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# QUARTERLY REPORT 1<sup>ST</sup> QUARTER 2009

THE ENERGY CAPACITY INITIATIVE (ECI), CONTRACT NO.  
DOT-I-00-04-00022-00, ORDER NO. DOT-I-03-04-00022-00



15 APRIL 2009

**Quarterly Report, 1<sup>st</sup> Quarter 2009**

**The Energy Capacity Initiative, Contract No. DOT-I-00-04-00022-00, Order No. DOT-I-03-04-00022-00**

**ON THE COVER: 500KV Power Line Kartli**

# QUARTERLY REPORT 1<sup>ST</sup> QUARTER 2009

THE ENERGY CAPACITY INITIATIVE (ECI), CONTRACT NO.  
DOT-I-00-04-0022-00, ORDER NO. DOT-I-03-04-00022-00

**DISCLAIMER:**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

## **INTRODUCTION**

This is the Quarterly Report described in and required by the Contract for the Energy Capacity Initiative (ECI), which provides in relevant part (section F.5):

The Contractor shall submit quarterly progress reports to the USAID/Caucasus CTO within 15 days of the end of the quarter for the period covered by the report.

The Quarterly Report is, according to section F.5 and to requests by USAID, to include:

- A summary by task of all current activities
- The identification of major problem areas, together with recommendations for resolving these problems, schedules for resolution, and persons responsible for required actions
- Anticipated activities for the coming quarter
- Travel of short-term advisors to Georgia
- Travel of Georgian officials to regional events or Europe
- A complete financial overview

This is the third Quarterly Report submitted for the ECI Project.

## **TWO IMPORTANT EVENTS**

At the outset, this report addresses two important events that took place during the third quarter of 2008 which has had a continuing impact on the scope and timing of ECI project tasking.

- First, in July 2008 the Prime Minister stated the view that the Government of Georgia (GoG) generally does not want recommendations on policy issues from donors or donor-funded projects, and that when it wanted such policy advice it would request it. USAID communicated the input from Prime Minister on policy advisory support to ECI, with the result that the project was partially redirected and the previously submitted work plan revised. A major objective of the original project scope was to improve the policy capabilities of the energy sector. The Prime Minister's directive dictated a major change of emphasis in the already defined grants program. In part to reflect this change in project direction, on 27 August 2008 USAID's Regional Contracting Officer (CO) approved a change in the name of the project from Energy Policy and Management Initiative to the Energy Capacity Initiative (ECI).<sup>1</sup>

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<sup>1</sup> As used in this Report, "ECI" should be read to mean ECI or EPMI, as the context requires.

- The second major event occurring prior to the fourth quarter of 2008 was Georgia's armed conflict with Russia in August. During the conflict ECI project relocated its expatriate short-term consultants and Chief of Party (with his family) to its office in Armenia. Due to the uncertainty of the situation and the inability to complete the interviews and tasks requiring access to GoG and Georgian commercial company personnel it was decided in the best interests of project costs to have the short-term consultants (Dr. Hameed Nezhad and Lejla Uzicanin) return home and to plan to resume their work once the situation in Georgia normalized. This resulted in delays the work planned for the third and fourth quarter. In addition, the launch of the grants program was postponed and since Georgia was subsequently in a "post-conflict" situation the focus of the grants program for energy issues necessarily was impacted and was redesigned to recognize this change in circumstances.

## **SUMMARY OF CURRENT ACTIVITIES BY TASK<sup>2</sup>**

### **Work Plan**

At the end of June 2008, ECI submitted a revised Year One Work Plan (including a narrative describing the work and a spreadsheet showing activities and schedule) to reflect USAID comments on earlier drafts. USAID responded with comments on 27 July 2008. USAID focused its comments in particular on the methodologies to be employed by ECI in the institutional and corporate assessments to be conducted under Sub-tasks 1.3 and 1.4, and the labor skills gap analysis to be undertaken under Task 2. Subsequently ECI and USAID discussed the methodology issues and reached a tentative agreement on the approaches to be taken under the respective project activities. These agreements were reflected in a revised draft Year One Work Plan (narrative statement and spreadsheet) submitted by ECI to USAID on 25 August.

ECI submitted a revised Year One Work Plan package to USAID on 29 August 2008, to reflect the change in the project's name. The Year One Work Plan was again revised to reflect input from USAID and the changes in the situation in Georgia relative to the energy sector in the initial "post-conflict" and a revised draft with project status information included was submitted for comment to USAID on 29 December 2008. ECI is following the general outline of tasks presented in the current draft Year One Work Plan work plan and is in regular communication with USAID concerning timing of tasks and deliverables as the needs of the GoG change in this dynamic period.

ECI submitted a draft Year Two Work Plan package to USAID on March 18, 2009 to document progress made in Year One of the project and to detail the work planned for Year Two of the project. This plan reflects the impacts of both the Prime Minister's direction on Policy support and the conflict with Russia on the objectives and tasking of the ECI project. ECI is following the general outline of tasks presented in the current draft Year Two Work Plan work plan and is in regular communication with USAID concerning timing of tasks and deliverables as the needs of the GoG change in this dynamic post conflict period.

### **Performance Monitoring Plan (PMP)**

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<sup>2</sup> In general, the text of this section follows the activity-by-activity schedule set out in ECI's Work Plan Spreadsheet, most recently updated on 29 August 2008.

On 11 June 2008 ECI submitted the draft PMP and supporting documentation to USAID this PMP was revised to align with the Year Two Work Plan and was included as an attachment to the Year Two Work Plan.

### **Branding Implementation and Marking Plan**

ECI submitted its draft *Branding Implementation and Marking Plan* to USAID for CTO approval on 13 June 2008. In mid-July 2008, USAID commented on the draft *Plan* and ECI submitted a revised *Branding Implementation and Marking Plan* incorporating the comments on 29 July 2008. After additional comments from USAID, ECI submitted a final *Plan* for CTO approval on 9 August 2008. On 29 August, ECI resubmitted the *Plan* to reflect the changed name of the Project.

On an issue related to branding and marking, by memorandum dated 8 August 2008 ECI requested guidance from USAID as to an apparent conflict between the requirements of the Graphics Standards Manual and those of the ECI contract relating to the contents of the cover page of Project documents. USAID guidance provided to ECI in the 4<sup>th</sup> Quarter of 2008 was that the USAID Graphics Standards Manual applies to all formally required submittals (e.g. ECI Quarterly Reports) and that the ECI Branding Implementation and Marking Plan applies to all other formal document submittals made to USAID.

**Public outreach.** In August 2008, ECI designed and developed a web site, [www.aeai.ge](http://www.aeai.ge). For now, the site includes a brief description of the project and, more importantly, a description of the Energy Scholarship Program and downloadable application package and form of application. ECI took the web site live during the first week in September. ECI, has used the website to announce and update information related to project activities such as the evolving grants topics issue and the scholarship programs.

**Personnel.** In December AEAI replaced Mr. Watkins as the Chief of Party (COP) for the ECI project. This was an AEAI management decision based upon internal issues related to the AEAI's concerns regarding the performance and actions of Mr. Watkins and the evolving situation/needs of the ECI project following the armed conflict between Georgia and Russia. Mr. Watkins was replaced as COP by Mr. Charles A. Burge. Due to the decision of the GoG to proceed to Membership status in the Energy Community, ECI increased the participation of Ms. Uzicanin through one additional trip to Georgia in order to address the additional support requirements needed in this area. We anticipate that additional short term support will be needed in the second and third quarters of 2009 to adequately prepare the GoG for negotiations with the EC Secretariat.

### **Task 1: Policy Analysis and Dialogue**

#### **Sub-task 1.1. Independent Policy Analysis through Grants**

ECI initiated the grants program in the early part of the third quarter with a briefing for prospective grants applicants on 3 July 2008. Earlier, ECI had identified universities, nongovernmental organizations (NGOs), and think tanks that might be interested in applying for grants.

ECl concluded the briefing/workshop by confirming that the grants program would launch on 11 August 2008 as previously advertised.<sup>3</sup> On 7 August 2008 ECl submitted a complete package of final grants program documents to USAID, including the *Grants Manual*, the Request for Applications, the illustrative list of energy sector topics, and the form of applications.

However, the launch did not take place as scheduled because of the conflict with Russia. With USAID's concurrence, ECl advised the community of prospective grants applicants by email that the grants program launch would be postponed until further notice. ECl subsequently revised the grants program to align with the "post-conflict" needs of the GoG. In particular, topics that related to Georgia's energy security and those relating to conservation of energy resources were highlighted.<sup>4</sup> ECl, therefore, conducted a revision of appropriate topics/issues and prepared revised drafts for review and comment by USAID and the Ministry of Energy (drafts submitted on 27 August, 3 September, and 26 September 2008). Some additional topics were proposed by the Ministry of Energy in light of the events of the conflict with Russia, and these were added to the list. And in mid-September, ECl submitted a revised Grants Manual for review and comment to USAID, with the new name of the project.

The revised program was re-launched in October 2008 and ECl received 38 grant applications in response to the request for proposals. The Ministry provided ECl with their assessment of which grant proposals were not considered to be a priority for the GoG at this time and the Technical Evaluation Committee (TEC) completed the review process based upon a prioritization of the grants by topic. Interviews were held with the top grant proposal candidates and six grant proposals were selected for final negotiations. Grant Agreements were negotiated and final version of the grants submitted to USAID at the end of this reporting period.

### **Sub-task 1.2 Independent Policy Dialogue Organized by the Contractor**

This subtask includes two distinct activities, the development of an energy sector database and the pursuit of energy sector policy dialogue undertaken by ECl (as opposed to grantees under Subtask 1.1). We discuss each of these activities in turn.

**Energy sector database.** As stated in the contract, ECl is to:

Research available sources of data for policy analysis (including the Ministry of Energy and the Department of Statistics), develop a database for independent policy analysis, and determine where to house such a database.

During the third and continuing into the fourth quarter, ECl's short-term IT expert conducted a preliminary assessment of the data needs and data bases in use in the energy sector.

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<sup>3</sup> ECl reported to USAID on the 30 July workshop in its *Memorandum on Energy Sector Grants Workshop* (7 Aug 2008).

<sup>4</sup> Shortly after the active conflict with Russia ended, the Ministry of Energy presented a list of items, or a "vision," consisting of GoG's urgent energy sector needs in light of the conflict.

During the fourth quarter of 2008 it was determined that another USAID funded project (SYNERGY) had specific responsibilities related to energy sector data collection and assessment (modeling) and decision support. An initial meeting with the SYNERGY project was held and a description of the data sets needed to support the modeling tool to be used (MARKAL/TIMES) was provided to ECI. Consequently and with input from the Ministry and USAID, to avoid possible duplication of efforts between SYNERGY and ECI further assessment and analysis in this topic area was put on hold until after the next visit by the SYNERGY project team to Georgia. This visit occurred in March of 2009 and additional reference materials were provided to ECI. These materials are being reviewed and a proposal regarding the database issue will be provided to USAID in the 2<sup>nd</sup> Quarter of 2009.

**Energy sector policy dialogue organized by ECI.** Under its contract, ECI is not to commence work on this Sub-task until after grants are awarded under Sub-task 1.1. ECI has, therefore, not yet commenced work under this Sub-task.

**Sub-task 1.3 Demand-driven Technical Assistance and Training to Support Policy Analysis, Policy Development, and Policy Implementation and Sub-task 1.4 Assistance to State-Owned and Private Companies**

In discussions with USAID in July 2008, ECI formulated an acceptable methodology for its assessment of energy sector institutions. The preliminary reviews and assessment assignments were divided between three international short-term experts.

For Sub-task 1.3, the GoG assessments were focused upon the two key institutions – the Ministry of Energy and the regulator, newly-designated the Georgian National Energy and Water Regulatory Commission (GNEWRC).

For Sub-task 1.4 ECI interviewed a number of electricity and natural gas sector enterprises in June and July, briefing management of the companies on the assessments to be undertaken and soliciting expressions of interest. The Electricity System Commercial Operator (ESCO) and Georgia State Electrosystem (GSE) responded positively to ECI's assessment offer, and with USAID's approval, ECI selected the two enterprises for assessment.<sup>5</sup>

On sub-task 1.3, short-term consultant Leszek Kasproicz commenced ECI's assessment under this Sub-task upon his arrival in Georgia in early July 2008.<sup>6</sup> Mr. Kasproicz first reviewed documents relevant to GNEWRC's legal authority, responsibilities, and functions, such as the Law on Electricity and Natural Gas, as amended. He also reviewed reports on GNEWRC from prior years, many of them donor-funded. Mr. Kasproicz then spent more

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<sup>5</sup> ESCO had been scheduled for an assessment by FORECAST/Caucasus under its Human and Institutional Capacity Development methodology at about the same time that ECI was to begin its assessment. With USAID's consent, FORECAST deferred to ECI on the ESCO assessment.

<sup>6</sup> ECI discussed its assessment of the Ministry of Energy with Ministry officials in late June or early July. The Ministry advised that it planned on moving its offices in July and also would undertake a reorganization during that period. That, plus the fact that many GoG employees take their vacations in August, caused the Ministry to suggest that ECI defer its assessment until September. ECI therefore selected GNEWRC for the initial GoG assessment.

than a full week at GNEWRC, conducting interviews with the Chairman and the two other commissioners, the Executive Director, all department and section heads, and selected specialists. Mr. Kasproicz also secured and reviewed records pertaining to internal operations, personnel rules, and staff and commissioner training.

Shortly before Mr. Kasproicz's began his assessment the Government directed GNEWRC to move to Kutaisi, some three and a half hours drive from Tbilisi. A significant number of staff members decided not to make the move, and the interview situation was further complicated by vacations scheduled for August. and, later, by the conflict with Russia. Mr. Kasproicz revisited GNEWRC during his October 2008 trip to Georgia to update his assessment after GNEWRC's move to Kutaisi. Follow-up meetings with GNEWRC to confirm the information collected and initial assessments made were held in December by short term consultant Ms. Lijla Uzicanin. Clarification of issues additional input was provided by GNEWRC during Ms. Uzicanin's 1<sup>st</sup> Quarter 2009 trips and the draft report was reviewed by the Chairman and his staff and completed in March.

During his October trip Mr. Kasproicz interviewed and assessed the Ministry of Energy for this sub-task. Mr. Kasproicz completed his report of the interviews and assessments from his home office and submitted them to ECI in November. Subsequent, interviews by Ms Uzicanin with the Ministry of Energy counterparts during her December trip indicated that a number of issues needed to be clarified and that more interviews would be needed to properly assess the needs for the Ministry. Some of these additional interviews were conducted during Ms. Uzicanin's two trips to Georgia in 1<sup>st</sup> Quarter of 2009. The details of the Ministry of Energy assessment will be completed during the conduct Emergency Planning Grant work and as a component of the EC Membership assistance that is described later in this report.

Regarding Sub-task 1.4 assessments, short-term consultant Stanley Graves arrived in Georgia to commence his assessments of ESCO and GSE in mid-July 2008. Mr. Graves reviewed pertinent documents and then interviewed the General Director and nine managers of ESCO. As he conducted these activities, Mr. Graves prepared his trip report reflecting his assessment for ultimate use in the ECI assessment report.

Mr. Graves also commenced ECI's assessment of GSE, meeting with the General Director and additional managers prior to turning the field work over to ECI short-term consultant, Ms. Lejla Uzicanin. Ms. Uzicanin reviewed materials relevant to GSE's functions and authorities and commenced interviews with GSE staff, but the conflict with Russia intervened and Ms. Uzicanin was relocated to AEAI's Armenia office and then sent back home before the end of her scheduled trip and the completion of all the required interviews and assessments.

Mr. Graves submitted his interview and assessment input to ECI in October and Ms. Uzicanin conducted further meetings with GSE during her October trip to Georgia. During Ms. Uzicanin's December trip she was assigned overall Subtask 1.3 and 1.4 reporting coordinator and in this role she conducted follow-up interviews with all the counterparts as well as worked on developing a consistent and concise format for the assessment report itself. Due to the timing range of interview follow-up that has been determined to be required, it was decided to provide reporting in two stages. ECI is providing individual reports to USAID for each entity assessed. Prior to this each assessment is having the counterpart review the draft reports.. ECI will consolidate key information from the individual preliminary

reports into a single overall summary assessment report after review and concurrence input on the preliminary reports from USAID.

## **Task 2: Higher Education Programs to Supply a Professional Workforce for the Energy Sector**

Task 2 includes the development of an energy sector higher education program for Georgian universities, to be designed after completion of the labor skills gap analysis (and the assessments under Sub-tasks 1.3 and 1.4), and a program to award several scholarships for graduate energy studies in the United States.

**Georgia energy sector graduate level educational program.** ECI introduced the higher education program to representatives of Georgian universities at the 3 July 2008 briefing (described earlier as to the grants program). After presenting the grants program material, ECI covered the following items relevant to the higher education program:

- Energy sector skills gap analysis and interviews with universities
- Tentative schedule
- Scholarship program
- Duration of the educational program
- Amount of grant pool
- Other issues:
  - Enterprise employees.
  - Existing vs. new programs.

The briefing on the higher education program produced significant interest among the attendees from local educational institutions. Subsequently, ECI began meeting with local universities to follow up on the briefing and to collect information about the universities and their programs for review by ECI's education experts.

ECI and USAID discussed the methodology for the energy sector labor skills gap analysis intensively during the last week in July and the month of August 2008, culminating in an agreement in principle on the form and content for the methodology. ECI submitted its draft *Professional Skills Gap Analysis Methodology Report* to USAID for review and comment on 4 September 2008. During this 1<sup>st</sup> quarter of 2009 ECI:

- Completed surveys of educational institutions across Georgia.
- Complete the student population survey to be conducted under sub-contract.
- Conducted (in coordination with the efforts of sub-task 1.3 and 1.4) a skills gap analysis to define educational program needs.
- Conducted a workshop on Project Management for over sixty educators and energy sector professionals
- Conducted a brainstorming session with the interested Universities regarding the prospective RFA on the local graduate level education program.
- Completed the RFA for the local Graduate level education program and met with interested Universities regarding their general questions
- Proposed to USAID training (short term) in the US for educators, GoG and industry energy specialists/managers who will implement/sponsor (train-the-trainers) local education/training programs for the Summer 2009.

- Proposed a preliminary set of workshops to augment specific short term needs of a large cross section of the professionals in the energy sector (e.g. Decision making, System Thinking),

### **US scholarship program.**

August 2008 ECI prepared and submitted to USAID for review and comment an *Outline of Competitive Awards Process for United States Energy Scholarship Program*. At the same time, ECI prepared a package of scholarship program documents, including instructions and a form of application. ECI also submitted drafts of these documents to USAID for review and comment, and ECI discussed the drafts at several meetings with USAID. Eventually, after agreement on USAID's recommendations, the CTO approved the package of scholarship program documents on 12 September 2008. ECI launched the program on 15 September 2008. In October the scholarships were clearly established as to be for a two year advanced degree program in energy.

With USAID input and concurrence it was decided to set the number of US Scholarships to be awarded at three and the process of scoring candidates based upon profile/testing was finalized and was used to select the finalist for this program. Five finalists were selected by the review committee and ECI is assisting them in applying to the selected US University programs for the fall semester of 2009.

### **Task 3: Integration into European and Black Sea/Caspian Energy Markets**

Under Task 3, ECI is to support the attendance of Ministry of Energy and GNEWRC representatives at the meetings of the Athens Energy Community (EC). ECI is also to "provide technical assistance and on-the-job training to the Ministry and GNERC on the terms and conditions applicable to full signatories of the Athens Energy Community". Lejla Uzicanin, ECI's expert on the Athens Energy Community Treaty, visited Georgia in late July to begin ECI's work under Task 3 (and, as noted above, under Sub-task 1.4). She conducted an introductory presentation to the Ministry of Energy, GNEWRC, GOGC, and GSE on the ECI met with representatives of the Ministry of Energy, Georgia Oil & Gas Corporation, Georgia State Elektrosystem, and USAID on 7 August so that Ms. Uzicanin could present the basics of the Energy Community Treaty.

In August 2008, the Ministry of Energy requested that ECI identify and study all of the energy sector and energy-related treaties, programs, and initiatives to which Georgia is a party and advise the Ministry of the requirements, costs and benefits of each, so that the Ministry (and thus GoG) would have a comprehensive, rather than a piecemeal, understanding of its commitments. Some of the treaties and programs wholly or partially devoted to energy are:

- The Energy Charter Treaty (signatory)
- The Energy Community Treaty (Observer)
- The EU Neighborhood Policy (participant)
- INOGATE (signatory)
- GUUAM (member)
- The Black Sea Transmission Project (participant)
- Intelligent Energy (EU Program) (tentative participant)

- The Baku Initiative (partner)

In consultation, USAID agreed that the Report on Strategic Regional Issue for Georgia to be prepared under Task 3 would serve as the appropriate vehicle for honoring the Ministry's request. ECI will submit the analysis requested by the Ministry as a component of its support for the GoG becoming a full member in the Energy Community.

ECI continued its support of the GoG attendance at meetings of the Energy Community (including the EC's Ministerial Council, High Level Working Group, Regulatory Board, and Electricity and Gas Fora) in this quarter.

During the 1<sup>st</sup> quarter, ECI supported, in whole or in part, attendance at regional energy initiatives by Georgia representatives as follows:

27-31 Oct 08 and continuing	Florence School of Regulation, Course on Regulation of Energy Utilities	GNEWRC Commissioner	Course consists of four days of training on site, followed by seven months of online e-learning courses
18 March 2009	Energy Community 11 <sup>th</sup> Permanent High Level Group	Ministry of Energy, First Deputy Minister	
10-11 Dec 08	Investment Conference	Ministry of Energy, Head – Intl Development	
11 Dec 08	Energy Community 5 <sup>th</sup> Ministerial Council	Ministry of Energy, First Deputy Minister	
01.09.09 – 01.26.09	25 <sup>th</sup> PURC/World Bank International Training Program in Gainesville, Florida	1. Lia Tokmajeva – GNERC Chief Advisor 2. Nino Lashkhia – Head of public and international relations division	1. The International Training Program on Utility Regulation and Strategy, scheduled each January and June in Gainesville, is a collaboration between PURC and The World Bank.
03.16.09 – 03.19.09	AEC Meetings in Vienna, Austria	Ministry of Energy of Georgia 1. Elene Ghubianuri – Head of International Relations Division 2. Nana Gurgenedze – Head of International Relations	1. Semi-official meeting with the secretariat and European commission on Georgia's AEC membership case 2. PHLG Meeting 3. Workshop on Competition Law

		Department 3. Marika Valishvili – First Deputy Minister	
03.23.09 – 02.25.09	AEC Meetings in Vienna, Austria	Ministry of Energy of Georgia 1.Margalita Arabidze – Chief Specialist, International Relations Department	Workshop on large Combustion Plants

During the 4<sup>th</sup> Quarter of 2008 the Ministry expressed its interest in understanding what it would require to become a full member of the Energy Community and in this Quarter the Minister requested support for this activity and the specifically to have Ms Uzicanin provide support for their Membership negotiations. ECI will provide this support as requested up to the limitation of our currently allocated LOE (80 days) for Ms. Uzicanin for year two of the project. She will also support and assist in the assessment of the Ministry’s obligations related to a number of treaties and agreements that was requested earlier by the Ministry. ECI will provide a statement of work and plan for this support and will provide it to USAID for review and approval. During the 1<sup>st</sup> Quarter Ms. Uzicanin provided both pre and post Energy Community meeting advisory support in this capacity.

It should be understood that the support for the full period of Membership negotiation and Membership advisory support subsequent to the negotiations would require a much greater level of support than is possible in our current budget. In addition, the probable timeline for membership processing (now through mid 2010) with the considerable work of membership commitment implementation that would follow their membership acceptance would extend their need for advisory support for a number of years beyond their membership acceptance date. ECI feels that this support would require not only Ms. Uzicanin’s knowledge and process oversight, but also the expert advisory support from a number of local and international experts. ECI will discuss the details of the Minister’s request for support with the Ministry and will develop a number of support options for USAID consideration.

### PROBLEM AREAS

**Delays caused by the conflict with Russia.** The August 2008 conflict between Georgia and Russia has caused delays and reorientation in nearly all areas of the project . Following the conflict which began on 7 August 2008 ECI had to relocate two of its short-term expatriate consultants and the COP and his family to our office in Armenia. We then sent the short-term expatriate consultants home because they could not meet with counterparts or conduct their assessments and it was determined that this action would minimize project costs. The conflict created a period during which travel to Georgia by our experts was prohibited and during which, therefore, ECI could not make progress on project objectives. ECI addressed the possible delays in project implementation caused by the conflict in its draft work plans submitted on 25 August, to the extent that such delays could then be identified. This impact has been further clarified in our latest Year One Work Plan submittal of 29 December, 2008 and our Year Two Work Plan submitted on 18 March 2009.

**Redesign of the grants program.** As discussed above, ECI twice redesigned the grants program during the third quarter. The Prime Minister's limitation on policy initiatives caused the first set of modifications, which included a major reorientation of the goals of the project and its list of illustrative energy sector topics suitable for grants applications. The conflict with Russia caused the second review and redesign of the grants program, as ECI focused (in consultation with USAID and the Ministry of Energy) on topics more vital to Georgia in the post-conflict environment. Consequently, the grants program initiation process was delayed until October 2008.

**GNEWRC authority and independence.** As noted in this project's prior quarterly report, a major challenge identified by ECI was the apparent GoG attitude related to the independent authority of GNEWRC. As USAID noted in the scope of work for ECI, "GNERC operates in an unstable environment", made acute by "a loss of institutional capability through the departure of personnel, caused by its instability [and] changes in management". As ECI noted, these factors intensified when GoG formally notified GNEWRC that it would be physically relocated to Kutaisi. Now that the move is complete, it appears that GNEWRC has lost approximately 20 employees (who did not want to make the move). The adverse effects of this loss of personnel are likely to be short-term, and ECI has addressed this issue in its GNEWRC assessment report.

Another problem that needs to be clearly addressed is the role and independence of the regulator. Two of the solutions earlier identified by ECI remain viable:

- for USAID to request the appropriate GoG authority (the Prime Minister, for example) to confirm that GNEWRC has the authority to exercise the tariff, licensing and other regulatory authorities given to it by law, and that GoG will take concrete steps to respect that authority. Or
- to acknowledge the doubt respecting GNEWRC's authority, and simply to hold joint training or education programs with personnel from the Commission, the Ministry of Energy, and other stakeholders on selected topics related to regulation.

### **Limitation on Support for Task 3 Energy Community Membership**

The project contract and funding anticipated this support to only consist of Year 1 activities. The GoG's decision to apply for full membership cannot be fully supported (advisory support or meeting support) from the current budget. A realignment of the budget will be required just to provide immediate support (through Q2 of 2009) for the membership negotiations. Additional support will be needed for such activities as the development of a grid code and although such support is within the scope of this contract these support elements are not funded in the current budget.

### **ANTICIPATED ACTIVITIES FOR THE COMING QUARTER**

As reported in the ECI Year One Work Plan (29 December 2008 draft), the program anticipates the following activities during the first quarter of 2009.

### **Overall Program**

Gain approval for ECI Year Two Work Plan.

## **Task 1 Policy Analysis and Dialogue**

### **Subtask 1.1: Independent Policy Analysis through Grants**

Complete grant agreements and manage the program and monitor the six Year One Grants.

### **Sub-task 1.2 Independent Policy Dialogue Organized by the Contractor**

#### **Energy sector database**

Continue the assessment of the energy sector data needs based upon prior data and user assessments and surveys using the input from SYNENERGY and propose a short term solution to the current data/information energy sector challenges.

Develop the recommendation for a sustainable energy sector database.

#### **Energy sector policy dialogue organized by ECI**

ECI is not scheduled to work on this subtask during the second quarter 2009, except a defined in the awards associated with the Grants program..

### **Sub-task 1.3 Demand-driven Technical Assistance and Training to Support Policy Analysis, Policy Development, and Policy Implementation**

Continue to prepare and submit the Reports on Organizational Assessments and prepare the Plan for Technical Assistance and Training by major organizations.

With USAID approval, continue to provide technical assistance and training programs.(workshops, seminars and institutional course development).

### **Sub-task 1.4 Assistance to State-Owned and Private Companies**

Continue to prepare and submit the Reports on Organizational Assessments and the prepare the Plan for Technical Assistance and Training by major organizations.

With USAID approval, continue to provide technical assistance and training programs (workshops, seminars and institutional course development).

## **Task 2: Higher Education Programs to Supply a Professional Workforce for the Energy Sector**

### **Labor skills gap analysis**

Complete assessments associated with the Professional Skills Gap Analysis Methodology and integrate results into the appropriate reports.

As appropriate, assist in the design of education program(s) to address the priority skill areas identified in the gap analysis with the greatest market demand not met by current university programs.

After identification of priority areas, develop an action plan for long-and medium-term education programs to meet the prioritized energy sector workforce development needs, including a plan for development of curricula, courses, and case studies.

Hold a workshop to share the results of the skills gap analysis and the proposed education program(s) with potential implementers of higher education programs (universities and other institutions of higher learning); share report with U.S. institutions, if relevant, who may also compete and potentially form partnerships with Georgian institutions.

### **Energy Scholarship Program**

Prepare the three top finalist for their program at selected Universities in the US.

Develop the local higher education programs that includes US based energy program specific training for educators and specialists (train-the-trainers).

### **Task 3: Integration into European and Black Sea/Caspian Energy Markets**

Expand the attendee participation in the 2009 Energy Community Meetings.

Prepare and submit to USAID a Report on Strategic Regional Energy Issues for Georgia.

Continue to work with GoG/GNEWRC to review roles and responsibilities respecting the Energy Community process and other regional energy issues, to more completely present the benefits and impact of membership.

### **TRAVEL OF SHORT-TERM ADVISORS TO GEORGIA**

During the second quarter of 2009, ECI expects the following short-term advisors to travel to Georgia:

<b>Name</b>	<b>Month(s)Expected</b>	<b>Purpose of Trip</b>
TBD Legal/Regulatory	April, May	Review EC Membership Impacts assess need for new or modifications to laws, regulations
Lejla Uzicanin	April, May, June	Provide expertise in assisting the GoG in EC pre membership activities plan for participation in regional/international initiatives under Sub-task
Hameed Nezhad	Aprill, May, June	Provide expertise in the development of local educational programs and scholarships prepare report on skills gap analysis

## **TRAVEL OF GEORGIA OFFICIALS TO REGIONAL EVENTS OR EUROPE**

ECI expects to support expanded attendance by Georgia officials at the Energy Community meetings during the next quarter,

# **ATTACHMENT 1**

**Performance Monitoring Plan (PMP) AND EXPLANATIONS OF INDICATORS FOR PMP  
ECI CONTRACT NO. DOT-I-00-04-00022-00, ORDER NO. DOT-I-03-04-00022  
Year 1-3 revised 12-01-09**

AEAI ECI Performance Monitoring Plan (PMP)			
Program Outcomes	Program Expected Results (ERs)	Results Indicators	Records of Performance or Source of Data
<p><b>Outcome 1: Energy Issues and Dialogue</b></p> <p>1. 1. Energy issues analysis through grants award Program;</p>	<p>1..1. 1 Capacity of potential grant applicants improved</p> <p>1.1.2 Direct grants to NGOs, think tanks and universities to undertake research and analysis awarded;</p> <p>1.1.3 Monitoring methodology for Grant program prepared and implemented</p>	<ul style="list-style-type: none"> <li>• Topics for Grants program identified in consultation with GoG and USAID.</li> <li>• 2 training workshop for potential grants applicants. Number participants up to 60;</li> <li>• at least three grants awarded in the first year to NGOs, think tanks and or Universities;</li> <li>• At least three grants awarded during the second year</li> <li>• Regular Monitoring Plan approved by the USAID;</li> </ul>	<p>Grant-making Manual (including evaluation criteria) developed</p> <p>List of Policy Topics and Activities</p> <p>Draft manual;</p> <p>Workshop materials, presentations.</p> <p>Pre-bid workshop memo. Grantee records and reports;</p> <p>Grant evaluation reports</p> <p>Monitoring reports</p>
<p>1.2. Independent policy dialogue organized by the ECI</p>	<p>1.2.1 Energy Sector Database .</p> <p>1.2.2 Important energy issues not addressed by grantees identified.</p>	<ul style="list-style-type: none"> <li>• Develop questionnaire</li> <li>• Potential data users determined</li> <li>• Establish preliminary data list</li> </ul> <p>If creation of the database is determined to be feasible and useful, design database, populate database, and develop a plan with counterparts for database maintenance.</p> <ul style="list-style-type: none"> <li>• Plan to address energy issues approved by USAID.</li> <li>• Organization of training workshops (on demand) with participation of 50 participants</li> <li>•</li> </ul>	<p>Report on database</p> <p>Database accessible through Internet for grant applicants, policy maker and general public.</p> <p>List of topics on policy issues;</p> <p>Workshop/conference materials, list of participants, reports.</p>

Program Outcomes	Program Expected Results (ERs)	Results Indicators	Records of Performance or Source of Data
<p>1.3. Demand-driven Technical Assistance and Training to support Policy Analysis, Policy Development and Policy Implementation;</p>	<p>1.3.1 Assessment methodology developed</p> <p>1.3.2 Training plan for top energy policy makers from Government institutions on demand from these institutions;</p> <p>Impact assessment of completed TA and Trainings for year 2 Update Training Plan for year 3</p>	<ul style="list-style-type: none"> <li>• At least two Governmental Organizations, one, regulatory body, 2 state utilities and civil society organizations undertaking capacity assessments as a result of USG assistance</li> </ul> <p>Training Plans were approved by the beneficiaries and USAID;</p>	<p>Reports on human and institutional capacity assessments of GoG.</p> <p>Draft Training Plans Impact assessment reports</p> <p>List of training participants</p>
<p>1.4 Assistance to State-owned and private companies on their demand</p>	<p>1.3.1 Assessment methodology developed</p> <p>1.4.1 Plan for capacity building in the State owned energy Companies</p>	<ul style="list-style-type: none"> <li>• Plan was approved by the beneficiaries and USAID;</li> <li>• Capacity of at least two state owned companies (GSE and ESCO) improved</li> <li>• Capacity of at least 2 private energy company improved</li> </ul>	<p>Report on human and institutional capacity assessments of the State Owned Companies.</p> <p>Training materials and List of participants</p>
<p><b>Outcome 2: Higher Education Programs to Supply a Professional Workforce for the Energy Sector</b></p> <p>2. 1. General/strategic management skills developed in the energy sector workforce,.</p>	<p>2.1.1 skills gap analysis in Energy Sector;</p> <p>High Education Grant Award</p> <p>2.1.3. Training plan to train local faculty in delivering curricula and courses;</p> <p>Capacity building of the selected high education institutions</p>	<ul style="list-style-type: none"> <li>• Methodology for skill gap analysis survey prepared and approved by the USAID</li> <li>• At least 200 persons participated in survey</li> <li>• Skills gap analysis report approved by the USAID and the Ministry serves as a basis for the development of an action plan and Graduate Program</li> <li>• Training Plan was approved by the Ministry of Energy, USAID and Partner Universities</li> <li>• 5-10 lecturers trained in the preparation of modern curricula;</li> </ul>	<p>Report on survey methodology. questionnaires</p> <p>Report on skill gap analysis.</p> <p>Action Plan</p> <p>Training materials. List of participants.</p> <p>List of participants, training materials</p> <p>Draft of curricula and study materials</p> <p>Workshop, TECI reports</p>

Program Outcomes	Program Expected Results (ERs)	Results Indicators	Records of Performance or Source of Data
<p>2.2 Technical management developed in the energy sector workforce</p>	<p>2.2.1 Scholarship and Internship program implemented ,students supported, and certificates and degrees issued</p> <p>2.2.2 Outline of Competitive process for US scholarships</p> <p>Training Plan for Education Institutions</p> <p>2.2.3 Outline of Competitive process for Local Scholarship</p> <p>Education Program Sustainability Plan</p>	<p>Higher Education Scholarships awarded and managed for at least 55 students, including 3 in the USA and at least 50 in Georgia</p> <p>Selection criteria for US scholarship prepared and approved by USAID and the Ministry</p> <p>Relevant universities for US Scholarship Program selected</p> <p>Curricula for graduate program prepared and study course implemented in the selected universities in Georgia</p> <p>Cooperation agreements between Universities and Energy companies signed</p>	<p>List of Scholarship awards</p> <p>Semi-annual report on curricula, energy focused courses, and case studies developed per action plan</p> <p>Memo to US scholarship winners</p> <p>Memo to local scholarship winners</p> <p>Report on internship and post-training/degree placement process and funding sources</p>
<p><b>Outcome 3: Integration into European and Black Sea/Caspian Energy Markets</b></p> <p>3.1 Ministry of Energy and GNERC Commissioners familiarized with EU Energy Laws and Regulations</p>	<p>3.1.1 Year One Plan for GoG/GNERC participation in Athens Energy Community Treaty.</p> <p>Assessment of knowledge of the GoG Institutions about the Energy Community process</p> <p>Support through funding of the attendance of the Energy Community and other relevant meetings</p> <p>Year 2 Plan for Government Participation in Regional Energy Initiatives</p> <p>Assistance in attending of meetings and preparation of presentations</p>	<ul style="list-style-type: none"> <li>• Plan was approved by the Ministry, GNERC and USAID</li> <li>• Up to 10 top staff members from the Ministry and GNERC participated in Athens Energy Community Treaty Meetings</li> <li>• Up to 6 key persons from the Ministry, GNERC staff participated in trainings in USA and EU organized by different donors/ International organizations, Regulatory Associations</li> </ul>	<p>List of persons attended the Athens Energy Community Treaty meetings; Presentations, working documents.</p> <p>Report on workshops and meetings.</p> <p>Drafts of presentation, meeting materials.</p> <p>List of participants</p>