas issues. We also provided TA on gas pipeline tariff issues, generic concerns related to export pipeline routes, creation of an independent regulatory commission, and restructuring and privatization of gas distribution systems in Kazakhstan. At this time, true successes of DO 17 in Kazakhstan translate directly to the adoption and implementation of a cost of service rate of return oil pipeline tariff methodology, the current philosophy in gas tariff decision-making, the submittal of four offshore oil and gas rules and regulations to the Government for adoption and approval, the negotiations between the Governments of Kazakhstan and Uzbekistan to form an Aral Sea oil and gas exploration consortium, and the general movement toward transparency in decision making related to the oil and gas sector.

MAJOR ACTIVITIES AND ACCOMPLISHMENTS

Pre-Delivery Order 17 Oil and Gas Activities (August 1995-December 1996)

I began work in Central Asia in August 1995 as chief of party, regional manager, and project manager of electric power TA projects in Kazakhstan (DO 5) and Central Asia (DO 11) for Hagler Bailly, a contractor to USAID. I also provided support to Joellyn Murphy, DO 6 manager of electric power activities in Krygyzstan. As manager of DO 5 and DO 11, my responsibilities included working closely with USAID/CAR and coordinating the electric power activities of Hagler Bailly with USAID/W, developing draft presidential edicts on power engineering, coal, and energy savings, creating a draft resolution on an independent regulatory commission, initiating draft documents and promoting a competitive wholesale market for electricity, conducting research and proposing a long run marginal cost tariff methodology, providing advice on the development of a restructuring and privatization program, facilitating the development of international contracts and agreements on electricity trade in Central Asia, and ensuring timely response to requests made by the Central Asian governments requiring TA on short term projects. As a result of meetings with USAID/CAR Director Craig Buck in October, I was requested to survey the need for USAID TA in the Kazakhstan oil and gas sector. After conducting meetings with the former MOGI and KazakhstanCaspianShelf (KCS), I reported that there was great receptance by the GOK for TA in a variety of areas, including the formation of an oil and gas environmental research center located at the Caspian Sea, specialized training in oil and gas financial and economic issues, and a great need to draft offshore rules and regulations. Subsequently, in November the MOGI sent an official request for TA in reviewing the draft rules and regulations that were required by the June Presidential Edict "On Petroleum."

USAID responded to the request by appointing Hagler Bailly and Harvard International Institute for Development (HIID) to review the draft documents. It was decided that Hagler Bailly, as the energy contractor, would take the lead role in this project and HIID would supply their own analysis. After meeting with KCS, responsible for the development of the drafts, it became clear that there was not enough time to conduct research, the local and Russian consultants used to prepare the drafts were politically favored, and KCS and MOGI pretty much wanted USAID consultants to "bless" the drafts so that the GOK would be assured that they adopted rules and regulations which had been reviewed by international oil and gas consultants. Recognizing these constraints, we decided that the best alternative was to translate and fax the seven documents to Helmut Merklein and Bill Bryson in the United States, so that they could "redline" each document with our own proposed changes. Nearly everyday, for approximately four weeks, we exchanged faxes of several hundred pages, incorporating our own changes back into the drafts and re-translating them. These documents were timely submitted to KCS, as completed. The documents that we redlined included rules and regulations on 1) underwater cables and pipelines, 2) construction of artificial islands and structures, 3) conducting marine scientific research, 4) conducting petroleum operations at sea, 5) licensing, 6) and contracting and production sharing agreements. We decided that the uniform rules for the development of oil and gas fields were not salvageable as drafted by Russian consultants, therefore Bill Bryson completely redrafted this document according to international practices and standards. Our drafts differentiated as much as possible from the local consultants, getting away from inflexibility and over-prescriptiveness, and moving towards the goal of achieving results in a cost-effective manner. Additionally, all of our documents proposed a "one-stop" independent Oil and Gas Regulatory Agency (OGRA) to provide regulatory oversight of the Kazakhstan oil and gas sector, whereas the local consultants recommended the continued practice of industry regulation by various government bodies. I spent many days meeting with KCS and MOGI representatives to explain our proposals fully and influence changes in the draft documents. Eventually, many of the GOK adopted rules and regulations did include our proposed changes, however the independent OGRA was not adopted because of the political concerns of consolidating regulatory jurisdiction to a single government authority. We soon learned that because of the potential money making ability of regulating small segments of the oil and gas industry, nearly every Republican entity and every oblast government were not going to surrender their authority to regulate it.

In August 1997, KCS requested that USAID provide TA in the development of a "Prospectus for an Aral Sea Oil and Gas Exploration Consortium." This prospectus was envisioned to be the first step in attracting investors to enter into a consortium agreement with both the Governments of Kazakhstan and Uzbekistan for the purpose of conducting oil and gas exploration of the Aral Sea. USAID provided resources for this project, which included an environmental analysis of the Aral Sea, geologic research on potential oil and gas resources, a draft production sharing

agreement, and a draft international contract between the Governments of Kazakhstan and Uzbekistan to jointly approve the consortium. The international agreement would lead to the sharing of responsibilities, make KCS the operator of the consortium, and open the door for negotiations on royalty income, complimentary rules and regulations, tax issues, uniformity in importation of supplies and equipment, etc. We know that there have been negotiations conducted between Kazakhstan and Uzbekistan relating to the oil and gas consortium issue, however there is no signed agreement between the two countries at this time.

As a next step in a reconnaissance of the need for USAID TA in the oil and gas sector, I conducted discussions with the Government and the oil and gas community of investors in Kazakhstan on specific projects related to legal, regulatory, and institutional reform. I also took a trip to Tashkent, Uzbekistan and Ashgabat, Turkmenistan and discussed the need for oil and gas TA with each respective government. The positive response for cooperation for USAID TA resulted in the formation of a United States Government Interagency Team, which traveled to each country and interviewed the counterpart governments, U S embassies, oil and gas investors, and other donor agencies in order to determine where the needs for TA could be filled by USAID consultants. The result was the approval of funding and the negotiations and eventual signing of a SOW agreement for DO 17 between USAID and Hagler Bailly.

January-March 1997

After signing the DO 17 SOW Agreement on February 7, 1997, Hagler Bailly immediately dispatched its proposed team of resident advisors and short term experts to Almaty, Kazakhstan to begin a three week survey tour of Central Asia. I was made project manager of DO 17 and retained my chief of party and regional manager responsibilities. Doug Miller became project manager of DO 5 and DO 11. In our tour through each country, we met with several oil and gas government counterparts, industry investors, donor agencies, financial institutions, and U S Government embassies to further discuss our SOW and potential activities. Based on these meetings, work plans for all three companies were drafted and submitted to USAID. In all three countries, nearly everybody was receptive to our proposals and the counterpart governments promised their close cooperation.

In Kazakhstan, the GOK agreed to form a working group to develop four offshore rules and regulations. The working group was to be facilitated by Hagler Bailly and chaired by KCS. Other members of the working group included MOGI, Ministry of Ecology, State Emergency Committee, Gosgortekhnazor, Ministry of Health and Safety, three local consultants, and three companies representing the Kazakhstan Petroleum Association (Royal Dutch Shell, Mobil Oil, and Agip). The offshore rules and regulations that needed to be drafted included uniform rules on protection of the environment, uniform rules on health and safety, uniform rules on technical

construction, and rules on environmental damages and payments for damages. At the initial monthly meeting in February, it was determined that Bill Bryson would work on the two environmental documents and Art Rowley would be responsible for the development of the health and safety and technical construction documents. The goal was to complete all of the documents, get them passed out of the working group, and have them adopted by the GOK by the beginning of 1998. The working group was to meet monthly to discuss working drafts prepared by Hagler Bailly, based on written comments received between meetings.

On March 4, President Nazarbaev reorganized the GOK combining the Ministry of Energy and Coal Industry, the MOGI, and the Ministry of Geology and Protection of the Subsoil to the Ministry of Energy and Natural Resources (MENR). Additionally, KazakhOil and KazakhNefteProvod were created as national state companies. KazakhOil was formed to oversee all commercial oil and gas operations, from exploration and production to refineries. As an example, all state-owned oil and gas operations, including KCS, reports directly to KazakhOil. KazakhNefteProvod was created to oversee the operations and activities of oil pipelines. It was made responsible for oil pipeline tariff justification, contracting, expansion, modernization, transportation, and technical operations.

April-June 1997

The first meeting of the Oil Pipeline Tariff Steering Committee was held on April 4, 1997 and Anatoly Lobaev, first vice chairman of KazakhNefteProvod, and myself were appointed to be co-chairmen. The steering committee was to meet monthly in order to formulate an internationally acceptable oil pipeline tariff methodology for the domestic pipeline system. Members of the committee included representatives from KazakhNefteProvod, KazakhOil, the MENR, the Committee for Anti-Monopoly and Pricing Policy (AMC), the Agency for Strategic Planning and Reform, the Agency for Control of Natural Resources, the Ministry of Economy, and three members of the Kazakhstan Petroleum Association (Chevron, Mobil Oil, and Oyrx). Hagler Bailly was the facilitator of the committee, responsible for arranging all of the meetings, drafting documents and proposals, and making presentations on all of the pipeline tariff issues. The goal was to agree on an acceptable oil pipeline tariff methodology through the steering committee and submit it to the GOK for adoption by the beginning of the year. At the first two-day meeting, presentations were made on the benefits of an independent OGRA, various forms of pipeline tariff methodologies, current conditions and operations of Kazakhstan's oil pipelines, the need for adopting new accounting standards, and problems with subsidization and non-payments issues.

The Offshore Oil and Gas Rules and Regulations Committee met on a monthly basis to discuss drafts of the rules created by Hagler Bailly.

I made presentations of our current activities at the monthly Kazakhstan Petroleum Association (KPA) and the monthly Embassy/Industry (E/I) meetings to keep the oil and gas community informed of our progress

July-September 1997

Helmut Merklein developed an oil pipeline tariff computer model, based on well known standard cost of service rate of return concepts, utilizing theoretical data to approximate the cost of operations and form a foundation for tariff development. A major component of the computer model was the asset valuation, which Dr. Merklein based upon a replacement value estimate at current prices minus depreciation from the date the pipeline was constructed. Additionally, a utilization factor was introduced into the model, as requested by the oil and gas industry members. Besides conducting monthly meetings on all of the issues and concerns surrounding the recommended methodology, Hagler Bailly conducted a field audit of the western pipeline system and gathered real data to use in the methodology, as opposed to using subjective data. Additionally, a report entitled "Proposed Pipeline Tariff Methodology and Recommended Tariff Rates for the Government of the Republic of Kazakhstan" (Attachment 2) was developed and introduced to the steering committee for its consideration at the September meeting.

We also conducted formal meetings with KCS to finalize the "Prospectus for an Aral Sea Consortium" and the draft agreement between the Governments of Kazakhstan and Uzbekistan to develop the Aral Sea. KCS President Kuandykov accepted the two documents and proceeded to initiate negotiations with his counterparts in Uzbekistan. No further work in relation to the Aral Sea was requested or continued.

Much of my time was spent working on DO 17 deliverable reports, such as the individual country-specific oil and gas status and the legal, regulatory, and institutional structure reports for Kazakhstan, Uzbekistan, and Turkmenistan.

The Offshore Oil and Gas Rules and Regulations Committee continued to meet and progress was made in drafting the four documents after several days of meetings each month.

I made presentations of our current activities at the monthly Kazakhstan Petroleum Association (KPA) and the monthly Embassy/Industry (E/I) meetings to keep the oil and gas community informed of our progress.

October-December 1997

In October, I organized a two-day DO 17 Strategic Planning/Resource Coordination Exercise to

develop an implementation plan and ensure efficient utilization of resources on current and anticipated tasks. The two-day session went very well as the "Implementation Plan" deliverable was prepared and many issues with regard to operations, funding, relationships, priorities, expectations, etc., were better understood and more formally adopted.

With regard to the Oil Pipeline Tariff Methodology Steering Committee, meetings were held in October and November to finalize the resolution of the committee, the actual methodology itself, and further recommendations of the committee to the GOK (Attachment 3). The steering committee adopted the document at the November 12 meeting and it was jointly submitted to the AMC and the Ministry of Energy, Industry, and Trade (MEIT) for approval and adoption. Unfortunately, a new faction of inexperienced KazTransOil (formerly KazakhNefteProvod) executives, became leery of the steering committee methodology and initiated an alternative proposal to the GOK. This proposal was rather radical and promoted a high valuation of assets, a high "internal" rate of return on investment, and inclusion of future construction costs in current tariff rates. When calculating tariffs using the alternative recommendation, rates would more than double. The emphasis shifted dramatically to the AMC, since they ultimately were responsible for adopting the methodology and approving tariff rates. We assisted the AMC by drafting detailed instructions on implementing the methodology, constructing spreadsheets on cash flow analysis, and developing long and short term sensitivity analyses, as requested and needed. Additionally, we worked with the KazTransOil inexperienced executives to educate them better over the benefits of the recommended methodology to their company.

We were requested by the AMC to review the gas transmission tariff proposal filed by Intergas, a subsidiary of Tractebel. Intergas has a long term concession agreement, giving them operational control of the gas transmission system, however they do not have ownership rights. After reviewing the tariff filing, we recommended that the proposal for doubling the tariff was not justified according to the data submitted in the filing, therefore we were able to assist the AMC in adjusting the proposed tariff rate request based on the record.

The Offshore Oil and Gas Rules and Regulations Committee continued to meet and progress was made in drafting the four documents after several days of meetings each month. Bill Bryson completed the uniform environmental rules and Art Rowley completed the health and safety regulations. At the same time, the GOK representatives of the working group coordinated the effort to ensure that the documents conformed to all other Kazakhstan rules and regulations.

I made presentations of our current activities at the monthly Kazakhstan Petroleum Association (KPA) and the monthly Embassy/Industry (E/I) meetings to keep the oil and gas community informed of our progress. I also made presentations on the progression of the development of the oil pipeline tariff methodology at the KIOGE'97 Conference in Almaty, Kazakhstan and the

Cambridge Energy Research Associates Conference in Washington, D C

January-March 1998

Due to a concern in funding of DO 17, travel by Hagler Bailly consultants was disallowed in January

I participated in meetings with USAID, the U S Embassy, and KazakhOil in the development of a GOK conference on export pipeline routes Although HIID was selected to facilitate the conference for USAID, Hagler Bailly was requested to provide technical support and assistance I was invited to make a presentation on generic oil pipeline export issues and concerns

KazTransOil made an application to raise oil pipeline tariffs, utilizing their own alternative methodology This sparked many meetings with KazTransOil, MEIT, and the AMC to critique all of the elements in the KazTransOil proposal The AMC agreed with our analysis and proceeded to accept our recommended methodology, disallowing the KazTransOil proposed alternative

The Offshore Oil and Gas Rules and Regulations Working Group did not formally meet, since many members were displaced due to the October 10, 1997 reorganization of the GOK and also, due to the fact that most of the members were in relative agreement of three of the proposed drafts Considerable time was spent in putting them in "Russian-style," so that they would be formally accepted and adopted by the GOK

I made presentations of our current activities at the monthly Kazakhstan Petroleum Association (KPA) and the monthly Embassy/Industry (E/I) meetings to keep the oil and gas community informed of our progress

April-June 1998

On May 22, a formal public hearing was held in Astana by Chairman Utembaev, Agency for Strategic Planning and Reform, on the recommended oil pipeline tariff methodology and tariff rates proposed by KazTransOil The public hearing was well publicized and filmed segments were shown on the national news throughout the weekend I represented Hagler Bailly and made a 30-minute presentation on the benefits of the methodology The AMC, KazTransOil, KazakhOil, and the MEIT also participated All GOK entities supported the methodology that was passed out of the steering committee on November 12, 1997 Unfortunately, after being informed earlier in the week, no foreign oil companies participated in the public hearing Hagler

Bailly had submitted instructions on the conduct of the public hearing and it was held in accordance with our instructions. On June 5, the oil pipeline tariff methodology was formally approved by the GOK and the AMC. The export surcharge of \$3.30 per ton of oil was also eliminated, as we strongly recommended. Tariff rates were to be set on July 1, according to the new methodology.

On June 15, I was requested to take part on a MEIT committee on gas transportation and distribution issues. At the meeting, I made a presentation on the benefits of an independent OGRA, which we believe needs to be considered as the initial step before the development of gas rules and regulations. We were requested to submit our proposals in writing, so we drafted a Law "On the Regulation of Oil and Gas" and submitted it to the MEIT. Unfortunately, in a meeting with vice minister Abetaev, MEIT, he stated that our proposal was a good one, however the GOK was not prepared to implement our law at this time. According to Mr. Abetaev, the MEIT is more interested in the development of rules and regulations for the gas industry in the near term.

The Offshore Oil and Gas Rules and Regulations Working Group did not formally meet. However, the three drafts were finalized in "Russian-style" and informally submitted to the GOK for informal comments. The final document was undergoing a final review by the steering committee. The KPA formally agreed to support the four documents as drafted.

I made presentations of our current activities at the monthly Kazakhstan Petroleum Association (KPA) and the monthly Embassy/Industry (E/I) meetings to keep the oil and gas community informed of our progress. I also made presentations at the GOK sponsored export pipeline conference in Almaty and on the need for an independent OGRA at the EuroForum Kazakhstan Oil and Gas Conference in London, England.

July-September 1998

On July 1, the AMC raised oil pipeline tariffs, based on the adopted tariff methodology. The AMC is no longer a function of the GOK, but reports to the president directly as a result of the recently adopted Law "On Natural Monopolies." The AMC is now known as the Committee for Regulation of Natural Monopolies and Protection of Competition and enjoys more jurisdictional authority. Hagler Bailly continues to assist the AMC in the development of instructions and rules and regulations.

The Offshore Oil and Gas Rules and Regulations Working Group did not meet. However, the three drafts were formally submitted to the GOK and comments were received by twelve different government entities. We are currently evaluating the comments and discussing with

working group members whether these comments should be incorporated into the final draft documents. The fourth document, rules on environmental damages and payment for damages, is in final draft form and will be formally submitted out of the working group for consideration of adoption by the GOK.

I made presentations of our current activities at the monthly Kazakhstan Petroleum Association (KPA) and the monthly Embassy/Industry (E/I) meetings to keep the oil and gas community informed of our progress.

CENTRAL ASIA CHIEF OF PARTY ACTIVITIES

In my combined responsibilities of chief of party, regional manager, and DO 17 project manager I served as the primary Hagler Bailly contact in Central Asia for both the oil and gas and electric power projects associated with USAID. I was in contact with USAID/CAR on an everyday basis with regard to the management of all of our activities and was frequently reporting the status and progress of these projects to USAID/W. Additionally, I communicated several times a week with the Hagler Bailly Arlington, Ashgabat, Bishkek, and Tashkent offices on everything from administrative management concerns to detailed TA issues. I traveled frequently to Ashgabat and Tashkent to provide management and technical support to the DO 17 field offices and projects. I was also responsible for making formal and informal presentations on the status of our projects at conferences, seminars, workshops, and meetings, as requested and as needed.

LESSONS LEARNED

Some of the lessons I learned in association with this experience are as follows:

- **USAID contractors must communicate closely and work directly with the highest levels of counterpart governments in order to achieve results.** The types of high visibility projects that we are associated with are all very technical in one sense, but just as, or probably even more important are that these projects have very political connotations, as well. Creation of independent regulatory commissions, approving international tariff methodologies, adopting new laws on oil and gas and electric power, to name just a few of our projects, cannot be accomplished by working with middle management or even upper level management of ministries, agencies, committees, and state companies. These projects must be pursued at the highest levels of government and at the executive office levels, to properly negotiate and resolve the technical and political landscape with the leaders of the country.

- **USAID contractors must be entrusted as international advisors to government counterparts, working on their behalf, and bringing the concepts of the world to them** Hagler Bailly has a wealth of international management advisors that have spent their entire careers working at the highest levels of the private and public sectors. Counterpart governments recognize this and welcome the experience and education that we are able to offer on various projects. Relationships and confidences grow with cooperation in jointly achieving results in legal, regulatory, and institutional reform. Hagler Bailly should represent themselves to government counterparts as international management advisors, funded by USAID, so that strategic objectives can be obtained. USAID needs to recognize that, they play an important, but entirely separate role with government counterparts. For the most part, meetings that USAID attends are viewed by counterparts as “Government to Government,” discussing projects in a quasi-diplomatic broad relationship perspective. Meetings with contractors are much more detail oriented, focusing on technical advice and negotiating differing opinions to obtain the best results on a project. USAID should refrain from attending TA meetings involving government counterparts and contractors, if the only purpose is to monitor events of the meeting and not contribute TA.
- **USAID contractors should “redline” draft documents, when requested for comments on documents generated by government counterparts** Oftentimes, we are requested to review proposed draft documents (laws, rules, procedures, etc) by counterpart governments when they are being considered for adoption. Similar to the consideration of changes to draft legislation in the U S , we find it is most efficient to “redline” the proposed changes directly in the document, showing all of the additions and deletions, so that the counterpart governments can easily analyze and review our proposals in the proper context. In general, providing separate written comments on the draft document is generally not efficient or effective, since long detailed explanations of concepts cannot compete with specific red-lined language proposals.
- **The role and relationship of contractors and the role and relationship of USAID (as the client) should be clearly defined** Hagler Bailly, as an international management consulting firm, should concentrate more clearly in their ability to provide specialized TA, as entailed in contracts, SOW, and work plans. They should advise the counterpart governments as their personal international consultants, and concentrate on providing professional quality deliverables to USAID in a timely manner. As specialized experts, the contractor should primarily focus on achieving the contract, SOW, and work plan objectives and deliverables, and not be considered as USAID staff, subject to internal administrative, management, and policy constraints. USAID should broadly monitor the contractors ability to achieve the objectives and deliverables, respond to assistance as

requested by the contractor and the counterpart governments, lend support for the sole purpose of adding value to the projects, and manage the internal U S Government

inquiries and communications issues The relationship should always be open and clearly understood by the contractors representatives and USAID's staff

- **The USAID contractor must take the lead role as a facilitator of specific tasks when involved in a working group setting with government counterparts** We have learned that the best manner to get discussion of the issues in a working group is to assume the role of facilitator and initiate pertinent draft written proposals, therefore focusing the issues and strategic results on paper The proposals should be drafted in the government accepted format and style, address all of the specific issues and concerns of the government, and be somewhat flexible and negotiable so that the working group decision will be favorably inclined Additionally, it is important to prepare specialized background papers and make detailed presentations which emphasize the importance and benefits to the favored position to the working group Up-front rules need to be developed and agreed upon at the initial meeting of any working group, which include a clear understanding of the goals, a meetings schedule, members and alternative members appointed, working draft documents must be simultaneously presented in Russian and English, strong and committed leadership must be decided, timely submittal of working draft materials must be ensured, education of various concepts and issues is a key component, individual members of the working group represent their entire organization, deadlines for the development and adoption of work products by the working group should be set, etc
- **The USAID/contractor "team concept" really doesn't work, unless expert resources from desired contractors are properly pooled, only on an as needed basis, to achieve strategic objectives and results on a specific task** Under the previous USAID/CAR Director, the general philosophy, as explained to us, was that all contractors activities were to be micro-managed in a team setting by each of the four USAID/CAR offices We were told that contracts, DO's, Scopes of Work, work plans, etc , were not individually important, only the collective work of the "team" mattered in achieving strategic objectives and results Unfortunately, this concept of teams resulted in internal disputes and "turf battles" between USAID/CAR offices and contractors, since qualifications of team members apparently didn't matter when addressing specific tasks For the most part, this team concept was not supported by contractors and many of the weekly team meetings on the prior weeks activities were turned into "grill sessions" on subjective matters by USAID management, rather than professional discussions on task support and allocation of resources We found these team meetings to be very difficult to tolerate,

since second guessing and unconstructive criticism appeared to be the agenda, and we rarely found that USAID staff or contractor team members added true value to our tasks as a result of team meetings. My experience in the past three years has been to cooperate with all USAID and donor agency contractors, contributing wherever necessary and when assistance is needed or requested. If tasks overlap, then coordination between contractors activities is always done to compliment each others work by maintaining open lines of communication about the specific movements of the tasks. This function could possibly be more formalized to pool contractor resources, as needed, on overlapping specific tasks, and delegating assignments in a team setting. However, these teams are created for a specific purpose, with the knowledge that all the appointed resources can contribute to the desired task results. This was not the case under the previous mission management.

- **The USAID/CAR Mission should administer and manage the training/study tour account, rather than contract it out to a general education organization.** It has been our experience that, at least for training our government counterparts, the use of a USAID general education contractor is very inefficient and more time consuming than what we can do internally. Generally, the education contractor requests that we draft the training proposal, develop letters of invitations to counterparts, negotiate the itineraries and training agendas, and assist with all of the logistics anyway. These are the same things we do when we handle training out of our own budget, but we, and our government counterparts, don't necessarily have to go through a third party contractor to negotiate and resolve all the issues. Therefore, we propose that USAID/CAR administer and manage its own training/study tour account, and award training/study tour projects according to proposals made by contractors that work on specific tasks with government counterparts. Benefits include continued design of training specific to the government counterpart needs, we accompany the counterparts during the duration of training, opportunities for closer relationships are established, further training and discussions can build upon the prior training experience, and costs and quality of the training can be better maintained.