

ACTION MEMORANDUM FOR THE DIRECTOR FOR THE OFFICE OF ENERGY AND INFRASTRUCTURE

FROM: R&D/EI, Alberto Sabadell *(Signature)*

SUBJECT: Authorization of Amendment for the Energy Policy Development and Conservation Project (EPDAC) (936-5728)

Problem: Your authorization is requested for Amendment 5 to the Energy Policy Development and Conservation Project (936-5728). The centrally-funded Energy Policy Development and Conservation Project was authorized on July 7, 1982. The project was amended on March 9, 1987 (authorizing, among other things, funds from the Section 103 account). On August 5, 1988 and June 3, 1989, the project was amended to increase LOP costs and extend the Final FY of Obligation to 1992. On April 15, 1991 the project was further amended to increase the LOP costs from \$25,232,000 to \$31,799,000. Your authorization is requested to:

- (a) increase the centrally-funded LOP costs from \$31,799,000 to \$36,799,000 from Section 103 and Section 106 accounts,
- (b) extend Final Year of Obligation to FY 93, and
- (c) extend the PACD to August 25, 1993.

Your approval is also requested to add other participatory financing arrangements for buy-ins other than R&D. Such funding may also be provided from the Economic Support Fund (ESF) or the Development Fund for Africa (DFA), as well as from the accounts authorized under this project.

Discussion: The EPDAC Project provides technical assistance in critical areas of energy policy and conservation to improve developing countries' economic efficiency and promote the introduction of market forces in energy policy and energy supply and demand. It focuses on pricing policy and institutional reform, development of private sector policies and capabilities, improved energy investment decision-making, and improving energy sector efficiency through energy audits and retrofits, training, pre-investment analysis and other related activities at the request of the Missions.

The EPDAC project was originally authorized July 7, 1982 as a five-year project with the first obligation taking place August 25, 1982. Due to the heavy demand for the project's services, the project was amended in 1987 to extend the PACD by five years to July 30, 1992. A successor project, the Energy Efficiency Project (EEP) has been designed to accelerate the rate at which energy efficiency improvements take place in developing countries, but a contractor will not be in place for at least six months.

The CIS Task Force lead by Richard Bissell, AA/R&D, has asked R&D/EI to assess its ability to provide emergency energy assistance

to the new Commonwealth of Independent States (CIS). The EPDAC Project is one of the best vehicles for providing this type of assistance. Emergency energy assistance has been provided to a number of countries under EPDAC, specifically through the Energy Conservation Services Program (ECSP) portion of the project. These anticipated activities are wholly within the current project purpose.

"Energy and environment" was one of five areas selected by Secretary Baker for early assistance to the CIS. Effective management of the CIS's energy sector will be critical to both its short- and long-term survival. Under the former Soviet Union, energy flowed among the republics without regard to metering or transaction costs. The republics now face the daunting task of determining cross border flows (there are no meters at the borders), developing inter-republic energy pricing and transfer policies, and preparing and negotiating contracts. Within each republic, new energy institutions and policies need to be established which will lead the way to the establishment of market-based energy development and use. Highly centralized industrial production and other infrastructure, such as massive district heating systems, need to make the transition to not only a market economy, but a competitive environment. These industrial facilities, which consumed over half of all the energy in the former Soviet Union, are extraordinarily inefficient. While the rest of the developed world significantly reduced its energy intensity (energy consumed per unit GNP) over the past two decades in the face of rapidly increasing world energy prices, the Soviet Union's energy intensity remained static.

Restructuring of industry and other infrastructure to improve efficiency will be a massive undertaking. For example, the more efficient continuous casting method of producing steel accounts for only 17% of production in the former Soviet Union whereas it accounts for 58% in the US and 93% in Japan. Other energy-intensive industries, such as cement, are equally far behind in technological development and create a significant drag on the economy due to their inefficiency. Similarly, the CIS's infrastructure is grossly inefficient. Many cities are heated with district heating systems where the temperature in buildings is controlled by opening the windows. The heat is not metered and thus is not priced based on consumption. And all of these inefficiencies combine to exacerbate already severe environmental problems.

Short-term, emergency energy assistance to the CIS will not be able to solve these problems overnight. However, emergency assistance can achieve two critical objectives: 1) rapid reduction in energy costs through targeted, cost-effective energy efficiency improvements, and 2) policy and planning guidance to help set the republics on a sustainable long-term trajectory. The immediate reduction in energy costs will be critical in helping inefficient industries sustain employment and production in the difficult economic times ahead. It will also improve their competitiveness

and help them make the transition to privatization.

Energy policy and planning guidance will be equally important in helping the energy sector make the transition to a market economy. There is no experience in the CIS in managing energy under market conditions. Policies need to be developed on how energy transfers should take place and how they should be priced; on which components of the energy system can be privatized and how. Long-term plans need to be developed with respect to the restructuring and privatization of industry to improve its efficiency, productivity and competitiveness. And cities and republics need to develop plans for improving and possibly privatizing inefficient public services, such as district heating and transportation. To respond to the request for emergency assistance to the CIS, the key areas of focus will be Transition Policy Development, Transition Energy Planning, and Emergency Efficiency Improvements.

These efforts can begin immediately under the EPDAC Project. The effort could be completed by August 25, 1993 and would require \$5 million, \$1 million of which would be for equipment. Continuity for projects requiring follow-on efforts could be provided by the successor Energy Efficiency Project and the Global Energy and Environmental Management Project.

PROJECT ISSUES:

SPECIAL INTEREST IN THE PROJECT: In order to respond to the request for emergency energy assistance and implement this program, the EPDAC Project would need the PACD extended one year and the life-of-project costs will need to be increased.

SOURCE AND ORIGIN OF COMMODITIES, NATIONALITY OF SERVICES: Commodities financed by A.I.D. under the project shall have their source and origin in the "cooperating country"* or the United States, except as A.I.D. may otherwise agree in writing. (Each country in which research, training, or technical or other assistance takes place under the project shall be considered a "cooperating country.") Except for ocean shipping, the suppliers of commodities or services shall have the cooperating country or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing.

WAIVERS, SPECIAL CLEARANCE, PROVISIONS AND DETERMINATION: No waivers or other special conditions are required.

CONGRESSIONAL NOTIFICATION: Substantive Notification required since the LOP exceed the previously notified amount by \$5,000,000.

PROCUREMENT PLAN AND BUDGET: The anticipated activities will be implemented under current procurement arrangements. In discussion with OP, we are currently exploring extension of current procurement instruments to undertake the anticipated new effort. It is anticipated that funds will be transferred to the Office of

Energy and Infrastructure from other activities in the Agency. Additionally, cofinancing is expected from other U.S. government agencies, multilateral donors, and private sector costsharing, as well as in-kind country contributions.

AUTHORITY: You have been delegated the authority to approve this authorization amendment by action memo dated March 11, 1992 signed by Brad Langmaid, DAA/R&D, 3/11/92.

Recommendation: That you approve the attached PAF Amendment 5 increasing the centrally funded life-of-project costs by \$5,000,000 to \$36,799,000, extend the Final Year of Obligation to FY 93, and extend the PACD to August 25, 1993.

Attachment:

Project Amendment Number 5
Project Data Sheet
Action Memo dated 3/11/92

Clearances:

R&D/EI:SToth (draft) Date 2/11/92
R&D/PO:DSheldon *Defer* Date 4/2/92
GC/R&D:GWinter (draft) Date 2/04/92
FA/OP:TStephens (draft) Date 2/12/92

R&D/EI:Alberto Sabadell:cak
(docs/ein/kiser/epdacpp.cak)

DETAILED EXPENDITURES FOR EPDAC EXTENSION
July 30, 1992 to August 25, 1993
(\$ 000)

	<u>Core</u>
1. Technical Asst. Contractor	
A. Contract Administration	700
B. Transition Policy Development	
1. Policy Studies (10)	500
2. Workshops (2)	300
3. Study tours (3)	300
C. Transition Energy Planning	
1. Emergency Energy Planning (1)	100
2. Integrated Resource Planning (1)	200
3. Other transition assistance	150
4. Workshop (1)	150
5. Study tours (2)	150
D. Emergency Efficiency Improvements (energy audits and retrofitting for 20 industrial facilities)	
1. Preparation & Screening	106
2. In-plant Diagnostic Phase	475
3. Complete Audit Reports	67
4. Energy Efficiency Equipment Procurement & Retrofitting	1,202
5. Wrap-up conference & final report	150
E. Regional Energy Efficiency Workshop	200
F. Special Studies (2)	200
2. Final Report	50
TOTAL EXPENDITURES	\$ 5,000

BUDGET AND SCHEDULE

The EPDAC extension will have an estimated budget of \$5 million, of which \$1 million will be for equipment. Additionally, cofinancing is expected from other U.S. government agencies, multilateral donors, and private sector cost-sharing, as well as in-kind country contributions. Funding commitments, with the exception of the

Technical Assistance Contractor-Contract Administration, are to be completed by June 30, 1993. The following outputs are expected:

- 10 transition policy development studies and recommendations
- 2 transition energy planning studies and recommendations
- emergency energy efficiency audits and retrofitting for 20 industrial facilities
- 4 workshops
- 5 study tours
- 2 special studies

PROJECT AUTHORIZATION AMENDMENT #5

Entity: Worldwide
Project Number: 936-5728
Project Name: Energy Policy Development and Conservation

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, the Energy Policy Development and Conservation Project, which is centrally funded, was authorized on July 7, 1982. This project was amended on March 9, 1987 (authorizing, among other things, funds from the Section 103 account), and was amended further on August 5, 1988, June 3, 1989, and April 15, 1991. That authorization is hereby further amended as follows:

to increase the Life of Project grant costs from \$31,799,000 to \$36,799,000,

to extend Final Year of Obligation to FY 93, and

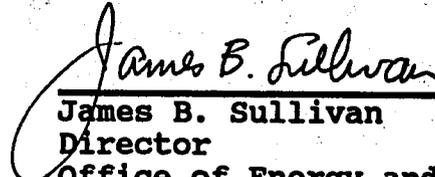
to extend the PACD to August 25, 1993.

Funds authorized under Section 103 and Section 106 may be used, subject to the availability of funds and in accordance with the A.I.D. OYB/Allotment process, without regard to previously authorized dollar limits for each appropriation so long as the total authorization of \$36,799,000 for the project is not exceeded.

The use of funds from the Economic Support Fund (ESF) account and from the Development Fund for Africa (DFA) for this project is hereby approved.

2. **SOURCE AND ORIGIN OF COMMODITIES, NATIONALITY OF SERVICES:** Commodities financed by A.I.D. under the project shall have their source and origin in the "cooperating country"* or the United States, except as A.I.D. may otherwise agree in writing. (Each country in which research, training, or technical or other assistance takes place under the project shall be considered a "cooperating country.") Except for ocean shipping, the suppliers of commodities or services shall have the cooperating country or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing.

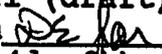
3. The authorization cited above remains in force except as hereby amended.



James B. Sullivan
Director
Office of Energy and Infrastructure
4/6/92

Date

Clearances:

R&D/EI:ASabadell (draft)	Date: 2/11/92
R&D/PO:DSheldon 	Date: 4/2/92
GC/R&D:GWinter (draft)	Date: 2/04/92

R&D/EI:CKiser:cak:1/30/92:875-4091

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input type="checkbox"/> A = Add <input checked="" type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number <u>5</u>	DOCUMENT CODE <u>3</u>
2. COUNTRY/ENTITY <u>Worldwide</u>	3. PROJECT NUMBER <u>936-5728</u>		

4. BUREAU/OFFICE <u>R&D/EI</u>	5. PROJECT TITLE (maximum 40 characters) <u>Energy Policy Development & Conservation</u>
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6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY <u>08/25/93</u>	7. ESTIMATED DATE OF OBLIGATION (Under "B:" below, enter 1, 2, 3, or 4) A. Initial FY <u>812</u> B. Quarter <u>3</u> C. Final FY <u>913</u>
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8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	()	()	()	()	()	(36,799)
(Loan)	()	()	()	()	()	()
Other U.S.						
1. Host Country						11,938
2. Mission Buy-ins						
Other Donor(s)						
TOTALS						48,737.

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
		(1) ARDN				14,753		2,770	
(2) PSEE				14,276		5,000		19,276	
(3)									
(4)									
TOTALS				29,029		7,770		36,799	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)	11. SECONDARY PURPOSE CODES
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)	
A. Code	
B. Amount	

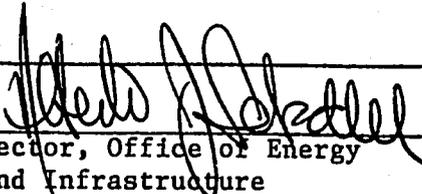
15. PROJECT PURPOSE (maximum 480 characters)

The purpose of this project is to provide technical assistance to developing countries so that they may effectively address their energy problems through analysis, institution building and policy development.

14. SCHEDULED EVALUATIONS	15. SOURCE/ORIGIN OF GOODS AND SERVICES
Interim MM YY MM YY Final MM YY <u>06/8/7</u> <u>06/8/9</u> <u>06/9/2</u>	<input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

To increase life of project grant cost: from \$31,799,000 to \$36,799,000, extend Final Year of Obligation to FY93, and extend PACD to 8/25/93.

17. APPROVED BY	Signature  Title Director, Office of Energy and Infrastructure	Date Signed MM DD YY <u>02/12/92</u>	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY <u>9</u>
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AGENCY FOR
INTERNATIONAL
DEVELOPMENT

MAR 11 1992

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR THE RESEARCH AND DEVELOPMENT BUREAU

FROM: R&D/EI, James B. Sullivan *[Signature]*
SUBJECT: Waiver of R&D Committee Review for Energy Policy Development and Conservation (EPDAC) Project Extension

Problem: It is requested that you waive the review of the EPDAC project by the R&D review committee for a one year extension.

Discussion: On January 23, 1992, President Bush announced the immediate release of \$645 million in humanitarian assistance to the recently formed Newly Independent States (NIS). Subsequently, "energy and environment" was selected as one of five areas by Secretary Baker to be targeted for the emergency assistance. In order to respond to this request, R&D/EI proposes to extend the Energy Policy Development and Conservation (EPDAC) Project, currently due to expire July 30, 1992 for 12 months and to increase the life-of-project costs by \$5 million. The successor project, the Energy Efficiency Project (EEP) has been designed to replace EPDAC, but a contractor will not be in place for at least six months.

The extension proposed is not substantive. The EPDAC project has been providing both emergency and long-term energy efficiency technical assistance for ten years to developing countries. The assistance to the NIS would not require a change in the project paper scope of work or in the scope of work for the various contractors under this project. Indeed, the experience the project and the contractors have had in this same field is one of the significant advantages in using this vehicle to provide immediate assistance to the NIS.

Recommendation: That you waive the need for the EPDAC extension to be reviewed by the R&D review committee; and that you authorize me to sign the authorization of the amended Project Paper extending the project to July 30, 1993 and increasing the life-of-project costs by \$5 million by signing below.

Approved: Brad Langmaid
Disapproved: _____
Date: _____

Clearances:

R&D/EI:SToth ST Date 3-5-92

R&D/PO:DSeldon _____ Date _____

DAA/R&D:BLangmaid BL Date _____

GC/R&D:GWinter (Phone) _____ Date 3/11/92

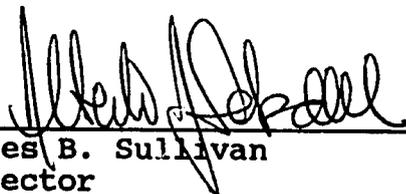
R&D/EI:Alberto Sabadell: sat
(docs/ein/toth/miscorr)

ENERGY POLICY DEVELOPMENT AND CONSERVATION 936-5728

RECOMMENDED ENVIRONMENTAL THRESHOLD DECISION

Section 216.2(c)(2) of the Agency Environmental Procedures (22 CFR 216) lists the categories of Agency activities for which an Initial Environmental Examination, Environmental Assessment, and Environmental Impact Assessment are not required. This covers "(i) Education, technical assistance or training programs except to the extent such programs include activities directly affecting the environment (such as the construction of facilities); (iii) Analyses, studies, academic or research workshops and meetings; (iv) Studies, projects or programs intended to develop the capability of recipient countries to engage in development planning, except to the extent designed to result in activities directly affecting the environment (such as the construction of facilities)."

EPDAC meets the criteria for a categorical exclusion under 22 CFR 216.2(c)(2) and does not require an Environmental Impact Statement or the preparation of an Environmental Assessment because it encompasses training programs and research.



James B. Sullivan
Director
Office of Energy and Infrastructure
Bureau for Research and Development

2-12-92
Date

Project name : Energy Policy Development & Conservation
 Est. Completion : 08/25/93
 Date of Revision : 1-30-92
 Design Team : R&D/EI

Narrative Summary (NS)	Measureable Indicators (OVI)	Means of Verification (MOV)	Important Assumptions
<p>Goal:</p> <p>1 To promote the economic growth and increased productivity of developing countries by providing energy and power at the lowest possible economic, financial and social cost.</p>	<p>1.1 Increased investments in innovative systems and approaches;</p> <p>1.2 pay private and public institutions, policies to promote private sector role in technology commercialization, and capital mobilization;</p> <p>1.3 increased reliability and availability of energy and electricity;</p> <p>1.4 greater productivity of industrial and agricultural enterprises;</p> <p>1.5 lowered capital requirements per unit of delivered energy;</p> <p>1.6 improved financial performance of LDC utilities;</p> <p>1.7 enhanced indigenous capability for investment decision-making, policy formulation, enterprise management and technology adaptation and innovation.</p>	<p>1.1 Information and case examples disseminated by the project and published in books, peer-reviewed journals, reports, magazines and news letters.</p>	<p>(Goal to Supergoal)</p> <p>1 That economic growth and productivity can be accelerated by improving the availability of delivered energy and power.</p>
<p>Purpose:</p> <p>1 To provide technical assistance to develop and introduce policies, R&D approaches and investment strategies that relieve current energy and power problems, while minimizing vulnerability to future energy crises, and to achieve measurable improvements in the technical, financial and managerial performance of energy systems and institutions.</p>	<p>1.1 Investment commitments from public and private entities; on-the-ground improvements in technical, financial and managerial performance; existence of country policies, laws and incentives.</p>	<p>1.1 Evaluations will be conducted periodically. LDC energy and economic reports; budgets and program documents; financial commitments from other international lenders and private capital sources.</p>	<p>(Purpose to Goal)</p> <p>1 That governments and donor agencies have been motivated by difficulties in mobilizing capital, size of energy investment budgets in relation to gross annual domestic budgets, the indispensable role of energy in ensuring economic growth, uncertainties regarding the future of oil prices and fuelwood depletion, high priority to energy issues in development planning.</p>
<p>Outputs:</p> <p>1 Country-specific energy investment plans, pre-investment feasibility studies, market and policy analyses. Conferences, workshops, seminars, and studies on R&D strategy and technology commercialization</p>	<p>1.1 An estimated 10 country-specific pre-investment packages; 15 reports on technology commercialization, R&D strategy, private sector opportunities and pricing policy; 12 transition economy</p>	<p>1.1 Project implementation documents, including PIO/Ts, contractor reports, project manager's annual reports, etc.</p>	<p>(Output to Purpose)</p> <p>1 That sufficient host government personnel and funds will be made available to work with U.S. teams toward accomplishment of project purpose.</p>

<p>Involving U.S. and LDC manufactures, utilities, R&D organization and financial institutions. Dissemination of referred journal articles book; reports and newsletters.</p>	<p>energy planning and policy development studies; emergency energy efficiency audits and retrofitting for 20 industrial facilities; 5 study tours; 2 special studies; and 9 international workshops, seminars or conferences.</p>		
<p>Activities: 1.1 Data on energy markets, resources, conversion systems, prices and capital requirements. Analytic tools for investment decision-making, social and environmental impact assessment, and least-cost energy and power planning. Expertise drawn from U.S. and LDC R&D organizations and private sector entities.</p>	<p>Inputs/Resources: Major activities will continue in energy analysis, assessment and institution building, power systems investment planning, energy pricing, private sector development, and trade and investment promotion. Major conservation activities will be conducted in such areas as electric power, industry, buildings, transport, household fuels, and efficient use of energy for rural enterprises.</p>	<p>1.1 Contractor reports; monitoring by A.I.D. project office; evaluation.</p>	<p>(Activity to Output) 1 That project budgets will be sufficient in each year of funding to procure the necessary expert services; that direct-hire staff will be sufficient to provide effective management; that a sufficient supply of the required expertise can be found and procured from private-sector, university, non-profit or national laboratory sources.</p>

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON, D C 20523

ACTION MEMORANDUM FOR THE AGENCY DIRECTOR FOR ENERGY AND NATURAL RESOURCES, BUREAU FOR SCIENCE AND TECHNOLOGY .

FROM: S&T/EY, James P. Sullivan

SUBJECT: Obligation of Funds to Create a PASA with DOE/Oak Ridge National Laboratory to Support the Energy Policy Development and Conservation Program

Problem: In order to secure an exemption from OMB Circular A-76, in accordance with the provisions of Section 621(a) of the Foreign Assistance Act of 1961, your determination is required that DOE/Oak Ridge National Laboratory is particularly suited to provide technical assistance to the Energy Policy Development and Conservation Program through a PASA.

Background: The purpose of the Energy Policy Development and Conservation (EPDAC) project is to provide technical assistance in energy policy development and conservation to developing countries, so that they may effectively address energy problems. The Energy Planning and Policy Development (EPPD) component of this project focuses on the policy environment for energy investments and provides recommendations for improved decision-making and policy dialogue. For this component, the Office of Energy (S&T/EY) has determined that obtaining the technical assistance of the Oak Ridge National Laboratory (ORNL) is clearly the best way to meet project objectives.

Justification: For the purpose of the EPDAC project, ORNL is particularly suited to assist AID with EPPD activities. The broad-based expertise of the laboratory has been maintained for more than 40 years by DOE and its predecessors in all areas of energy policy and technology. Together with these capabilities, ORNL's demonstrated effectiveness in assembling multi-institutional teams, including private sector firms, to accomplish complex tasks, makes it ideally suited to address AID's needs in a subject area as extensive as EPPD. Added to these qualifications, ORNL's substantial and growing experience with developing country energy problems makes it exceptional among institutions with equivalent general capabilities, both private and public. Particularly important for the EPPD responsibilities are ORNL's unusual breadth in the social sciences, as well as energy technology fields; the size and depth of ORNL's in-house technical resources, encompassing more than 1500 technical staff members, available to provide assistance as appropriate; and ORNL's ready access to the widest conceivable body of technical information related to energy. Equally

important is ORNL's commitment to using private sector capabilities to meet AID needs wherever those capabilities are the best available for the assigned tasks. In the past three years, PASA's with ORNL have brought to EPDAC activities technical capabilities from more than 70 private firms, universities, other national laboratories, and private consultants in addition to ORNL staff.

After a careful review of the possible mechanisms for meeting EPPD needs, the Office of Energy has determined that a PASA with DOE/ORNL is non-competitive with the private sector because equivalent services are not available via a direct contract with the private sector. The Office of Energy has become thoroughly familiar with the private sector market for technical assistance in the energy field through such efforts as wide-ranging RFP's for three consecutive years under the auspices of EPDAC's energy policy research program. The only alternative to a PASA which was deemed worthy of serious consideration was a Request for Proposals from very broad consortia of private contractors. In our judgment, based on considerable evidence, such a consortium would be significantly less effective than a PASA in accomplishing the aims of EPDAC at least cost to the taxpayer for three principal reasons:

- Our experience has shown that ORNL has a reputation for objectivity, technical excellence, and sincerity in institution-building which causes many AID-assisted countries and some AID missions to be substantially more interested in participating in EPPD activities than if a private firm were the lead institution for technical assistance. For example, since ORNL is not a vendor of energy technologies or models, it is not perceived as having a vested interest in a particular outcome of a planning study; because ORNL is so heavily involved in other energy activities, counterparts are convinced that the laboratory truly wishes to work itself out of a technical assistance job in the field by building indigenous capabilities; and because ORNL is an extension of the U.S. government, it is trusted as a partner in sharing sensitive information. Moreover, we have found that individual U.S. firms are often more willing to collaborate with ORNL than with a fellow private-sector firm, because the laboratory has demonstrated a genuine interest in serving as a facilitator rather than a competitor, and because it has established a record of maintaining confidentiality when that is appropriate.

- It is quite clear that even a relatively broad consortium would substantially reduce the technical resources available to AID, compared with a PASA. The consortium would meet requests for technical assistance from within its own resources, while other resources, especially in consortia not selected for the

contract, would not generally be available. Under the PASA, resources in every private sector firm relevant to an EPPD activity are available to AID as appropriate.

- It is also clear that a consortium newly assembled to respond to an RFP for EPPD support would substantially reduce the coherence of the EPPD program and the effectiveness of project coordination. Besides the obvious challenges in making a new framework operate smoothly, ORNL has more than ten years of experience with project management of just this type for federal agencies. Agencies such as DOD, DOI, EPA, and FEMA have determined repeatedly that this base of experience represents a unique capability, non-competitive with the private sector. In fact, about \$60 million in federal agency funding flowed to private sector firms and other subcontractors from ORNL's Energy Division alone during FY 1986 in connection with such project management services. It would be unrealistic to expect a firm without such experience to provide comparable services in coordinating a multi-institutional effort in energy planning and policy development. Even if such services could be acquired, they would certainly be considerably more expensive to the government than drawing them from an institution with a comprehensive institutional support structure already in place to serve the needs of a variety of agencies.

One further alternative considered by the Office of Energy was a somewhat narrower consortium or PASA supplemented by an assortment of separate contracts by AID with private firms, including firms that qualify under the terms of the Gray amendment. This possibility was determined to be unacceptable because of the significant value of ORNL's technical monitoring and oversight of its subcontractors, and ORNL's credibility with counterparts as a project team organizer and leader. At least as important, given the large number and diversity of requirements for technical assistance, AID staff resources are better allocated to program planning and implementation than to the mechanics of relatively small-scale contracting.

Because of the size of ORNL and its ongoing programs, furnishing technical assistance to AID will not deprive DOE of capabilities to do its own work. PASA activities under the EPDAC project will amount to less than two percent of the annual budget of ORNL's Energy Division, which is one of the 15 research divisions at the laboratory. The PASA arrangement, in fact, is beneficial to both AID and DOE, in that AID benefits from wide-ranging capabilities developed and maintained by DOE, while DOE benefits from the information about developing country energy needs and options acquired through the relationship with AID.

Recommendation: That you sign the following 621(a) certification:

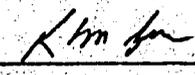
I hereby determine, in accordance with the factors described above, that the proposed PASA with DOE/Oak Ridge National Laboratory qualifies for exemption from the provisions of OMB circular A-76 under Section 621(a) of the Foreign Assistance Act because: (1) it is for technical assistance; (2) the DOE/Oak Ridge National Laboratory is particularly suitable for this scope of work; and (3) it is not competitive with the private sector.

Approved: 

Disapproved: _____

Date: 4/14/87

Clearance:

S&T/PO: GGower  Date: 4/14/87

S&T/EY: SAToth: DJustus: cw: 4/13/87
4070N