

Towards Efficient Implementation and Monitoring System for Energy Reform

Summary of the workshop

A Stakeholder Coordination Workshop on November 9th 2017 was conducted by WEG with the support of Heinrich Boell Foundation and in cooperation with Energy Community (EnC) Secretariat. Public and private entities in energy sector, donor agencies, CSOs, diplomatic corps representatives and energy sector specialists attended the meeting. Discussion was devoted to organization of the reform in energy sector, required under EU-Georgia Association Agreement and Energy Community Membership of Georgia.

The workshop was opened by addresses from Boell Foundation South Caucasus Regional Office, Embassy of Germany, EU Delegation and Ministry of Energy Deputy Minister of Energy George Chikovani, spoke about state led activities in energy reform. The representative of EU delegation Andrej Bartosievicz presented the EU programs and instruments in support of implementing the EU Energy Acquis in Georgia. Director of Energy Community Secretariat Janez Kopac presented the cases characterizing reforms in other EnC countries, Representative of Georgian Energy and Water Regulatory Commission Zviad Gachechiladze discussed challenges GNERC is facing in reform process. The presentations were followed by interventions from donor aid agencies. Representatives of KfW, USAID, WB and UNDP described their current and planned activities in line with Georgia's Energy Community reforms. Notably Klaus Veigel of KfW presented the Policy framework for Electricity Sector to be used as basis for Policy Based Landing, while Nick Okreshidze of USAID described a new ambitious program in support of wider reforms and capacity building in the sector. Murman Margvelashvili from WEG briefly presented the scope of the reforms and the indicative work breakdown structure (WBS) for one directive, leading to a conclusion that a more organized approach should be taken based on established Project Management methodology.

Although there was no representation of some important donors (EBRD, ADB, DANIDA), the interventions showed a wide range of extensive work, both ongoing and planned. The discussion also clearly indicated some overlaps of project activities, while there was no possibility to identify the gaps. The need of better stakeholder coordination became evident and several stakeholders expressed an interest in conducting similar stakeholder meetings in future.

More precisely, the discussion showed:

1. There is a large amount of work being done by different donor agencies. There are visible overlaps in some directions while gaps have still to be analyzed; Donor projects need to be coordinated and harmonized to avoid overlaps and to minimize the gaps;
2. The progress has been slow in decisions on major energy reform issues as well as in work on draft documents needs to be expedited;
3. There is no special resource allocation to ministries participating in the reform. There is a lack of dedicated human resource in public entities that would be tasked primarily with reforms;
4. The complexity of reform, especially in view of Georgia specific conditions (Enguri/Abkhazia, HPP memorandums, SOCAR and Gazprom agreements, etc.) raises concerns about the expected quality of solutions and about meeting the deadlines

5. Discussion revealed that Georgia is not in compliance with the article 215 of the Association Agreement requiring appointment of independent regulators regulating electricity and gas markets. GNERC does not regulate electricity and gas markets, keeps only monitoring function;
6. Period of uncertainty during the reforms needs to be minimized in order to minimize downtime of investment due to uncertainty.
7. ***There is a need for a common project management to avoid the inconsistencies, omissions and delays, and to achieve quality of reform while still being on time***

Recommendations

1. Coordination between public entities needs to be improved and aligned under a common vision and framework. There is a need for high level oversight and support from the top government level. The high-level government sponsorship needs to be secured¹;
2. The project management approach and methodology shall be taken to streamline the reforms. In terms of PMI (PMBOK) this requires project integration efforts to be intensified. Creation of a Project management unit, Development of a Project Charter, and Project Management Plan (including communication plan, risk management, quality assurance etc.) might be the first steps
3. A **detailed Road Map of the reform** needs to be developed with proper Work breakdown Structure Schedule and allocation of human and other resources;
4. Matrix organization structure needs to be created within the public entities in order to have devoted staff working on reforms. Create task forces in various reform directions with appointed representatives Create a regular donor coordination and communication mechanism for aligning the project activities
5. Initiate the change in the law empowering the regulator to regulate electricity and gas markets, in accordance with the AA and having in mind its capacity

In a short time after the meeting major developments have taken place that only partly affect the conclusions above:

1. **Meeting with Sector entities.** The next day after the workshop there was a meeting of EnC Secretariat where most of difficult issues related to the draft Energy Law were successfully resolved. This promises to expedite the implementation of Electricity Market directive and may lead to meeting the deadline in this direction
2. **The plans for reorganizing the government and shifting the functions of the Ministry of Energy under the Ministry of Economy and Sustainable Development.** This reorganization may be beneficial for coordination of reforms but may also raise some uncertainties and delays. issues to be addressed ASAP. It seems to be advisable to request the strong leadership of the reform process from MoSD; The mechanisms and modalities for implementation of AA and EnC accession requirements under the new government structure need to be clarified promptly.

¹ In view of recent announcements, this role may shift to the Ministry of Economy and Sustainable Development (MoESD), nevertheless the need for strong formalized leadership remains