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DECONSTRUCTING RECONSTRUCTION: PROBLEMS, CHALLENGES, AND THE WAY FORWARD IN IRAQ AND AFGHANISTAN

HEARING

BEFORE THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

MARCH 22, 2007

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Printed for the use of the
Committee on Homeland Security and Governmental Affairs

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DECONSTRUCTING RECONSTRUCTION: PROBLEMS, CHALLENGES, AND THE WAY FORWARD IN IRAQ AND AFGHANISTAN

THURSDAY, MARCH 22, 2007

U.S. SENATE,
COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 10 a.m., in room SD–342, Dirksen Senate Office Building, Hon. Joseph I. Lieberman, Chairman of the Committee, presiding.

Present: Senators Lieberman, Levin, McCaskill, Collins, Coleman, Coburn, and Warner.

OPENING STATEMENT OF CHAIRMAN LIEBERMAN

Chairman LIEBERMAN. The hearing will come to order. Good morning, and thanks to all of you for being here, particularly thanks to our witnesses. I appreciate your presence very much.

In today's hearing we are going to focus on a challenge that is critical to our success in Iraq and Afghanistan, but beyond that, in the larger war on terror and in other conflicts and post-conflicts, in terms of securing the future and rebuilding countries that we are involved in so they can fully and finally break from the legacies that they have had—in the case of Iraq and Afghanistan, obviously, the dark legacies of Saddam Hussein and the Taliban.

If we want these nations to become free and prosperous societies that will be our allies in the war on terror rather than falling back into dictatorships that offer a haven and headquarters for those who would attack us, we must help them build the infrastructure upon which prosperity and freedom depend: Schools, roads, power projects, water and sewer systems, health care facilities, and communications systems. And, of course, we also need to help them strengthen democratic foundations that are necessary for long-term prosperity, freedom, and stability.

Here in this country, the American people may be divided over the handling of the war in Iraq, but I do not think we are divided in our hope that the Iraqi and Afghani people will soon enter the community of peaceful, stable, and democratic nations. And that is the focus of the hearing today.

Widely reported instances of waste and fraud in our reconstruction efforts have left many Americans wondering whether we are able to deliver this needed assistance effectively. They rightly ask what we have gotten out of the $38 billion spent in Iraq on recon-

struction and the $4.3 billion spent in Afghanistan. They wonder whether contractors have been held accountable when they overcharge or defraud our government, and in some sense, I think at the extreme, they ask whether the nations that we are trying to help are spending the money that we are investing in them effectively and ethically.

Today's hearing is quite creatively titled—I do not take any credit for it; it is from a staff member—"Deconstructing Reconstruction," subtitled "Problems, Challenges, and the Way Forward in Iraq and Afghanistan." And we are going to look today at what is working so we can build on our successes and what is wrong so we can fix it.

I want to thank our witnesses: Stuart Bowen, Special Inspector General for Iraq Reconstruction, now adding a new acronym with great resonance to our vocabulary—SIGIR; the Hon. David M. Satterfield, Senior Advisor to the Secretary of State and Coordinator for Iraq; Major General Ronald L. Johnson, Deputy Commander, U.S. Army Corps of Engineers; and Mark Ward, Senior Deputy Assistant Administrator for the Bureau of Asia and the Near East for the U.S. Agency for International Development.

We know that reconstruction in Iraq and Afghanistan is taking place in a very difficult and dangerous context. That is why the current clear, hold, and build strategy being carried out under General Petraeus is so important, not just to create security but to create security for the purpose of enabling the reconstruction and economic recovery and the political strengthening of the country.

Each of the witnesses today before us, as well as the men and women who work for their organizations, have put themselves in harm's way to help the United States carry out its mission in Iraq and Afghanistan, and we thank them truly and deeply for that.

Even with these security challenges, the audits of reconstruction projects done by the SIGIR show, if I may state it simply, that where projects were well planned and well supervised, the rate of success has been high. It is as simple as that, and yet it is a much more complicated story, as the Special Inspector General himself knows and will make clear.

The problem is that there were too many projects that were not well planned and well supervised, and those rightfully agitate the public and Members of Congress because a lot of money appears to have been wasted. And it is a waste and a cost that is measured not just in dollars but in the undermining of the overall U.S. mission in these critically important countries.

This is infuriating and heartbreaking, both to the American taxpayers, whose money we have spent and who want us to succeed, and to the people of Iraq and Afghanistan, the overwhelming majority of whom desperately also want and need us to succeed.

I have in my prepared statement a number of examples of the waste, fraud, and abuse that the Special Inspector General has uncovered, and I am just going to enter them into the record. Unfortunately, it is not a short list. But today I think we are going to go from the focus on the scandalous, infuriating outrages of waste, fraud, and abuse to the lessons we learned from both what has worked and what has not worked. And this is an important turning point as we consider the fundamental reforms that we may want

to make here because we also, as the witnesses will testify, I am sure, are at something of a turning point in terms of the relationship of our government to the reconstruction of Iraq. In some measure, as I was discussing with Mr. Bowen yesterday, we are completing the phase of large-scale American responsibility for the reconstruction of Iraq, and we are transitioning to what looks a lot more like a foreign aid program as the Iraqis are more capable of standing up on their own economically.

The lessons that we hope to discuss today that we have learned from our experience in Iraq will help us help the Iraqis, help us as we offer assistance, and, most important of all, probably help us if and—more likely not if, but when we confront similar challenges and opportunities to rebuild countries that we have, with others, liberated from tyranny and terrorism.

There are some very interesting ideas that Mr. Bowen has in his report. I am particularly taken by these ideas because I serve, along with Senator Collins, on the Armed Services Committee, and we do a lot of work on trying to implement the Goldwater-Nichols mission of making our military a joint operation. You can state it in a simple insight, in a sentence that Congress had at the time of Goldwater-Nichols: Warfighting will be joint; therefore, we must organize jointly to fight jointly.

In this case, I think what we have seen with the involvement of the Department of Defense, the Department of State, and USAID is that each go their own way sometimes in the economic reconstruction of Iraq and Afghanistan. We know that these kinds of reconstruction missions, nation building, if you will, will always be joint and, therefore, we have to explore ways to organize jointly, which I believe is the charge and the challenge that the Special Inspector General is giving us in his report and testimony today. And to paraphrase, we do not shrink from the challenge. We welcome it because it is important to our Nation's future, to the cause of freedom, and also to the exercise of our responsibility on this Committee as an oversight committee.

So I thank you all for being here. I look forward to your testimony.

[The prepared statement of Chairman Lieberman follows:]

PREPARED STATEMENT OF SENATOR LIEBERMAN

Good morning. In today's hearing we will focus on a challenge that is critical to our ultimate success in Iraq, Afghanistan and the larger war on terror—helping those nations rebuild so they can fully and finally break free from tyrannical legacies of Saddam Hussein and the Taliban.

If we want these nations to become free and prosperous societies that will be our allies in the war on terror, rather than dictatorships that offer headquarters for those who would plot to attack us, we must help them build the infrastructure upon which prosperity and freedom depends—schools, roads, power projects, water and sewer, health care and communications systems—And we must help them strengthen democratic foundations that are necessary for long-term prosperity.

Americans may be divided over the handling of the war but we are not divided in our hope that the Iraqi and Afghan people will soon enter the community of peaceful, stable, democratic nations.

But widely reported instances of waste and fraud in our economic aid have left many Americans wondering whether we are able to deliver the needed reconstruction effectively. They rightly ask what we have gotten out of the $38 billion spent in Iraq on reconstruction, and the $4.3 billion we have spent in Afghanistan. They wonder whether contractors are held accountable when they overcharge or defraud

our government. They ask whether independent contractors are spending the money we give them efficiently and ethically.

With today's hearing—"Deconstructing Reconstruction: Problems, Challenges, and the Way Forward in Iraq and Afghanistan" we will look at what's working, so we can build on our successes, and what's gone wrong so we can fix it.

I want to thank our witnesses for joining us today: Stuart W. Bowen, Jr. Special Inspector General for Iraq Reconstruction—or SIGIR; Honorable David M. Satterfield, Senior Advisor to the Secretary of State and Coordinator for Iraq; Major General Ronald L. Johnson, Deputy Commander, U.S. Army Corps of Engineers; and Mark S. Ward, Senior Deputy Assistant Administrator for the Bureau of Asia and the Near East for the U.S. Agency for International Development.

We know that reconstruction in both of these countries is taking place in extremely difficult and dangerous circumstances that is why clear, hold and build strategy by General Petraeus is so important. Each of the witnesses today, and the men and women who work for their organizations, have put themselves in harm's way to help the United States carry out its mission in Iraq and Afghanistan.

But even with these challenges, audits of reconstruction projects show that where projects were well-planned and well-supervised, the rate of success has been high.

Where we've seen failure is when the U.S. Government failed to plan projects carefully and then failed to keep a close watch over contractors and now we've seen billions of dollars wasted—a cost measured not just in dollars but in the undermining of the overall U.S. mission in these war-torn countries.

This is infuriating and heartbreaking both to the American taxpayers whose money we have spent want us to succeed and the people of Iraq and to Afghanistan who desperately need us to succeed.

Some examples:

- In 2004, the U.S. government rushed into 12 large contracts worth billions of dollars to rebuild critical sectors of the Iraqi economy, like electricity, public works, water resources, transportation. The contractors were told to head to Iraq immediately. But when they got there, the government waited months to give the contractors specific projects, although their clocks were ticking away and the bills were piling up. For example, Halliburton's subsidiary, KBR, arrived in Iraq in February 2004 to work on oil infrastructure projects and then sat around for the next nine months with little to do because no one had mapped out what projects KBR was supposed to do. During that time, the government paid KBR $52.7 million for salaries, housing, food and other administrative costs.
- $43.8 million was spent on a residential camp for a police training academy in Baghdad that has stood empty for months. This spending included $4.2 million on work that was never authorized by the U.S. government, including an Olympic-sized swimming pool. As of the SIGIR's last report on this project January, this facility was still sitting empty.
- The SIGIR has found that the Department of State, under its contract with DynCorps for the training of Iraqi security forces, spent $36.4 million for weapons and equipment that cannot be fully accounted for.
- KBR burned through more than $75 million in a matter of weeks on the crucial Al Fatah oil pipeline crossing under the Tigris River and accomplished nothing because the company ignored warnings that their engineering plan was fatally flawed and doomed to failure.
- Efforts to build Primary Healthcare Centers in Iraq have been beset by performance troubles. Last year, only 6 of 142 planned Primary Healthcare Centers had been completed in Iraq. The U.S. terminated the contract for the healthcare centers with the primary contractor, Parsons, and re-awarded the work to Iraqi firms. But only two more have been completed since that time.
- In Afghanistan in 2004, USAID canceled most of its contract with the Louis Berger Group for reconstruction of school and health facilities because the completion rate for the projects began to lag far behind schedule.
- Yet USAID has just entered into a $1.4 billion contract—given to a joint enterprise led by Louis Berger—to undertake the full range of infrastructure projects, from roads to energy projects in Afghanistan. This seems astounding on its face and today we must ask USAID whether we have any assurance that this mega contract will not suffer from the same cost overruns and delays.

I could go on. There are many other examples—the cost overruns at the Basrah Children's Hospital, which are already $100 million over the original $50 million price tag—and still climbing—and the $73 million Baghdad Police Academy with such poor plumbing sewage is leaking through the ceilings.

These things cannot be allowed to continue and we look forward to hearing from Mr. Bowen and our other witnesses about what fundamental reforms we can make, not just to improve contractor performance in Iraq and Afghanistan, but across the whole range of these kinds of contracts.

The war against terror will not be won by military might alone. We must show the world that we are serious in our efforts to keep liberating nations like Iraq and Afghanistan from slipping into chaos by helping them build a strong democratic foundation and a modern infrastructure that promotes the dreams of a prosperous future.

I agree with the SIGIR that the State and Defense Departments and USAID must work together much more effectively on post-conflict reconstruction and I will examine possible legislative fixes to achieve that goal.

I look forward to today's testimony so that we may find a better way forward.

I note that this is our Committee's second hearing on reconstruction, and today we will build on the hearing that Senator Collins chaired in August last year, at which Mr. Bowen presented his lessons learned findings on contracting.

And with that, I turn to Senator Collins for her opening statement.

Senator LIEBERMAN. I would yield now to the Ranking Member, Senator Collins.

OPENING STATEMENT OF SENATOR COLLINS

Senator COLLINS. Thank you very much, Mr. Chairman. I very much appreciate your convening this important hearing.

Reconstruction efforts, whether in war zones abroad or disaster areas at home, require careful planning, effective oversight, and wise stewardship of the taxpayers' investment. Regrettably, our reconstruction operations in Iraq have been plagued by a lack of coordination, poor management of many projects, and an overreliance on costly noncompetitive contracts.

Today, we have the opportunity to learn from these serious mistakes as the Special Inspector General for Iraq Reconstruction releases his third and final Lessons Learned report. It includes nine thought-provoking recommendations. The most significant, as the Chairman has mentioned, calls for a new Goldwater-Nichols type of approach to coordinate efforts among the Departments of Defense and State, the U.S. Agency for International Development, as well as other agencies and departments involved in future reconstruction efforts. Other recommendations call for more funding of reconstruction and stabilization planning, clarification of who exactly is in charge, more involvement of local people in reconstruction, and improved management of non-U.S. funds. These are sound recommendations, and I look forward to hearing more about them today.

Reflecting its disarray and uncertainty, the Federal Government has adopted four different strategies and structures to deal with reconstruction in Iraq. Each approach has experienced difficulties in making the progress necessary to improve the lives of the Iraqi people and to pave the way for the time when our troops can come home.

The heart of the American reconstruction effort in Iraq and Afghanistan is an enormous network of contracts. The Department of Defense has a large role in managing the more than $30 billion appropriated for reconstruction, and the Army alone has an estimated 60,000 contractor employees supporting its operations.

The Special Inspector General has uncovered many disturbing cases of egregious waste and mismanagement, and in some instances, outright fraud, in Iraq reconstruction contracts and

projects. His work strongly suggests that Congress should revamp the way the Federal Government conducts significant relief and reconstruction efforts, whether it is in Iraq, Afghanistan, or even in the Gulf Coast of the United States.

It was the Special Inspector General's investigations as well as the findings from this Committee's Hurricane Katrina hearings that led me to introduce the Accountability in Government Contracting Act, with the welcome support of our Chairman and Senators Carper, Coleman, and McCaskill. This bill aims to improve our stewardship of taxpayers' money while increasing the fairness and transparency of Federal dealings with suppliers of goods and services.

The fact is, obstacles exist to fair, effective, and open competition, as well as effective oversight, including inadequate documentation requirements, the overuse of letter contracts that fail to include all the critical terms, excessive tiering of subcontractors, and insufficient public data on Federal contracts.

An example is a task order for an oil project that cost some $84 million. When the Defense Contract Audit Agency looked into the charge, it discovered that the work had been completed for more than a year before DOD negotiated the final terms of the contract. Unfortunately, the record of Federal contracting in Iraq is replete with this kind of lax oversight.

The Special Inspector General last July identified 194 individual task orders valued at $3.4 billion that were classified as "undefinitized contract actions;" in other words, they were missing key terms of the contract, such as defining the scope, the schedule, or even the price. The provisions of our contracting reform legislation would help to avoid such outrageous contracting abuses.

Mr. Chairman, our witnesses today can offer us invaluable observations and guidance in our work to improve our reconstruction efforts overseas with corollary benefits to Federal reconstruction efforts at home, particularly on the Gulf Coast. I am very eager to hear their comments, and again, thank you for scheduling this important hearing.

Chairman LIEBERMAN. Thanks, Senator Collins.

We are now ready to go to the witnesses. Again, I thank you for being here. We really look forward to your testimony. This is important business.

Stuart Bowen, Special Inspector General for Iraq Reconstruction, thanks for all you have done. Thanks for being here today, and we are ready to hear from you.

TESTIMONY OF STUART W. BOWEN, JR.,[1] SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

Mr. BOWEN. Thank you, Mr. Chairman.

Chairman Lieberman, Ranking Member Collins, Members of the Committee, thank you for this opportunity to address you today on the important issues raised by our latest Lessons Learned report, which contains an extensive review of program and project management in Iraq reconstruction. But before I begin, let me briefly summarize what I learned in my last trip to Iraq—I returned last

[1] The prepared statement of Mr. Bowen appears in the Appendix on page 57.

week—my 15th trip since I was appointed 3 years ago. And I returned with a sense of cautious optimism about the progress in the Baghdad Security Plan.

I met with the senior leadership, across-the-board military, and in the embassy, and in particular had very good visits with General Petraeus, and what I learned is that the preliminary results of this latest initiative in the Baghdad Security Plan have been positive. And so I wanted to begin my discussion by saying that cautious optimism is a good sign and something that I had not returned from Iraq with I guess over the last 20 months.

Chairman LIEBERMAN. I appreciate your beginning with that. That is good news. And your reaction was qualitatively different than on the previous visits you had made? And you said you have made 15 visits to Iraq?

Mr. BOWEN. Yes, sir.

Chairman LIEBERMAN. In the last 20 months?

Mr. BOWEN. In the last 3 years. But it has been about 20 months since I have returned from Iraq with a sense of cautious optimism. I have that now.

Chairman LIEBERMAN. That is very encouraging. I do not want to interrupt you anymore. I will ask you some more questions during my time period. Please go on.

Mr. BOWEN. Yes, sir.

SIGIR began the Lessons Learned Initiative 2 years ago. The purpose of it is to draw from the Iraq experience methods, processes, instructive lessons that can improve both what is going on in Iraq and Afghanistan and improve government preparedness for future post-conflict contingency relief and reconstruction operations.

The first report was released a year ago, lessons learned on human capital management, and notably the government has been responsive to several of the recommendations raised in that report. Specifically, emphasis has begun on developing a civilian reserve corps, and that has been an initiative within the State Department's Office of Stability and Reconstruction, S/CRS. And I have met with Ambassador Herbst. He is focused on that, and the Federal Government is developing plans to ensure that we can adequately resource with human capital future post-conflict operations.

The second report was released at a hearing last August in front of this Committee on contracting, and I am very pleased that a number of the recommendations raised by that report have been directly and accurately and effectively addressed in the Accountability in Government Contracting Act of 2007, Senator Collins' bill, and in particular, I think these kinds of reforms are exactly what will save taxpayer dollars in a post-conflict contingency environment and address very directly the problems that have been experienced in contracting in Iraq. Most notably, I think it is wise to put a cap on indefinite delivery indefinite quantity (IDIQ) contracts just to deter their overuse. I think it is important to legislatively mandate definitization, which means getting control of costs in cost-plus contracts on time. I think that ensuring that we have enough contracting officers ready to go and work in a situation like

this is essential to steward the taxpayers' dollars. So I really express my strong support for this act.

Now to our latest report. This is the result of years' worth of research of all sorts, looking to the documentary evidence, visiting with all of those who were involved in program and project management in Iraq, convening a day-long conference a year ago—General Johnson was part of that—that examined the preliminary findings. The analysis at that conference drove the recommendations thereafter, and it has been vetted throughout the interested agencies, and I think has now been reduced down to what the core lessons are and the core recommendations. And, Mr. Chairman, as you pointed out, the most significant recommendation is the first one, and it takes account of the need to achieve jointness in post-conflict contingency relief and reconstruction operations. The Goldwater-Nichols reference is just an allusion to the success of the jointness achieved as a result of that 1986 Act, and subsequent conflict campaigns have reflected the success of that reform measure that Congress implemented.

Pushing the same sort of jointness in post-conflict operations could yield the same fruit. It is a challenging proposal, I acknowledge that, because it involves interdepartmental interests, and, of course, every post-conflict operation is going to be different in many respects. But, nevertheless, I believe from my experience, from the experience of those who participated in this, in all of these Lessons Learned programs, and really from anyone who has spent extensive time in Iraq, that promoting jointness in planning and structuring the United States' capacity to carry out contingency operations is a worthy endeavor.

Our second recommendation proposes the authorization of the State Department's Office of Coordinator for Reconstruction and Stabilization. This is a good idea put forward by the President in NSPD 44, but it needs financial strength and legislative authority to carry out the good work that it has begun. And without that, I do not think that is going to make the kind of progress that is necessary to continue to reform how the United States approaches post-conflict situations.

The third recommendation calls for clarity about leadership in post-conflict operations. Unity of effort, unity of command, those are buzz words that point to the need for better coordination in operations like this, and the occasional weakness in those two areas in Iraq has limited some of the progress of reconstruction.

The fourth recommendation asks that the agencies implement that which they have learned in the course of Iraq reconstruction. The story of Iraq reconstruction is one of gradual progress. Systems have been developed along the way that have improved operations, and they should be captured and institutionalized, like the CERP program, as we recommended in our contracting report.

Recommendation 5, program managers should integrate local populations at every level of planning from the outset. That emphasis has evolved over time in Iraq, and now a majority of contracting actions go to Iraqi firms. But it is more than just direct contracting with Iraqis. It is engaging the interests of the local population as much as possible in developing the program itself moving forward.

Recommendation 6, funding should be designated in a more coherent fashion; in other words, try to depart from the supplemental-based funding streams and move toward a more comprehensive funding stream with the end in mind. I realize that contingencies and developments on the ground limit that capacity to a certain extent, but it is a worthy goal to pursue.

Develop policies and procedures for managing non-U.S. funds. That is Recommendation 7. It takes account of the problems that my office has identified with respect to the management of the Development Fund for Iraq. Those rules, those processes should be worked out ahead of time.

Recommendation 8, develop planning from the outset for effective capacity development. We had an audit about that in our latest quarterly that came out at the end of January, and there continue to be concerns about the capacity of the Iraqi Ministries to carry out their core duties and especially execute their capital budget programs. An effective, coordinated, joint strategy for capacity development that is well funded should be an essential element of any planning for any post-conflict contingency relief and reconstruction operation.

And, finally, effective independent oversight present as part of the program from the outset will promote efficiency and deter fraud, waste, and abuse. And, finally, on that last point, fraud has not been a significant component of the U.S. experience in Iraq reconstruction. Part of that, I think, has been the robust deterrent presence of investigators on the ground. The real challenge has been waste, as you pointed out, Mr. Chairman, and I think that taking account of the lessons learned, applying them here, reforming how planning is done in the future by promoting jointness will ameliorate some of the problems and some of the issues that my office has uncovered in its work over the past 3 years.

So thank you again, Mr. Chairman, for this opportunity to address the Committee.

Chairman LIEBERMAN. Thanks, Mr. Bowen. You have done a great job in your investigations and in the Lessons Learned reports, too, so I look forward to the questioning.

Ambassador Satterfield, thanks very much for being here today. We look forward to your testimony.

TESTIMONY OF HON. DAVID M. SATTERFIELD,[1] SENIOR ADVISOR TO THE SECRETARY AND COORDINATOR FOR IRAQ, U.S. DEPARTMENT OF STATE

Ambassador SATTERFIELD. Mr. Chairman, Senator Collins, Members of the Committee, thank you very much for the chance to appear before you today to discuss the progress we are making in implementing the President's strategy for Iraq to review what has been achieved with the foreign assistance Congress has provided and to highlight the steps that we are taking, based in significant measure on the excellent work of the Special Inspector General, to improve the administration of taxpayer monies.

On January 10, the President outlined a new strategy for Iraq. On January 11, Secretary of State Rice provided further detail on

[1] The prepared statement of Ambassador Satterfield appears in the Appendix on page 65.

how specifically we are pursuing jointly—the U.S. agencies, State, the other civilian agencies of government, and the U.S. military—our New Way Forward along four critical tracks: Economic, political, security, and diplomatic.

As part of the New Way Forward, the focus of our efforts in Iraq is changing. As Iraqis increasingly take the lead, as they must, in furthering progress along each of these four tracks, we have shifted our focus from large infrastructure projects—Reconstruction with a capital R—to capacity development and technical assistance programs that increase the capacity of Iraqis to better plan and execute their capital budget, manage their reconstruction projects, and improve governance at national and provincial levels.

A major focus of our efforts is the expansion of the Provincial Reconstruction Teams. While we will continue to work closely with the central government in Baghdad, we are extending and expanding our reach beyond the Green Zone to help local communities and leaders transition to self-sufficiency, and we are working to improve the relationship, including the financial relationship, between the center and local governments.

Secretary Rice has appointed Ambassador Tim Carney as our Coordinator for Economic Transition in Iraq. Ambassador Carney already has forged a relationship with Iraqis that has begun to show progress. Implementation of a hydrocarbon law, an investment law, beginning of debt negotiations with Saudi Arabia—these are all positive signs that Iraqis understand the seriousness and are reacting appropriately to advancing economic reform.

Questions have been raised—and we certainly understand the concern of the American people and the Congress—regarding allegations of fraud, abuse, and waste of Iraq Relief and Reconstruction Fund monies appropriated by the Congress. Secretary Rice has emphasized her complete commitment to transparency and accountability. She and we, both in Baghdad and here in Washington, have coordinated closely with the Special Inspector General. We will continue to do so. We welcome his most recent report. We look forward to an intense study of the recommendations that he has provided. We concur that out of the experience of the past 4 years in Iraq, lessons need to be learned, lessons need to be implemented. We are in the process of doing so and have been over these past years.

Moving forward, the task at hand, accelerating transition to Iraqi self-reliance while providing critical U.S. oversight, will be a challenge. But we have begun to see progress along several critical fronts.

As you know, the President decided to augment our own troop levels in Baghdad and Anbar Province to support Iraqi troops and commanders, who are now in the lead, to help clear and secure neighborhoods and create the conditions necessary to spur local economic development. The State Department is contributing robustly to this effort by expanding our own presence and by closely coordinating in a joint fashion, a wholly joint fashion, with our military counterparts in and outside of Baghdad, as well as with the Iraqi Government, to capitalize on security improvements by creating jobs and promoting economic revitalization.

Critical to this effort is the expansion of our Provincial Reconstruction Teams. We are doubling the number of PRTs from 10 to 20. We will be adding more than 300 new civilian personnel. The first phase of PRT expansion is soon to be complete, as the 10 new interagency PRT core teams will arrive in Iraq by March 31. These core teams recently completed the first specialized interagency PRT training course given at the Foreign Service Institute. This is part of our joint approach to putting a team together that works as a team, from the moment they are identified in Washington until and through their arrival and performance in the field. New PRTs are going to be collocated with Brigade Combat Teams engaged in security operations. Over this next month, PRT team leaders will work jointly with brigade commanders to develop plans for the "build" phase of clear, secure, and build.

To demonstrate our unity of effort, on February 22, the State Department and the Department of Defense signed a memorandum of agreement to codify, to make formal this joint civilian-military effort.

PRTs will target both civilian and military resources, including foreign assistance and the Commanders' Emergency Response Program, against a common strategic plan to bolster moderate Iraqi leaders through targeted assistance, promotion of economic growth, and creation of new jobs. They will work jointly on developing provincial and local capacity to govern in an effective and a sustainable manner. PRTs will continue to play a leading role in coordinating U.S. programs funded by the Congress, including Iraqi Provincial Reconstruction Development Councils and USAID's local governance, community stabilization, and community action programs. We intend to complete fully our PRT expansion and staffing by the end of the calendar year. This completion, however, is dependent, Mr. Chairman, both on the level of funding appropriated in the fiscal year 2007 supplemental as well as circumstances on the ground in Iraq.

Iraqis, Mr. Chairman, understand they are in the lead, and the Iraqi Government is committed to doing its part to invest in its own economic development, including spending $10 billion from the fiscal year 2007 budget to help create jobs, foster economic growth, and further national reconciliation. The Government of Iraq has made progress, as I noted before, on the vital hydrocarbon framework law. The Council of Ministers approved a draft of this law on February 26. The law will be submitted shortly to the Council of Representatives when a revenue sharing attachment to that law has been approved by the cabinet.

The Council of Representatives is also discussing a provincial powers law and is considering several drafts for significant de-Ba'athification reform. The Iraqi Constitutional Review Committee will present its report, including any recommended amendments to the Constitution, to the Council of Representatives in a few months' time. And at a conference co-hosted by U.N. Secretary General Ban Ki-Moon on March 16, Iraq agreed to implement the comprehensive economic reform programs laid out in the International Compact with Iraq.

The most pressing fiscal challenge preventing Iraq from being self-sufficient in economic affairs, Mr. Chairman, is Iraq's lack of

capacity to execute its budget. The Iraqis have responded by designating budget execution as a high priority in 2007, and to this end, the government of Iraq has formed a budget execution task force led by Deputy Prime Minister Barham Salih, Finance Minister Bayan Jabr, and Planning Minister Ali Baban. In coordination with Ambassador Carney, this task force already has held a conference for ministries and provinces to introduce new budget regulations and to dispel concerns about corruption allegations that in part stymied Iraqi spending in 2006. The Iraqi Ministry of Finance has made early efforts to jump-start spending by allocating 10 percent of capital budgets released following February's passage of the 2007 budget. We remain cautiously optimistic that Iraqi resolve coupled with our support will result in better budget execution in February 2007. Very frankly, Mr. Chairman, we see this year, 2007, as a critical transition period, a bridge period, to Iraqi self-sufficiency so that their monies, their capital resources can be spent instead of U.S. taxpayer monies on the civilian assistance side.

Iraq will need the help and support of its neighbors, not just the United States and not just the coalition, to foster a stable, prosperous, and peaceful future. On March 10, Iraq hosted a Neighbors Conference in Baghdad attended by high-level officials from each of Iraq's neighbors, plus the P5 of the U.N., the Arab League, and the Organization of the Islamic Conference. This is an important step for Iraq's engagement with its regional and international partners to discuss political reconciliation, security, and economic engagement, and we support efforts to continue this process.

Finally, while our focus is on the way forward, we are determined to effectively manage the remaining funds in the Iraq reconstruction account. Despite challenges, including insurgent attacks, IRRF projects have made significant contributions and improved the life of Iraqis. Water, sewerage, electrical supply, despite difficulties, have been augmented. Iraqis are benefitting, and we expect to complete most of the remaining IRRF II projects during the course of 2007 and the beginning of 2008.

I want to emphasize again that the State Department is strongly committed to oversight of the funds Congress has appropriated to us for our efforts in Iraq. We have supported 14 audits by the Government Accountability Office, more than 80 audits and reports issued by the Special Inspector General's office, and audits done by the individual agency Inspector Generals. We will continue to work closely with SIGIR, with the GAO, and with agency Inspector Generals to maintain the highest standards of oversight and accountability in Iraq.

Thank you very much, Mr. Chairman.

Chairman LIEBERMAN. Thanks, Ambassador, and I know you had to make some adjustments in your schedule to be here, and I appreciate that you did.

General Johnson, I just want to say for those who do not know, brings to our hearing the benefit of wide-ranging service in the Army, including his previous assignment as the Commanding General of the Gulf Region Division of the Corps. He also served as a U.S. Deputy Director of the Coalition Provisional Authority.

So thank you for being here, and I look forward to your testimony now.

TESTIMONY OF MAJOR GENERAL RONALD L. JOHNSON,[1] DEPUTY COMMANDING GENERAL, U.S. ARMY CORPS OF ENGINEERS

General JOHNSON. Mr. Chairman, Senator Collins, and Members of the Committee, thank you for the opportunity to be here today. I am the Deputy Commanding General of the entire U.S. Army Corps of Engineers and the Deputy Chief of Engineers.

In 2004, I had the privilege of being the first Commanding General of the Corps' Gulf Region Division in Iraq, and from that experience I can tell you that the $18.4 billion Iraq reconstruction mission has been one of the most extensive and challenging construction programs of all time. It has also been one of the most important.

Let me say up front that, as public servants, I and the entire Corps of Engineers take our responsibilities as stewards of taxpayer money very seriously. As engineers and construction managers, we also have a professional commitment to doing the job right. And as soldiers and civilians and members of the Army team, we also know that success in Iraq and in the global war on terror depends on our ability to help the Iraqi people build the infrastructure of a strong and functional democracy.

Over the past 3 years, the U.S. Army has completed over 2,800 Iraq Relief and Reconstruction Fund (IRRF) funded projects out of a planned total of 3,450 projects. The U.S. Army Corps of Engineers has had approximately 4,000 personnel deployments in support of the reconstruction effort. Consisting of both military personnel and civilian volunteers, these individuals have admirably served in an often hostile and dangerous environment. The accomplishments of these dedicated professionals did not come without a price. To date, we have had 14 casualties, with 12 personnel having been seriously injured and 2 personnel having given the ultimate sacrifice while supporting this reconstruction effort.

The U.S. Army is proud of our accomplishments in Iraq. We have completed 13 refurbished hospitals that can serve 5,500 patients a day. We have restored water treatment facilities, benefiting over 2.3 million Iraqis. We have completed over 250 border forts, helping to secure more than 2,000 miles of Iraqi borders. We have completed over 800 new or renovated schools, serving 325,000 Iraqi children. We have increased electric power generation, benefiting 1.3 million homes. And we have increased crude oil production by 300,000 barrels a day over pre-war levels.

I understand that despite these accomplishments, the successful projects are not usually the ones that receive the attention. Often most of the attention goes to projects experiencing problems. I will be the first to say that we have had our problems. However, where problems have been identified, the Corps of Engineers on its own, and also with the assistance of the Special Inspector General for Iraq Reconstruction (SIGIR), have taken a look at the way we do

[1] The prepared statement of General Johnson with attachments appears in the Appendix on page 71.

business. We have identified where improvements can be made and have incorporated lessons learned.

Due to our experience in the reconstruction of Iraq, the Corps of Engineers is today a stronger, more capable organization. I realize that even in a challenging environment like Iraq, the people of the United States expect us to do our job right, on time, and on budget. We share that same expectation.

It is important to note that, despite all the attention that goes to the problem projects, at least 80 percent of all the projects assessed by the SIGIR have met contract specifications, and in the SIGIR's most recent quarterly report, around 90 percent of the core projects have met contract requirements. For projects that do not meet those contract requirements, deficiencies are identified and corrective actions are taken to ensure that ultimately a quality project is delivered. Those same actions are then incorporated into other projects spirally to prevent problems before they occur with other projects.

The Iraq Reconstruction Program is yielding positive, tangible results every day and has significantly improved the lives of the Iraqi people. Certainly, the work in Iraq is challenging and difficult, but reconstruction efforts are a vital component to our campaign in Iraq and in Iraq's progress toward stability and peace. With your continued support, I am confident we will succeed.

Thank you also for your service to the Nation during this time of war, and I look forward to our discussion today on reconstruction in Iraq.

Chairman LIEBERMAN. Thanks, General Johnson. That was excellent.

Our final witness on this panel is Mark Ward, a dedicated public servant who has been with USAID for almost 20 years and has had many assignments during that time, including being chair of the agency's Tsunami Task Force following the devastating tsunami that so wounded communities on the Indian Ocean in 2004. Mr. Ward has also previously served as the USAID Mission Director in Pakistan.

Thank you very much for being here, and we welcome your testimony now.

TESTIMONY OF MARK S. WARD,[1] SENIOR DEPUTY ASSISTANT ADMINISTRATOR, BUREAU OF ASIA AND THE NEAR EAST, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. WARD. Mr. Chairman and Ranking Member Collins, other Members, thanks very much for the opportunity to discuss this very important topic with you this morning: Improving procurement and program management for our programs in Iraq and Afghanistan. The letter inviting USAID to participate asked us to talk about Afghanistan as well, and so I will.

We understand your concerns. There have been problems in both countries, but we have learned a lot in the last couple of years, and we stand ready and look forward to the opportunity to work with your Committee and Senator Collins on how to address the prob-

[1] The prepared statement of Mr. Ward with attachments appears in the Appendix on page 106.

lems in a manner that best addresses our overall reconstruction goals.

It is important to sensitize the Committee to the unique challenges of procurement and program management in conflict situations—they are exceedingly complex—and just to draw your attention to some issues that stand in inherent tension.

USAID has to balance a number of important concerns in the procurement process: The imperative that the U.S. procurement follows a realistic, comprehensive plan involving multiple partners; but it also has to be flexible in order to adjust to a rapidly evolving country context; it has to be as expeditious as possible and ensure rigorous accountability for work done by grantees and contractors and all the way down to the level of scores of subcontractors.

Despite these difficulties and the fact that our work is taking place, as you have said, during active hostilities in an ongoing insurgency, much has been accomplished, and we have passed out some slides that I think will highlight for you some of those accomplishments that I think we can be very proud of.[1]

As the General has said, our programs together have added almost 1,300 megawatts of electric generating capacity to Iraq's power grid, serving over 7 million Iraqis. Repairs and refurbishments of some major water and water treatment plants have provided more than 3 million more Iraqis access to potable drinking water and expanded sewage treatment to more than 5 million Iraqis. Our rural water program is supplying clean water to over 400,000 villagers every day.

The results in Afghanistan, a country that I have a lot more experience with, started from a much lower baseline and maybe are even more impressive for that reason. Six years ago, when the Taliban ruled large parts of Afghanistan, fewer than 1 million children were in school. Today, thanks to the U.S. and other donors around the world, almost 6 million children attend school every day. Six years ago, it was estimated that less than 10 percent of the people had access to health care of any kind. Today, thanks again to all of us in the international community, that number stands at 80 percent. Before, fewer than 50 kilometers of paved roads were usable. Today, it is more than 6,000 kilometers of paved, gravel, and cobblestone roads, and the U.S. contribution to that number is more than 4,000 kilometers.

There is a long way to go, but it is important to see what we have accomplished.

As the Committee may know, USAID is a much smaller agency today than it was in the past. While we are still bringing basic education and health care to communities and some of the other infrastructure that we have talked about, the way we bring that assistance has changed a lot. In the past, one would have seen Foreign Service officers, like me, working at the local level on various projects around the world. Today, we have similar projects, but U.S. and local contractors and grantees are carrying out most of the work, with occasional visits by Foreign Service officers to monitor progress. The same holds true for the Corps of Engineers and other U.S. agencies. And in dangerous environments like Iraq and

[1] The slides submitted by Mr. Ward appear in the Appendix on pages 115–123.

Afghanistan, visits by Foreign Service officers to monitor progress may be very rare. Security concerns often make it very difficult for us to leave the relative safety of the capital and the American embassy. That is one reason why we are such fans of the PRTs that Ambassador Satterfield talked about, the Provincial Reconstruction Teams.

USAID's contractors and grantees and the people who work for them take on tremendous challenges and assume great risks. Many have been killed or injured in fulfilling the noble and urgent tasks that we have given them. I grant you, one or two may have abused the system, and we will find them. But most are doing very good work in very dangerous circumstances.

Now, I know there are two principal criticisms of USAID's procurement practices. I used to be in charge of USAID's procurement shop before I went to Pakistan. One is that a relatively small group of USAID contractors and grantees continue to win the lion's share of contracts and grants and that our procurements are too large for smaller firms and NGOs, and they just cannot compete. We appreciate this concern, and we are trying to increase the pool of firms that will bid on our work.

But it is important to understand why we use such large procurements in places like Iraq and Afghanistan. In conflict situations and after natural disasters, we have to move quickly and with as much flexibility as possible. Speed is of the essence because hearts and minds of local communities are in the balance. Iraq is a good case in point.

Even before U.S. and British troops entered Iraq 4 years ago this month, USAID was actively developing a reconstruction program to be implemented as soon as the cessation of hostilities. We used what assessment tools we had at our disposal. We consulted with as many experts as we could, but we did not have the benefit of on-the-ground assessments. We relied on 40 years of development experience and made the best, prudent assessments of needs and costs with the information at hand.

Had we waited for hostilities to subside and for more detailed assessments and cost estimates before announcing procurements, we would have waited a year or more, and that simply wasn't an option. The need for speed and flexibility required a contract that would allow us to assign a range of task orders as needs were identified. This meant a large contract covering many skill areas, and a program of this nature and scale would be beyond the capacity of the best of the small firms.

The procurement and program management challenges in Iraq and Afghanistan are, I hope, a cautionary tale to those who might hamstring the agency in ways that might result in a better planned and slower procurement process at the expense of flexibility and quick response to changing circumstances. No one wants us to cede our position as the leader among major donors to respond quickly to conflict situations and natural disasters.

The time to seek out smaller contractors and grantees for jobs is there, after the initial broad-scope contracts have been awarded and the work is proceeding. This is the way we have worked in Iraq and Afghanistan with some success. For example, smaller companies are involved in the building of district, provincial, and

cobblestone roads in Afghanistan, as well as courthouses and district centers.

More can be done to open up the procurement process to local firms. This is the second most common criticism of USAID and one that is included in Mr. Bowen's recent report. We should not lose sight of why the U.S. Government is present in developing countries in the first place. Building capacity in Iraq and Afghanistan is difficult but a critical element of our strategy for both countries. U.S.-based firms have always been higher priced relative to local firms, but much more expensive today in conflict areas because of the need to hire additional security, which currently amounts to as much as 15 to 20, even more than 20 percent more for comparable work in other countries. Extra costs for U.S. or foreign firms at the beginning of a reconstruction effort can be defended when it is clear that local firms do not yet have the capacity to do the work to acceptable standards. But at some point, several years into the campaign, a shift should be seriously considered. This is happening in Iraq now. Arguably, it may still be too early in Afghanistan. But at some point, sticking exclusively with U.S. firms too long becomes counterproductive to our goals.

Let me just close by saying there is definitely room for improvement in the way USAID procures goods and services and manages programs and conflict in emergency situations where speed and flexibility are paramount. Senator Collins, we really appreciate the fact that your staff has already reached out to us for comments and suggestions on the legislation, and we look forward to more such dialogue. I also look forward to your questions.

Mr. Chairman, thank you.

Chairman LIEBERMAN. Thanks very much, Mr. Ward.

I want to first ask you, Mr. Bowen, to build a little bit on your reaction on your most recent trip to Iraq. I believe you said you came back about a week or so ago.

Mr. BOWEN. Last week, that is right.

Chairman LIEBERMAN. Last week. And you have been there 15 times, but when you say that you came back cautiously optimistic and you had a more positive reaction to what you saw than you have in the last 20 months, I take it seriously and significantly, and I think most people who have followed your work do because you have gained a reputation as a straight talker. You are not a spinmeister, if I might say so.

So obviously I am encouraged by that, but I wanted to ask you to just talk in a little more detail. What did you see that brought you back from your last most recent trip to Iraq cautiously optimistic about how our cause was proceeding there?

Mr. BOWEN. Well, first of all, what I experienced in my visits with senior leadership was a different tone, a more optimistic view of how the Iraqis are responding at this phase, differing from how they responded during Operation Forward Together I and II last year. And let me also say that the cautious optimism applies both to how the Baghdad Security Plan is moving forward on the military side and how the embassy is moving forward with its strategy in Iraq.

To the first, what I saw every morning at the battle update assessment briefing was a true and effective and progressive coordi-

nation of the Baghdad Security Plan between General Petraeus and General Odierno, the operational commander of Multi National Corps-Iraq (MNC–I).

February was a tough month. Let's be clear. Things have not gotten better in an instant. That is not what I am saying. What I am saying is that although February was the worst month for vehicle borne improvised explosive devices (VBIEDs), for example, by the last week the number of attacks had dropped significantly, and that has continued to be the case into March.

Chairman LIEBERMAN. In Baghdad?

Mr. BOWEN. In Baghdad. And that is also true with insurgent attacks within Baghdad, and I noticed it myself. Having been there so often, I have a sense of the security situation in the Green Zone itself, and I noticed a difference just in my immediate surroundings. I traveled a couple of times into the Red Zone and sense some difference as well. I visited a project, the Fire Brigade headquarters about 10 minutes northeast of the Green Zone, and also visited the President of the Board of Supreme Audit and got some sense there of an incipient change for the better.

On the embassy side, what I saw was real progress on the PRT program. General Olson, who is the leader of that, is an excellent manager, and it has turned into a lesson learned itself about jointness. I think its own story will be one that we would like to tell in our report at the end of the year, the story of Iraq reconstruction, because it is Exhibit A for how a Goldwater-Nichols-like reform can be experienced. It is fundamentally a mixture of DOD, State, and USAID assets, with a mixed mission as well.

Chairman LIEBERMAN. With a lot of local input, too.

Mr. BOWEN. I think there are so many elements to the story of the PRTs that are important to learn from for future post-conflict contingency planning.

So, in sum, I have a sense of cautious optimism, but definitely a wait-and-see attitude about that with respect to the developments of the Baghdad Security Plan. As I tell people, there are a thousand problems in Iraq, and then there is one, and that one is security in Baghdad.

Chairman LIEBERMAN. Right.

Mr. BOWEN. And that is the essential prerequisite to solving the rest of those problems.

Chairman LIEBERMAN. OK. I really appreciate that report, and it means a lot to me. We are involved in a debate or a discussion here that is going to be on the floor of the Senate again next week. My position is known. But it is helpful to me, in that context, to have an independent voice like yours and eyes and ears like yours coming back and saying you see some progress and you are cautiously optimistic. Nobody is ready to say this is over, all the problems are gone. Obviously not. It seems like a very strange time to order the beginning of a withdrawal of American troops within 120 days, as we are beginning, as a result of the infusion of new troops, to turn the corner in the way you describe. So I am going to leave the rest of my debate on that for the floor. But I thank you for it.

As I listened to you, Inspector General, as well as the three of you from the agencies, you are reminding us that, notwithstanding the episodes and instances of waste, fraud, and abuse in the Iraq

reconstruction program on which you have spent billions of taxpayer dollars, we are carrying out the reconstruction to complete our mission. We liberated Iraq from Saddam Hussein. I suppose another nation might just have left. But we understood that we could not do that if we were going to secure what we had gained. So we have spent on a large scale. This is not unlike the Marshall Plan, although the Marshall Plan at this hindsight looks a lot better than Iraqi reconstruction.

I am hearing you say that, notwithstanding the public instances of waste, fraud, and abuse, a lot of good things have happened. So I am going to ask you to do something arbitrary, if you don't mind. If you were grading Iraqi reconstruction, would you give it an A, B, C, D, or F on balance based on what we have done? I do not know. Mr. Bowen, do you want to start?

Mr. BOWEN. I would hesitate to give a grade because we are still carrying out an oversight mission.

Chairman LIEBERMAN. OK. How about Ambassador Satterfield?

Ambassador SATTERFIELD. I, too, would hesitate to assign a grade—— [Laughter.]

For two reasons: First, because not just are many of these works still in progress, but also because in many cases, as most of the case for electricity, extraordinary efforts, which I would give an outstanding grade to, went into providing generation capacity. But security reasons, reasons related to issues of maintenance fueling Iraqi responsibilities, have failed. In general, I would give U.S. efforts on these critical areas—sewerage, water, electricity—high marks. I would not give similar marks to the process of transitioning over past years to full Iraqi responsibility for the maintenance and security of the investment we have made.

Chairman LIEBERMAN. So you have opted for what they call at college a pass/fail grading system. [Laughter.]

That is OK. General Johnson.

General JOHNSON. Sir, I shall not deviate, I shall not leave fallen comrades behind. [Laughter.]

But I think reconstruction is a graduate-level course, so pass/fail would probably be appropriate. I could do the math for the Corps and the 11 projects out of the 2,280 we would deliver might suggest that we are doing better than we are.

I think based upon what we have seen and what the SIGIR reports, we have treated reconstruction as if it were football, and with football and the transitions between offense and defense, the referee stops and allows the defense or offense to come back on the field. But reconstruction, I would say, is more like soccer. You have to be able to change your transition without changing the people on the field, and whether you are offense or defense, you have to know what to do with that ball.

So we have to be able to deliver this more like soccer than we have been delivering it like football.

Chairman LIEBERMAN. Are we winning the game, the soccer match?

General JOHNSON. Sir, soccer is a long game. [Laughter.]

There have been no red cards.

Chairman LIEBERMAN. No red cards. OK, that is good. Mr. Ward.

Mr. WARD. I remember the report cards I used to bring home, and I used to say to my parents, "Don't focus on the grade. Look at the teacher's comments." [Laughter.]

And the one I used to like to see was, "Needs improvement but showing progress."

Chairman LIEBERMAN. Yes.

Mr. WARD. And I think what is very encouraging to me in both countries, but particularly in Afghanistan that I follow so much more closely, is that we are adapting to a changed situation on the ground. We are getting the local communities involved so much more now than we were before. We have learned how to talk to the Afghans, and we are learning through the PRTs how to talk more to the Iraqis as well.

Recommendations like we get from SIGIR are very useful to us, and recommendations that we get from our own Inspector Generals are going to, I am confident, lead us to the day where I will share that grade with you.

Chairman LIEBERMAN. Thank you. Thank you all. Senator Collins.

Senator COLLINS. Thank you, Mr. Chairman.

First, let me caution the witnesses that in answering me, I do not want to hear any sports metaphors at all. [Laughter.]

Since I have no idea what a red card is in soccer, but I gather it is not good.

First, Mr. Bowen, I, too, want to thank you for your report. As one who has had a lot of concerns and skepticism about the President's policy for a surge, I welcome the evidence that you are bringing to us because, like the Chairman, I know that you are an individual who calls it as he sees it, and your report is very helpful.

I also want to thank you for your support for our contracting reform bill. Many of the provisions in the bill were drawn directly from the recommendations and findings of your previous report, so I thank you for that as well.

Mr. Ward, one of the important recommendations of the Inspector General deals with the need to involve local populations at every level of the planning and execution process, including contracting with local firms. And your statement in some ways anticipated the question that I am about to ask you.

USAID has recently entered into a new contract with LBG, the Louis Berger Group, for Afghanistan reconstruction work despite a lot of problems with this contractor, which was hired to build schools and clinics in Afghanistan. It is my understanding that the contract is valued at $1.4 billion and that it covers a wide scope of reconstruction work.

Putting aside the problems that USAID has had with this contractor, I want to focus on whether or not going ahead with such an enormous contract with this firm runs counter to the recommendation that we have just heard from the Inspector General. It seems that in Iraq, applying the lessons that we have learned, we have been moving away from these large design-build contracts and toward smaller, more flexible contracts with local contractors so we can put local people to work, which is part of the reconstruction process, and we can also save money.

So it seems to me that the award of this enormous contract runs exactly counter to Mr. Bowen's recommendation, and I would like to hear your response.

Mr. WARD. Very good question, and I think were it not for the renewed insurgency in the south and the southeast in Afghanistan, they would not have decided to go that way. But what that large infrastructure contract provides to our team in Kabul is the opportunity to respond quickly and flexibly with infrastructure in those areas of the country where it is still too hard to get in, to anticipate the needs, and then to get in and do the full kind of assessment and costing that we would like to do.

I wish very much that we had the private sector capacity and even the public sector capacity in Afghanistan that Iraq has. As the Chairman said, I was the aid director in Pakistan for a couple of years after September 11, 2001. I did not have to hire very many U.S. firms because of the capacity of the private sector in Pakistan. We could use Pakistani firms for the most part. They were very good, thanks in part to help from the United States over a number of years.

In Iraq now, they are, as you said, turning much more to local content, local firms, and that is a very good thing. And we look forward to the day when we can do that in Afghanistan. One of the challenges that we have, Senator Collins, is that when we award a contract or a grant to a U.S. firm in Afghanistan, it is to make part of the scope of work—and I think your legislation touches on this—the mentoring so that they leave behind what I would call an "Afghan child" who can be mentored and who can then get the follow-on contractor grant. USAID has had a lot of success with this around the world, particularly in the former Soviet Union. And this is where I think we have to focus more effort now. But for this particular contract that you are talking about, I think it is a response to the insurgency.

Senator COLLINS. Thank you.

Mr. Satterfield, in your testimony you mentioned that you expect to double the number of PRTs in Iraq from 10 to 20, and it is my understanding that these teams can have as many as 100 people drawing from different agencies and departments. I have also been told repeatedly, primarily by DOD, that the State Department has had a very difficult time in staffing the PRTs with State Department employees. Is that still the case?

Ambassador SATTERFIELD. It is not and has not been the case. Of the PRT teams that have existed, the 10 extant missions are fully staffed with State Department, USAID, and other civilian agency personnel. The rotations that will replace those individuals with new staffers for the 10 existing PRTs this summer are largely complete; officers have been assigned. And for the 10 new PRTs with respect to State/AID core staffing, those individuals have both been identified and, as I noted in my testimony, are currently in training.

The large number of additional individuals, the some 300 civilians who will come, will not for the most part be U.S. Government employees currently serving with USG agencies, whether the State Department or other. They will be specialists who have skills which are not found in the Federal Government—agronomists, soil chem-

ists, veterinarians. They will be brought in under a contracting mechanism which the State Department will oversee, but they will not be State Department personnel.

We are very pleased, Senator, at the volunteers that we have over these last 4 years placed into Iraq service, and I would add Afghanistan, Pakistan, and Saudi service. We have risen to the challenge. The State Department and the Foreign Service continue to rise to that challenge.

Senator COLLINS. Thank you.

Chairman LIEBERMAN. Thank you, Senator Collins. Senator McCaskill.

OPENING STATEMENT OF SENATOR MCCASKILL

Senator MCCASKILL. Thank you.

Following up on Senator Collins' line of questioning, currently in Afghanistan we know that the most serious problem—and let me start by saying that terrorism is a tactic. It is not an enemy. It is a tactic. And if you look beneath the tactic, there are—it is just hard to say. We have a global war on economic and social circumstances and religious conflict that breeds a certain kind of fanaticism that brings about a sense of hopelessness and a belief that hurting other people and killing yourself is the right thing to do. That is too long. So we say a war on terror when it really is a war against a tactic.

Now, underlying that in Afghanistan, of course, is the economy that is based on poppy, an economy that is based largely on a deadly drug. So agriculture, it seems to me, in Afghanistan should be the big enchilada. It should be the primary focus of what we are doing there. How many current employees of the U.S. Department of Agriculture are currently in the country of Afghanistan?

Mr. WARD. Senator, I do not know. I do know this: That USAID provides funding so that six or seven USDA employees can serve in the PRTs. And in the past—I would have to check to see if this is still the case—through what we call a participating agency agreement, we have USDA staff embedded in our offices in Kabul, and then they have their own office where an officer goes back and forth between Islamabad and Kabul.

If you look at the supplemental request that was submitted for fiscal year 2007 for Afghanistan, you will see a large increase in funding not just for agriculture programs but, more specific to your point, alternative development programs to combat the scourge of poppy.

So we do not disagree with you at all, but it is important to note that President Karzai's priorities for the United States and Afghanistan sound something like this: Roads, roads, roads, and power.

Senator MCCASKILL. Right.

Mr. WARD. And so we try to listen to that as well.

[Information submitted for the record from Mr. Ward follows:]

VERIFICATION OF USDA EMPLOYEES IN AFGHANISTAN

There are currently eight employees from the U.S. Department of Agriculture (USDA) serving in Afghanistan. All eight are funded by USAID. Seven are funded with a 632(b) Participatory Agency Services Agreement (PASA) for staffing at the PRTs and one is funded from a separate 632(b) PASA to work on livestock and animal health issues.

It is our understanding that USDA has an advisor (which they are funding) serving as the Agriculture Attaché in Islamabad who makes periodic visits to Afghanistan.

Senator MCCASKILL. If you could find out that number. I have been told it was six in the entire country, which brings me to the Ambassador and what you just said with Senator Collins. What I am frustrated about is what I have learned since I have been here in regards to the PRTs, even with the new PRTs that are going over, we are talking about fewer than 1,000 people in the entire country of Iraq that will be working in this effort. Isn't that correct?

Ambassador SATTERFIELD. Senator, let me take a moment, if I may, to explain how we came to the numbers of staffers for those PRTs because in that lies, I think, an important point.

Senator MCCASKILL. OK, briefly, because I want to make sure I get to my underlying point, which is how many Federal employees are actually being used.

Ambassador SATTERFIELD. Our underlying point, Senator, is how many civilians are of use in Iraq, not abstract numbers, because the numbers are not as significant as the mission to be performed. Our brigade combat team commanders, our existing PRT leaders, divisional commanders, and the embassy reviewed area of operation by area of operation—no cookie-cutter approach—who was needed down to specific skill sets. Not just numbers but the position descriptions needed for each of these specialized employees, and they are not, for the most part, Federal Government employees currently serving. We do not have soil chemists who are able to serve in a combat area, who have the requisite skills and ability to undertake that kind of deployment. We are going to get them. We are in the process of arranging for them now. But the numbers are based upon the assessment of our mission, military and civilian, in the field. They are based upon an assessment of what is needed and what Iraq is capable of absorbing and, frankly, Senator, what protection we can provide and life support we can provide for them in what in many instances—because these new PRTs are located in conflict areas—is an active combat zone.

Senator MCCASKILL. Well, in a previous hearing I was in, by someone else within your Department, it was said that the problem that—I know we have the requisite skills in the Federal workforce on any issue as it relates to agriculture, on any issue as it relates to education. We have a very large Federal workforce with incredibly diverse and extraordinary skill. And it was explained to me in another hearing that the problem was that it was very difficult to get Federal employees because we had not incentivized them to volunteer to do this work, and as a result, we are paying an extraordinarily high amount of money to contract out with non-Federal employees.

Do you have the same ability to leverage incentives with Federal employees that you have in terms of entering into contracts with civilian employees? And if you have that same leverage, I would be shocked if we did not have a number of Federal employees that want to respond to the call of their chief executive officer, of the President they work for, who is saying we need to give more, we need to do more, and clearly—I do not think you answered my

question. I believe it is less than 1,000 people we have total in the country as it relates—even with the new addition, there will be fewer than 1,000 people in the entire country doing the work that everyone seems to recognize is the most important key to our success, and that is the political success that is necessary for Iraq to stand up.

Ambassador SATTERFIELD. Senator, we do have incentives that as a department we offer to our employees to serve in Iraq, and we have received the volunteers necessary to fully staff the State Department commitment. We have requested from the Congress the authority to reimburse other Federal agencies for the service of their employees. And, of course, in the first instance, we look to Federal Government employees who have the requisite skill sets, the requisite medical clearances, the ability to serve in an active combat area. This is not the U.S. military. These are civilians being asked to serve in a fire zone, living in areas where the physical conditions are extraordinarily difficult. They will live as our troops live, no different, embedded with these brigade combat teams. That is a unique set of individuals both for skills and for abilities.

We do have incentives to bring them to the field. We look to that service. But we will be relying as a government for the majority of these positions, based on the totality of these criteria, on individuals from outside the current Federal workforce. It is the nature of the very specialized skills and willingness and ability to meet the challenge of serving in a combat zone that leads us to that.

Senator MCCASKILL. If you could get me the amount of money that we are spending for these employees that we are hiring, these private individuals we are hiring, as opposed to the salaries that are being paid, whatever Federal agency employees we have volunteering and what that number is. It is my understanding it is very low. It is my understanding they are getting paid much less than what we are paying to those people whom we are hiring to go into these zones that have the same skill set the Federal employees have. Thank you.

Chairman LIEBERMAN. Thank you, Senator McCaskill.

By the rules we are following in terms of recognition, Senator Coburn was here earlier, though his presence was not continuous.

Senator COBURN. I am happy to yield to the Senator from Minnesota.

Chairman LIEBERMAN. I just wanted to know whether Senator Coleman has time pressure that would lead him to want to go now.

Senator COLEMAN. If it is possible, Mr. Chairman, that would be helpful.

Chairman LIEBERMAN. Yes, and thanks, Senator Coburn.

Senator COLEMAN. I thank Senator Coburn.

Chairman LIEBERMAN. And then I will go right to you afterward.

OPENING STATEMENT OF SENATOR COLEMAN

Senator COLEMAN. Thank you, Mr. Chairman.

First, I want to thank you. This has been a great panel, informative, candid, very helpful. I want to associate myself with the comments of the Ranking Member. I, too, have had concerns about the surge in Baghdad, particularly before getting the kind of commitment I think we needed to get from the Iraqis to hold up their end.

I did not see that when I was in Baghdad in December, but it is encouraging to hear a little bit of optimism, but very cautious. But I agree with the Chairman that it would be foolish to tell the enemy we are leaving now and here is the date that we are going to be gone and at a time when at least there is the possibility of a better future for Iraq.

The question I have is for Mr. Bowen. The first recommendation talks about the Goldwater-Nichols-like reform, greater integration of DOD and the State Department. One of the things that struck me in my visits in Iraq is conversations with both State Department and DOD personnel in which literally talking about having a meeting and the enemy, the other side—it was not the Iraqis, it was not the insurgents. It was the State Department talking about DOD. The divide between the two was something anecdotal I heard many times.

Were those anecdotal experiences way off the mark? If they are not off the mark, is this a legislative fix that is required or something else?

Mr. BOWEN. As I said in my opening statement, anyone who has spent an appreciable amount of time working within the Iraq Reconstruction Program understands the tensions that exist among the departments carrying out the program. And that is why I alluded to Goldwater-Nichols in this recommendation because the need for jointness is essential. I have called it "altering the DNA of post-conflict management," and that means ensuring that the three agencies that have significant responsibilities in that environment fully understand and are familiar with one another, their operations, their language, their approach, and essentially are integrated in their planning and in their structures.

How to do that I did not specify in the recommendation. I suggested to the Chairman and Senator Collins yesterday that a commission might be a good first start to pull together experts that review the evidence, that hear from those who have worked there and get some good, solid data that supports the anecdotes that you heard and that some of us have experienced so that from that could develop perhaps a legislative reform.

Senator COLEMAN. Leadership—not always but oftentimes—from the top down makes a difference. I would hope at the secretary level that the secretaries would fully recognize this. My sense was in the past that was not the case and would kind of demonstrate the kind of commitment, which I hope we have now, but I am just saying in the past I did not see it, and I felt it when I was on the ground.

Mr. BOWEN. Let me just say that NSPD 44 and DOD Regulation 3001.05 have both proposed internal departmental remedies to improve post-conflict management. My concern is that they could perpetuate the Balkanization of that process, that jointness is essential to succeed.

Senator COLEMAN. Ambassador Satterfield, did you want to respond to that?

Ambassador SATTERFIELD. Certainly. Senator, I think it is wrong to believe that, inevitably in any institution the size and complexity of the civilian military mission in Iraq or in Baghdad, there are not individual anecdotal personality issues. It is real. It happens every-

where. But the jointness of the civil-military operation at the embassy and in the field in Iraq is greater than that of any mission of this kind, I think, in U.S. history. The commitment by outgoing Ambassador Khalilzad and former Commanding General George Casey to a jointly evolved campaign plan, a joint mission statement that guides the efforts of all of our common lines of operation and action really is without parallel. And certainly General Petraeus and incoming Ambassador Crocker will be continuing that cooperation, and it very much, Senator, is reflected in the coordination between Secretaries Rice and Gates, Chairman Pace, and all of us who work this issue.

Senator COLEMAN. I appreciate that, and clearly it is essential. On Recommendation 5, talking about integrating with local populations, one of the things that has struck me, particularly on my last visit to Iraq, was that if you are an Iraqi and if you are seen talking—at least in Baghdad in certain areas—to a coalition person, there is the threat of death. How do you get cooperation with the local population if we still have an environment, 4 years after we entered Iraq, where simply the act of conversing with a coalition person may, in fact, mark you for death?

Mr. BOWEN. Well, these recommendations are aimed at adjusting the system so that the planning structures are improved. It is a prospective one. I think that your point is well taken. It is dangerous in Iraq, and the conditions in Iraq define behavior as you describe. But as the Congress looks at how to improve planning for post-conflict contingency relief and reconstruction operations, ensuring that incorporating local populations as an essential element is key. And the last point on the jointness, I agree with Ambassador Satterfield that today the jointness is better than it has been ever. The recommendation addresses not what is going on in Iraq now in particular, but it looks at the planning, the pre-war planning for relief and reconstruction operations and how that process is fundamentally structured.

Senator COLEMAN. Thank you, Mr. Chairman, and I thank the Senator from Oklahoma.

Chairman LIEBERMAN. Thanks very much, Senator Coleman.

At about 11:30, there will be four votes going off, so we have enough time for Senator Coburn and then Senator Levin, and then probably we will adjourn.

Senator Coburn.

OPENING STATEMENT OF SENATOR COBURN

Senator COBURN. Thank you, and I thank all of you. I have read your testimonies.

Inspector Bowen, in comparison to the funds that have been spent both in Afghanistan and Iraq, did you look at—and I have not had a chance to read this. It will be airplane reading for me.

Did you do any comparison to CERP funds versus AID funds versus other funds in terms of waste, fraud, abuse, or misuse?

Mr. BOWEN. First of all, we do not have oversight in Afghanistan. Second, we have not done intra-departmental comparisons of how one agency has done vis-a-vis another. Our mission is to oversee the Iraq Relief and Reconstruction Fund, its investment, and the additional jurisdiction that the Congress has provided us.

Senator COBURN. All right. Thank you.

I have a few questions. This Subcommittee last year did oversight on USAID, and I have several questions for Mr. Ward. This all relates to Afghanistan. USAID claims to have built and handed over to the Afghanistan Government 140 medical clinics. Our Subcommittee received a letter from the Minister of Public Health stating that it had no record of the clinics. When we asked USAID to provide those, they gave us a list of 39 clinics, and that took them 6 months to provide that answer to the Subcommittee.

A couple questions come from that. First of all, why didn't the Afghanistan Government know where those clinics were? And where are the other 101 clinics that USAID claims to have provided?

Mr. WARD. Senator, as you know, we have provided to you and to your staff a more recent letter from the Minister of Public Health that verifies that we have turned over a much larger number of clinics.

Senator COBURN. But not 140 clinics.

Mr. WARD. It is a much larger number.

Senator COBURN. Than 140?

Mr. WARD. Yes.

Senator COBURN. OK. But what you have given to us, what they can account for, in other words, the listing of the clinics, where they are, it is 39 in terms of formal testimony from USAID, isn't it? The question really relates to—I do not doubt that they are there. Why can't USAID tell us where they are? And why doesn't the Afghani Government know where they are, when they are completed, and why does it take 6 months?

The second question I have is in regard to the Louis Berger Group. They had a $1.4 billion contract for upgrading critical infrastructure in Afghanistan. But this was after USAID was forced to remove Louis Berger Group from the school and clinic construction for substandard performance and after this group did such a poor job on a section—not all of it, but a section of the Kabul to Kandahar highway, and I understand some of that was weather related. Also, our Subcommittee found some photo evidence of fraud where the Louis Berger Group claims to work on clinics it never did work on but still got paid for.

Some of that can be disputed, some of it cannot. Why would we again go back and issue a contract to a firm that we have had those kind of problems with?

Mr. WARD. If I may just quickly respond on the last part, we have actually provided to your staff photographs of all of the clinics so that you know where they are, and those have been provided in some hefty binders, and we brought another copy with us.[1]

Senator COBURN. Yes, but, again, that is 15 months. It took them 15 months to provide that evidence, and I would submit for the record—here is one of the pictures of the clinics they supplied. This is not a completed clinic, as the Committee can obviously see. It is a foundation with some pieces of steel rising.[2]

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[1] Information and documents submitted for the Record from Mr. Ward to Senator Coburn appear in the Appendix on page 124.

[2] The picture submitted by Senator Coburn appears in the Appendix on page 52.

And this at the time, by the report from the Louis Berger Group, it reported that it was up to the bond beams, which this has—obviously, there is some inconsistency.

I know it is tough over there. I am not trying to pick on that. I am just saying, with the lack of communication, with the lack of knowledge, with the lack of what is going on, why do we recontract? Are they the only ones that can do this? Is that why we are doing that?

Mr. WARD. Senator Collins asked about this as well. There were six firms that competed for this second large infrastructure contract. The firm that won, Louis Berger, was in a joint venture with a very good firm in the power sector, Black and Veatch. The fact that they fell behind on the schedule for the schools and clinics under the first contract certainly had an impact on the evaluation, but the fact that the Louis Berger firm did so well overall on the Kabul to Kandahar and the U.S. portion of the Kandahar to Herat road, which is a large portion of this new contract, and has such good contacts with the firms that have to be hired to execute the work in Afghanistan, the fact that they are there now and mobilized, I mentioned before in response to Senator Collins' question the urgency of being able to keep infrastructure going because of the insurgency in the south and the southeast, and the fact that their joint venture partner, Black and Veatch, is so strong in the power sector outweighed the negatives, and they did win.

Senator COBURN. So has USAID, given those very good reasons, set up a more stringent oversight and information flow so that you can factually watch where the money is going, how it is going, and so that you have timely information to know, not 6 months, not 15 months after the fact, but on a timely basis so you can judge the quality of their work?

Mr. WARD. Senator, it is a great question, and we talked earlier about the challenges of working in the south and the southeast. If it were in another part of the country, I would answer you very quickly yes. I would be able to make sure that my officers were getting out there regularly. I would be able to ensure that Government of Afghanistan officials were getting out regularly. That will occur in those parts of the country where they can get out.

Senator COBURN. And most of that is a security-related issue rather than a—but you have set up a more formalized structure under which you are following both the claims and the contracts under which this major contract has been issued. Is that correct?

Mr. WARD. That is correct. We still have in place in our own staff an engineering staff; it is supplemented by seven officers from the Corps of Engineers, thanks very much to General Johnson, although I think we pay dearly for them.

Senator COBURN. But they are worth it.

Mr. WARD. Yes, they are worth it. We also have a structure that we have put in place of Afghan engineers to be able to get out without as many concerns about security, so if maybe the Foreign Service Officer engineers cannot get out, the Afghan engineers can get out.

We also have—and we have talked about this a lot—the PRTs now and plussing up the numbers of people in the PRTs and making them aware of what national programs are going on in their

AOR. This is something—we have talked about lessons learned, and this is clearly one of them.

In the past, if I would visit a PRT—and I visited a lot of them in Afghanistan—the civilian and military advisers were very good at telling me about the projects that they were funding with CERP and USAID funds made available to the PRT. And that is great. But what they were not so good at telling me was what about the schools and clinics and roads and teacher training and other projects that are part of a national project funded out of Kabul that are going on in your province. We have come a long way on that, and now the PRTs know what national projects are going on in their neighborhood, if you will, so that they can be even more eyes and ears for us to know what is going on.

Senator COBURN. That is great to know.

Mr. Chairman, given the time constraints, I am going to submit three other questions having to do with shelter for life and also roofs that collapsed in, I think, 102 out of 105 schools from substandard construction, and the questions that we need to have for that.

I thank you for your straightforwardness. Raising the problems so that we solve them is very important because money misspent means less confidence by the Afghani and Iraqi people in what we are trying to do for them, and I thank you for holding the hearing.

Chairman LIEBERMAN. Absolutely. Thank you, Senator Coburn. Without objection, we are going to keep the record open for 15 days for your questions and others that other members might have.

Senator Levin.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Thank you, Mr. Chairman, and thank you for holding this hearing.

The Inspector General's report is just full of discouraging examples of key facilities that suffered from poor design, sloppy construction, inadequate quality control, and barely functional buildings. One example in Mr. Bowen's report was that plumbing was so poorly installed at the Baghdad Police College that dripping sewage not only threatened the health of students and instructors but could affect the structural integrity of the building. He found that the security walls built for the Babylon Police Academy in Hilla were full of gaps and deficiencies, while lighting systems and guard towers called for in the contract were never installed, which left the academy vulnerable to attack.

First of all, General Johnson, do you agree with Mr. Bowen's findings regarding the condition of the Baghdad Police College and the Babylon Police Academy?

General JOHNSON. Sir, we do.

Senator LEVIN. Can you tell us why the Corps failed to identify and correct the deficiencies in these facilities and require the contractor to correct them before the construction was completed or accepted?

General JOHNSON. Sir, let me offer this. The SIGIR discovered those deficiencies in September. We asked the SIGIR to come out and do an assessment. We had discovered the same deficiencies, at

least at the Baghdad Police College, in June 2006 during part of our commissioning.

As stated by USAID and Ambassador Satterfield, there are challenges with construction in Iraq. We have construction management teams that we put on every project here in Iraq. In every one of our districts, about half of the employees in those districts are Iraqi associates. These are qualified engineers that we use forward at project sites for quality assurance. The contractor is responsible for quality control. The U.S. Army Corps of Engineers is responsible for quality assurance.

Senator LEVIN. You are also responsible for paying—apparently, you approved the payment on these contracts. These are cost contracts, as I understand, but you do not have to pay for work that is poorly done. Was money paid for poorly done work?

General JOHNSON. Sir, all of the deficiencies, the warranty work was completed within the budget that was allowed for those projects.

Senator LEVIN. Well, in other words, we did not pay for—all these stories that we read in this report, that they were all repaired at the expense of the contractors?

General JOHNSON. Sir, all of the repairs that were made to those buildings were within the funds that were allocated for——

Senator LEVIN. I am not sure what that means. Did we pay anybody to do something which they should have done without being paid extra?

General JOHNSON. Sir, we did not. We did not pay additional costs to fix what should have been——

Senator LEVIN. And where roofs were falling and sewage was dripping through pipes and all the rest, those repairs identified in this report were all made at the contractor's expense?

General JOHNSON. Yes, sir. By October 22, 2006.

Senator LEVIN. All right. Is that your finding, Mr. Bowen?

Mr. BOWEN. Our report did not address how the contractors were paid to make those improvements. We have follow-up reports that detailed the scope of the problems, and in it we noted that the Corps had pursued, I believe with AFCEA, contracting to make those repairs, and those repairs were ongoing.

The latest visit we made in January of this year indicated that the solution with respect to the plumbing was to construct outdoor facilities.

Senator LEVIN. My question has to do with payment. You have not gone into that issue?

Mr. BOWEN. No, we have not.

Senator LEVIN. Now, also, the Inspector General said that the Army Corps spent $186 million on primary health care centers throughout Iraq and then terminated the contract with only six health care centers completed, 135 partially constructed, and the remainder de-scoped.

Did we pay any money for the 135 partially constructed health care centers, do you know, General?

General JOHNSON. Sir, we did. We paid the contractor that had that building and health project for the expenses they incurred and the construction. There were about 97 of those primary health care centers that were turned over to us at 95 percent complete. We de-

scoped those projects. We took them in the Gulf Region Division, and we did direct contracting with the Iraqi firm that was doing the construction because we thought the contractor was not capable of delivering. We thought they were not prepared to do adequate quality control at these project sites, and we typically terminated for convenience of the government.

Senator LEVIN. And when we terminated them, we had paid them for the work that they had completed?

General JOHNSON. Sir, we had paid them for the work that they had completed and for the pay that they were due based upon their expenses.

Senator LEVIN. But even if we went to added expense to finish them, we still paid them?

General JOHNSON. Sir, once we terminated them, we paid them what they were due. They were not paid for the additional work that was done.

Senator LEVIN. And that additional work cost us money, though.

General JOHNSON. Sir, it absolutely did.

Senator LEVIN. Then the question is: Since it obviously would have cost us more money to pay somebody else to complete the work, did we recoup that money from the contractors that we had paid? Inspector General, can you tell us that?

Mr. BOWEN. This is the cost-plus contracting issue that Senator Collins' bill will address in part, and the answer is: Under that particular kind of contract, we pay the contractor for the work completed, whether that project is finally completed or not.

Senator LEVIN. Now, under a cost-plus contract, we are not required to pay contractors for work that they do not complete when it is their fault they are not able to complete it; we are able to withhold the cost of completion.

Mr. BOWEN. We pay them for the amount of work accomplished, not the full value of the contract. You are right. And that is what has happened here.

Senator LEVIN. Should we not have withheld money to finish those contracts? Under the cost-plus approach, can you not withhold money necessary to complete a contract when a contractor fails to do the work or do the work properly?

Mr. BOWEN. When the contractor is under contract, yes. This contract was terminated for convenience, and as a result, the billings continued to come in, and they had to be paid.

Senator LEVIN. Should we have terminated this contract for convenience without withholding enough money to complete this contract and make the repairs as well? Should we not have withheld that at the time we terminated it?

Mr. BOWEN. I think that would have been a reasonable approach. I think perhaps termination for default would have been a reasonable approach as well.

Senator LEVIN. But that was not used?

Mr. BOWEN. That was not.

Senator LEVIN. All right. General, do you want to have a chance to comment on that?

General JOHNSON. Sir, there is probably a reason why we did not TFD, or terminate for default, and I will tell you, the U.S. Army Corps of Engineers was not innocent here. We had responsibility

for quality assurance. Again, we relied upon our Iraqi associates because they provide less of a footprint of coalition, they can help us get work done without the threat of bad guys destroying these facilities. But you accept risk in doing that.

The other thing I would tell you is this: This company that came in and competed to get one of these large design-build contracts, they have a very good record, but I think they learned that construction in a contingency environment with bullets flying is not like doing it in the State of Delaware.

Senator LEVIN. Thank you. Thank you, Mr. Chairman.

Chairman LIEBERMAN. Thanks, Senator Levin. It looks like we are having a joint meeting of the Homeland Security and Armed Services Committees right now.

Senator Warner, I believe we have time for you to have a round before we adjourn.

Senator WARNER. Just very quickly, if both of you want to go on to the vote, I will join you. Just let them know I will be over there.

Chairman LIEBERMAN. Good.

OPENING STATEMENT OF SENATOR WARNER

Senator WARNER. A very distinguished panel we have here, Mr. Chairman, and I have had the privilege of working with each of them through the years.

First, to you, Stuart Bowen, you talked about the need for Goldwater-Nichols. Senator Levin and I worked on Goldwater-Nichols years ago. But in the last Congress, when I was privileged to be Chairman of the Armed Services Committee, exactly 1 year ago I wrote to the heads of all of our departments urging their participation in the Presidential Directive 44, which is to try to bring about the management of interagency efforts concerning reconstruction. I would like to have a copy of that letter follow my questions here, Mr. Chairman, in the record.[1]

Chairman LIEBERMAN. Without objection.

Senator WARNER. Then, specifically, our 2007 Defense Authorization Act required the President to issue a report to the Congress on how to improve interagency integration. The report is to provide Congress with a baseline assessment of the situation. It is due in April.

Did you participate in the preparation of that report?

Mr. BOWEN. I have not.

Senator WARNER. Well, it would seem to me that whoever has that report on their desk, they certainly should solicit and receive your views because this is one that the entire Congress is going to review.

Mr. Satterfield, did you work on that report?

Ambassador SATTERFIELD. No, Senator, I did not.

Senator WARNER. Well, I wonder if both of you would look into it because it is due to come to Congress to say what Congress can do to help the President enable people from each of your agencies and departments to come and join the overall effort. Repeatedly, the generals before our Committee, the Armed Services Committee—and my colleague here from Connecticut is a member of

[1] Letter submitted for the record by Senator Warner appears in the Appendix on page 55.

that Committee—have said, with their usual modesty, "We are doing the military part of it, but we can only pull on the oars so hard unless the other departments and agencies can come along and do their portion." And this has been a lingering problem for some time.

Mr. Satterfield, you have got a marvelous reputation here before the Congress, and your testimony and drawing on your experience in-country over there. I think it would be very important that you solicit through the Secretary, because it was directed to your Secretary, that you have an opportunity to review that report in its present status and hopefully make a contribution before it comes to the Congress.

We also did other things in our bill. We introduced legislation to provide the heads of the agencies with certain authorities so that they could pay additional stipends and other things to the employees of your agencies who could step forward and be willing to take on the risk of going to what is truly what we call a 360-degree combat zone. There are no safe places. Just this morning, the report that the head of the United Nations was over there, and he experienced—fortunately, no harm to him personally and others with him—a mortar attack. It is serious business. So we think that some special benefits should be accorded to your employees that go in on this.

Also in the 109th Congress, we introduced the Employee Combat Zone Tax Parity Act to give them a little financial inducement for the taxes. So I think the Congress has done a considerable amount, Mr. Chairman, to try to support our President in getting the people over there.

What is the current status with the Department of State, Mr. Satterfield, on your ability to meet your—I do not know whether the word is "quota" or your "obligations" to participate in Iraq?

Ambassador SATTERFIELD. Senator, we have fully staffed the embassy in Baghdad, the largest in the world. We have fully staffed the existing PRTs. Our core teams for——

Senator WARNER. That is a very good report. You are up to full staff?

Ambassador SATTERFIELD. We are essentially full staff.

Senator WARNER. Those are the teams that are going right out with the troops and working side by side with the coalition of forces, notably the United States and the Iraqi troops in Baghdad.

Ambassador SATTERFIELD. Senator, the core Foreign Service and USAID staff for those 10 new PRTs not only have been identified, they are currently in joint training together. They will be boots on the ground by the end of this month in Iraq.

Senator WARNER. Very encouraging.

Ambassador SATTERFIELD. Where we are working still is on identifying and recruiting, both from within Federal Government ranks but more significantly from outside Federal Government ranks, the very specialized civilians who will fully staff by the end of this year those new PRTs and augment the existing PRTs.

Senator WARNER. My recollection is that the Presidential memorandum tasked the Secretary of State to be the coordinating Cabinet officer for all the other departments.

Ambassador SATTERFIELD. That is correct, Senator.

Senator WARNER. Is that part of your responsibility?

Ambassador SATTERFIELD. Yes, it is, Senator.

Senator WARNER. Well, we know where to look now. We will welcome you back again. [Laughter.]

Thank you very much, to each of you. Sorry that I will have to terminate my questions.

Thank you, Mr. Chairman.

Chairman LIEBERMAN. Thank you, Senator Warner. Very important questions.

Thanks to the four of you. It has been an excellent morning of testimony. If I was to try to summarize it, I would say that Iraqi and Afghani economic reconstruction has gone better than probably most people think based on an understandable media focus on the shortcomings. But the reconstruction has not gone as well as any of us want it to or have a right to expect it to, and, therefore, we have more work to do.

I think you continue to make a very substantial contribution, Mr. Bowen, and I am particularly taken with the notion that we need as much unity of command in post-conflict management of economic and political reconstruction activities, governmental reconstruction, as we do need unity of command in battle. How we do that is not clear to me, as it is not to you, exactly, but Senator Collins and I are going to proceed perhaps with legislation to create a short-term commission—we do not want to give it a long time frame—to take a look at that, and obviously a commission would want the input of all four of you.

In the meantime, on behalf of the Committee I thank the four of you for what you are doing. I specifically say to the three of you who lead the agencies involved to please extend our gratitude to those who work with you for an important job being done in a very difficult environment and a job that is being done better than a lot of people think.

Thank you very much. The hearing is adjourned.

[Whereupon, at 11:49 a.m., the Committee was adjourned.]

APPENDIX

USAID's response to Senator Tom Coburn's request for documentation of 140 clinics handed over to the Afghanistan government by 2003.

Six months after Senator Coburn originally requested the documentation, USAID can only account for 39 of the 140 clinics it claims to have built and handed over to the Afghanistan government by 2003.

The following chart contains a list of USAID clinics (built or refurbished) agreed upon with the Ministry of Public Health, Islamic Republic of Afghansitan.

This list includes the site id, province and district location, program that funded the clinic, type of clinic, and if the clinic is in a potential flood zone (and if it is, if protective measures have been taken) and date turned over to the Ministry,

LEGEND

BN=	basic clinic, new construction
CN=	Comprehensive clinic, new construction
BR=	basic clinic, refurbishment
CR=	comprehensive clinic, refurbishment
HR=	hospital, refurbishment
CHC=	comprehensive health clinic
PH=	Provinical Hospital
BHC=	Basic Health Clinic (see BR)
DH=	District Hospital
C	Complete
I	Incomplete

Version Date Feb 11, 07

MASTER LIST OF CLINICS

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

Ministry of Public Health

Islamic Republic of Afghanistan

USAID Site ID	Program	Province	District Name	Village / Site Name	Type of Clinic	Implementer	Project Status	Hand Over Date	BOQ	Photo	Flood Protection Measures
1670	REACH	KABUL	PAGHMAN	Loy Kalay	BHC	MSH	C	04/01/02	N/A	Y	
OTI005	OTI	BADAKHSHAN	Ragh	Ragh	BHC	OTI	C	8/30/2003			
1063	REACH	BAMYAN	YAKAWLANG	Deh Surkh	CHC	MSH	C	10/01/03	N/A		
1163	REACH	BAMYAN	YAKAWLANG	Dahane Dara Chasht	CHC	MSH	C	10/01/03	N/A		
1571	REACH	BAMYAN	BAMYAN	Dara Shah Foladi/Surkh Tangi	CHC	MSH	C	10/01/03	N/A		
1572	REACH	BAMYAN	BAMYAN	Shaheedan	CHC	MSH	C	10/01/03	N/A		
1574	REACH	BAMYAN	BAMYAN	Dara Sadat/Qala Amak	CHC	MSH	C	10/01/03	N/A		
1551	REACH	FARYAB	SHIRIN TAGAB	Islam Qala	CHC	MSH	C	10/01/03	N/A		
661	REACH	HERAT	Kohsan	Kohsan Center	CHC	MSH	C	10/01/03	N/A	Y	
1192	REACH	HERAT	Shindand	Shindand Center	DH	MSH	C	10/01/03	N/A	Y	
5	REACH	KABUL	QARABAGH	Qarabagh Kalan	DH	MSH	C	10/01/03	N/A		
19	REACH	KABUL	SHAKARDARA	Shahi Marday/Shakardara	CHC	MSH	C	10/01/03	N/A		
682	REACH	KHOST	KHOST(MATUN)	Khost (Matun)	PH	MSH	C	10/01/03	N/A	Y	
1618	REACH	KHOST	QALANDAR	Musekhail/Dwamandy	CHC	MSH	C	10/01/03	N/A	Y	
1621	REACH	KHOST	BAK	Bak	CHC	MSH	C	10/01/03	N/A	Y	
1622	REACH	KHOST	GURBUZ	Gurbuz/Shekhamir Kalay	CHC	MSH	C	10/01/03	N/A	Y	
282	REACH	PAKTYA	ZURMAT	Tameer	CHC	MSH	C	10/01/03	N/A	Y	
1519	REACH	PAKTYA	ZURMAT	Mamozai	BHC	MSH	C	10/01/03	N/A	Y	
1718	REACH	PAKTYA	ZURMAT	Kotalgo	CHC	MSH	C	10/01/03	N/A	Y	
274	REACH	GHAZNI	DIH YAK	Ramak	CHC	MSH	C	11/01/03	N/A	Y	
275	REACH	GHAZNI	ZANA KHAN	Rahat Khel	CHC	MSH	C	11/01/03	N/A	Y	
1716	REACH	GHAZNI	DIH YAK	Janabad	BHC	MSH	C	11/01/03	N/A	Y	
1717	REACH	GHAZNI	DIH YAK	Lagabat	BHC	MSH	C	11/01/03	N/A	Y	
430	REACH	TAKHAR	TALUQAN	Taluqan	CHC	MSH	C	11/15/03	N/A	Y	
432	REACH	TAKHAR	TALUQAN	Khafayan	BHC	MSH	C	11/15/03	N/A	Y	
434	REACH	TAKHAR	BANGI	Bangi	CHC	MSH	C	11/15/03	N/A	Y	
1617	REACH	TAKHAR	TALUQAN	Galabafar	BHC	MSH	C	11/15/03	N/A	Y	
1687	REACH	TAKHAR	TALUQAN	Lafaband	BHC	MSH	C	11/15/03	N/A	Y	
1688	REACH	TAKHAR	TALUQAN	Hazarsomoch/Mali	BHC	MSH	C	11/15/03	N/A	Y	
670	REACH	HERAT	CHISHTI SHARIF	Chishti Sharif	CHC	MSH	C	12/01/03	N/A	Y	
1746	REACH	HERAT	CHISHTI SHARIF	Esfers	BHC	MSH	C	12/01/03	N/A	Y	
1747	REACH	HERAT	CHISHTI SHARIF	Dara-e-Takht	BHC	MSH	C	12/01/03	N/A	Y	
452	REACH	TAKHAR	YANGI QALA	Yangi Qala	CHC	MSH	C	12/01/03	N/A		
454	REACH	TAKHAR	DARQAD	Darqad center	CHC	MSH	C	12/01/03	N/A		
455	REACH	TAKHAR	KHWAJA GHAR	Khwaja Ghar center	CHC	MSH	C	12/01/03	N/A	Y	
456	REACH	TAKHAR	KHWAJA GHAR	Dashte Qala/Toregh Qeshlaq	CHC	MSH	C	12/01/03	N/A		
264	REACH	GHAZNI	NAWUR	Sokhta Jangal	BHC	MSH	C	12/15/03	N/A	Y	
1078	REACH	GHAZNI	AJIRISTAN	Sangar	CHC	MSH	C	12/11/03	N/A	Y	
1608	REACH	GHAZNI	NAWUR	Jagha shaw/Chehelduktaran	BHC	MSH	C	12/14/03	N/A	Y	
1771	REACH	GHAZNI	NAWUR	Doabi	CHC	MSH	C	12/15/03	N/A	Y	
265	REACH	GHAZNI	AJIRISTAN	Langar khel/Sangar	BHC	MSH	C	01/01/04	N/A	Y	
1514	REACH	GHAZNI	NAWUR	Jurghal /Sheber	BHC	MSH	C	01/01/04	N/A	Y	
1623	REACH	GHAZNI	NAWUR	Burjaghal /Pas Qarkh	BHC	MSH	C	01/01/04	N/A	Y	
1625	REACH	GHAZNI	NAWUR	Garmak	CHC	MSH	C	01/01/04	N/A	Y	
660	REACH	HERAT	Kohsan	Islam Qala	BHC	MSH	C	01/01/04	N/A	Y	
1919	REACH	HERAT	Adraskan	Shirzad	BHC	MSH	C	01/01/04	N/A	Y	
1952	REACH	HERAT	Ghoryan	Chashma-e-Dam	BHC	MSH	C	01/01/04	N/A	Y	
1778	REACH	KABUL	GULDARA	Guldara	BHC	MSH	C	01/01/04	N/A		
281	REACH	PAKTYA	GARDEZ	Bala Deh	BHC	MSH	C	01/01/04	N/A	Y	
289	REACH	PAKTYA	CHAMKANI	Chamkani	DH	MSH	C	01/01/04	N/A	Y	
1520	REACH	PAKTYA	SAYID KARAM	Mach/ Machalge	CHC	MSH	C	01/01/04	N/A	Y	
1549	REACH	PAKTYA	SAYID KARAM	SAYID KARAM	CHC	MSH	C	01/01/04	N/A	Y	
1734	REACH	PAKTYA	SAYID KARAM	Kosin	BHC	MSH	C	01/01/04	N/A	Y	
449	REACH	TAKHAR	RUSTAQ	Rustaq Center	DH	MSH	C	01/01/04	N/A	Y	
476	REACH	BAGHLAN	PULI KHUMRI	Baghi Shamal	CHC	MSH	C	01/12/04	N/A	Y	
478	REACH	BAGHLAN	PULI KHUMRI	Shashsad Koti	CHC	MSH	C	01/12/04	N/A	Y	
1674	REACH	KABUL	PAGHMAN	Company/Khojajam	BHC	MSH	C	01/15/04	N/A	Y	
1776	REACH	BAMYAN	PANJAB	Shina (3)	BHC	MSH	C	01/22/04	N/A	Y	
1773	REACH	BAMYAN	WARAS	Warzang	BHC	MSH	C	01/25/04	N/A	Y	
416	REACH	BADAKHSHAN	WAKHAN	Khandood	BHC	MSH	C	01/26/04	N/A	Y	
424	REACH	BADAKHSHAN	RAGH	Bar/Yawan	CHC	MSH	C	02/01/04	N/A	Y	
1712	REACH	BADAKHSHAN	RAGH	Kohistan/Pas Pul	BHC	MSH	C	02/01/04	N/A	Y	
1713	REACH	BADAKHSHAN	RAGH	Raghistan/Zeriaki	CHC	MSH	C	02/01/04	N/A	Y	
1726	REACH	BAMYAN	WARAS	Regjoy Ulye	BHC	MSH	C	02/01/04	N/A	Y	

USAID Site ID	Program	Province	District Name	Village / Site Name	Type of Clinic	Implementer	Project Status	Hand Over Date	BOQ	Photo	Flood Protection Measures
1100	REACH	GHAZNI	Ghazni	Ghazni	PH	MSH	C	02/01/04	N/A	Y	
1743	REACH	KABUL	QARABAGH	Qala-e-Qazi	BHC	MSH	C	02/01/04	N/A		
427	REACH	TAKHAR	TALUQAN	Baharak	CHC	MSH	C	02/01/04	N/A	Y	
437	REACH	TAKHAR	TALUQAN	Namak Ab/Shakhlesh	CHC	MSH	C	02/01/04	N/A	Y	
451	REACH	TAKHAR	CHAH AB	Chah Ab	CHC	MSH	C	02/01/04	N/A	Y	
1705	REACH	TAKHAR	KHWAJA GHAR	Zardkamar	BHC	MSH	C	02/01/04	N/A		
1706	REACH	TAKHAR	KHWAJA GHAR	Saraki-e- Mamayee	BHC	MSH	C	02/01/04	N/A		
1708	REACH	TAKHAR	YANGI QALA	Jelga/Abdul Nazar Beg	BHC	MSH	C	02/01/04	N/A		
417	REACH	BADAKHSHAN	ISHKASHIM	Ishkashim Center	CHC	MSH	C	02/11/04	N/A	Y	
602	REACH	FARYAB	SHIRIN TAGAB	Astana	BHC	MSH	C	02/25/04	N/A		
604	REACH	FARYAB	DAWLAT ABAD	Qazi bay Qala	CHC	MSH	C	02/29/04	N/A		
834	REACH	PAKTIKA	GAYAN	Gayan Center	CHC	MSH	C	3/1/2004	N/A	Y	
836	REACH	PAKTIKA	URGUN	Urgun	DH	MSH	C	3/1/2004	N/A	Y	
1745	REACH	PAKTIKA	URGUN	Sheikhhan	BHC	MSH	C	3/1/2004	N/A	Y	
428	REACH	TAKHAR	TALUQAN	Qulbars	BHC	MSH	C	03/01/04	N/A	Y	
431	REACH	TAKHAR	TALUQAN	Nahr-e-Chaman	BHC	MSH	C	03/01/04	N/A	Y	
439	REACH	TAKHAR	FARKHAR	Farkhar	DH	MSH	C	03/01/04	N/A		
1692	REACH	TAKHAR	RUSTAQ	Kaywan	BHC	MSH	C	03/01/04	N/A	Y	
1695	REACH	TAKHAR	KALAFGAN	Aq Bulaq	BHC	MSH	C	03/01/04	N/A		
1699	REACH	TAKHAR	FARKHAR	Nahr-e-Ab	BHC	MSH	C	03/01/04	N/A	Y	
1707	REACH	TAKHAR	YANGI QALA	Kattar Ali	BHC	MSH	C	03/01/04	N/A		
1710	REACH	TAKHAR	DARQAD	Darwaza Topa/Alkunagh	BHC	MSH	C	03/01/04	N/A		
1711	REACH	TAKHAR	DARQAD	Gultut/Darqad	BHC	MSH	C	03/01/04	N/A		
603	REACH	FARYAB	KHWAJA SABZ POSH	Darband Deh New	CHC	MSH	C	03/02/04	N/A		
595	REACH	FARYAB	MAYMANA	Kosa Qala	CHC	MSH	C	03/07/04	N/A		
287	REACH	PAKTYA	JANI KHEL	Maidan Koleh	CHC	MSH	C	03/15/04	N/A	Y	
1728	REACH	PAKTYA	Lija Mangal	Lija Mangal Center	CHC	MSH	C	03/15/04	N/A	Y	
1730	REACH	PAKTYA	JADRAN	Jadran	CHC	MSH	C	03/15/04	N/A	Y	
1669	REACH	TAKHAR	RUSTAQ	Sarostaq	BHC	MSH	C	03/15/04	N/A	Y	
1736	REACH	BAMYAN	PANJAB	Zandsang/Sayed bacha	BHC	MSH	C	03/26/04	N/A	Y	
414	REACH	BADAKHSHAN	ZEBAK	Zebak Center	BHC	MSH	C	04/01/04	N/A	Y	
460	REACH	BAGHLAN	BAGHLAN	Baghlan Kohna	CHC	MSH	C	04/01/04	N/A	Y	
1803	REACH	BAGHLAN	BAGHLAN	Baghlan-e-sanati	CHC	MSH	C	04/01/04	N/A	Y	
1741	REACH	BAMYAN	WARAS	Safed Nawar	BHC	MSH	C	04/01/04	N/A		
3	REACH	KABUL	MIR BACHA KOT	Bazar/Mirbacha Kot	CHC	MSH	C	04/01/04	N/A	Y	
15	REACH	KABUL	PAGHMAN	Paghman Center/Chandal Baee	CHC	MSH	C	04/01/04	N/A	Y	
1654	REACH	KABUL	MIR BACHA KOT	Mirbacha Kot	CHC	MSH	C	04/01/04	N/A	Y	
1671	REACH	KABUL	PAGHMAN	Khoja Musafer/Qaleh Ye Dalil	CHC	MSH	C	04/01/04	N/A	Y	
1714	REACH	KABUL	PAGHMAN	Zarshakh	BHC	MSH	C	04/01/04	N/A	Y	
812	REACH	PAKTIKA	Sharan	Khwaja Dur Khel	BHC	MSH	C	4/1/2004	N/A	Y	
830	REACH	PAKTIKA	OMNA	Omna Center	BHC	MSH	C	4/1/2004	N/A	Y	
1686	REACH	TAKHAR	CHAH AB	Cakaran	BHC	MSH	C	04/01/04	N/A	Y	
1693	REACH	TAKHAR	RUSTAQ	Sahr-e-Ghar	BHC	MSH	C	04/01/04	N/A	Y	
1697	REACH	TAKHAR	BANGI	Syab	BHC	MSH	C	04/01/04	N/A	Y	
1698	REACH	TAKHAR	FARKHAR	Yokh/Lezdi	BHC	MSH	C	04/01/04	N/A	Y	
4	REACH	KABUL	KALAKAN	Mashwani/Kalakan	CHC	MSH	C	04/06/04	N/A	Y	
1663	REACH	KABUL	MIR BACHA KOT	Guzar	BHC	MSH	C	04/06/04	N/A	Y	
1581	REACH	GHOR	CHAGHCHARAN	Dawlatyar	CHC	MSH	C	04/12/04	N/A	Y	
1800	REACH	GHOR	CHAGHCHARAN	Shewij (Badgah)	BHC	MSH	C	04/13/04	N/A	Y	
1801	REACH	GHOR	CHAGHCHARAN	Kamarak/Gulkhenj	BHC	MSH	C	04/14/04	N/A	Y	
1725	REACH	PAKTYA	SHWAK	Shawak	BHC	MSH	C	04/15/04	N/A	Y	
1684	REACH	TAKHAR	CHAH AB	Anjir	BHC	MSH	C	04/15/04	N/A	Y	
1685	REACH	TAKHAR	CHAH AB	Samte/Argasa(1)	BHC	MSH	C	04/15/04	N/A	Y	
1691	REACH	TAKHAR	RUSTAQ	Gurgan/Dih Past	BHC	MSH	C	04/15/04	N/A	Y	
1802	REACH	GHOR	CHAGHCHARAN	Sar Ghahran	BHC	MSH	C	04/16/04	N/A	Y	
1778	REACH	BAMYAN	WARAS	Jaw Qul	BHC	MSH	C	04/17/04	N/A	Y	
1748	REACH	GHOR	CHAGHCHARAN	Murghab/Shoraba	BHC	MSH	C	04/17/04	N/A	Y	
1749	REACH	GHOR	CHAGHCHARAN	Ghor Qand/Khakemulla	BHC	MSH	C	04/18/04	N/A	Y	
838	REACH	PAKTIKA	Nika	Nika	BHC	MSH	C	4/22/2004	N/A	Y	

USAID Site ID	Program	Province	District Name	Village / Site Name	Type of Clinic	Implementer	Project Status	Hand Over Date	BOQ	Photo	Flood Protection Measures
1744	REACH	PAKTIKA	URGUN	Pirkoli	BHC	MSH	C	4/22/2004	N/A	Y	
1805	REACH	BAGHLAN	Baghlan/ "BAGHLANI JADID"	Jare Khusk	BHC	MSH	C	04/25/04	N/A	Y	
590	REACH	JAWZJAN	AQCHA	Aqcha	DH	MSH	C	05/01/04	N/A	Y	
711	REACH	KANDAHAR	KANDAHAR	Rawanay	CHC	MSH	C	05/01/04	N/A	Y	
718	REACH	KANDAHAR	KANDAHAR	Argordan	BHC	MSH	C	05/01/04	N/A	Y	
719	REACH	KANDAHAR	KANDAHAR	Zaki-e-Sharif	BHC	MSH	C	05/01/04	N/A	Y	
725	REACH	KANDAHAR	SHAH WALI KOT	Shah Wali Kot	BHC	MSH	C	05/01/04	N/A	Y	
728	REACH	KANDAHAR	SHAH WALI KOT	Wayan	CHC	MSH	C	05/01/04	N/A		
733	REACH	KANDAHAR	ARGHANDAB	Adina	CHC	MSH	C	05/01/04	N/A	Y	
735	REACH	KANDAHAR	ARGHANDAB	Zeray	CHC	MSH	C	05/01/04	N/A	Y	
737	REACH	KANDAHAR	KHAKREZ	Gholam Mohammad Kalay	BHC	MSH	C	05/01/04	N/A	Y	
741	REACH	KANDAHAR	GHORAK	Ghorak	BHC	MSH	C	05/01/04	N/A	Y	
743	REACH	KANDAHAR	MAYWAND	Dandy	CHC	MSH	C	05/01/04	N/A	Y	
747	REACH	KANDAHAR	PANJWAYI	Panjwayi	CHC	MSH	C	05/01/04	N/A	Y	
754	REACH	KANDAHAR	ARGHISTAN	Arghistan	CHC	MSH	C	05/01/04	N/A	Y	
278	REACH	PAKTYA	GARDEZ	Gardez City	PH	MSH	C	05/01/04	N/A	Y	
442	REACH	TAKHAR	FARKHAR	Tagabichap/Aadi Shan	BHC	MSH	C	05/01/04	N/A	Y	
1694	REACH	TAKHAR	RUSTAQ	Hafezan	BHC	MSH	C	05/01/04	N/A	Y	
1807	REACH	BAGHLAN	BAGHLAN	Sheikh-e-Jalal	BHC	MSH	C	05/09/04	N/A	Y	
1696	REACH	TAKHAR	KALAFGAN	Chahar Tut	BHC	MSH	C	05/10/04	N/A	Y	
1806	REACH	BAGHLAN	BAGHLAN	Hasantal	BHC	MSH	C	05/12/04	N/A	Y	
587	REACH	JAWZJAN	MINGAJIK	Charsanghu	CHC	MSH	C	05/15/04	N/A	Y	
592	REACH	JAWZJAN	MARDYAN	Mardyan	CHC	MSH	C	05/15/04	N/A	Y	
593	REACH	JAWZJAN	FAYZ ABAD	Sansis	CHC	MSH	C	05/15/04	N/A	Y	
1035	REACH	JAWZJAN	DARZAB	Bazar Khush Tapa	CHC	MSH	C	05/15/04	N/A	Y	
1809	REACH	BAGHLAN	Baghlan/ "BAGHLANI JADID"	Arab	BHC	MSH	C	05/29/04	N/A	Y	
1804	REACH	BAGHLAN	BAGHLAN	Managal	CHC	MSH	C	05/30/04	N/A		
1808	REACH	BAGHLAN	BAGHLAN	Larkhabi	BHC	MSH	C	05/31/04	N/A	Y	
1750	REACH	KABUL	MIR BACHA KOT	Dako/Mirbacha Kot	BHC	MSH	C	06/01/04	N/A	Y	
1918	REACH	FARYAB	PASHTUN KOT	Dahan Dara/Darrah-i-Akhazi	CHC	MSH	C	06/02/04	N/A		
1911	REACH	FARYAB	MAYMANA	Maymana/Kala Qishlaq	BHC	MSH	C	06/05/04	N/A		
605	REACH	FARYAB	QARAMQOL	Alti bulag	BHC	MSH	C	07/01/04	N/A	Y	
606	REACH	FARYAB	KHAN CHAHAR BAGH	Khan Chahar Bagh	BHC	MSH	C	07/01/04	N/A	Y	
608	REACH	FARYAB	ANDKHOY	Shar-e Naw	DH	MSH	C	07/01/04	N/A	Y	
609	REACH	FARYAB	ANDKHOY - Qurghan (Sub district)	Kicheotan/Qurghan	CHC	MSH	C	07/01/04	N/A	Y	
585	REACH	JAWZJAN	KHWAJA DU KOH	Marka (center)	BHC	MSH	C	07/01/04	N/A	Y	
586	REACH	JAWZJAN	QARQIN	Khan Tapa	CHC	MSH	C	07/01/04	N/A	Y	
594	REACH	JAWZJAN	KHAMYAB	Qamas	BHC	MSH	C	07/01/04	N/A	Y	
817	REACH	PAKTIKA	Sharan	Yousuf Khail	BHC	MSH	C	7/1/2004	N/A	Y	
1838	REACH	BADAKHSHAN	KHWAHAN	Khwahan	BHC	MSH	C	08/01/04	N/A	Y	
814	REACH	PAKTIKA	Sharan	Rano/Sharan Woluswali	PH	MSH	C	8/1/2004	N/A	Y	
1775	REACH	BAMYAN	PANJAB	Naymoqam	BHC	MSH	C	08/10/04	N/A	Y	
1909	REACH	FARYAB	MAYMANA	Qazil Qashlaq	CHC	MSH	C	08/15/04	N/A		
809	REACH	BAMYAN	PANJAB	Panjab	DH	MSH	C	08/17/04	N/A	Y	
810	REACH	BAMYAN	WARAS	Waras	CHC	MSH	C	08/17/04	N/A	Y	
790	REACH	GHOR	CHAGHCHARAN	Barakhana	BHC	MSH	C	09/01/04	N/A	Y	
667	REACH	HERAT	Farsi	Farsi	CHC	MSH	C	09/01/04	N/A	Y	
1690	REACH	TAKHAR	RUSTAQ	Ota-Osyab/Tuti	BHC	MSH	C	09/01/04	N/A	Y	
1709	REACH	TAKHAR	YANGI QALA	Khwaja Bahudin center	CHC	MSH	C	09/01/04	N/A		
1742	REACH	BAMYAN	WARAS	Dahane Subzaq Takht/Urdu Khak	CHC	MSH	C	09/25/04	N/A	Y	
1913	REACH	FARYAB	PASHTUN KOT	Qala Qala/Pashtun Kot	CHC	MSH	C	10/11/04	N/A		
1908	REACH	FARYAB	KOHISTAN	Bandar Abdulbaqi	BHC	MSH	C	10/16/04	N/A	Y	
1774	REACH	BAMYAN	PANJAB	Chapri Kul Moor/Chapar qul	CHC	MSH	C	10/27/04	N/A	Y	
OTI030	OTI	BAMYAN	Shah-i-dan	Shahidan	CHC	OTI	C	10/30/2004			
OTI031	OTI	BAMYAN	Yakalang	Deh Surkh	CHC	OTI	C	10/30/2004			
1518	REACH	PAKTYA	ZURMAT	Sahak	CHC	MSH	C	11/01/04	N/A	Y	
446	REACH	TAKHAR	KALAFGAN	Kalafgan	CHC	MSH	C	11/01/04	N/A	Y	
601	REACH	FARYAB	Belchiragh/Gorziwan	Sardakan	CHC	MSH	C	11/15/04	N/A	Y	
1693	REACH	FARYAB	Belchiragh	Belchiragh	CHC	MSH	C	11/15/04	N/A	Y	
1950	REACH	FARYAB	Belchiragh	Qorchi	BHC	MSH	C	11/15/04	N/A	Y	
1951	REACH	FARYAB	Belchiragh	Tagabshan	BHC	MSH	C	11/15/04	N/A	Y	
600	REACH	FARYAB	KOHISTAN	Law Lash	CHC	MSH	C	11/20/04	N/A		

USAID Site ID	Program	Province	District Name	Village / Site Name	Type of Clinic	Implementer	Project Status	Hand Over Date	BOQ	Photo	Flood Protection Measures
1727	REACH	BAMYAN	WARAS	Warzag	BHC	MSH	C	12/01/04	N/A		
1878	REACH	BAMYAN	YAKAWLANG	Nawe Tundak/Abgul	BHC	MSH	C	12/01/04	N/A		
250	REACH	GHAZNI	Jaghatu(Khwaja Omari)	Kaka	BHC	MSH	C	12/01/04	N/A	Y	
255	REACH	GHAZNI	BAHRAMI SHAHID(JAGHATU)	Toormai	CHC	MSH	C	12/01/04	N/A	Y	
259	REACH	GHAZNI	BAHRAMI SHAHID(JAGHATU)	Barakat	BHC	MSH	C	12/01/04	N/A	Y	
263	REACH	GHAZNI	Jaghatu	Qala-e-Naw	BHC	MSH	C	12/01/04	N/A	Y	
266	REACH	GHAZNI	MALISTAN	NAW DEH	BHC	MSH	C	12/01/04	N/A	Y	
267	REACH	GHAZNI	MALISTAN	MIRA DINA	CHC	MSH	C	12/01/04	N/A	Y	
1615	REACH	GHAZNI	JAGHORI	Safed Sang	CHC	MSH	C	12/01/04	N/A	Y	
1616	REACH	GHAZNI	JAGHORI	ANGIGRI	CHC	MSH	C	12/01/04	N/A	Y	
1738	REACH	GHAZNI	JAGHORI	Qash	BHC	MSH	C	12/01/04	N/A	Y	
1988	REACH	GHAZNI	JAGHORI	CHILBAGHTOY PASHAI	CHC	MSH	C	12/01/04	N/A	Y	
1902	REACH	HERAT	Shindand	Awkal	BHC	MSH	C	12/01/04	N/A	Y	
1903	REACH	HERAT	Shindand	Deh Shafi	BHC	MSH	C	12/01/04	N/A	Y	
1904	REACH	HERAT	Zinda jan	Qasr-i-Shirin	BHC	MSH	C	12/01/04	N/A	Y	
1905	REACH	HERAT	Ghoryan	Rabaturk	BHC	MSH	C	12/01/04	N/A	Y	
1906	REACH	HERAT	Kohsan	Janaw	BHC	MSH	C	12/01/04	N/A	Y	
1907	REACH	HERAT	Ghoryan	Sebul	BHC	MSH	C	12/01/04	N/A	Y	
435	REACH	TAKHAR	ISHKASHIM	Ishkashim	CHC	MSH	C	12/01/04	N/A		
436	REACH	TAKHAR	CHAL	Khanaqa	CHC	MSH	C	12/01/04	N/A		
438	REACH	TAKHAR	WARSAJ	Warsaj/Khanaqa	CHC	MSH	C	12/01/04	N/A		
96	REACH	GHAZNI	Gelan	Janda	CHC	MSH	C	12/15/04	N/A	Y	
270	REACH	GHAZNI	Andar	Mirt(Andar)	DH	MSH	C	12/15/04	N/A	Y	
598	REACH	FARYAB	Almar	Almar Center	CHC	MSH	C	12/22/04	N/A	Y	
599	REACH	FARYAB	Qaysar	Qisar Center	CHC	MSH	C	12/23/04	N/A	Y	
1550	REACH	FARYAB	Qaisar	Shakh	BHC	MSH	C	12/23/04	N/A		
1167	REACH	BADAKHSHAN	Bahark	Baharak/Sarband	CHC	MSH	C	01/01/05	N/A	Y	
36	REACH	KABUL	DIH SABZ	Bakhtaryan	BHC	MSH	C	01/01/05	N/A	Y	
492	REACH	BAGHLAN	Burka	Burka	CHC	MSH	C	01/02/05	N/A	Y	
1825	REACH	BAGHLAN	Burka	Tangi Murch	BHC	MSH	C	01/03/05	N/A	Y	
1926	REACH	BAGHLAN	Burka	Folowl-e-Bala	BHC	MSH	C	01/04/05	N/A	Y	
2	REACH	KABUL	DIH SABZ	Nawa	BHC	MSH	C	01/06/05	N/A	Y	
C 201	SACCRP	KAPISA	Khom zargar	Keestan awal	CN1	UMCOR	C	01/07/05		Y	
28	REACH	KABUL	CHAHAR ASYAB	Khayrabad	BHC	MSH	C	01/09/05	N/A	Y	
95	REACH	GHAZNI	Mogur	Mugor	CHC	MSH	C	01/10/05	N/A	Y	
99	REACH	GHAZNI	Nawa	Nawa	CHC	MSH	C	01/11/05	N/A		
269	REACH	GHAZNI	Qarabagh	Jangalak	BHC	MSH	C	01/11/05	N/A	Y	
29	REACH	KABUL	MUSAYI	Qaleh-ye Abdulrauf	BHC	MSH	C	01/11/05	N/A	Y	
27	REACH	KABUL	CHAHAR ASYAB	Chahar Asyab	DH	MSH	C	01/13/05	N/A	Y	
166	REACH	KABUL	16th district of	Qalai Zaman khan	CHC	MSH	C	01/15/05	N/A	Y	
1946	REACH	FARYAB	SHIRIN TAGAB	Qara Shaikhi	BHC	MSH	C	01/16/05	N/A		
113	REACH	KABUL	8th district of Kabul city	Qala-I-Wakil	CHC	MSH	C	01/16/05	N/A	Y	
1914	REACH	KABUL	MUSAYI	Alyakel	BHC	MSH	C	01/17/05	N/A	Y	
155	REACH	KABUL	10th district of	Chaharqala-I-Wazirabad	CHC	MSH	C	01/17/05	N/A	Y	
130	REACH	KABUL	9th district of Kabul city	Kabul	BHC	MSH	C	01/18/05	N/A	Y	
1655	REACH	KABUL	District 4th	Taimany/Lololapushat	BHC	MSH	C	01/23/05	N/A	Y	
156	REACH	KABUL	District 4th	Nowabad Dih Kipak	CHC	MSH	C	01/24/05	N/A	Y	
1661	REACH	KABUL	15th district of Kabul city	Third part of khairkhana/Khoja Bughra	BHC	MSH	C	01/24/05	N/A		
128	REACH	KABUL	15th district of Kabul city	Khoja bughra	CHC	MSH	C	01/25/05	N/A	Y	
107	REACH	GHAZNI	Qarabagh	Askar Kot	CHC	MSH	C	01/26/05	N/A	Y	
154	REACH	KABUL	13th district of Kabul city	Proja jaded panjsad families/Kabul	CHC	MSH	C	01/26/05	N/A	Y	
1659	REACH	KABUL	11th district of Kabul city	First part of khairkhana/Dih Kipak	CHC	MSH	C	01/26/05	N/A	Y	
131	REACH	KABUL	10th district of	Qasaba khana Sazi	BHC	MSH	C	01/28/05	N/A	Y	
1511	REACH	GHAZNI	Qarabagh	Qarabagh(1)	DH	MSH	C	01/31/05	N/A	Y	
1857	REACH	BADAKHSHAN	FAYZ ABAD	Artin Jelow	BHC	MSH	C	02/01/05	N/A	Y	
1980	REACH	BADAKHSHAN	FAYZ ABAD	Naw Abad (1)	BHC	MSH	C	02/01/05	N/A	Y	
272	REACH	GHAZNI	Andar	Nani	BHC	MSH	C	02/01/05	N/A	Y	
1927	REACH	TAKHAR	WARSAJ	Myanshr	BHC	MSH	C	02/01/05	N/A		
1929	REACH	TAKHAR	ISHKASHIM	Nawabad	BHC	MSH	C	02/01/05	N/A		
1931	REACH	TAKHAR	CHAL	Dafina	BHC	MSH	C	02/01/05	N/A		
1912	REACH	FARYAB	SHIRIN TAGAB	Ortepha(3)	BHC	MSH	C	02/05/05	N/A		
407	REACH	BADAKHSHAN	KISHIM	Keshim	CHC	MSH	C	02/19/05	N/A	Y	
1560	REACH	BADAKHSHAN	KISHIM	Jari Shah Baba	BHC	MSH	C	02/20/05	N/A	Y	
401	REACH	BADAKHSHAN	FAYZ ABAD	Hafez Mughul	CHC	MSH	C	02/22/05	N/A	Y	

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101	REACH	GHAZNI	Giro	Pana	CHC	MSH	C	02/22/05	N/A	Y	
425	REACH	BADAKHSHAN	SHAHRI BUZURG	Khurdakan	CHC	MSH	C	02/26/05	N/A	Y	
273	REACH	GHAZNI	Andar	Konsel/Ebrahim Khel	BHC	MSH	C	02/27/05	N/A	Y	
1648	REACH	KABUL	9th district of Kabul city	Qabel Bay	BHC	MSH	C	02/27/05	N/A	Y	
1666	REACH	KABUL	QARABAGH	Sterghech/Baghe Zaghan	BHC	MSH	C	03/01/05	N/A		
1959	REACH	KHOST	KHOST(MATUN)	Kharcin	BHC	MSH	C	03/01/05	N/A		
1928	REACH	TAKHAR	ISHKASHIM	Shera Chi	BHC	MSH	C	03/01/05	N/A		
1930	REACH	TAKHAR	WARSAJ	Sara Tang	BHC	MSH	C	03/01/05	N/A		
402	REACH	BADAKHSHAN	FAYZ ABAD	Naw Abad (3)	CHC	MSH	C	03/06/05	N/A	Y	
1924	REACH	KABUL	11th district of Kabul city	Dih Kipak /Sari Shamali	BHC	MSH	C	03/10/05	N/A		
406	REACH	BADAKHSHAN	FAYZ ABAD	Darayim	CHC	MSH	C	03/13/05	N/A	Y	
408	REACH	BADAKHSHAN	KISHIM	Bazari Tishkan	BHC	MSH	C	03/14/05	N/A	Y	
1561	REACH	BADAKHSHAN	FAYZ ABAD	Langar (1)	BHC	MSH	C	03/17/05	N/A	Y	
100	REACH	GHAZNI	Abband	Bazigay	CHC	MSH	C	03/28/05	N/A	Y	
1990	REACH	GHAZNI	Andar	Yargatoo/Mazu	CHC	MSH	C	04/01/05	N/A	Y	
1672	REACH	KABUL	PAGHMAN	Bar Arghandy/Bazikhil	CHC	MSH	C	04/01/05	N/A	Y	
1563	REACH	BADAKHSHAN	FAYZ ABAD	Tagabak	BHC	MSH	C	04/03/05	N/A	Y	
1981	REACH	BADAKHSHAN	FAYZ ABAD	Qara Guzi	BHC	MSH	C	04/03/05	N/A	Y	
1983	REACH	BADAKHSHAN	FAYZ ABAD	Shakarlab-i-Pa'in	BHC	MSH	C	04/07/05	N/A		
1986	REACH	BADAKHSHAN	SHAHRI BUZURG	Wandian	BHC	MSH	C	04/07/05	N/A		
1777	REACH	BAMYAN	PANJAB	Kosha	BHC	MSH	C	04/07/05	N/A	Y	
1982	REACH	BADAKHSHAN	KISHIM	Samar Qandi	BHC	MSH	C	04/09/05	N/A	Y	
1979	REACH	BADAKHSHAN	FAYZ ABAD	Layawa	BHC	MSH	C	04/15/05	N/A	Y	
1985	REACH	BADAKHSHAN	FAYZ ABAD	Far Gharnbow	BHC	MSH	C	04/15/05	N/A		
2028	REACH	PAKTYA	GARDEZ	Ibrahim Khel	BHC	MSH	C	04/15/05	N/A	Y	
1987	REACH	BADAKHSHAN	FAYZ ABAD	Talbuzanak (1)	BHC	MSH	C	04/16/05	N/A	Y	
2044	REACH	GHAZNI	Andar	Nazar Khan Kalay	CHC	MSH	C	04/16/05	N/A	Y	
1969	REACH	GHAZNI	JAGHATO	Gulbori (Jaghatu)	CHC	MSH	C	05/01/05	N/A	Y	
C 140	SACCRP	HERAT	Anjil	Gobrall	BN1	IOM	C	05/05/05		Y	
2018	REACH	FARYAB	SHIRIN TAGAB	Farz abad	DH	MSH	C	05/09/05	N/A		
C 133	SACCRP	HERAT	Karkh	Ganda Khan	BN1	IOM	C	05/09/05		Y	
2031	REACH	FARYAB	DAWLAT ABAD	Topkhana Qala	BHC	MSH	C	05/28/05	N/A		
1978	REACH	BADAKHSHAN	FAYZ ABAD	Gazan	BHC	MSH	C	06/01/05	N/A		
2037	REACH	GHAZNI	MALISTAN	Zarjoy	BHC	MSH	C	06/13/05	N/A	Y	
2038	REACH	GHAZNI	MALISTAN	Korsang	CHC	MSH	C	06/13/05	N/A		
2039	REACH	GHAZNI	JAGHORI	Naw Deh (1)	BHC	MSH	C	06/13/05	N/A	Y	
2040	REACH	GHAZNI	JAGHORI	Termay	CHC	MSH	C	06/13/05	N/A	Y	
2042	REACH	GHAZNI	Qarabagh	Mushaki	BHC	MSH	C	06/15/05	N/A	Y	
2043	REACH	GHAZNI	Andar	Zakuri	BHC	MSH	C	06/15/05	N/A	Y	
597	REACH	FARYAB	PASHTUN KOT	Tuka ali	CHC	MSH	C	06/17/05	N/A		
C 177	SACCRP	KABUL	Bagrami	But Khak	BN1	UMCOR	C	06/18/05		Y	
C 175	SACCRP	KABUL	Mirbachakot	Gozar	BN1	UMCOR	C	06/19/05		Y	
2014	REACH	KANDAHAR	ARGHANDAB	Batur	BHC	MSH	C	06/22/05	N/A	Y	
2017	REACH	KANDAHAR	MARUF	Maruf	CHC	MSH	C	06/22/05	N/A		
2025	REACH	KANDAHAR	ARGHANDAB	Baghi Sarkari/Sarde-yeOlya	CHC	MSH	C	06/28/05	N/A	Y	
2045	REACH	FARYAB	KHWAJA SABZ POSH	Arab Agsain	BHC	MSH	C	07/16/05	N/A		
C 021	SACCRP	BADGHIS	Qades	Qads Khurdak	BN1	UNOPS	C	07/20/05		Y	
C 022	SACCRP	BADGHIS	Qades	Langar Sharef	BN1	UNOPS	C	07/20/05		Y	
C 023	SACCRP	BADGHIS	Qades	Qarye-Chaqi	BN1	UNOPS	C	07/20/05		Y	
C 024	SACCRP	BADGHIS	Qades	Bazar-Day-Brenge	BN1	UNOPS	C	07/20/05		Y	
C 179	SACCRP	KABUL	Qarabagh	Bagne Alam	BN1	UMCOR	C	08/03/05		Y	
C 180	SACCRP	KABUL	Bagrami	Saifudeen	BN1	UMCOR	C	08/04/05		Y	
C 328	SACCRP	PARWAN	Said Khel	Ebrahimkhel	BN1	UMCOR	C	08/04/05		Y	
C 330	SACCRP	PARWAN	Seagard-Ghjirband	Charde	BN1	UMCOR	C	08/05/05		Y	
2051	REACH	GHAZNI	Gelan	Khanokhil/Rassana	BHC	MSH	C	08/25/05	N/A		
C 268	SACCRP	LOGAR	Barakibarak	Shah Mazar	BN1	SFL	C	08/29/05		Y	
C 269	SACCRP	LOGAR	Barakibarak	Sajawand	BN1	SFL	C	08/29/05		Y	
C 270	SACCRP	LOGAR	Barakibarak	Ibrahim Khil	BN1	SFL	C	08/29/05		Y	
C 272	SACCRP	LOGAR	Charkh	Mir Barakat Naw Shar	BN1	SFL	C	08/29/05		Y	
C 273	SACCRP	LOGAR	Pele-e-Alam	Deh Doshanba	BN1	SFL	C	08/29/05		Y	
C 267	SACCRP	LOGAR	Mohammad Agha	Sorkh Aab	BN1	SFL	C	08/30/05		Y	
C 271	SACCRP	LOGAR	Charkh	Garmaba	CN1	SFL	C	08/30/05		Y	
C 263	SACCRP	LOGAR	Kharwar	Khoja Anguri	BN1	SFL	C	08/31/05		Y	
C 264	SACCRP	LOGAR	Kharwar	Shikhan	BN1	SFL	C	08/31/05		Y	
C 274	SACCRP	LOGAR	Azra	Kharoty	BN1	SFL	C	09/01/05		Y	
2052	REACH	GHAZNI	Qarabagh	Tarnakal/Ghuja	BHC	MSH	C	09/08/05	N/A	Y	
2054	REACH	FARYAB	Qaysar	Mian Dara/Khush Bal	BHC	MSH	C	09/14/05	N/A		
2059	REACH	FARYAB	PASHTUN KOT	Yaka Tol/Sar-e-Hawza	BHC	MSH	C	09/28/05	N/A		
2049	REACH	BADAKHSHAN	Baharak/Shuhada	Shuhada	CHC	MSH	C	10/01/05	N/A	Y	
2050	REACH	BADAKHSHAN	Baharak/Wardooje	Chakaran	BHC	MSH	C	10/01/05	N/A	Y	
2058	REACH	BADAKHSHAN	KISHIM	Ganda Qul	BHC	MSH	C	10/01/05	N/A		

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2088	REACH	GHAZNI	Nawa	Nanga	BHC	MSH	C	10/10/05	N/A		
2067	REACH	GHAZNI	Moqur	Sangasi	BHC	MSH	C	10/18/05	N/A	Y	
CR 102	SACCRP	HERAT	Guzora	Malan	BR2	IOM	C	10/24/05	Y	Y	
CR 103	SACCRP	HERAT	Guzora	Deh Naw	BR2	IOM	C	10/24/05	Y	Y	
CR 112	SACCRP	HERAT	Engeel	Rawashan	CR2	IOM	C	10/24/05	Y	Y	
2065	REACH	FARYAB	PASHTUN KOT	Emam Saheb	BHC	MSH	C	10/29/05	N/A		
C 308	SACCRP	PAKTYA	Zurmat	Mamzat Jani Khail	BN1	LBG	C	10/29/05	Y	Y	
C 310	SACCRP	PAKTYA	Sayed Karam	Dam Ghundi Mangal	BN1	LBG	C	10/29/05	Y	Y	
C 311	SACCRP	PAKTYA	Sayed Karam	Merzaka Mangal	BN1	LBG	C	10/29/05	Y	Y	
C 312	SACCRP	PAKTYA	Sayed Karam	Kosin	BN1	LBG	C	10/29/05	Y	Y	
C 313	SACCRP	PAKTYA	Gardiz Center	Abrahim Khail	BN1	LBG	C	10/29/05	Y	Y	
C 314	SACCRP	PAKTYA	Gardiz Center	Melan	BN1	LBG	C	10/29/05	Y	Y	
C 013	SACCRP	BADAKHSHAN	Yafital Sufla	Shakar Lab	BN1	LBG	C	11/02/05	Y	Y	
C 014	SACCRP	BADAKHSHAN	Faizabad	Joe Bar	BN1	LBG	C	11/02/05	Y	Y	
C 302	SACCRP	PAKTYA	Jani Khil Mangal	Proza Jani Khail	CN1	LBG	C	11/09/05	Y	Y	
C 303	SACCRP	PAKTYA	Leja Mangal	Tashnak	BN1	LBG	C	11/09/05	Y	Y	
C 304	SACCRP	PAKTYA	Leja Mangal	Shwak	BN1	LBG	C	11/09/05	Y	Y	
C 306	SACCRP	PAKTYA	Zurmat	Sorki Safah Khail	BN1	LBG	C	11/09/05	Y	Y	
C 307	SACCRP	PAKTYA	Zurmat	Arma	BN1	LBG	C	11/09/05	Y	Y	
C 309	SACCRP	PAKTYA	Zurmat	Kolagu	CN1	LBG	C	11/09/05	Y	Y	
C 244	SACCRP	KUNDUZ	Char Dara	Mir Yr Shakh	BN1	LBG	C	11/20/05	Y	Y	
C 245	SACCRP	KUNDUZ	Char Dara	Jame Bazar	BN1	LBG	C	11/20/05	Y	Y	
C 250	SACCRP	KUNDUZ	Gul Tepa	Tepa-e-Boreda	BN1	LBG	C	11/20/05	Y	Y	
C 331	SACCRP	PARWAN	Khanqah	Bagram	BN1	UMCOR	C	11/21/05		Y	
C 054	SACCRP	BAMYAN	Panjab	Qala Kafsh Hab	BN1	IOM	C	11/22/05		Y	
C 236	SACCRP	KUNDUZ	Ali Abad	Arbab Ramazani	BN1	LBG	C	11/23/05	Y	Y	
C 172	SACCRP	KABUL	Paghman	Kerezak	BN1	UMCOR	C	11/27/05		Y	
C 173	SACCRP	KABUL	Paghman	Loe-Kfe Khaldary	BN1	UMCOR	C	11/27/05		Y	Action taken
C 174	SACCRP	KABUL	Paghman	Zar Shakh	BN1	UMCOR	C	11/27/05		Y	
C 178	SACCRP	KABUL	Qarabagh	Esterghech	BN1	UMCOR	C	11/27/05		Y	
C 305	SACCRP	PAKTYA	Aryob Jaji	Dre Khule	BN1	LBG	C	11/27/05	Y	Y	No action taken
C 202	SACCRP	KAPISA	Khanqah	Tagab	BN1	UMCOR	C	11/28/05		Y	
C 010	SACCRP	BADAKHSHAN	Keshm	Samar Qandi	BN1	LBG	C	11/29/05	Y	Y	
C 015	SACCRP	BADAKHSHAN	Zebek	Dist. No. 3 (Zebak)	BN1	LBG	C	11/29/05	Y	Y	
C 240	SACCRP	KUNDUZ	Khan Abad	Aqtash	BN1	LBG	C	11/29/05	Y	Y	
C 241	SACCRP	KUNDUZ	Khan Abad	Aqtash-jan-qataghan	BN1	LBG	C	11/29/05	Y	Y	
C 242	SACCRP	KUNDUZ	Khan Abad	Kanom	BN1	LBG	C	11/29/05	Y	Y	
C 097	SACCRP	GHAZNI	Omeli	Turmai	BN1	LBG	C	11/30/05	Y	Y	
2075	REACH	GHAZNI	Nawa	Kalakhan	BHC	MSH	C	12/01/05	N/A		
659	REACH	HERAT	GULRAN	Kareyz-e-Eliyas	CHC	MSH	C	12/01/05	N/A		
2081	REACH	PAKTYA	ZURMAT	Surki	BHC	MSH	C	12/01/05	N/A		
2082	REACH	PAKTYA	ZURMAT	Armah	BHC	MSH	C	12/01/05	N/A		
2083	REACH	PAKTYA	SAYID KARAM	Dam	BHC	MSH	C	12/01/05	N/A		
2084	REACH	PAKTYA	Leja Mangal	Teshnak	BHC	MSH	C	12/01/05	N/A		
2085	REACH	PAKTYA	SAYID KARAM	Alamgey	BHC	MSH	C	12/01/05	N/A		
403	REACH	BADAKHSHAN	Fayzabad	Fayzabad	PH	MSH	C	12/02/05	N/A		
C 283	SACCRP	NANGARHAR	Rodat	Baro	BN1	UNOPS	C	12/02/05		Y	
C 153	SACCRP	JAWZJAN	Shibirghan	Jaghsai	BN1	IOM	C	12/06/05		Y	
C 155	SACCRP	JAWZJAN	Shibirghan	Baba Ali	BN1	IOM	C	12/06/05			
CR 02	SACCRP	JAWZJAN	Shaborghan	Mesra Abad	CR2	IOM	C	12/06/05	Y	Y	
C 041	SACCRP	BALKH	Nahre Shahe	Sia Gerd	BN1	IOM	C	12/07/05		Y	
CR 08	SACCRP	BALKH	Mazar	Mazar city	CR2	IOM	C	12/07/05	Y	Y	
C 156	SACCRP	JAWZJAN	Shibirghan	Qaira Darya	BN1	IOM	C	12/07/05		Y	
C 159	SACCRP	JAWZJAN	Qarghan	Bagh Bostan	BN1	IOM	C	12/07/05			
C 047	SACCRP	BALKH	Alborz	Qol Khel Bin Gaza	BN1	IOM	C	12/08/05			
C 082	SACCRP	FARYAB	Pashton Kot	Bandare Emam Saib	BN1	IOM	C	12/09/05			
C 083	SACCRP	FARYAB	Khuja Musa	Gharterja	BN1	IOM	C	12/09/05		Y	
C 080	SACCRP	FARYAB	Khuja Sabzposh	Qara Shiki	BN1	IOM	C	12/10/05		Y	
C 084	SACCRP	FARYAB	Dawlatabad	Takhte Ashak	BN1	IOM	C	12/10/05		Y	
C 006	SACCRP	BADAKHSHAN	Fayzabad	Hafez Mughul	CN1	LBG	C	12/11/05	Y	Y	
C 007	SACCRP	BADAKHSHAN	Fayzabad	Shahri Safa	CN1	LBG	C	12/11/05	Y	Y	
C 039	SACCRP	BALKH	Zare	Amrokh	BN1	IOM	C	12/11/05		Y	
C 235	SACCRP	KUNDUZ	Ali Abad	Qara-e Madrasa	CN1	LBG	C	12/11/05	Y	Y	
C 238	SACCRP	KUNDUZ	Khan Abad	Boin	BN1	LBG	C	12/11/05	Y	Y	
C 243	SACCRP	KUNDUZ	Khan Abad	Ashqolan	CN1	LBG	C	12/11/05	Y	Y	
C 246	SACCRP	KUNDUZ	Char Dara	Ghor Tepa	BN1	LBG	C	12/11/05	Y	Y	
C 266	SACCRP	LOGAR	Mohammad Agha	Deh Naw	BN1	SFL	C	12/12/05		Y	
C 067	SACCRP	GHAZNI	Jaghuari	Tormai Alyato	BN1	LBG	C	12/14/05	Y	Y	
C 089	SACCRP	GHAZNI	Qarabagh	Tamaki	BN1	LBG	C	12/14/05	Y	Y	

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C 090	SACCRP	GHAZNI	Qarabagh	Askar Kot	CN1	LBG	C	12/14/05		Y	
C 096	SACCRP	GHAZNI	Malistan	Kawar Qul	CN1	LBG	C	12/14/05	Y	Y	
C 120	SACCRP	HELMAND	Nad Ali	Loy Manda	BN1	LBG	C	12/15/05	Y	Y	
C 373	SACCRP	WARDAK	Nerkh	Sadmanda	BN1	SFL	C	12/16/05		Y	No action taken
C 111	SACCRP	HELMAND	Grisk	Malgir	CN1	LBG	C	12/17/05	Y	Y	
CR 110	SACCRP	HERAT	Ghoryan	Centre Ghoryan	CR2	IOM	C	12/17/05		Y	
C 375	SACCRP	WARDAK	Tangi Saedan	Markaz asase Jame	CN1	SFL	C	12/17/05		Y	
CR 121	SACCRP	BADGHIS	Badghis center	Seni Laman	BR2	IOM	C	12/18/05	Y	Y	
C 115	SACCRP	HELMAND	Sangeen	Naninzai	CN1	LBG	C	12/18/05	Y	Y	No action taken
C 374	SACCRP	WARDAK	Daimardad	Qulzangi- spendewar	BN1	SFL	C	12/18/05		Y	
CR 111	SACCRP	HERAT	Adraskan	Center of Adraskan	CR2	IOM	C	12/19/05	Y	Y	
C 290	SACCRP	NIMROZ	Khanashrod	Dilaram	BN1	SFL	C	12/19/05		Y	
C 095	SACCRP	BADAKHSHAN	Faizabad	Farghabul	CN1	LBG	C	12/20/05	Y	Y	
C 012	SACCRP	BADAKHSHAN	Shuhadai Baharak	Sar Maidan	CN1	LBG	C	12/20/05	Y	Y	Action taken
CR 107	SACCRP	HERAT	Shendand	Center of Shendand	CR2	IOM	C	12/20/05	Y	Y	
CR 108	SACCRP	HERAT	Shendand	Farmakan	BR2	IOM	C	12/20/05		Y	
C 247	SACCRP	KUNDUZ	Char Dara	Char Sari	BN1	LBG	C	12/20/05	Y	Y	
C 248	SACCRP	KUNDUZ	Char Dara	Angor Bagh	BN1	LBG	C	12/20/05	Y	Y	
CR 104	SACCRP	HERAT	Guzara	Toqchi	BR2	IOM	C	12/21/05	Y	Y	
CR 106	SACCRP	HERAT	Koahk Robat Sange	Centre	CR2	IOM	C	12/21/05	Y	Y	
C 237	SACCRP	KUNDUZ	Salb Hazrat	Imam Salb Town	CN1	LBG	C	12/21/05	Y	Y	
C 249	SACCRP	KUNDUZ	Char Dara	Lai Khabi	CN1	LBG	C	12/21/05	Y	Y	
C 372	SACCRP	WARDAK	Baesod awal	Qol khoshen	BN1	SFL	C	12/22/05		Y	No action taken
C 086	SACCRP	GHAZNI	Jaghuari	Almattoo	BN1	LBG	C	12/26/05	Y	Y	
C 088	SACCRP	GHAZNI	Malistan	Jaka Pashti	CN1	LBG	C	12/26/05	Y	Y	
CR 140	SACCRP	FARAH	Center	Center of Farah	HR2	IOM	C	12/27/05	Y	Y	
CR 146	SACCRP	FARAH	Pusht Rad	Chine Farsi	BR2	IOM	C	12/27/05	Y	Y	
C 072	SACCRP	FARAH	Anardara	Zohkan	BN1	IOM	C	12/28/05			
C 085	SACCRP	GHAZNI	Ajristan	Center(Markaz)	CN1	LBG	C	12/29/05	Y	Y	
C 093	SACCRP	GHAZNI	Nawa	Dahani Yakhshi	BN1	LBG	C	12/29/05	Y	Y	
C 038	SACCRP	BALKH	Khoshenda	Koshende Payan	BN1	IOM	C	12/30/05		Y	No action taken
CR 01	SACCRP	SARI PUL	Sayad	Sayad	CR2	IOM	C	12/30/05	Y	Y	
CR 02	SACCRP	SARI PUL	Sayad Abad	Sayad Abad	CR2	IOM	C	12/30/05	Y	Y	
CR 02	SACCRP	BALKH	Kaldar	Kaldar district center	BR2	IOM	C	12/31/05	Y	Y	
C 091	SACCRP	GHAZNI	Gelan	Rosana/Khano Khail	BN1	LBG	C	12/31/05	Y	Y	
C 095	SACCRP	GHAZNI	Muqur	Sangasi	BN1	LBG	C	12/31/05	Y	Y	
C 112	SACCRP	HELMAND	Mosa Qala	Mosa Qala	CN1	LBG	C	12/31/05	Y	Y	
C 117	SACCRP	HELMAND	Lashker Gah	Ainak	BN1	LBG	C	12/31/05	Y	Y	
C 123	SACCRP	HELMAND	Garmser	Bartaka	BN1	LBG	C	12/31/05	Y	Y	
C 161	SACCRP	JAWZJAN	Qaram Quol	Ali Bolak Payan	BN1	IOM	C	12/31/05		Y	
PRTQLT010	PRT	ZABUL	Qalat	Qalat Hospital Refurbishment	HR	UNOPS	C	12/31/05			
CR 03	SACCRP	BALKH	Naher-e-Shahi	Langarkhana	CR2	IOM	C	01/01/06	Y	Y	
C 344	SACCRP	SARI PUL	Sebg Charak	Masjed-Sabz	BN1	IOM	C	01/01/06		Y	No action taken
C 045	SACCRP	BALKH	Khoten	Kam Khoaja Bijran	BN1	IOM	C	01/02/06			
CR 05	SACCRP	BALKH	Kholam	Qarghan	CR2	IOM	C	01/02/06	Y	Y	
C 162	SACCRP	JAWZJAN	Qosh Tepa	Joz Qodok	BN1	IOM	C	01/02/06			
PRTGZN022	PRT	GHAZNI	Qarabagh	Qarabagh Central Health Clinic Rehabilitation	BR	IOM	C	01/03/06	Y	Y	
PRTGZN028	PRT	GHAZNI	Jaghuri	Baba Clinic Rehabilitation	BR	IOM	C	01/03/06	Y	Y	
C 158	SACCRP	JAWZJAN	Faizabad	Bala Mandyan	BN1	IOM	C	01/03/06		Y	
CR 01	SACCRP	JAWZJAN	Khan Ab	Qamas	BR2	IOM	C	01/03/06	Y	Y	
CR 04	SACCRP	JAWZJAN	Qarqeen	Khanlepa	CR2	IOM	C	01/03/06	Y	Y	
CR 01	SACCRP	BALKH	Deh Dadee	Shir Abad	BR2	IOM	C	01/04/06	Y	Y	
C 347	SACCRP	SARI PUL	Markaz Sar Pul	Sheram Gadamgai	BN1	IOM	C	01/04/06		Y	No action taken
CR 03	SACCRP	SARI PUL	Center	Sari Pul city	HR2	IOM	C	01/04/06	Y	Y	
CR 03	SACCRP	KUNDUZ	Char Dara	District center	CR2	IOM	C	01/06/06	Y		
C 119	SACCRP	HELMAND	Grisk	Mir Mandao	BN1	LBG	C	01/07/06	Y	Y	
C 170	SACCRP	KABUL	Khak-e-Jabar	Chakari	BN1	UMCOR	C	01/07/06		Y	
2080	REACH	FARYAB	Andkhoy	Bagh-i-Buslan	BHC	MSH	C	01/15/06	N/A		
PRTGZN027	PRT	GHAZNI	Giro	Pana Giro Central Health Clinic Rehabilitation	BR	IOM	C	01/17/06	Y	Y	
CR 05	SACCRP	KHOST	Gurbaz	Sheikh Amir	BR2	IOM	C	01/22/06	Y	Y	
CR 06	SACCRP	KHOST	Musa	Zoal Koat	BR2	IOM	C	01/22/06	Y	Y	
C 118	SACCRP	HELMAND	Lashkar Gah	Khushkaba	BN1	LBG	C	01/24/06	Y	Y	
C 291	SACCRP	NIMROZ	Khanshrod	Gorgory	CN1	SFL	C	01/25/06		Y	
C 116	SACCRP	HELMAND	Kogaki	Tangi Bazar	CN1	LBG	C	01/26/06	Y	Y	
C 289	SACCRP	NIMROZ	Char borgak	Roadbar	BN1	SFL	C	01/26/06		Y	
C 288	SACCRP	NIMROZ	Kong	Deh-Raes	BN1	SFL	C	01/27/06		Y	
C 121	SACCRP	HELMAND	Nad Ali	Said Abad	BN1	LBG	C	01/28/06	Y	Y	
CR 01	SACCRP	BAGHLAN	Andrab-Deh Salah	Deh Salah	CR2	IOM	C	01/30/06			
C 192	SACCRP	KANDAHAR	Panjwali	Mastan	BN1	LBG	C	01/30/06	Y	Y	
C 193	SACCRP	KANDAHAR	Panjwali	Talkhan	CN1	LBG	C	01/30/06	Y	Y	
C 113	SACCRP	HELMAND	Baghran	Baghran Bazar	CN1	LBG	C	01/31/06	Y	Y	
C 114	SACCRP	HELMAND	Nawzad	Tegnzi	CN1	LBG	C	01/31/06	Y	Y	
C 122	SACCRP	HELMAND	Disho	Sara Qala	BN1	LBG	C	01/31/06	Y		
C 239	SACCRP	KUNDUZ	Khan Abad	Nek Pai	CN1	LBG	C	01/31/06	Y	Y	

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161	REACH	KABUL	Kabul	Kabul	PH	MSH	C	02/01/06	N/A		
C 229	SACCRP	KUNAR	Dangam	Dangam	BN1	UNOPS	C	02/09/06		Y	
C 280	SACCRP	NANGARHAR	Khograni	Loshe	BN1	UNOPS	C	02/10/06		Y	
C 171	SACCRP	KABUL	Char Asyal	Lalander	BN1	UMCOR	C	02/11/06		Y	Action taken
C 257	SACCRP	LAGHMAN	Alingar	Alekhel	BN1	UNOPS	C	02/11/06		Y	
C 258	SACCRP	LAGHMAN	Qarghae	Kanda	BN1	UNOPS	C	02/11/06		Y	No action taken
C 281	SACCRP	NANGARHAR	Chaparhar	Mano	BN1	UNOPS	C	02/12/06		Y	
CR 48	SACCRP	PANJSHIR	Khinj	Safed Chir	CR2	IOM	C	02/12/06	Y		
PRTQZN031	PRT	GHAZNI	Khwaja Gar	Bara Kal Clinic Rehabilitation	BR	IOM	C	02/13/06	Y	Y	
CR 10	SACCRP	KABUL	Char Asiab	Qala-e-Laghman	BR2	IOM	C	02/13/06	Y	Y	
C 282	SACCRP	NANGARHAR	Khewa	Shergo	BN1	UNOPS	C	02/13/06		Y	
CR 46	SACCRP	PANJSHIR	Rokha	Dashtak Rokha	HR2	IOM	C	02/14/06	Y		
CR 50	SACCRP	PANJSHIR	Panjsher center	Changaram	HR2	IOM	C	02/14/06	Y		
CR 02	SACCRP	WARDAK	Jaliriz	Khoja Sahib	CR2	IOM	C	02/14/06	Y		
CR 03	SACCRP	WARDAK	Jaliriz	Zewalat	BR2	IOM	C	02/14/06	Y		
CR 51	SACCRP	PARWAN	Jabul Siraj	Siraj	CR2	IOM	C	02/15/06	Y		
CR 01	SACCRP	WARDAK	Center	MaidanShar	HR2	IOM	C	02/15/06	Y	Y	
CR 05	SACCRP	WARDAK	Nerkh	Durani	CR2	IOM	C	02/15/06	Y	Y	
CR 07	SACCRP	WARDAK	Said Abad	Nasir Khil	BR2	IOM	C	02/15/06	Y	Y	
C 190	SACCRP	KANDAHAR	Arghandab	Batour	BN1	LBG	C	02/16/06	Y	Y	
CR 59	SACCRP	PARWAN	Chahrakar city	Chahrakar city	HR2	IOM	C	02/16/06	Y		
C 188	SACCRP	KANDAHAR	Daman	Nahr-e-Rubat	BN1	LBG	C	02/18/06	Y	Y	
C 189	SACCRP	KANDAHAR	Arghandab	Bagh-e-Sarkary	CN1	LBG	C	02/18/06	Y	Y	
CR 08	SACCRP	KHOST	Nader Shah Koat	Nader Shah Koat	BR2	IOM	C	02/27/06	Y	Y	
CR 01	SACCRP	KHOST	Center (Khost)	Babar	CR2	IOM	C	02/28/06	Y	Y	
CR 10	SACCRP	KHOST	Tani	Dragi	CR2	IOM	C	02/28/06	Y		
CR 12	SACCRP	KHOST	Yaqubi	Khole Basat	BR2	IOM	C	03/01/06	Y	Y	
PRTQZN024	PRT	GHAZNI	Andar	Andar District Hospital Refurbishment	HR	IOM	C	03/06/06	Y	Y	
PRTGZN030	PRT	GHAZNI	Wagaz	Wagaz Central Health Clinic Rehabilitation	BR	IOM	C	03/06/06	Y	Y	
PRTKDH008	PRT	URUZGAN	Tirin Kowt	Tirin Kowt women's hospital construction	HR	UNOPS	C	03/15/06			
CR 05	SACCRP	BALKH	Balkh	Balkh district center	HR2	IOM	C	03/20/06	Y	Y	
C 200	SACCRP	KAPISA	Alih sae	Markaz	CN1	UMCOR	C	03/20/06		Y	
CR 05	SACCRP	TAKHAR	Chahab	Center	CR2	IOM	C	03/27/06	Y	Y	
PRTGDZ071	PRT	LOGAR	Kushie	Dobandi Basic Health Clinic Refurbishment	BR	IOM	C	03/28/06	Y	Y	
CR 01	SACCRP	TAKHAR	Baharak	Center	CR2	IOM	C	03/28/06	Y	Y	
CR 03	SACCRP	TAKHAR	Khawaghar	Center	CR2	IOM	C	03/28/06	Y	Y	
CR 07	SACCRP	TAKHAR	Bangi	Afagi	CR2	IOM	C	03/29/06	Y	Y	
PRTKDH007	PRT	KANDAHAR	Kandahar	Mir Wais hospital – additional renovation	HR	UNOPS	C	03/30/06			
CR 05	SACCRP	KUNDUZ	Char Dara	District center	CR2	IOM	C	03/30/06			
PRTGDZ059	PRT	LOGAR	Pul-e-alam	Babuc Basic Health Clinic Refurbishment	BR	IOM	C	03/31/06	Y	Y	
CR 02	SACCRP	FARYAB	Almar	Center	CR2	IOM	C	04/02/06	Y		
C 081	SACCRP	FARYAB	Gorziwan	Shahrokh Valley	BN1	IOM	C	04/03/05		Y	
CR 05	SACCRP	FARYAB	Sherin Tagab	Aslamqala	CR2	IOM	C	04/03/06	Y		
CR 07	SACCRP	FARYAB	Dawlatabad	Qoziby Qala	CR2	IOM	C	04/03/06	Y		
CR 12	SACCRP	FARYAB	Sherin Tagab	Islamqala	BR2	IOM	C	04/03/06	Y		
CR 04	SACCRP	FARYAB	Khoja Sabzposh	Center	CR2	IOM	C	04/04/06	Y		
CR 13	SACCRP	FARYAB	Dawlatabad	Takhdachak	BR2	IOM	C	04/04/06	Y		
CR 11	SACCRP	KHOST	Baak	Center (Baak)	BR2	IOM	C	04/04/06	Y	Y	
C 136	SACCRP	HERAT	Kohestan	Bonyad	BN1	IOM	C	04/05/06		Y	
C 143	SACCRP	HERAT	Ghoryan	Chah Reg	BN1	IOM	C	04/05/06		Y	
CR 07	SACCRP	KHOST	Alishir	Bhawat	CR2	IOM	C	04/05/06	Y	Y	
C 132	SACCRP	HERAT	Andraskan	Sherzad	BN1	IOM	C	04/06/05		Y	
C 139	SACCRP	HERAT	Ghoryan	Haft-Chah	BN1	IOM	C	04/08/06		Y	
CR 101	SACCRP	HERAT	Dist-5, Hirat City	Jada-i-Bank Khon	CR2	IOM	C	04/09/06	Y	Y	
PRTHRT047	PRT	HERAT	Engil	Surrounding Wall for Gebrail Clinic	BR	IOM	C	04/15/06	Y	Y	
PRTGDZ060	PRT	LOGAR	Pul-e-alam	Pad Khawb Shana Central Health Clinic Refurbishment	BR	IOM	C	04/16/06	Y	Y	
CR 06	SACCRP	WARDAK	Center	Said Abad	CR2	IOM	C	04/20/06	Y	Y	
C 265	SACCRP	LOGAR	Mohammad Agha	Janglak, Astid Sang	CN1	SFL	C	04/23/06		Y	
PRTQZN023	PRT	GHAZNI	Gelan	Janda Gelan Central Health Clinic Rehabilitation	BR	IOM	C	04/24/06	Y	Y	
PRTGDZ065	PRT	LOGAR	Mohammad Agha	Woluswali Basic Health Clinic Refurbishment	BR	IOM	C	04/24/06	Y	Y	
PRTGDZ056	PRT	PAKTYA	Chamkani	Chamkani District Hospital Refurbishment	HR	IOM	C	04/24/06	Y	Y	
C 210	SACCRP	KHOST	Tanay	Surkut - Mirzaki	BN1	IOM	C	04/25/06		Y	
PRTGDZ063	PRT	LOGAR	Pul-e-alam	Porak Central Health Clinic Refurbishment	BR	IOM	C	04/30/06	Y	Y	
PRTGDZ064	PRT	LOGAR	Mohammad Agha	Zarghon Sahar Basic Health Clinic Refurbishment	BR	IOM	C	04/30/06	Y	Y	
C 141	SACCRP	HERAT	Zendajan	Karnad	BN1	IOM	C	05/10/06		Y	
PRTGDZ061	PRT	LOGAR	Pul-e-alam	Altamor Basic Health Clinic Refurbishment	BR	IOM	C	05/15/06	Y	Y	
PRTQZN029	PRT	GHAZNI	Mukur	Mukur Central Health Clinic Rehabilitation	BR	IOM	C	05/29/06	Y	Y	
CR 04	SACCRP	KHOST	Jaji Maidan	Jaji Maidan	CR2	IOM	C	05/23/06	Y	Y	
C 339	SACCRP	SAMANGAN	Char Dara	Dare sof Sofla	BN1	IOM	C	06/06/06		Y	
CR 04	SACCRP	TAKHAR	Yongi Qala	Center	CR2	IOM	C	06/11/06	Y	Y	
CR 06	SACCRP	TAKHAR	Center Takhar	Center Taloqan	HR2	IOM	C	06/12/06	Y	Y	
PRTSRN008	PRT	PAKTIKA	Mata Khan	Mata Khan BHC Clinic Refurbishment	BR	IOM	C	06/15/06	Y	Y	

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PRTSRN010	PRT	PAKTIKA	Charboran	Charboran BHC Clinic Refurbishment	BR	IOM	C	06/15/06	Y	Y	
PRTSRN015	PRT	PAKTIKA	Baki Khel	Baki Khel BHC Clinic Refurbishment	BR	IOM	C	06/15/06	Y	Y	
PRTSRN016	PRT	PAKTIKA	Mohammed khel	Mohammed Khel BHC Clinic Refurbishment	BR	IOM	C	06/15/06			
PRTGDZ046	PRT	PAKTYA	Ahmad Aba	Machalgai CHC Clinic Refurbishment	CR	IOM	C	06/15/06			
C 336	SACCRP	SAMANGAN	Markaz	Khoram - Sar bagh	BN1	IOM	C	06/17/06		Y	
CR 01	SACCRP	SAMANGAN	Hazrat Sultan	Karta-e-Shafakhana	CR2	IOM	C	06/18/06	Y	Y	
PRTFZD010	PRT	BADAKHSHAN	Wandui	Clinic Rehabilitation #7, Chakaran Basic Health Clinic	BR	IOM	C	06/30/06	Y	Y	
PRTGZN025	PRT	GHAZNI	Nawur	Nawur Central Health Clinic Rehabilitation	BR	IOM	C	06/30/06	Y	Y	
PRTSRN014	PRT	PAKTIKA	Ziruk	Ziruk BHC Clinic Refurbishment	BR	IOM	C	06/30/06	Y	Y	
CR 04	SACCRP	KABUL	Ferza	Mir Afghan	CR2	IOM	C	07/01/06	Y	Y	
CR 61	SACCRP	KAPISA	Hisa Dowam Kohistan	Deh Baba Ali	CR2	IOM	C	07/01/06	Y	Y	
CR 49	SACCRP	PANJSHIR	Khinj	Omers	BR2	IOM	C	07/02/06	Y		
CR 04	SACCRP	WARDAK	Center	Bazar-e-Shuhad	CR2	IOM	C	07/02/06	Y		
CR 03	SACCRP	FARYAB	Qaisar	Center	CR2	IOM	C	07/03/06	Y		
CR 54	SACCRP	PARWAN	Shenwary	Qaqshal	CR2	IOM	C	07/03/06	Y		
CR 08	SACCRP	FARYAB	Khoja Musa	Ghartepa	BR2	IOM	C	07/04/06	Y	Y	
CR 09	SACCRP	FARYAB	Pashtoon Kot	Emam saheb	BR2	IOM	C	07/04/06	Y		
C 230	SACCRP	KUNAR	Chapa Dara	Gul Salak / Qala Kalaj	BN1	UNOPS	C	07/04/06		Y	
CR 56	SACCRP	PARWAN	Bagram	Ghulam Ali	CR2	IOM	C	07/04/06	Y		
CR 57	SACCRP	PARWAN	Said Khil	Regration	CR2	IOM	C	07/04/06	Y		
CR 11	SACCRP	FARYAB	Khaja Sabpush	Qarashishi	BR2	IOM	C	07/05/06	Y		
CR 13	SACCRP	KABUL	Sarate	Tray	BR2	IOM	C	07/05/06	Y	Y	
CR 200	SACCRP	KANDAHAR	Maiwand	District center	CR2	IOM	C	07/05/06	Y	Y	
PRTSRN013	PRT	PAKTIKA	Kushamand	Kushamand BHC Clinic Refurbishment	BR	IOM	C	07/12/06		Y	
PRTQLT015	PRT	ZARUL	Shinkay	Shinkay Clinic Refurbishment	BR	UNOPS	C	07/14/06			
PRTGDZ051	PRT	PAKTYA	Sayed Karam	Sayed Karam Central Health Clinic Refurbishment	CR	IOM	C	08/10/06		Y	
CR 02	SACCRP	TAKHAR	Warsag	Khamaga	CR2	IOM	C	08/23/06	Y	Y	
PRTGDZ068	PRT	LOGAR	Azra	Mangal Basic Health Clinic Refurbishment	BR	IOM	C	08/30/06	Y	Y	
PRTGDZ070	PRT	LOGAR	Azra	Akbarkhail Basic Health Clinic Refurbishment	BR	IOM	C	08/30/06	Y	Y	
C 256	SACCRP	LAGHMAN	Bad Pash	Center	CN1	UNOPS	C	09/04/06		Y	
C 220	SACCRP	KHOST	Musa Khel	Laja Khajury	BN1	IOM	C	09/07/06		Y	No action taken
CR 68	SACCRP	KAPISA	Nairab	Sharwarj	BR2	IOM	C	09/12/06	Y	Y	
PRTFZD008	PRT	BADAKHSHAN	Baharik	Rehabilitation of Baharik Compermensive Health Clinic	CR	IOM	C	09/15/06	Y	Y	
C 163	SACCRP	JAWZJAN	Mardyan	Ghangal Arekh	BN1	IOM	C	09/17/06		Y	
C 164	SACCRP	JAWZJAN	Khan Agha	Alili	BN1	IOM	C	09/17/06		Y	
CR 04	SACCRP	BALKH	Mazar city	Mazar city	HR2	IOM	C	09/18/06	Y		
CR 02	SACCRP	SAMANGAN	Eipak	1# D	HR2	IOM	C	09/18/06	Y	Y	
C 228	SACCRP	KUNAR	Morrwara	Morrwara	BN1	UNOPS	C	09/20/06		Y	
PRTSRN009	PRT	PAKTIKA	Sar Hawza	Sar Hawza BHC Clinic Refurbishment	BR	IOM	C	09/26/06	Y	Y	
PRTSRN012	PRT	PAKTIKA	Khir Kot	Khir Kot BHC Clinic Refurbishment	BR	IOM	C	09/26/06	Y	Y	
C 362	SACCRP	TAKHAR	Khwaja Ghar	Zard Kamar	BN1	IOM	C	10/13/06		Y	
C 363	SACCRP	TAKHAR	Yangiqala	Jelga	BN1	IOM	C	10/13/06		Y	
C 359	SACCRP	TAKHAR	Chayab	Khaiyan	BN1	IOM	C	10/14/06		Y	
C 360	SACCRP	TAKHAR	Chayab	Samtey	BN1	IOM	C	10/14/06		Y	
C 365	SACCRP	TAKHAR	Rostaq	Abe Asiaban	BN1	IOM	C	10/15/06		Y	
C 356	SACCRP	TAKHAR	Farkhar	Tupqadarah	BN1	IOM	C	10/16/06		Y	
PRTFZD005	PRT	BADAKHSHAN	Teshkan	Rehabilitation of Teshkan Basic Health Clinic	BR	IOM	C	10/20/06	Y	Y	
PRTFZD009	PRT	BADAKHSHAN	Faizabad	Clinic Rehabilitation #6, Gazan Basic Healt Clinic	BR	IOM	C	10/20/06	Y	Y	
C 231	SACCRP	KUNAR	Watapor	Wata Por	CN1	UNOPS	C	10/22/06		Y	Action taken
C 152	SACCRP	JAWZJAN	Shibirghan	Qochen	BN1	IOM	C	10/30/06		Y	
C 366	SACCRP	TAKHAR	Rostaq	Gorgan	BN1	IOM	C	10/30/06		Y	
C 064	SACCRP	BAMYAN	Yakalong	Kata Qala Sar Quol	CN1	IOM	C	10/31/06		Y	
C 154	SACCRP	JAWZJAN	Shibirghan	Yangi Arekh	BN1	IOM	C	10/31/06		Y	
C 157	SACCRP	JAWZJAN	Shibirghan	Afghan tepa	BN1	IOM	C	10/31/06		Y	
C 216	SACCRP	KHOST	Sambawat	Nadershahkot	BN1	IOM	C	11/01/06		Y	
C 061	SACCRP	BAMYAN	Waras	Regjoe Qasim Khoshe	BN1	IOM	C	11/03/06		Y	
C 058	SACCRP	BAMYAN	Panjab	Myan Qulak	BN1	IOM	C	11/04/06		Y	
C 060	SACCRP	BAMYAN	Waras	Safed Noor	BN1	IOM	C	11/06/06		Y	
C 009	SACCRP	BADAKHSHAN	Jurm Khash	Shahran	BN1	IOM	C	11/14/06		Y	
C 005	SACCRP	BADAKHSHAN	Yamagan	Yamagan	CN1	IOM	C	11/15/06		Y	
C 011	SACCRP	BADAKHSHAN	Shahri Buzurg	Khurda Kan	BN1	IOM	C	11/16/06		Y	
C 284	SACCRP	NANGARHAR	Kama	Landa poch	BN1	UNOPS	C	11/16/06		Y	
C 221	SACCRP	KHOST	Musa Khel	Lawerkhula	BN1	IOM	C	11/17/06		Y	Action taken
C 357	SACCRP	TAKHAR	Kalafghan	Toroga	BN1	IOM	C	11/18/06		Y	
C 057	SACCRP	BAMYAN	Panjab	Shena Blaq	CN1	IOM	C	11/20/06		Y	No action taken
C 356	SACCRP	TAKHAR	Cemetr Woluswak	Kan Namak	BN1	IOM	C	11/21/06		Y	
C 055	SACCRP	BAMYAN	Panjab	Dahan-e-Qorghak	BN1	IOM	C	11/22/06		BY	
C 059	SACCRP	BAMYAN	Waras	Dahan Sabaek	CN1	IOM	C	11/22/06		Y	Action taken
C 031	SACCRP	BAGHLAN	Khost Freng	Mir Baram Shah	BN1	IOM	C	11/23/06		Y	
CR 05	SACCRP	JAWZJAN	Qosh Tepa	Chaghar	CR2	IOM	C	11/25/06		Y	
C 337	SACCRP	SAMANGAN	Aibodin	Roe hab	BN1	IOM	C	11/28/06		Y	
C 056	SACCRP	BAMYAN	Panjab	Pushte Gur Gura Now	BN1	IOM	C	11/30/06		Y	
C 063	SACCRP	BAMYAN	Yakalong	Dara-e-Chasht	CN1	IOM	C	11/30/06		Y	
C 044	SACCRP	BALKH	Char bolak	Aqtepa	BN1	IOM	C	12/04/06			
CR 06	SACCRP	NANGARHAR	Chaparhar	Tralay	BR2	USACE	C	12/4/2006	Y	Y	
C 037	SACCRP	BALKH	Sholgara	Paskan Dara	BN1	IOM	C	12/05/06			
C 040	SACCRP	BALKH	Balkh	Khoshkak	BN1	IOM	C	12/05/06			

USAID Site ID	Program	Province	District Name	Village / Site Name	Type of Clinic	Implementer	Project Status	Hand Over Date	BOQ	Photo	Flood Protection Measures
CR 18	SACCRP	LAGHMAN	Centre	Laghman Centre	HR2	USACE	C	12/5/2006	Y	Y	
C 042	SACCRP	BALKH	Charmtal	Pashma Qala	BN1	IOM	C	12/06/06		Y	
C 002	SACCRP	BADAKHSHAN	Ragh	Zeraki	BN1	IOM	C	12/07/06		Y	No action taken
C 043	SACCRP	BALKH	Daulat Abad	Qala ghalja	BN1	IOM	C	12/07/06		Y	
C 355	SACCRP	TAKHAR	Qulburz	Moteer Sokhta	CN1	IOM	C	12/10/06		Y	
C 353	SACCRP	TAKHAR	Warsag	Trasht	BN1	IOM	C	12/11/06		Y	
C 354	SACCRP	TAKHAR	Warsag	Mihan Shar	BN1	IOM	C	12/11/06		Y	
C 352	SACCRP	TAKHAR	Chal	Khanagah	CN1	IOM	C	12/13/06		Y	
C 299	SACCRP	NURISTAN	Nangarag	Center Woloswali	CN1	UNOPS	C	12/14/06		Y	
C 361	SACCRP	TAKHAR	Bangia	Saiyab	BN1	IOM	C	12/14/06		Y	
CR 07A	SACCRP	NANGARHAR	Haska Mina	Kota Wall	CR2	USACE	C	12/15/06	Y	Y	
CR 15	SACCRP	NANGARHAR	Batikot	Chardi	BR2	USACE	C	12/15/06	Y	Y	
CR 02	SACCRP	NANGARHAR	Kama	Sangar Saray	CR2	USACE	C	12/17/06	Y	Y	
CR 20	SACCRP	LAGHMAN	Alingar	Shahi	CR2	USACE	C	12/18/2006	Y	Y	
CR 14	SACCRP	KABUL	Surabi	Kabul	CR2	IOM	C	12/18/06	Y	Y	
C 212	SACCRP	KHOST	Kazim	Khust Center	BN1	IOM	C	12/21/06		Y	Action taken
C 218	SACCRP	KHOST	Bak	Taraky	BN1	IOM	C	12/21/06		Y	
C 319	SACCRP	PAKTYA	Ahmad Khail	Sekandar Khail	BN1	IOM	C	12/21/06			
C 318	SACCRP	PAKTYA	Chamkani	Lwamy	BN1	IOM	C	12/21/06			
C 211	SACCRP	KHOST	Tanay	Surkot	BN1	IOM	C	12/24/06		Y	
CR 04	SACCRP	NANGARHAR	Behsood	Blanghor	CR2	USACE	C	12/24/06	Y	Y	
C 208	SACCRP	KHOST	Mandozai	Mita Khan	BN1	IOM	C	12/25/06		Y	
C 036	SACCRP	BALKH	Sholgara	Bagh-e-Palawan	BN1	IOM	C	12/26/06			
C 215	SACCRP	KHOST	Sabry	Zamber	BN1	IOM	C	12/28/06		Y	
CR 17	SACCRP	LAGHMAN	Alishang	Gamba	CR2	USACE	C	12/26/2006	Y	Y	
CR 19	SACCRP	LAGHMAN	Qarahai	Kalus	CR2	USACE	C	12/26/2006	Y	Y	
C 316	SACCRP	PAKTYA	Gerta Serhaj	Gerta Serhaj	BN1	IOM	C	12/27/06			
PRTGZN026	PRT	GHAZNI	Ghazni	Rawza Central Health Clinic Rehabilitation	BR	IOM	I	12/30/06	Y	Y	
C 004	SACCRP	BADAKHSHAN	Shaghnan	Shewa-Dohab	BN1	IOM	I			Y	
PRTFZD004	PRT	BADAKHSHAN	Faizabad	Rehabilitation of Langar Basic Health Clinic	BR	IOM	I		Y	Y	
PRTFZD007	PRT	BADAKHSHAN	Faizabad	Rehabilitation of Faizabad Hospital Storage Building	HR	IOM	I		Y	Y	
C 222	SACCRP	KHOST	Jajimidan	Husain khil-Algara	BN1	IOM	I				
PRTGDZ045	PRT	PAKTYA	Waze	Waze Zadran CHC Clinic Refurbishment	CR	IOM	I		Y	Y	
PRTGDZ052	PRT	PAKTYA	Laja Mangal	Laja Mangal CHC Refurbushment	CR	IOM	I		Y	Y	
CR 47	SACCRP	PANJSHIR	Dara	Charmaghzak	BR2	IOM	I		Y		
CR 55	SACCRP	PARWAN	Sara Gard	Sara Gard	CR2	IOM	I		Y		
C 187	SACCRP	KABUL	Qara Bagh	Qala-e-Qazi	BN1	LBG	C	2004	Y	Y	
PRTGDZ066	PRT	LOGAR	Mohammad Agha	Shahid Shafiqullah Ludin District Hospital Refurbishment	HR	IOM	C	N/A	Y	Y	
C 001	SACCRP	BADAKHSHAN	Ragh	Yawaran	CN1	LBG	I		Y	Y	
CR 183A	SACCRP	HELMAND	Gurshak	Gurshak center	BR2	IOM	I				
656	REACH	HERAT	Kushk	Torghondi	OHC	MSH	C		N/A		
CR 16	SACCRP	KABUL	Kabul City	Salang Watt Antany Hospital	HR2	IOM	I		Y		
2015	REACH	KANDAHAR	PANJWAYI	Mushan	CHC	MSH	C		N/A	Y	
2013	REACH	KANDAHAR	PANJWAYI	Nushkenis	SHC	MSH	C		N/A	Y	
2016	REACH	KANDAHAR	PANJWAYI	Tululan(2)	BHC	MSH	C		N/A	Y	
C 213	SACCRP	KHOST	Sapera	Qala Kly	BN1	IOM	C			Y	
C 217	SACCRP	KHOST	Gardez	Maidani	BN1	IOM	I			Y	
C 219	SACCRP	KHOST	Alisher-Tarzai	Qadam	BN1	IOM	C			Y	
CR 16	SACCRP	LAGHMAN	Qarghai	Qarghai Distric Centre	CR2	USACE	I		Y		
CR 01A	SACCRP	NANGARHAR	# 1 Jalalabad	Nahia Awal	CR2	USACE	I		Y		
C 295	SACCRP	NURISTAN	Center-Paron	Pashaky	CN1	UNOPS	I			Y	
C 298	SACCRP	NURISTAN	Wamah	Wamah	BN1	UNOPS	I			Y	Action taken
C 297	SACCRP	NURISTAN	Margi-Miatal	Abasi	CN1	UNOPS	I				
C 296	SACCRP	NURISTAN	Kamdesh	Dshane-Paprek	BN1	UNOPS	I			Y	
1772	REACH	PAKTIKA	GAYAN	Jawat Khil	BHC	MSH	C			Y	
C 315	SACCRP	PAKTYA	Dade patan	Sapary Bazar	BN1	IOM	I				
C 317	SACCRP	PAKTYA	Ahmad Khail	Moshaka	BN1	IOM	I				
C 329	SACCRP	PARWAN	Cherkar	Deh-qazi	CN1	IOM	I				

New= 456 Refurb= 215 Complete= 649 Incomplete= 22 Total= 671

Example of USAID and IRD's failure to properly monitor the performance of Louis Berger Group (LBG).

This is a copy of a 2004 status report from LBG which is followed by photographic evidence showing LBG is reporting false information. The Ministry of Public Health took photos of several construction sites soon after LBG made this report. As you can see, the report says the construction progress for the Prozah and Dam Gundai sites are to the "bond beams" but the photos show the true state of the sites—in the case of Dam Gundai, there is only a slab.

(11) COMPARISON OF LBG REPORT AND MoPH ASSESSMENT

CLINICS

USAID REFS PROJECT - Clinics Status Summary

The Louis Berger Group Inc. 05 May 04

Province	District	No's	Village	Type of Clinic	Contractor	Date Contracted	Anticipated Finishing Date	Mobilization 5%	Site Prep 5%	Foundation 15%	Columns 5%	Walls 10%	Bond Beams 10%	Truss 10%	Roof system 5%	Ceiling System 5%	Water Supply system 5%	Sewage System 5%	Electrical 5%	Windows/ Doors 3%	Plaster 4%	Concrete of Floor 4%	Painting 2%	Site cleaning 2%	%Complete	Completion Date
KABUL	Qarabagh	1	Qala Qazi	BC	RFCC	28-Sep-03	15-Jun-04	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	Feb/15/04
GHAZNI	Ajristan	1	Center(Sengar)	CC	BAHAR	4-Sep-03	15-Jun-04																		16	
	Qarabagh	2	Tamaki	BC	BAHAR	4-Sep-03	15-Jun-04																		31	
		3	Asker Kot	CC	BAHAR	4-Sep-03	15-Jun-04																		41	
	Malistan	4	Kawar Qul	CC	BAHAR	4-Sep-03	15-Jun-04																		23	
		5	Jaka Pashti	CC	BAHAR	4-Sep-03	15-Jun-04																		28	
	Jaghori	6	Almakoo	BC	BAHAR	4-Sep-03	15-Jun-04																		38	
		7	Tormai Alyato	BC	BAHAR	4-Sep-03	15-Jun-04																		36	
	Gelan	8	Rasana/Khano Khali	BC	BAHAR	4-Sep-03	15-Jun-04																		41	
	Nawa	9	Kala Khan	BC	BAHAR	4-Sep-03	15-Jun-04																		13	
		10	Nawga	BC	BAHAR	4-Sep-03	15-Jun-04																		36	
	Nawar	11	Dahani Yakhshi	BC	BAHAR	4-Sep-03	15-Jun-04																		38	
	Muqur	12	Sengaai	BC	BAHAR	4-Sep-03	15-Jun-04																		28	
	Khwaja omari	13	Turmai	CC	BAHAR	4-Sep-03	15-Jun-04																		47	
BADAKSHAN	Fayzabad	1	Haiat Meghul/Bhatsak	CC	ACL	3-Sep-03	15-Jun-04																		13	
		2	Shahri Safa/Darayim	CC	ACL	3-Sep-03	15-Jun-04																		16	
		3	Sakar Lab	BC	ACL	3-Sep-03	15-Jun-04																		12	
		4	Farghambull	CC	ACL	3-Sep-03	15-Jun-04																		13	
	Ishkashim	5	Joe Baar	BC	ACL	3-Sep-03	15-Jun-04																		26	
	Jurm	6	Sar-e-Maidan	CC	ACL	3-Sep-03	15-Jun-04																		28	
	Kishim	7	Samer Gandi	BC	ACL	3-Sep-03	15-Jun-04																		19	
	Raqh	8	Yawaran	CC	ACL	3-Sep-03	15-Jun-04																		12	
	Zebak	9	Dist No. 3(Zebak)	BC	ACL	3-Sep-03	15-Jun-04																		12	

USAID REFS PROJECT - Clinics Status Summary

The Louis Berger Group Inc. 05 May 04

Province	District	No's	Village	Type of Clinic	Contractor	Date Contracted	Anticipated Finishing Date	Mobilization 5%	Site Prep 5%	Foundation 15%	Columns 5%	Walls 10%	Band Beams 10%	Truss 10%	Roof system 5%	Ceiling System 5%	Water Supply system 5%	Sewage System 5%	Electrical 5%	Windows/ Doors 3%	Plaster 4%	Concrete of Floor 4%	Painting 2%	Site cleaning 2%	%Complete	Completion Date
PAKTIYA	Gardez	1	Melan	BC	CDU	3-Sep-03	15-Jun-04																		55	
		2	[redacted]	BC	CDU	3-Sep-03	15-Jun-04																		55	
	Jadran	3	Shwoak	BC	CDU	3-Sep-03	15-Jun-04																		54	
	Jaji	4	Dre kholek	BC	CDU	3-Sep-03	15-Jun-04																		48	
	Jani Khel	5	[redacted]	CC	CDU	3-Sep-03	15-Jun-04																		48	
	Lija Mangal	6	Tashnak	BC	CDU	3-Sep-03	15-Jun-04																		41	
	Said Karam	7	[redacted]	BC	CDU	3-Sep-03	15-Jun-04																		55	
		8	[redacted]	BC	CDU	3-Sep-03	15-Jun-04																		51	
		9	Mirzakah Mangal	BC	CDU	3-Sep-03	15-Jun-04																		54	
	Zurmat	10	Mamuzi Jani Khail(Mamuzai)	BC	CDU	3-Sep-03	15-Jun-04																		58	
		11	Surkl	BC	CDU	3-Sep-03	15-Jun-04																		58	
		12	Arma(Ormay)	BC	CDU	3-Sep-03	15-Jun-04																		46	
		13	Kolaigu	CC	CDU	3-Sep-03	15-Jun-04																		38	
KANDAHAR	Arghandaab	1	Ghualemsan(Baghi Sarkari)	CC	BADGHIS	3-Sep-03	15-Jun-04																		22	
		2	Baboor	BC	BADGHIS	3-Sep-03	15-Jun-04																		32	
	Maiwand	3	Bande temor(Seng) Hisar)	CC	BADGHIS	3-Sep-03	15-Jun-04																		38	
	Daman	4	Nahre Rabat(Mandi Ser)	BC	BADGHIS	3-Sep-03	15-Jun-04																		35	
	Panjawi	5	Panjawai(Meshan)	CC	BADGHIS	3-Sep-03	15-Jun-04																		32	
		6	Talkhan(Tolekan)	BC	BADGHIS	3-Sep-03	15-Jun-04																		32	
	Maroff	7	Maroff	BC	BADGHIS	3-Sep-03	15-Jun-04																		35	

USAID REFS PROJECT - Clinics Status Summary

The Louis Berger Group Inc. 05 May 04

Province	District	No's	Village	Type of Clinic	Contractor	Date Contracted	Anticipated Finishing Date	PROGRESS																		%Complete	Completion Date
								5%	5%	15%	5%	10%	10%	10%	5%	5%	5%	5%	5%	5%	3%	4%	4%	2%	2%		
								Mobilization	Site Prep	Foundation	Columns	Walls	Bond Beams	Truss	Roof system	Ceiling System	Water Supply system	Sewage System	Electrical	Windows/ Doors	Plaster	Concrete of Floor	Painting	Site cleaning			
Helmand	Center of Helmand	1	Alnak	BC	RDA	3-Sep-03	15-Jun-04																			20	
		2	Khushkaba	BC	RDA	3-Sep-03	15-Jun-04																			20	
	Girlank	3	Mir Mandeo/Village Center	CC	RDA	3-Sep-03	15-Jun-04																			27	
		4	Malgir	BC	DORA	3-Sep-03	15-Jun-04																			35	
	Mousa Qala	5	Musa Qala(District Center)	BC	DORA	3-Sep-03	15-Jun-04																			30	
	Baghran	6	Baghran(District Center)	CC	DORA	3-Sep-03	15-Jun-04																			15	
	Nowzad	7	Tesnai	CC	DORA	3-Sep-03	15-Jun-04																			20	
	Nad Ali	8	Said Abad	CC	RDA	3-Sep-03	15-Jun-04																			20	
		9	Loy Manda	BC	RDA	3-Sep-03	15-Jun-04																			27	
	Garmser	10	Bartaka	BC	RDA	3-Sep-03	15-Jun-04																			27	
	Sangeen	11	Nemirzai(Sarwan Kala)	CC	DORA	3-Sep-03	15-Jun-04																			40	
	Kajaki	12	Naich-e-Sofla/Tangi Bazar	CC	DORA	3-Sep-03	15-Jun-04																			20	
	Dishu	13	Kanisheen Sera Kala	BC	RDA	3-Sep-03	15-Jun-04																			20	

USAID REFS PROJECT - Clinics Status Summary

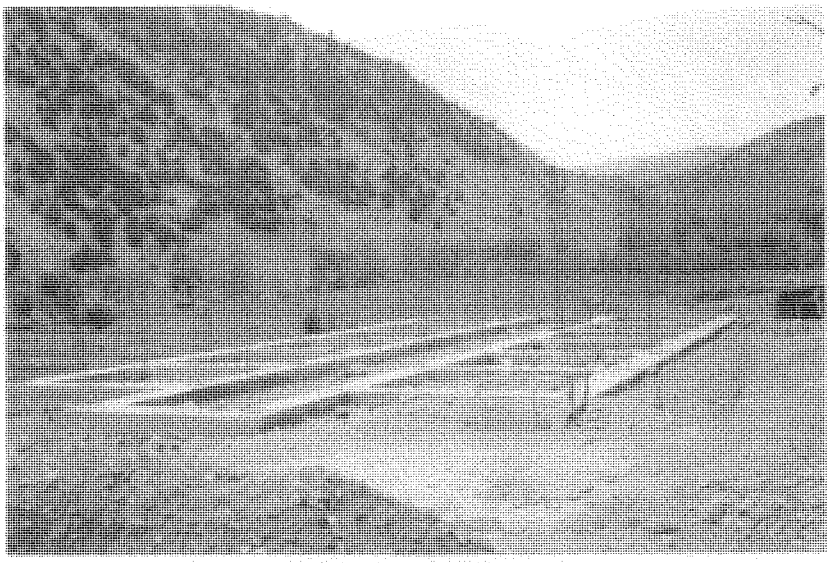
The Louis Berger Group Inc. 05 May 04

| Province | District | No's | Village | Type of Clinic | Contractor | Date Contracted | Anticipated Finishing Date | PROGRESS | | |

5/5/04

PROZAH

REPORTED 48% COMPLETE!

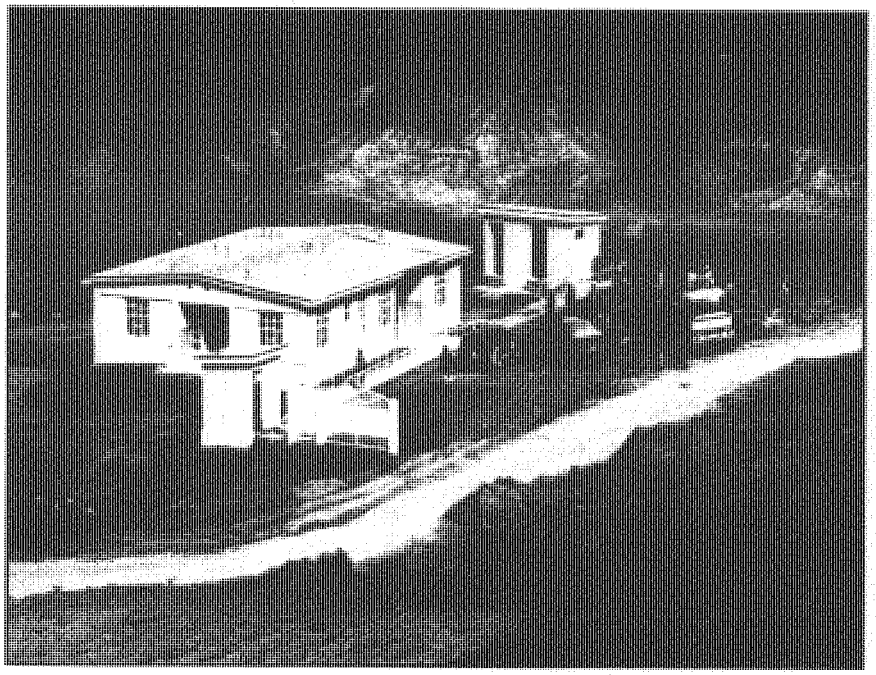


5/5/04
DAM GUNDAI
REPORTED 55% COMPLETE !!

USAID's response to the photographic evidence illustrating Louis Berger Group submitted a false progress report for its clinic construction.

USAID denies its contractor Louis Berger Group provided a false progress report for several Afghanistan clinics thus getting paid for work it didn't do at the time. USAID uses the following photograph of a single clinic as its proof despite the fact the photo was taken 16 months *after* the false progress report was originally submitted.

The Louis Berger Group, Inc.
2300 N Street NW, Washington, DC 20037
Tel 202 912 0200 Fax 202 293 0787 www.louisberger.com



Dam Ghunday Basic Health Clinic (C310) Paktya Province (November 9, 2005; Photo Credit – Mike McGovern)

JOHN WARNER, VIRGINIA, CHAIRMAN

JOHN McCAIN, ARIZONA
JAMES M. INHOFE, OKLAHOMA
PAT ROBERTS, KANSAS
JEFF SESSIONS, ALABAMA
SUSAN M. COLLINS, MAINE
JOHN ENSIGN, NEVADA
JAMES M. TALENT, MISSOURI
SAXBY CHAMBLISS, GEORGIA
LINDSEY O. GRAHAM, SOUTH CAROLINA
ELIZABETH DOLE, NORTH CAROLINA
JOHN CORNYN, TEXAS
JOHN THUNE, SOUTH DAKOTA

CARL LEVIN, MICHIGAN
EDWARD M. KENNEDY, MASSACHUSETTS
ROBERT C. BYRD, WEST VIRGINIA
JOSEPH I. LIEBERMAN, CONNECTICUT
JACK REED, RHODE ISLAND
DANIEL K. AKAKA, HAWAII
BILL NELSON, FLORIDA
E. BENJAMIN NELSON, NEBRASKA
MARK DAYTON, MINNESOTA
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United States Senate
COMMITTEE ON ARMED SERVICES
WASHINGTON, DC 20510–6050

March 15, 2006

Honorable Alberto R. Gonzales
The Attorney General
Robert F. Kennedy Building
Tenth Street and Constitution Avenue, NW
Room 5137
Washington, DC 20530

Dear Mr. Attorney General:

Over the past few months, the President has candidly and frankly explained what is at stake in Iraq. I firmly believe that the success or failure of our efforts in Iraq may ultimately lie at how well the next Iraqi government is prepared to govern. For the past three years, the United States and our coalition partners have helped the Iraqi people prepare for this historic moment of self-governance.

Our mission in Iraq and Afghanistan requires coordinated and integrated action among all federal departments and agencies of our government. This mission has revealed that our government is not adequately organized to conduct interagency operations. I am concerned about the slow pace of organizational reform within our civilian departments and agencies to strengthen our interagency process and build operational readiness.

In recent months, General Peter Pace, USMC, Chairman of the Joint Chiefs of Staff, and General John P. Abizaid, USA, Commander, United States Central Command, have emphasized the importance of interagency coordination in Iraq and Afghanistan. General Abizaid stated in his 2006 posture statement to the Senate Armed Services Committee, "We need significantly more non-military personnel…with expertise in areas such as economic development, civil affairs, agriculture, and law."

Strengthening interagency operations has become the foundation for the current Quadrennial Defense Review (QDR). The QDR so aptly states that, "success requires unified statecraft: the ability of the U.S. Government to bring to bear all elements of national power at home and to work in close cooperation with allies and partners abroad." In the years since the passage of the Goldwater-Nichols Act of 1986, "jointness" has promoted more unified direction and action of our Armed Forces. I now believe the time has come for similar changes to take place elsewhere in our federal government.

I commend the President for his leadership in issuing a directive to improve our interagency coordination by signing the National Security Presidential Directive-44, titled "Management of Interagency Efforts Concerning Reconstruction and Stabilization," dated

December 7, 2005. I applaud each of the heads of departments and agencies for working together to develop this important and timely directive. Now that the directive has been issued, I am writing to inquire about the plan for its full implementation. In particular, what steps have each federal department or agency taken to implement this directive?

I ask for your personal review of the level of support being provided by your department or agency in support of our Nation's objectives in Iraq and Afghanistan. Following this review, I request that you submit a report to me no later than April 10, 2006, on your current and projected activities in both theaters of operations, as well as your efforts in implementing the directive and what additional authorities or resources might be necessary to carry out the responsibilities contained in the directive.

I believe it is imperative that we leverage the resident expertise in all federal departments and agencies of our government to address the complex problems facing the emerging democracies in Iraq and Afghanistan. I am prepared to work with the executive branch to sponsor legislation, if necessary, to overcome challenges posed by our current organizational structures and processes that prevent an integrated national response.

I look forward to continued consultation on this important subject.

With kind regards, I am

Sincerely,

John Warner

John Warner
Chairman

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SENATE HOMELAND SECURITY COMMITTEE

STATEMENT OF STUART W. BOWEN, JR.

SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

BEFORE THE

UNITED STATES SENATE

COMMITTEE ON HOMELAND SECURITY & GOVERNMENTAL AFFAIRS

SIGIR LESSONS LEARNED: PROGRAM AND PROJECT MANAGEMENT

Thursday, March 22, 2007

Washington, D.C.

Chairman Lieberman, Ranking Member Collins, and members of the Committee: thank you for this opportunity to address you today on important matters regarding the Special Inspector General for Iraq Reconstruction's (SIGIR) Lessons Learned report on program and project management of the U.S. reconstruction effort in Iraq. I look forward to a productive exchange with the Committee regarding this issue.

BACKGROUND

I was appointed as the Inspector General of the Coalition Provisional Authority (CPA) in January 2004 and began oversight of the CPA programs and operations with about a dozen staff in Baghdad in March of that year. The Office of the Special Inspector

General for Iraq Reconstruction was created in October 2004, only two months before the scheduled termination of the CPA Inspector General. SIGIR reports jointly to the Secretaries of State and Defense to keep them fully informed about the results of our independent reviews as well as the specific recommendations for corrective action. Our reports are provided directly to the Congress and made available to the public on our website: www.sigir.mil.

The Congress has tasked SIGIR to provide oversight of the substantial United States investment in relief and reconstruction of Iraq. This investment includes just over $21 billion in the Iraq Relief and Reconstruction Fund as well as U.S. funds appropriated for fiscal year 2006 for the reconstruction of Iraq, including substantial amounts of the Iraq Security Forces Fund (total $10 billion; SIGIR oversight, $8.39 billion), the Commander's Emergency Response Program (total $2.5 billion; SIGIR oversight, $.708 billion), and the FY 2006 Economic Support Fund programs (total $1.595 billion; SIGIR oversight, $1.545 billion).

SIGIR applies a balanced approach in carrying out its mission, providing oversight, insight and foresight in the Iraq reconstruction program. *Oversight* is the traditional focus of Inspectors General. SIGIR's oversight efforts concentrate on ensuring maximum return for U.S. taxpayer investment and promoting administrative transparency and accountability with respect to utilized Iraqi resources. SIGIR's *insight* efforts involve advising leadership on management issues and emphasizing the creation of rules of law, public trust in Iraq and an overall environment of accountability. SIGIR's *foresight* efforts focus on end-state issues, such as completion, transition and sustainment costs and capacity building.

IMPACT OF SIGIR'S WORK

To date, SIGIR has:

- Produced 12 Quarterly Reports.
- Issued 82 audit products and continues work on an additional 16 audits. SIGIR recently published a report discussing how U.S. agencies in Iraq have implemented corrective actions to improve the transparency and accountability of the Development Fund for Iraq. Specifically, SIGIR reported that of 40 recommendations made, 31 were implemented, 6 remain underway, and 3 have not been effectively addressed.
- Produced 80 project assessments based on inspections of project sites. The most significant for this quarter was our second assessment regarding the construction of the Baghdad Police College.

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- Opened over 300 criminal and civil investigations leading to 10 arrests, 5 indictments, and 5 convictions, including the conviction of Mr. Robert Stein, who was recently sentenced to 9 years in prison and fined $3.6 million for his role in money laundering and conspiracy to defraud the CPA in Hilla, Iraq. SIGIR Investigations have resulted in 23 cases currently under prosecution at the Department of Justice. Additionally, SIGIR is currently working on 79 ongoing investigations.

Beyond our approach to audits and inspections, we believe that SIGIR should leave behind more than volumes of retrospective reports of waste, fraud and abuse. We felt an obligation to take advantage of our unique role in Iraq reconstruction to identify systemic problem areas and provide guidance to policymakers for future challenges. The document released today is the third in our series of Lessons Learned reports.

SIGIR's Lessons Learned Initiative

The Lessons Learned Initiative began in late 2004. The purpose of the LLI was to capture and apply the lessons learned from the Iraq reconstruction experience The three subject areas selected for review were:

1. Human Capital Management,
2. Contracting and Procurement, and
3. Program and Project Management.

In February 2006, SIGIR released *Iraq Reconstruction: Lessons in Human Capital Management*. The document identifies and discusses four key components of effective human resource management: policy alignment, workforce planning, recruitment, and continuity.

In August 2006, SIGIR released *Iraq Reconstruction: Lessons in Contracting and Procurement*, which examines the establishment and evolution of the contracting process to identify challenges in planning, systems, policies, and procedures.

The third and final Lessons Learned report, which SIGIR is releasing today, *Iraq Reconstruction: Lessons in Program and Project Management*, focuses on lessons learned from the evolution in oversight of programs and projects exerted by the key agencies tasked to oversee the reconstruction effort.

These three reports help satisfy with SIGIR's mandate from Congress to provide recommendations that promote economy, efficiency, and effectiveness in the administration of the reconstruction program in Iraq. To that same end, SIGIR now is working on a cumulative account of the Iraq reconstruction experience. This capping report will provide a comprehensive and accessible narrative history of the planning and execution of the overall reconstruction program, drawing together information from

SIGIR's Quarterly Reports to Congress, audits, inspections, investigations, interviews with key decision-makers, and SIGIR's lessons learned reports. SIGIR will publish "The Story of Iraq Reconstruction" at the end of 2007.

Iraq Reconstruction: Lessons on Program and Project Management

Process

For this Report, SIGIR conducted about 35 interviews with key program managers and contract administrators for Iraq reconstruction. In addition, our research included:

- Audits of SIGIR and other oversight organizations
- Studies by government entities, independent organizations, and academia
- U.S. Government after-action reports and assessments; and
- Interviews conducted by the CPA historian

SIGIR provided a draft discussion white paper to a 27-member expert panel comprised of senior executives and experts from the U.S. government, industry, and academia—many with first hand experience in Iraq. This panel convened for a day-long forum to evaluate the findings and provide recommendations aimed at increasing the effectiveness of U.S.-led stabilization and reconstruction operations in Iraq and to inform planning for future reconstruction efforts.

SIGIR then released the revised paper to key contributors and forum participants. Approximately 75 individuals received the draft program and project management paper and reviewed the document to ensure its accuracy and completeness. Responses were considered and incorporated into the next draft. The new draft was circulated to DoD, USAID, and DoS, and OMB for review. The paper was also provided to key reconstruction organizational leaders. Most recipients responded, and SIGIR revised the paper accordingly.

Substance

Iraq Reconstruction: Lessons in Program and Project Management tracks the evolution of the three organizations responsible for providing the strategic oversight and tactical direction for the reconstruction program: The Office of Reconstruction and Humanitarian Assistance, the Coalition Provisional Authority, and the U.S. Mission-Iraq.

The report begins with an overview of the planning environment, which had a direct effect on the capacity of program managers to execute and control reconstruction projects. It then analyzes CPA's Program Management Office—the entity established to plan and manage the $18.4 billion infrastructure-focused program—and the delays in executing reconstruction projects during the winter and spring of 2004. The final section

of the report describes how program managers met the challenge of constant change, particularly the reprogramming that occurred during the summer and fall of 2004.

Over the past four years, DoD, DoS, and USAID have adapted to relentless and challenging demands with commitment and agility, internalizing and drawing upon important lessons learned in the course of their work. From mid-2003 to 2007, program and project management n Iraq grew increasingly complex and improved over time, ultimately involving hundreds of contractors and thousands of projects. U.S. policymakers repeatedly adjusted strategy in response to the constantly changing circumstances in Iraq. These policy shifts meant that program managers faced periods of uncertainty and consequent limited productivity, as they adjusted to new systems, procedures and reporting requirements. This compounded the difficulty of delivering projects on time and within scope and budget.

Recommendations

SIGIR offers the following recommendations based on the lessons learned derived from the program and project management experience in Iraq:

1. **The Congress should consider legislating a "Goldwater Nichols"-like reform measure to promote better integration among DoD, USAID, and DoS, particularly with respect to post-conflict contingency operations.**

In 1986, the Goldwater-Nichols Act initiated a fundamental reorganization of the Department of Defense. As a result of this Act, U.S. forces increased cooperation and integration. It was not an easy process, but over the past twenty years the United States has benefited greatly from the improved coordination among the military services.

The Iraq experience illustrates the need to expand cooperation and integration across U.S. agencies, but most especially among DoD, DoS, and USAID. Unlike other agencies, these three have missions that require them to operate primarily outside the United States and engage constantly with other governments and international entities.

Steps have already been taken to move this integration forward. National Security Presidential Directive 44 and DoD Directive 3000.05 both encourage interagency cooperation. USAID has created an office of military affairs to serve as a liaison to DoD. DoS, in response to NSPD-44, established the Office of Reconstruction and Stabilization. USAID and DoS staff regularly attend military training exercises to share lessons learned and to brief military personnel on their responsibilities and capabilities. DoD's Joint Concept Development and Experimentation Office is currently looking at ways to improve civilian/military planning. These steps, although important, are just a beginning. The experience of the Goldwater Nichols Act suggests that the Congress should consider new legislation that could advance further cooperation among DoD, DoS, and USAID on post-conflict contingency reconstruction and relief planning and execution.

2. The Congress should adequately fund the Department of State's Office of the Coordinator for Reconstruction and Stabilization.

The Office of the Coordinator for Reconstruction and Stabilization (S/CRS) was created by the President in response to the need for better post-conflict contingency coordination among U.S. departments. S/CRS completed a post-conflict implementation plan in October 2006. This plan identifies short-, medium-, and long-term tasks that the U.S. government should execute to improve planning, preparation, and execution of post-conflict contingency operations. The plan commendably seeks to address many of the lessons learned from Iraq that SIGIR and others have identified. Most important, it aims at institutionalizing ongoing interagency contingency exercises and developing a civilian reserve corps. A lack of funding and weak recognition of the S/CRS Office by some other agencies have prevented the plan from being fully realized. The Congress should provide S/CRS with the funding and authority to fulfill its mission.

3. The U.S. government should clarify the authorities of the multiple agencies involved in post-conflict operations to avoid ambiguity over who is in charge.

Although no single U.S. agency demonstrated the capacity to manage the large and complex Iraq program alone, the resultant and unavoidably *ad hoc* response that sometimes ensued was less than optimal. Developing *ad hoc* organizations in theater, such as the PMO and IRMO, consumed significant U.S. resources and time. Moreover, these new offices did not have the appropriate staff, procedures, systems, or institutional strength to direct effectively the complex, interagency rebuilding effort.

S/CRS should be fully empowered to take up its mandated responsibility for coordinating the planning for future contingency relief and reconstruction operations. Additionally, S/CRS should be provided legal authority, working within the interagency structure and guidelines, to decide who should be in charge of what in any post-conflict reconstruction operation.

4. Implementing agencies should institutionalize the most effective project management systems, procedures, policies, and initiatives developed during the Iraq reconstruction effort.

Because U.S. government agencies did not have appropriate systems in place to properly manage a program of the magnitude and complexity of the IRRF, they often created new systems and procedures. Over time, many of these procedures became effective in practice. USAID, DoS, and DoD, should identify and institutionally incorporate the best practices from the Iraq experience.

5. Program managers should integrate local populations and practices at every level of the planning and execution process.

In planning for future contingency operations, the U.S. government should involve, from the outset, a broad spectrum of individuals with intimate familiarity about the affected nation (from policy makers to contractors to international experts). In Iraq, successful reconstruction managers took the time to understand local customs and practices.

Project design and execution should incorporate local contractors and vendors. Also, planning for projects should consider local and regional quality standards, rather than trying to impose U.S. standards, which too often caused increased cost and delayed execution in Iraq.

6. Funding designated for post-conflict contingency programs should support flexible programs and projects that yield both short-and long-term benefits.

Consideration should be given to developing multi-year programs with properly-sequenced reconstruction projects. Both short-and long-term relief and reconstruction programs can be better planned and implemented through a multi-year financing strategy rather than through unscheduled supplemental appropriations. Contingency funding should also be made available for essential but unforeseen programs and projects. In Iraq, adequate reserves were not set aside to fund unanticipated projects, and the frequent reprogramming of funds adversely affected outcomes in several infrastructure sectors.

7. Develop policies and procedures to manage non-U.S. appropriated funds.

The United States deployed to Iraq without standardized policies and procedures to manage non-U.S. appropriated funds (i.e., the Development Fund for Iraq). Policies and systems were thus developed reactively and not implemented consistently. As a result, there were questions about the accountability of non-U.S. funds. As oversight entities pursue allegations of waste, fraud, and abuse, jurisdictional questions continue to surface. Before contingency operations begin, planners should develop clear policies regarding the management of non-U.S. funds.

8. Develop comprehensive planning for capacity development.

Before approving reconstruction funds, the Congress should require agencies to present a capacity-development strategy that will enable the effective transfer of operational responsibility for reconstruction projects to the host country.

In Iraq, capacity-development programs were not adequately integrated into the overall effort. Projects should include an organizational and management component as well as training in operations and maintenance.

9. Future post-conflict contingency planning should provide for well-resourced and uninterrupted oversight of relief and reconstruction programs to ensure effective monitoring from the outset and permit real-time adjustments.

An effective monitoring and oversight plan needs to be in place within each agency from the outset of contingency operations. This will allow for early and direct feedback to program managers, who can implement course corrections in operating practices and policies. Early and effective oversight will also deter fraud, waste, and abuse. For construction projects, there should be consistent oversight, including appropriate quality assurance and quality control programs. In Iraq, successful projects were usually those that received good quality assurance and effective quality control.

Operations that involve multiple agencies, funding streams, and management systems require that the Congress take steps to standardize oversight and provide clear guidance on any reporting requirements involving multiple agencies.

CONCLUSION

SIGIR remains committed to meeting the expectations of the U.S. Congress, the Secretaries of State and Defense and the American public with timely and helpful information and analysis on the progress and performance of U.S. reconstruction efforts in Iraq. As required, I will report our most recent findings to Congress at the end of the next quarter.

I look forward to your questions today.

Testimony for Ambassador Satterfield: Senate Committee on Homeland Security and Government Affairs 3.22.07

Mr. Chairman, Senator Collins, members of the committee, ladies and gentlemen: Thank you for the opportunity to appear before you today to discuss the progress being made in implementing the President's new strategy for Iraq, to review what we have achieved with the foreign assistance Congress has provided and to highlight the steps we have taken to improve its administration.

A YEAR OF TRANSITION

On January 10 the President outlined a new strategy for Iraq. On January 11, Secretary Rice provided further details on how specifically we will pursue the New Way Forward along four tracks: economic, political, security, and diplomatic. Our efforts along each track are interconnected; each track being an integral part of our overall effort to help Iraq move forward towards a secure and democratic future.

As part of the New Way Forward the focus of our efforts in Iraq is changing. As Iraqis increasingly take the lead in furthering progress along each of the four tracks, we have shifted our focus from large infrastructure projects to capacity development and technical assistance programs that will increase the ability of the Iraqis to better plan and execute their capital budget, particularly in the critical oil sector, increase production of essential services in vital areas such as electricity and water, and improve governance at the national and provincial levels.

At the center of our efforts is the expansion of the Provincial Reconstruction Teams (PRTs). While we will continue to work closely with the central government in Baghdad, we are extending and expanding our reach beyond the Green Zone to help local communities and leaders transition to self-sufficiency.

To lead our efforts in this area, Secretary Rice appointed Ambassador Tim Carney as the Coordinator for Economic Transition in Iraq. On the ground in Baghdad only since February, Ambassador Carney has already forged a partnership with the Iraqis that has begun to show progress. Implementation of an investment law, the approval by the Council of Ministers of a draft hydrocarbon law, and the beginning of debt negotiations with Saudi Arabia are all very positive signs that the Iraqis are serious about advancing economic reforms.

Recently questions have been raised regarding allegations of fraud, waste and abuse of Iraq Relief and Reconstruction Fund (IRRF) monies appropriated by Congress. Secretary Rice has emphasized in recent testimony her complete commitment to transparency and accountability. She meets regularly with the Special Inspector General for Iraq Reconstruction (SIGIR) Stuart Bowen, who has repeatedly stated that instances of fraud have played a very small role in the American reconstruction effort in Iraq. To date, SIGIR has not brought to our attention any instances of fraud involving the use of IRRF funds.

IMPLEMENTATION

The President has decided to reinforce our own troop levels in Baghdad and Anbar Province by approximately 28,000. The mission of this enhanced force is to support Iraqi troops and commanders, who are now in the lead, to help clear and secure neighborhoods, protect the local population, provide essential services, and create conditions necessary to spur political reconciliation and economic development. The State Department is contributing robustly to this effort by expanding our presence and closely coordinating with our military counterparts in and outside of Baghdad, as well as with the Iraqi government. We have requested additional budgetary resources for assistance programs designed to capitalize on security improvements by creating jobs and promoting economic revitalization. There must be the fullest possible civilian-military unity of effort if we are to be successful.

To that end, we are deploying greater resources alongside our military in Baghdad, Anbar Province and North Babil. The centerpiece of this effort is the expansion of our Provincial Reconstruction Teams. We are doubling the number of PRTs from 10 to 20, adding more than 300 new personnel to the existing 290 or so personnel already on the ground. The first phase of PRT expansion is soon to be complete, as the ten new interagency PRT core teams (40 personnel in total) will arrive in Iraq on or about March 31. The new PRTs – six in Baghdad, three in Anbar and one in north Babil – will be embedded in Brigade Combat Teams engaged in security operations. To demonstrate our unity of effort, on February 22 the State Department and the Defense Department signed a Memorandum of Agreement to codify this joint civilian-military effort.

The State Department has assigned ten senior-level Team Leaders for these new PRTs. Each Team Leader will be joined by a senior USAID development advisor, as well as a civil affairs officer and bilingual, bicultural advisor from the Department of Defense, to form core teams. These core teams recently completed the first specialized interagency PRT training course at the Foreign Service Institute, designed to prepare them for their new mission. Over the next month, PRT leaders will work jointly with Brigade Commanders to develop plans for the "build" phase of clear, secure, and build.

PRTs will target both civilian and military resources, including foreign assistance and the Commanders' Emergency Response Program, against a common strategic plan to sustain stability, promote economic growth, advance our counter-insurgency efforts and foster Iraqi self-sufficiency where we have made security gains. In the next two phases of our PRT expansion, we will augment both the new PRTs and our existing PRTs with specialized technical personnel. Based upon ground-up evaluations, we are recruiting (among others) city planners, rule of law experts, and agribusiness development experts to meet provincial and local needs.

PRTs will support local moderate Iraqi leaders through targeted assistance designed to develop provincial capacity to govern in an effective and sustainable way. PRTs will continue to play a leading role in coordinating U.S. programs funded by the Congress, including Iraqi Provincial Reconstruction Development Councils (PRDC) and USAID's local governance, community stabilization, and community action programs. We intend to complete all three phases of our PRT expansion by the end of the calendar year. Completion, however, will be dependent both on the level of funding appropriated in the FY 2007 supplemental as well as circumstances on the ground in Iraq.

IRAQI EFFORTS

Iraqis understand that they are in the lead and the Iraqi government is committed to doing its part to invest in its own economic development. Violence continues to play a significant role in hampering greater progress in Iraq. Although there has been a decrease in sectarian violence in the past six weeks in Baghdad, it is too early to discern trends. Additional resources will be vital in consolidating gains and building upon them.

The Government of Iraq is committed to spending $10 billion to help create jobs, and further national reconciliation. The Government of Iraq has made serious progress on the vital hydrocarbon law. The Council of Ministers approved a draft of the law on February 26, and the law will be submitted to the Council of Representatives when the Revenue Sharing Law is approved by the Council of Ministers.

The Council of Representatives also is discussing a provincial powers law and has several drafts for de-Ba'athification reform. The Iraqi Constitutional Review Committee will present its report, including any proposed amendments, to the Council of Representatives in a few months. At a conference co-hosted by U.N. Secretary General Ban Ki-Moon, on March 16, Iraq has agreed to implement the comprehensive economic reform programs laid out in the International Compact with Iraq.

The most pressing fiscal challenge preventing Iraq from being self-reliant in economic affairs is the failure for Iraqis to execute their capital budget. Simply put, the Government of Iraq has available financial resources from oil revenues under spent from last year's higher than anticipated oil prices. They do not, however, have the capacity to execute this funding - especially when money must move rapidly, as is the case with post-military-action stabilization in Baghdad and Anbar Province. Iraq must develop the means to put its money to use, both for short-term "build" efforts and longer-term capital investment.

The Iraqis have responded by designating budget execution as a high priority in 2007, and, to this end, the GOI has formed a budget execution taskforce led by Deputy Prime Minister Barham Salih, Finance Minister Bayan Jabr and Planning Minister Ali Baban. In coordination with Ambassador Carney, the joint taskforce has already held a conference for spending ministries and provinces to introduce new budget regulations and to dispel concerns about corruption allegations that stymied Iraqi spending in 2006.

The Iraqi Ministry of Finance also has made early efforts to jumpstart spending by ordering 10 percent of capital budgets released following February's passage of the budget, and created powerful incentives for ministries to execute their capital budgets or risk losing the funds. We remain cautiously optimistic that their resolve combined with our support will result in better budget execution in 2007.

REGIONAL DIPLOMACY

Iraq also will need the help and support of its neighbors to foster a stable, prosperous, and peaceful future. On March 10, Iraq hosted a Neighbors Conference in Baghdad which was attended by high-level officials from each of Iraq's neighbors, the permanent members of the UN Security Council, the Arab League, the Organization of the Islamic Conference, and the UN. This was an important step for Iraq's engagement with its regional partners to discuss political reconciliation, regional security, and economic engagement.

We support regional efforts to stop the increase in sectarian violence and the growing negative Iranian involvement in Iraq. We believe the Iraqi government understands the importance of coalition action to address these concerns as well. Prime Minister Maliki and his government have pledged not to tolerate any act of violence from any community or group. We already have begun to see a more even-handed approach taken by the Iraqi authorities on this front. Notably, Iraqi security forces in recent months have detained more than 700 Jaysh Al Mahdi fighters and have killed hundreds of insurgents. Iraqi Security Forces (ISF) have operated in all areas together with Coalition Forces, including Sadr City. However, robust action in the weeks and months to come will be necessary to create new facts on the ground – tangible evidence of action against all those who pursue violence, regardless of sectarian affiliation.

While we are working with our partners in the region to strengthen peace, two governments – Syria and Iran – are not contributing to security and stability in Iraq. However, we hope that the participation by both Iran and Syria in the March 10 Neighbors Conference will encourage Tehran and Damascus to play a constructive role.

SUPPORTING PHYSICAL INFRASTRUCTURE AND DEMOCRACY WITH THE IRAQ RELIEF AND RECONSTRUCTION FUND (IRRF)

While our focus is on the way forward, we are also determined to effectively manage the remaining funds for Iraq reconstruction. In Fiscal years 2003-4, we received $20.9 billion in the Iraq Relief and Reconstruction Fund (IRRF). This funding was intended to kick start the Iraqi economy and focused primarily on helping to re-establish the Iraqi security forces and police; restore essential services like water, electricity and oil; and improve health and education. Despite challenges, including insurgent attacks, IRRF projects have made significant improvements in Iraq. We have added capacity to provide clean water for up to 4.2 million Iraqis and we also have added capacity to provide

sewerage for 5.1 million; installed, rehabilitated or maintained 2,700 MW of electricity; and helped Iraq maintain oil production at relatively steady levels despite deteriorating security conditions. Democracy programs also helped Iraq hold three elections and provided advisers to support the drafting of the constitution.

We have obligated 98%, or $18 billion of IRRF II, and, as of March 15, have disbursed $15.2 billion (82%). The remaining 2% of IRRF funds "expired" on October 1, 2006 and will be used to cover any reasonable adjustments as permitted under law. We expect to complete most ongoing IRRF II projects during the course of 2007. We have made significant improvements in essential services available to the people of Iraq, of which U.S. taxpayers and the Congress can be proud.

But we know that not every project has progressed as we would have wished. Some projects have deservedly attracted attention, including from the Congress and from (SIGIR), with whom we work very closely. In all such cases, we have taken action to get them moving back in the right direction and have moved over the past eighteen months to put in place management oversight structures to help ensure that similar problems do not occur. Despite these mistakes SIGIR notes that more than 80% of IRRF projects have been or are currently being completed on time and as planned.

I want to emphasize the State Department's strong commitment to oversight of the funds Congress has appropriated to us for our efforts in Iraq. We have supported 14 audits by the Government Accountability Office, more than 80 audits and reports issued by the SIGIR as well as audits done by the Inspectors General of the various implementing agencies. We will continue to work closely with SIGIR, GAO, and the Inspectors General to maintain the highest standards of oversight and accountability for all of our operations in Iraq.

SUPPORTING IRAQ'S TRANSITION TO SELF-SUFFICIENCY WITH THE FY06 SUPPLEMENTAL AND FY07 BUDGET REQUEST

We carefully designed the FY 2006 Supplemental and the FY 2007 budgets as two parts of a coordinated whole. The FY06 Supplemental was designed to be integrated with the military's counter-insurgency operations, recognizing that economic development cannot take place without a secure environment and that better economic and political prospects would undermine the recruiting efforts of the insurgency. The FY 2006 Supplemental addresses the urgent programs needed to support military counter insurgency programs, while the FY07 budget contained the programs needed to create and sustain economic, political, and rule of law improvements.

We received $60.4 million in the FY 2006 budget, and an additional $1.6 billion in the FY 2006 Supplemental budget at the end of FY 2006. Of total funding in FY 2006 (Base and Supplemental), we have obligated $1.4 billion (97%) for programs in the security, economic and political tracks of the President's strategy. Of this funding, more

than $500 million is allocated to support programs coordinated by the Provincial Reconstruction Teams (PRTs) to build the capacity of local and provincial governments to provide services for the Iraqi people. Over $300 million is being used for programs to enhance the rule of law; governance, civil society, and political party development; and Iraqi ministerial capacity. Other programs in the FY 2006 Supplemental are also helping Iraq improve the protection of its critical oil and electricity infrastructure.

NEED FOR FY 2007 FOREIGN ASSISTANCE

While we have applied FY 2006 funds to begin implementation of our new strategy, we will need additional funds very soon. We have requested $2.34 billion in Emergency Supplemental funds for FY 2007 and $1.37 billion for FY 2008. Delaying funding of these programs or applying conditions on this funding would undermine our ability to support our military counterparts and our Iraqi partners. Without funding for our PRT expansion and programs to support economic development and assistance to moderate Iraqi leaders, we risk achieving the unity of effort needed to be successful.

ACHIEVING SUCCESS

The President has made clear to Prime Minister Maliki that America's commitment is not open-ended. The Government of Iraq must, with our help, take the lead in articulating and achieving the political, security and economic goals that are essential to success.

As the Iraqis continue to make progress and increasingly assume responsibility for the stabilization and economic development of their country, our commitment to them must remain strong. The Government of Iraq must continue to foster positive relationships with its neighbors and national unity must begin to replace sectarian violence. The President's New Way Forward in Iraq will empower Iraqis to take the steps necessary, both politically and economically, to fulfill its commitments and realize our mutual goal of a stable, federal, democratic Iraq, at peace with its neighbors and an ally in the war on terror.

Thank you very much. I look forward to your questions and ideas.

RECORD VERSION

STATEMENT BY

MG RONALD L. JOHNSON
DEPUTY COMMANDING GENERAL
U.S. ARMY CORPS OF ENGINEERS

BEFORE THE

COMMITTEE ON HOMELAND SECURITY AND GOVERMENTAL AFFAIRS
UNITED STATES SENATE

ON THE RECONSTRUCTION EFFORTS IN IRAQ

FIRST SESSION, 110TH CONGRESS

MARCH 22, 2007

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COMMITTEE ON GOVERNMENT REFORM

Mr. Chairman and distinguished members of the Committee. It is my privilege to represent the U.S. Army Corps of Engineers (USACE) leadership and the military and civilian members of the USACE reconstruction team. Thank you for this opportunity to report to you on the Corps of Engineers' role in the reconstruction of Iraq. It is an honor to address you today.

Support to this country's Global War on Terror continues to be the United States Army Corps of Engineers' number one priority. The $18 billion Iraq reconstruction mission has been one of the most extensive and challenging construction programs of our time. To date, the Corps of Engineers has had approximately 4,000 personnel deployments in support of the Global War on Terror with many people volunteering for more than one deployment. These deployments range from 120 days to a year or more. Consisting of both military personnel and civilian volunteers, these men and women work in Iraq, Afghanistan and Kuwait in support of the reconstruction effort.

When the USACE Gulf Region Division (GRD) stood up in January 2004, GRD teamed with the Program Management Office (PMO), which later became the Project and Contracting Office (PCO). The USACE Gulf Region Division initially served as the construction manager for the reconstruction program. In August 2005 GRD and PCO began to merge their organizations and responsibilities in Iraq into one Department of Defense based organization responsible for delivering program, project, and construction management support for Iraq

reconstruction as well as U.S. military construction. On October 1st 2006, GRD formally assumed PCO responsibilities.

In November 2003 Congress passed legislation that created the Iraq Relief and Reconstruction Fund (IRRF). Since that time, PCO and GRD have managed approximately $13.5 billion of the $18.4 billion appropriated for the reconstruction of Iraq. Of the $13.5 billion, approximately $9.1 billion has been allocated to construction projects and $4.4 billion for non-construction materials, services, and equipment in support of the reconstruction mission. GRD's largest sector of reconstruction is electricity where we are delivering some $3.4 billion in generation, transmission, and distribution projects. In the water sector, we are managing the construction of $1.7 billion of projects, including water treatment plants, sewage treatment, and irrigation. In the oil sector, we are managing a $1.7 billion program, which addresses needs ranging from the oil field to the export terminal. The remaining $6.7 billion has been allocated to a wide range of construction and non-construction projects in education, health care, transportation, security, and justice.

Together over the past three years PCO and GRD have completed over 2,880 IRRF funded reconstruction projects out of a total planned program of over 3,450 projects. The remaining IRRF funded projects are currently under construction.

To date, completed projects include thirteen refurbished hospitals that can serve over 5,500 patients a day, new and restored water treatment facilities benefiting 2.3 million Iraqis, over 250 border forts helping to secure more than 2,000 miles of Iraq's borders, and over 800 new or renovated schools serving 325,000 students. In addition, the reconstruction program has increased electric power generation benefiting 1.3 million homes and increased crude oil production capacity by 300,000 barrels per day over pre-war levels.

Since their inception, GRD and PCO have adapted to an ever changing and challenging reconstruction environment. At the beginning of the program, most of the work was being managed through large design-build and cost plus contracts. This strategy was appropriate initially since it was not possible to competitively advertise for local contractors or otherwise contract with Iraqi design and construction firms. As the reconstruction mission progressed, PCO and GRD were able to contract more and more of the reconstruction work to Iraqi firms. Currently over 75 percent of the Corps of Engineers' contracts are awarded to Iraqi contractors who not only employ thousands of Iraqis but also gain the expertise, capability, and experience needed to continue the reconstruction of Iraqi infrastructure once the IRRF program is complete.

While there has been a lot of attention for a few projects experiencing problems, it is important to understand that these projects are not indicative of the more than 10,500 reconstruction projects (includes State, DOD, and USAID)

successfully completed in Iraq. In fact, the Special Inspector General for Iraq Reconstruction (SIGIR) has noted that around 80 percent of all the projects assessed by his staff have met contract specifications. Since the SIGIR audited projects that appeared to be having problems, it is conservative to say that over 80 percent of the Iraq reconstruction projects are successful. For the minority of projects that are not successful, deficiencies are identified and corrective actions are taken to insure that ultimately a quality project is delivered.

The Department of Defense has obligated virtually all of the IRRF funds appropriated by the Congress as of 30 September 2006. The construction of these projects is underway and will continue into 2008. GRD is also executing reconstruction projects provided for in the FY06 Emergency Supplemental Appropriations. These projects focus on the protection of critical infrastructure, capacity development, and support the Baghdad Security Plan and Provincial Reconstruction Teams.

Capacity Development has always been a high priority for the Corps of Engineers, but becomes even more critical as the completion of the major reconstruction program draws down. The Corps of Engineers has initiated a number of major programs to train Iraqis and enable them to effectively manage, operate, and maintain completed facilities, systems, and equipment on a long-term basis. More than 150,000 Iraqi government employees working at the

national, regional, and local levels have received training to support the sustainable operations of their infrastructure.

PCO and the Corps of Engineers work hard to integrate the local Iraqi workforce into the reconstruction effort. Over 1,000 Iraqis are directly employed by GRD and its contractors. These Iraqis receive both classroom and on-the-job training in areas such as project and construction management, administration and business systems, procurement and contracting, and information technology. Our Iraqi employees are able to work extensively in the field, reducing costs and our security footprint while providing acceptable construction results. These efforts allow us to impart our skills and knowledge to local Iraqis so that they can assume more responsibility in these reconstruction projects.

The Iraqi women's program has also been an integral part of the reconstruction effort since September 2004. Through this program, specialized training in the areas of leadership, management, and strategic planning has been provided to over 1,700 Iraqi women. Additionally, over 200 Iraqi women-owned businesses were provided training on the U.S. bidding process, leading to the award of more than 100 contracts to Iraqi women-owned businesses.

The Iraq Reconstruction program is yielding positive, tangible results every day and has significantly improved the lives of the Iraqi people. Certainly, the work in Iraq is challenging and difficult, but reconstruction efforts are a vital component to Iraq's progress toward stability and peace. With your continued support I am confident we will succeed.

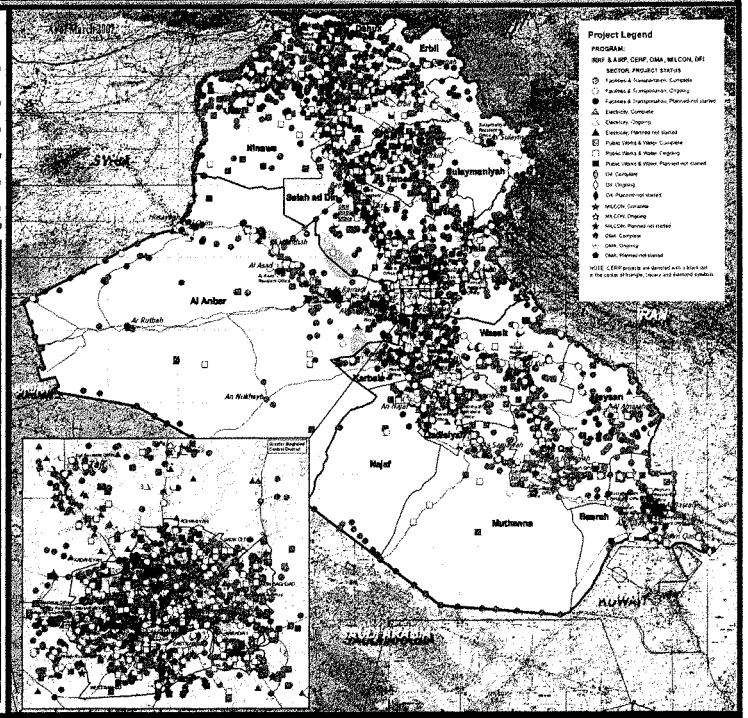
IRAQ RELIEF & RECONSTRUCTION TOTAL PROGRAM

ACRONYMS AND FUNDING

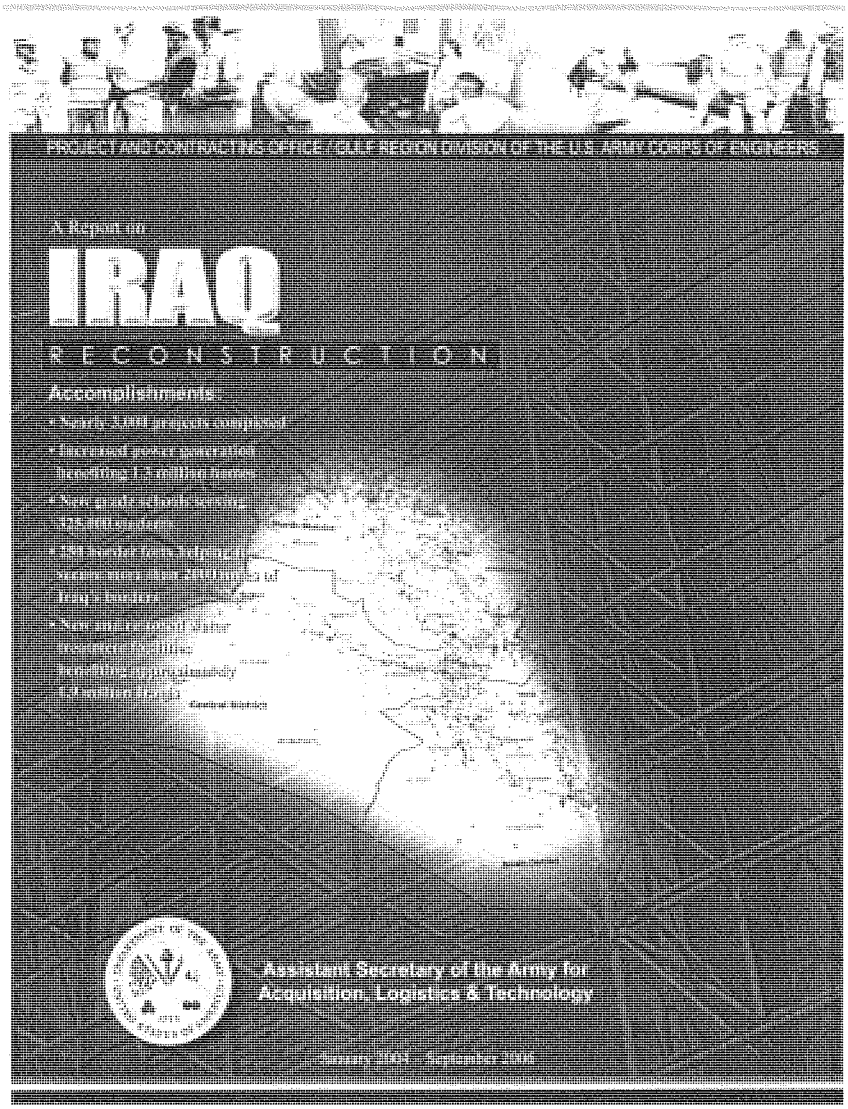
CERP: Commander's Emergency Response Program	$1,886,000,000
DFI & AIRP: Development Fund for Iraq & Accelerated Iraq Reconstruction Program	$1,337,200,000
IRRF 1 & IRRF 2: Iraq Relief and Reconstruction Fund	$20,914,000,000
MILCON: Military Construction	$941,600,000
OMA: Operations and Maintenance - Army	$250,100,000
ISFF Iraq Security Forces Fund	$10,898,000,000
ESF Economic Support Fund	$1,695,390,000
	$37,122,290,000

NOTE: Includes construction & non-construction programs

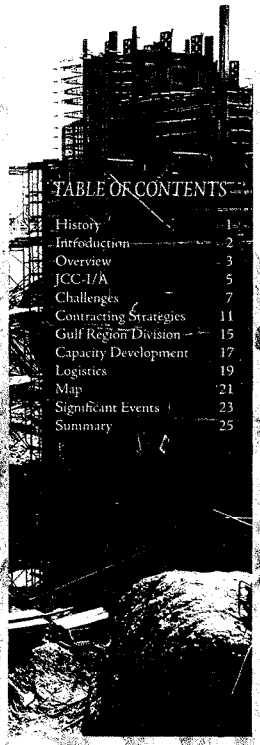
CONSTRUCTION PROJECTS	TOTAL
IRRF	5621
Complete	[redacted]
Under Construction 567	
Planned-not started	[redacted]
DFI & AIRP	547
Complete	[redacted]
Under Construction 27	
Planned-not started	[redacted]
CERP	6829
Complete	[redacted]
Under Construction 914	
Planned-not started	[redacted]
ISFF	470
Complete	[redacted]
Under Construction 232	
Planned-not started	[redacted]
ESF	287
Complete	[redacted]
Under Construction 5	
Planned-not started	[redacted]
OMA	374
Complete	[redacted]
Under Construction 36	
Planned-not started	[redacted]
MILCON	147
Complete	[redacted]
Under Construction 44	
Planned-not started	[redacted]
Total	**14,275**



14,275 Projects = Over $35 Billion
(Including over $10B for training & equipping Iraq Security Forces)


PROJECT AND CONTRACTING OFFICE / GULF REGION DIVISION OF THE U.S. ARMY CORPS OF ENGINEERS
A Report to
IRAQ
RECONSTRUCTION
Accomplishments:
Assistant Secretary of the Army for
Acquisition, Logistics & Technology
January 2004 - September 2004

Rebuilding Iraq



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hroughout history, the U.S. has interceded on behalf of people in countries affected by war or acts of aggression. From the massive reconstruction of the South after the devastation of the American Civil War to the rebuilding of Kuwait and Iraq, America has played a strong role in the reconstruction of the critical infrastructure that is necessary for economies and civil services to grow and flourish.

The Second World War was the most destructive and dreadful experience in world history. Unlike the aftermath of World War I, Allied victors decided to reconstruct—instead of punish—Germany and Japan. This was the greatest and most successful reconstruction effort in history and was sustained primarily by the U.S. The famous Marshall Plan was applied in Europe, but not to Japan.

Although the Allies did not invade Japan, its cities and military targets were heavily bombed—including the August 1945 atomic bombings. Many believed that Japan could not evolve from a militarist, feudal culture into a modern democracy. The main factor that restored Japan's economy was the business generated by the Korean War from 1950 to 1953.

German citizen shovels debris under sign for Marshall Plan.

The "Marshall Plan" or European Recovery Program of 1948, was first suggested in June 1947 by Secretary of State George C. Marshall. The relief came in two components: loans to private-sector businesses to spark economic growth; and grants to governments to assist in public works and reconstruction projects. The program provided $13 billion ($100 billion in 2005 dollars) to 16 nations. The Marshall Plan did not provide assistance to what became the eastern bloc countries.

Ten million Germans were homeless and millions of refugees flocked to Germany in 1945. For two years, former German soldiers and Nazi diehards conducted a limited but

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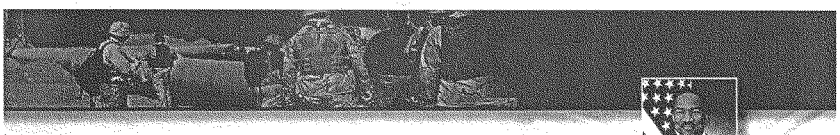


DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

September 29, 2006

Today, with pride and with gratitude, we mark the milestone accomplishment of having contractually obligated one-hundred percent of Iraq reconstruction project funds entrusted to the Department of Defense through the Iraq Relief and Reconstruction Fund (IRRF). I congratulate the United States Army team—from the joint theatre and Army commanders and the Gulf Region Division of U.S. Army Corps of Engineers in the field—to the various elements of the Department of the Army at the Pentagon, to our interagency partners, the United States Department of State and United State Agency for International Development, and to the Government of Iraq on this historic milestone. I also commend to you the patriots, living and deceased, military and civilian, government and non-governmental, for their steadfast dedication and commitment to the reconstruction of Iraq.

Throughout the IRRF program, this team has proved to be resourceful and resilient, while adjusting to every challenge presented by the evolving conditions in Iraq. The original post-war administrative agency, the Coalition Provisional Authority, created the Program Management Office (PMO) to begin the reconstruction planning efforts. In 2004, a presidential directive established the Project and Contracting Office (PCO) as the successor organization to whom our dedicated Army became the Executive Agent responsible for execution. As reconstruction commenced, a new joint in-theatre contracting entity was also established, the Joint Contracting Command for Iraq and Afghanistan, creating a central point to coordinate all contract actions. During the same year, the PCO merged with the U.S. Army Corps of Engineers' (USACE) newly created Gulf Region Division (GRD) to create a strong management partnership benefiting from over 200 years of USACE construction experience. As the PCO nears the end of its congressional authorization, the Corps of Engineers will manage the remaining reconstruction until all projects are completed.

This report looks back over the last two and-a-half years and captures the historic and magnificent accomplishments of the U.S. reconstruction effort in Iraq. It also looks at the effects these projects have had on Iraq's foundation for their future. We also thank the United States Congress for their generous support and congratulate the Administration for proposing this ambitious and important endeavor. It has been my distinct honor and privilege to assist this effort.

Claude M. Bolton, Jr.
Claude M. Bolton, Jr.
Assistant Secretary of the Army
(Acquisition, Logistics and Technology)

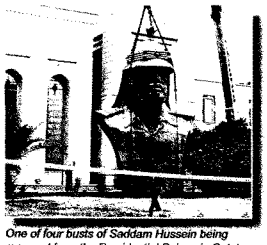
Rebuilding Iraq

"We continue to make great progress on reconstruction; however, I want to emphasize that none of our achievements would be possible without the continued superb performance of our Soldiers—the centerpiece of our Army. The nation and the free people around the world sleep better tonight because of the willingness of our Soldiers and their loved ones to endure hardships so that others might have a brighter future, specifically, a free and democratic Afghanistan and Iraq."

Dr. Francis J. Harvey, Secretary of the Army

Iraq's reconstruction is the largest and most complex reconstruction program undertaken in a single country. The expectations of the governments of Iraq and the United States, and their citizens, have placed great pressures on everyone associated with the reconstruction effort to act quickly and effectively to complete the mission. The foundation for democracy in Iraq is dependent on a functioning infrastructure that provides essential services to the people of Iraq.

Most programs and projects funded by the Iraq Relief and Reconstruction Fund (IRRF) will be completed and turned over to Iraqi authorities by the end of 2006. The Project and Contracting Office (PCO), the Joint Contracting Command - Iraq/Afghanistan (JCC-I/A), and the U.S. Army Corps of Engineers - Gulf Region Division (GRD) program managers are engaged in a joint enterprise with Iraqi officials in the completion of key reconstruction initiatives. With nearly 80 percent of projects completed, the U.S. reconstruction program in Iraq is meeting its obligations for sustainability and transitioning assets to Iraqi authorities.



One of four busts of Saddam Hussein being removed from the Presidential Palace in October 2003.

U.S. senior advisors arrived in Iraq in April 2003, and were shocked by the state of disrepair of the infrastructure—not from bombing damage during the war, but from the nearly 30 years of neglect under Saddam Hussein's rule. Power plants had not been maintained, roads and bridges were in poor condition, many schools were dilapidated, and potable water was scarce. No sewage treatment plants were operational and raw sewage was routinely discharged into rivers and waterways. Saddam Hussein had clearly placed a low priority on maintenance of infrastructure facilities while demanding that these systems deliver needed services to at least a portion of the population. Looting was on such a massive scale after the fighting that whole buildings were dismantled piece by piece with all of the machinery, copper wire, and other fittings being stripped and removed.

In May 2003, the Coalition Provisional Authority (CPA) was established as a temporary governing entity to provide effective administration to the Iraqi people during the transition to a new Iraq government.

The CPA established the Iraq Program Management Office (PMO) to manage an additional $18.4 billion appropriation by the U.S. Congress (after a previous appropriation of $2.5 billion in April 2003) for the security, relief, and reconstruction of Iraq.

Along with the U.S. Agency for International Development (USAID), the U.S. Army Corps of Engineers and other organizations, the PMO began the process of overseeing efforts to restore essential services, provide security, and enable economic growth and self-governance.

The CPA went to the U.S. Army for assistance in contracting and program management. The Office of the Assistant Secretary of the Army for Acquisition, Logistics and Technology (ASA(ALT)) developed an approach that would draw considerably on the U.S. private sector and engage the Iraq workforce to the fullest extent possible. This huge project was staffed by blending military personnel, U.S. government civilians, and contractors. These individuals worked closely with Iraqi ministry personnel and with other U.S. government organizations.

In October 2003, almost six months after the establishment of the CPA, the United Nations/World Bank Joint Iraq Needs Assessment and CPA estimated that more than $55 billion would be needed to re-establish Iraq's critical infrastructure.

On June 28, 2004, the CPA transitioned governing authority to the Iraqi Interim Government. The U.S. Department of State (DoS) established the U.S. Embassy in Baghdad the next day and diplomatic relations with the new Iraqi Interim Government began. The Iraq Reconstruction Management Office (IRMO), under the Chief of Mission, began working closely with the fledgling government and helped the new ministries find direction.

Also in June 2004, a presidential directive established the Project and Contracting Office (PCO) as a temporary Army organization to provide acquisition and management support services for Iraq's reconstruction. In January of the next year, Secretary of the Army, Francis J. Harvey, delegated oversight of the PCO to Claude M. Bolton, Jr., the Assistant Secretary of the Army for Acquisition, Logistics and Technology (ASA(ALT)). Contracting authority was also consolidated within the Army headquarters under ASA(ALT). Of the $18.4 billion supplemental budget appropriated under the Iraq Relief and Reconstruction Fund (IRRF), the PCO was responsible for roughly $13.5 billion. A significant portion of those funds, $4.2 billion, was slated for purchase of non-construction items such as materials and equipment, as well as training and procurement for Iraq's security forces.

Handover ceremony for a new Iraqi facility.

Since the first contract was negotiated, PCO has been responsible for managing the start-up of more than 3,400 projects under DoD's portion of the IRRF. Once a project has started, the GRD quality assurance and quality control inspectors step in to work with contractors to ensure that each project meets specifications. Transfer of completed projects to the Government of Iraq is completed in accordance with IRMO's Asset Recognition and Transfer process.

PCO and GRD consolidated in December 2005, with GRD taking the leadership role in construction and project management under ASA(ALT). In October 2006, GRD was formally identified as the successor organization to PCO upon its expiration in May 2007.

As the PCO/GRD, Joint Contracting Command - Iraq/Afghanistan (JCC-I/A) and ASA(ALT) team complete the mission set forth by Congress, other U.S. agencies such as USAID and DoS will continue to strengthen Iraq's governance capabilities and its social institutions. Infrastructure, capacity development, strong institutions, and security are helping to foster conditions for democracy and free markets.

Lieutenant General Strock (4th from right) and team of engineers inspect power plant.

Rebuilding Iraq

It was a Saturday morning and the last stragglers were arriving after the familiar trek down the long corridors at the Pentagon. Tina Ballard, the Army's Deputy Assistant Secretary for Policy and Procurement (DASA(P&P)) had called this meeting to talk about how they were going to do the impossible.

Ambassador L. Paul Bremer III, Director of the Iraq Coalition Provisional Authority (CPA), which oversaw Iraq at that time, had requested that the Army develop solicitations and make awards to design/build contractors to begin the task of building Iraq's infrastructure. Normally, solicitations of that size would take anywhere from 18 to 24 months depending on the complexity and dollar value—these solicitations and awards were to be completed in 25 days.

By the end of the first week, the Army team developed a contract synopsis and held an industry day where potential bidders could ask questions. In the following weeks, the group developed request for proposals giving bidders just seven days to respond. The team evaluated all of the proposals and made the awards worth $5.5 billion in just under 25 days. Five days after the award, the winning bidders had assembled their teams and began arriving in Baghdad.

The Deputy Secretary of Defense delegated the executive agent responsibility to the Department of the Army for the acquisition and program management support for the security, humanitarian relief, and reconstruction mission in Iraq. The delegation required the Army to provide contracting services for post-war reconstruction operations under the CPA. A team deployed to Baghdad to assess the situation on-the-ground. Upon their return, several contract specialists were sent to Baghdad to begin providing contracting support to the CPA and to report on the efforts to train the new Iraqi army.

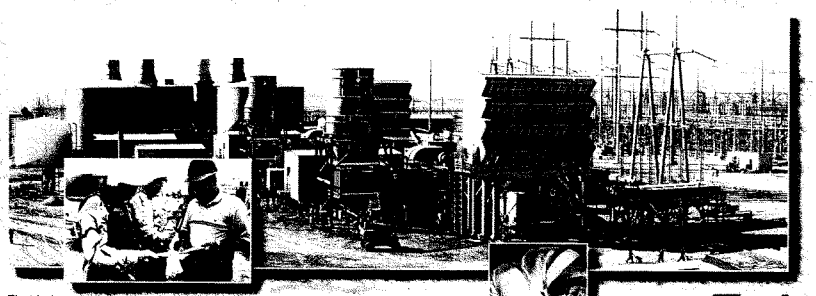
The U.S. Army pulled together planning teams in anticipation of this huge reconstruction requirement about to break like a tsunami over the engineering and construction communities. Ballard and her team looked across the Army to get the best leaders and brought everyone together at the Defense Acquisition University (DAU) for a large planning session. All of the armed services were represented.

In November, 2003, the wave broke when the U.S. Congress added $18.4 billion to the original $2.5 billion to rebuild the Iraqi infrastructure. The Army was responsible for $13 billion of the appropriation.

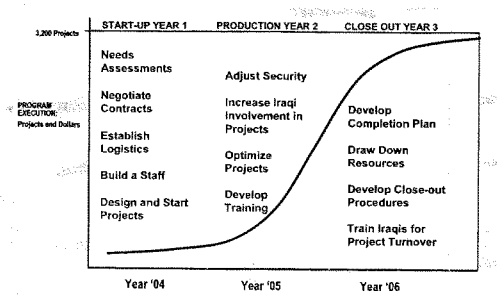
When the Iraq Relief and Reconstructing Fund (IRRF) appropriation became available, the contracting team launched the organizational plan they had developed at DAU that called for a blended staff of U.S. government civilians, military personnel, contractors and personnel from the Iraqi ministries.

Responding to this complex environment and the need for a unified contracting structure, Brigadier General Stephen M. Seay (Ret) developed the concept of a joint contracting center. His replacement in January 2005, Major General John Urias, developed this structure into the Joint Contracting Command - Iraq/ Afghanistan (JCC-I/A).

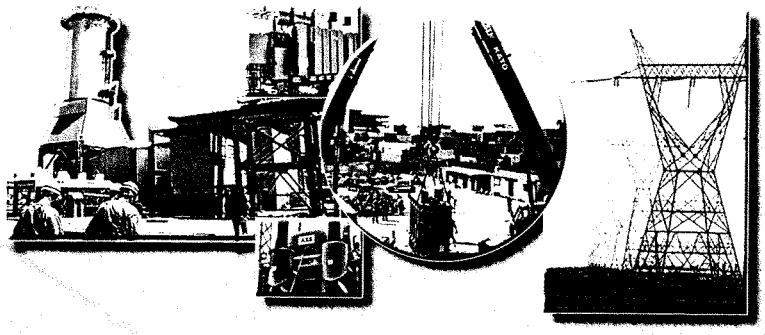
JCC-I/A has awarded approximately 80% of all IRFF reconstruction contracts in Iraq. Today, the command comprises over 200 people serving in two countries and enjoys the support of all the armed forces.



Electrical power generation construction project at Khor Az-Zubair Power Plant near Basrah essentially doubled power generated at this plant through engineering, installing and commissioning two turbine/generator units.



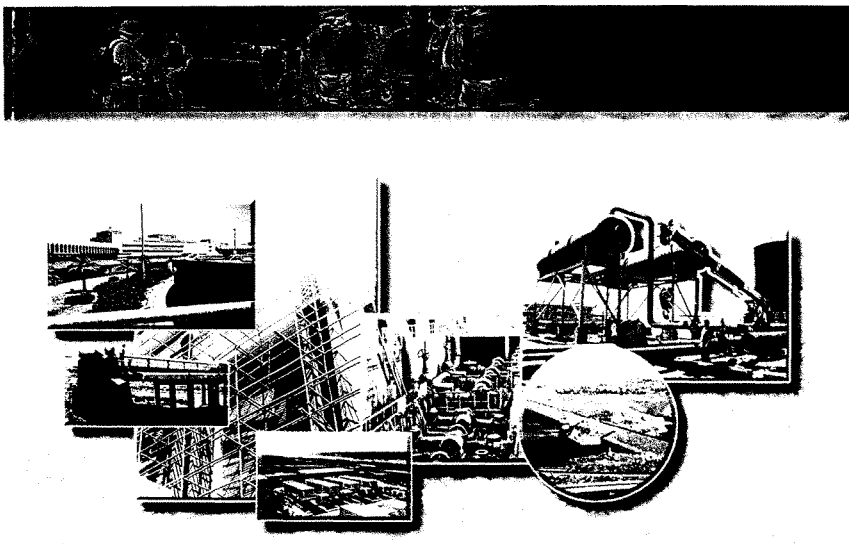
Rebuilding Iraq



After the fall of Baghdad in April 2003, U.S. engineers were able to closely inspect Iraq's infrastructure and found the capacity for electrical power generation, oil production, water purification and sewage handling greatly diminished. Power plants were antiquated and poorly maintained, while looters had stripped substations of copper cables and other valuable assets. Oil production was inefficient at best and sewage backed up into many streets. Iraqi banks were almost non-existent, government and police protection had disappeared, commerce was moribund—and people were growing desperate for food and clean water. Iraq was "a completely failed state" according to a former U.S. deputy defense secretary who visited there in June 2003.

The challenge of rebuilding Iraq goes beyond generating power and pumping oil. This includes rebuilding a culture of maintenance that was gradually lost during the embargo years. PCO/GRD realized that some of the more complex projects would not be sustainable after hand over. PCO/GRD advocated strongly for a holistic approach to develop the capacity necessary for the Iraqis to take over the day-to-day operations and maintenance of critical infrastructure. PCO/GRD developed a robust training program at the facility level, targeting Iraqis while working with other U.S. Government organizations to identify needs within the ministries necessary to support sustainable operations.

Iraqi and foreign fighters who comprise the insurgency have impacted the reconstruction projects by an estimated 10 to 12 percent overall. When Iraqis and the Coalition forces became targets of the insurgents, funds that were intended to support the reconstruction effort were used to keep people safe from kidnappings and attacks. Work was curtailed in some cases to make funds available for additional security; however, not all areas required a high level of security. In lower risk areas, work progressed intensely. An Office of the Special Inspector General for Iraq Reconstruction survey estimated that security costs represent 12.5 percent of the total project costs.



Iraq's electricity infrastructure was left fragile after decades of neglect under Saddam Hussein's regime. No new power plants had been built since the 1980's due to a limited long-term system strategy. Normal plant life is 25 to 30 years in ideal conditions; however most of the existing Iraqi plants were over 25 years old. Management and Operations and Maintenance (O&M) practices were very poor. Existing power plants were operating at their limits with little effective maintenance. During the last two years of Saddam Hussein's rule these plants received little or no maintenance, or replenishment of vital spare parts needed to prevent significant periods of downtime. In addition, the monitoring and control systems were out of date and in poor condition.

The CPA initially had the challenge of bringing existing electrical power generation facilities back on line. Key institutions and services such as hospitals, factories, ports, and oil infrastructure depend on electricity to function.

The U.S. has since developed new electricity generation, transmission, and distribution systems while expanding the capacity of existing systems throughout the country, with the objective of providing equitable access to power for all the people in Iraq. Over 2,500 megawatts of electricity will have been added at the end of the U.S. reconstruction program. Automation and control equipment will have been added to modernize the monitoring systems and to increase efficiency.

By the summer of 2006, the combined effort of PCO/GRD and USAID had pushed the level of production to consistently surpass pre-war power generation capability.

Oil is the mainstay of the Iraqi economy. Iraq's oil deposits are vast—the second largest crude oil deposit in the Middle East after Saudi Arabia. Over the past decade, oil production has risen and fallen on the intentions of the Iraqi government. In 1991, after Operation Desert Storm, oil sales were restricted by UN sanctions to stop Saddam from using oil revenue to rebuild his military or to obtain

Rebuilding Iraq

weapons of mass destruction. During sanctions, oil production ranged from 0.5 to 0.6 million barrels per day (mbpd).

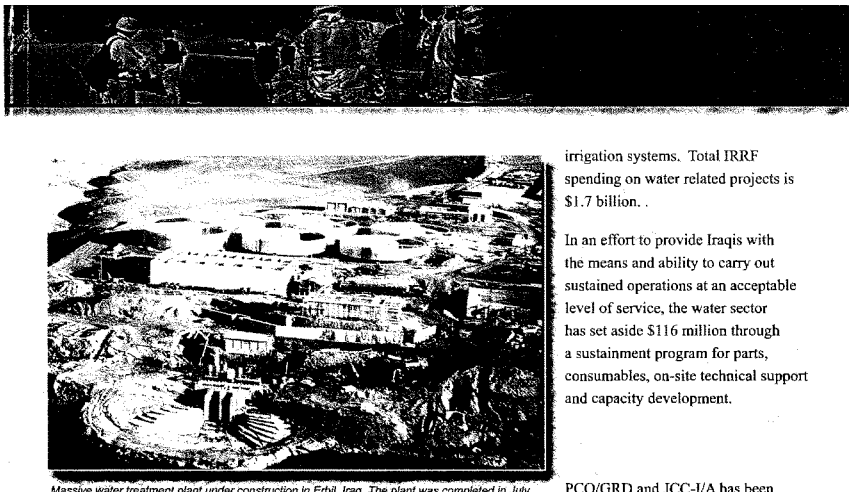
After sanctions in 1997 and 1998, Iraq's oil production ranged between 1.2 mbpd and 2.2 mbpd. As Saddam entered into each of the three recent wars, he drove oil production to unsustainable levels to generate cash. For example, in 1979, just prior to the Iran/Iraq war, oil production spiked at 3.7 mbpd; prior to Iraq's invasion of Kuwait, oil production spiked at 3.5 mbpd; and prior to the Operation Iraqi Freedom in 2003 the level of oil production was about 2.6 mbpd.

The recent completion of the al-Fathah oil pipeline crossing over the Tigris River (see photo above), along with the expected completion of a related 40-inch pipeline, will increase Iraq's export capacity through Turkey—provided the infrastructure is not attacked. The off-shore oil loading terminals are being upgraded to improve export loading capacity while capacity development programs for the oil ministry are improving maintenance practices.

An important and closely related interface is the electrical power system, which requires crude oil or natural gas to power the generating plants. A failure of one component in the system creates a related problem elsewhere in the system. For example, the electrical power grid is dependent upon fuel from the oil and gas system, while the oil field production facilities require electrical power to produce the fuel.

Iraq had approximately 240 hospitals and 1,200 clinics before the war began in 2003. The Iraq healthcare system had not been managed well for two decades. High quality medical services were limited to only certain facilities. No new hospitals had been built in 20 years while the population in Iraq has tripled. Over half of the public health centers deteriorated and closed prior to 2003.

The healthcare system in Iraq is undergoing a systematic change. Formerly, one large central hospital would serve a diverse and widespread group of communities—some quite far away. Under a new decentralized system, smaller but more accessible public health centers will serve the nearby communities for all but the most serious ailments. Community health centers will be focused on prevention and healthy practices. A primary healthcare system will help to improve



Massive water treatment plant under construction in Erbil, Iraq. The plant was completed in July 2006 and has begun limited operations.

the health of the nearby communities and will provide a sustainable delivery system.

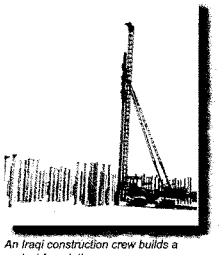
IRRF is funding projects that include the constructing and equipping primary healthcare centers. The Iraqi Ministry of Health has already received $33.8 million in medical equipment to help upgrade the care provided in existing and new facilities throughout the country.

The amount of potable water available prior to the liberation of Iraq is unknown. In April 2003, when U.S. engineers were on the ground, it was clear that many of the country's water treatment plants were in serious disrepair and many Iraqis were receiving water that was inadequately treated or contaminated. To date, U.S. funded projects have provided the capacity to serve an additional 4.6 million Iraqis with potable water and an additional 5.1 million Iraqis with improved access to sewage treatment services. These numbers will continue to grow as water treatment facilities now under construction become operational. By the end of the PCO/GRD reconstruction program, additional capacity improvements will benefit approximately 5.2 million Iraqis. When all U.S. agencies are considered, 8.4 million Iraqis will potentially benefit.

PCO/GRD has completed over 200 potable water projects to date and around 150 are under construction. Ten sewage projects have been completed and 10 are underway, along with projects aimed at improving the country's reservoirs, dams and irrigation systems. Total IRRF spending on water related projects is $1.7 billion. .

In an effort to provide Iraqis with the means and ability to carry out sustained operations at an acceptable level of service, the water sector has set aside $116 million through a sustainment program for parts, consumables, on-site technical support and capacity development.

PCO/GRD and JCC-I/A has been open to external review since the beginning of the reconstruction effort. A number of different audit and assessment organizations have reviewed the U.S. management and implementation of the reconstruction program. PCO/GRD and JCC-I/A welcome and support oversight, and have partnered with auditors to enhance the reconstruction mission.



An Iraqi construction crew builds a project foundation.

Rebuilding Iraq

ll of the Defense Department's (DoD) portion of the IRRF ($13.5 billion out of $18.4 billion) has been obligated and over 70% has been disbursed.

The Iraq reconstruction effort is unprecedented for its size, complexity and risk. Given the magnitude of the program, the high levels of technical, schedule and cost uncertainties, and the need for flexibility to adapt to the changing environment, DoD and federal acquisition experts determined that Indefinite Delivery/ Indefinite Quantity (IDIQ) program management and design/build contracts would be the best vehicle for accomplishing of mission.

DoD Portion of Iraq Relief and Reconstruction Fund

Security & Law Enforcement	[illegible]
Justice, Public Safety Infrastructure, and Civil Society	[illegible]
Electric Sector	[illegible]
Oil Infrastructure	[illegible]
Water Resources and Sanitation	$1,717
Transportation & Telecommunications	[illegible]
Roads, Bridges, and Conveyances	[illegible]
Health Care	[illegible]
Private Sector Development	[illegible]
Education, Refugees, Human Rights, Democracy, and Governance	[illegible]
Total	$13,[illegible]

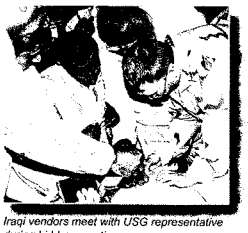
Other US government agencies engaged in the reconstruction of Iraq under the IRRF include: U.S. State Department, U.S. Agency for International Development, U.S. Marine Corps, U.S. Treasury. Sept. 1, 2006

PCO/GRD has sought to maximize the use of Iraqi firms wherever possible to help restore Iraq's political and economic stability. We continue to shift our acquisition strategy as construction continues and Iraqi firms' technical and management capacity stabilizes.

The program management and design/build contractors receive incentives through their award fees for successfully subcontracting to and developing the capacity of Iraqi firms. As of September 2006, these contractors have awarded over 800 subcontracts to U.S. businesses and over 1,100 subcontracts to Iraqi firms (See table on page 16).

Several innovative contracting programs have been adopted to help boost Iraqi employment and involvement in reconstruction. These include the Commanders Humanitarian Relief and Reconstruction Program (CHRRP), the Commander's Emergency Response Program (CERP), the Rapid Contracting Initiative (RCI), and the Accelerated Iraq Reconstruction Program (AIRP).

CHRRP is a $172 million effort which matches Government of Iraq funds with IRRF to quickly rebuild essential water, sewage and other services in Baghdad by using local resources and labor. The program stresses small scale economic development projects that impact the lives of individual Iraqis by creating a more secure environment. CHRRP projects are required to follow federal acquisition rules and contracts are competed on an open basis.



Iraqi vendors meet with USG representative during bidders meeting.

Under CERP, commanders on-the-ground are allocated up to $200,000 to quickly address immediate local humanitarian problems, such as repairing electrical lines or getting clean-water services established quickly. Initially, CERP funds were drawn from Iraqi seized assets, but the program has proved to be so successful that the U.S. Congress appropriated additional funds to continue it. Millions of dollars were spent on 1,000 water and sewer projects to prevent the spread of dysentery, cholera and other diseases and to provide clean water to Iraqi citizens. Bridge, road, and school construction is also funded through CERP.

In May 2004, two engineers developed a contracting strategy which used local Iraqis familiar with the neighborhoods to complete small projects such as running overhead electrical lines. The initiative grew to encompass a total of 250 construction projects employing over 5,000 Iraqis. RCI provides hands-on training to Ministry of Electricity engineers who will need to operate and maintain these projects after their completion.

Under AIRP, contract teams were deployed to ten key cities to define high economic impact projects in the areas of potable water, solid-waste disposal, health and transportation. On-site assistance by these teams greatly accelerated the funding process. The intent of this program was to quickly implement projects that would immediately improve the daily lives

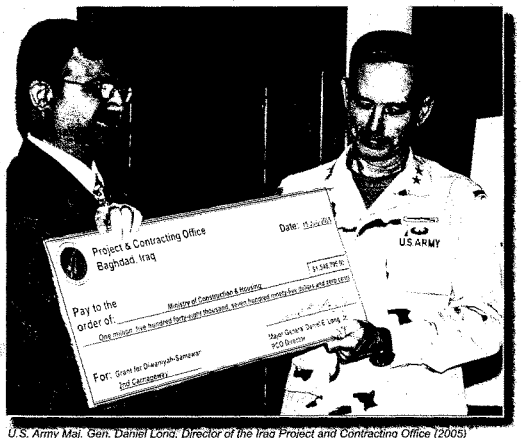
Rebuilding Iraq

of Iraqis, create jobs and provide additional security. Most of the projects were completed by the spring of 2005.

PCO/GRD has successfully implemented another type of partnering effort in which the Iraqi ministry agrees to finance, plan, solicit (through open bidding), select, build and operate various infrastructure projects. PCO/GRD reimburses the ministry when agreed upon benchmarks are achieved. Unlike AIRP and the other contracting strategies that rely heavily on U.S. involvement, these grant agreements depend on ministry staff to bring out indigenous resources to implement the program. No U.S. contractors, managers, or engineers are on-site, other than GRD to inspect the quality of the construction, thus reducing life-support requirements to house and feed U.S. workers and minimizing the opportunity for terrorist's attacks—Iraqi workers have proved to be less of a target than Coalition contractors.

Major General William H. McCoy Jr. (2005-2006), Commanding General, Gulf Region Division and Director, Project and Contracting Office signing a grant agreement in Baghdad.

Grant agreements successfully executed include four bridges and three major roadways. These partnerships boost the local economies, provide valuable experience for Iraqi construction firms, and save the American taxpayer millions of dollars.



U.S. Army Maj. Gen. Daniel Long, Director of the Iraq Project and Contracting Office (2005) and Mr. Jasim M. Jaa'far, the Iraqi Minister of Construction and Housing (MoCH) following the official grant agreement ceremony. The $1,548,795.00 check was the first reimbursement payment under an agreement to partner with the MoCH in undertaking Iraqi infrastructure projects.

The table below describes the level of accomplishment over pre-war levels in each of the vital services.

(as of Sept. 2006)

Infrastructure Sector	What We Found Immediately After the War	Current Progress
Electricity	3,300MW being produced 7,000MW potential Entire distribution system failing. No investments, no maintenance	1,420 MW capacity added Increased power generation benefiting 1.3 million homes Improved Electricity Distribution to approximately 340K Homes Hours of Power: 11 nationwide, 6.3 Baghdad (Aug Average)
Oil	In 2002 – 2.0 Million Barrels Per Day (MBPD) production. No maintenance Facilities aging and inoperative wells	2.5 Million Barrels Per Day (MBPD) production **capacity** (2.2 MBPD current actual production) Liquefied Petroleum Gas (LPG) production capacity of 1,200 Tons per Day
Water & Sewer	Capacity unknown at that time Entire system under maintained or inoperative In Baghdad, no working sewer system – raw sewage dumped in Tigris River	Added 407,000 cubic meters per day of water treatment capacity (benefits an estimated 1.9 million Iraqis) Basrah City sewage treatment project nearing completion.
Health	No new hospitals build in 20 years while population tripled Over half of public health centers were closed for poor maintenance	Six IRRF funded Primary Healthcare Centers (PHC) completed (three of these are open). 66 PHCs are under construction 11 hospitals renovated, serving approx. 5,500 patients/day
Education	Approximately 13,000 schools 10,400 in disrepair	834 schools providing classrooms for 325,000 grade school students
Security & Justice	Police force marginalized by leadership Facilities in disrepair Open borders – no operational border forts	342 police facilities completed 248 new border forts completed, helping to secure some 2000 miles of Iraq's borders
Transportation & Communications	34,586km of paved roads 6103km of village roads No emergency response system	217 km of village roads added Provided emergency response dispatch system (9-1-1 service) covering 12 million Iraqis in 15 cities

Rebuilding Iraq

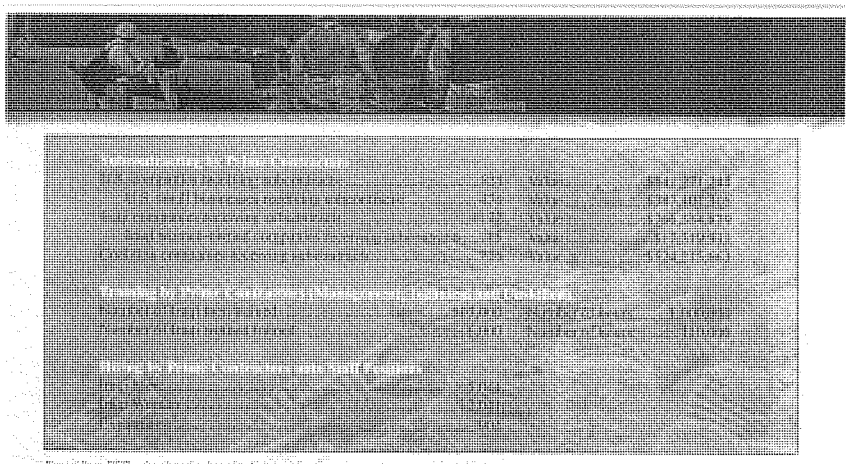
Oil pipelines being extended across the Al Fathah river.

ven prior to the fall of Saddam Hussein in 2003 (Operation Desert Storm, 1991), civilian and Army engineers were on the ground in Kuwait and later in Iraq to take on the engineering challenges the post-conflict environment posed. Various U.S. Army Corps of Engineer (USACE) division and district employees in the U.S. formed task forces which dealt with oil production and electricity generation. Other engineering teams were operating throughout Iraq assessing projects, developing courses of action, and initiating contracts during the early days of reconstruction.

On January 25, 2004, these individual engineering efforts were brought under one command with the formation of the Gulf Region Division (GRD). The command was developed to provide construction management services to the CPA/PMO.

The USACE experience in Kuwait during and following Operation Desert Storm provided valuable lessons learned according to Major General Ronald L. Johnson, Deputy Chief of Engineers and Deputy Commanding General of USACE. The number one lesson was to withstand the temptation to think that the Corps could manage the operations from afar, maybe in a safe haven. This was not the best way to go about setting up a new division that covered the entire Persian Gulf Region. Maj. Gen. Johnson said he wanted to have capabilities to respond where we needed to make a difference, and for him, Iraq was the place to do that.

Both the CPA/PMO and PCO organizations had been tasked with fitting together the various sectors of reconstruction and integrating program management, project controls, quality assurance and quality controls.

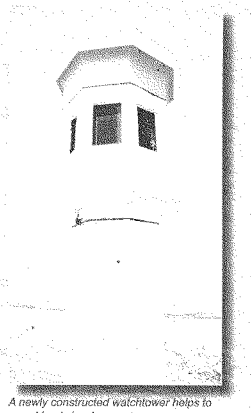


Report from PCO - [illegible]
Report shows prime contractors' success in hiring Iraqi and Coalition firms and recording the number

The USACE staff joined other DoD teams, USAID and contractors in an all out effort to identify priority projects in Iraq.

The first plan called for more than 6,000 projects, but was later reduced to 2,311 projects when the President signed the $18.6 billion supplemental bill for Iraq reconstruction on November 6, 2003. This plan called for DoD to spend about $12.3 billion in construction and another $6.1 billion for training, equipment and other non-construction items.

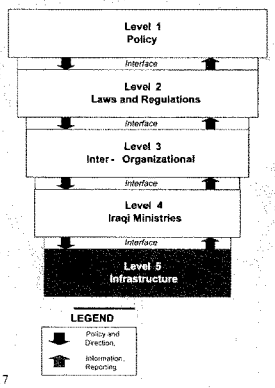
The spending plan was very detailed. For example, the plan included which schools would be renovated and in what order. The total number of projects on the list increased over time as DoD sought additional opportunities for local Iraqi involvement. Once the plan was approved by the Office of Management and Budget, the team conducted an intense effort to develop an integrated Program Management Plan to optimize the various contracts about to be awarded. Under a full and open competition, contracts worth more than $5 billion were awarded in record time. Despite the high dollar value and the speed required to put contractors in Iraq quickly, there was only one protest in hundreds of bids for those first contracts awarded.



A newly constructed watchtower helps to guard Iraq's borders.

Rebuilding Iraq

apacity Development (CD) strengthens the human and institutional capabilities to support a society in its development of a more secure and sustainable economy, government, and infrastructure. This process is a critical component of the overall infrastructure reconstruction mission; therefore, CD requirements were passed down to the various contractors for implementation. The CD process is defined by five distinct levels laid out in the *Iraq Capacity Development PCO Management and Interface Plan* (CD Plan), as shown in the figure below.



17

These levels range from the development of policy and regulations to training individuals at facilities on how to operate and maintain new pieces of equipment. In order for reconstruction in Iraq to be successful, CD must occur at all five levels concurrently. This requires a great deal of coordination between all parties involved including U.S. Government organizations, contractors, and the Iraqi Government.

PCO/GRD's primary CD role is at Level 5, facilitating conditions for the successful and sustainable handover of completed facilities, systems, and equipment to the Iraqis. The simple objective was to make sure the Iraqis were trained and able to operate and maintain these systems over the long-term. PCO/GRD and its contractors successfully completed their role at Level 5 through a number of activities including:

- Formal classroom training sessions and daily on-the-job training sessions, with specialized training sessions held in locations outside Iraq, when appropriate;
- Regular meetings with facility and ministry staff concerning ongoing work and planning;
- Provision of a number of deliverables such as operations and maintenance manuals, preventive maintenance manuals, spare parts lists , and illustrated parts guides translated into Arabic; and
- Operational testing and commissioning.

PCO/GRD also conducted some activities at Level 4 by training ministry staff in new business and administration systems necessary for plant operations. For example, through the Capacity Development Initiative, PCO/GRD and its contractor provided more than 7,000 instructional hours to over

Greetings,

The most important event happened when a new light shined down on our beloved country when the last regime fell.

I am Petro, born in Baghdad 1960. My first graduation was in 1981, School Of Technical Education. I started my work life as a teacher, In 1989, I started a new book store. I use to import goods so I had to go abroad attending many fairs. My second graduation was in 1999, Baghdad University/ English Department. After graduation in 1999, I opened an institute for teaching languages and computers.

Recently, I established a company for general trading construction. I have started this company but couldn't get any contracts for many reasons; one of them is we as women are use to facing a very big problem competition with men. Our opportunities for doing business were very little.

One day, my best friend informed me about the PCO and their Women's Issues Coordinator who will help us. I can say that our work has flourished. Her women's conferences made me acquainted with many women and companies. The first conference we were only 10 or 12 women. In that conference I got two benefits: first I was acquainted with one of the members of the Corps of Engineers who help me to learn many things about their website and how to submit my offer to them and how to win the bids. Second I got to know a very nice and good lady who is the boss of The Professional Women Association. She invited me to participate with her association. This field was very new for me but I got a lot of knowledge from it.

Through the women's conferences, we learned how to deal with the bids and the way we can contact the companies, also our company's data was published for all American companies.

Petro
General Manager

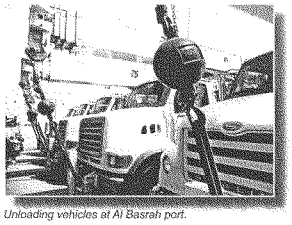
7,000 instructional hours to over 300 Iraqi Ministry personnel in the areas of operation and maintenance, planning and budgeting, finance and administration, project management, water quality, baseline assessments, mini-master planning, and communications and public awareness. Other U.S. organizations, such as the DoS/IRMO and USAID, have the primary role for implementing CD activities at Levels 1, 2, 3, and 4.

PCO/GRD and its contractors worked hard to integrate Iraqi women and women-owned businesses into the reconstruction process. A series of conferences were held to assist Iraqi women-owned businesses to better understand the bidding process and to network with other women-owned businesses. In one sector alone, these conferences served as forums to train 250 Iraqi women-owned businesses that led to more than 100 contracts being awarded for substantial construction-related work.

Rebuilding Iraq

After the fall of Baghdad in April 2003, U.S. engineers were able to examine Iraq's only deep water ports at Umm Qasr and Khor Al Zubayr. They found the channel partially blocked by 19 ships submerged or partially submerged from previous wars, the docks littered with 30-year old cranes and broken equipment, warehouses unsecured and decrepit, and no electrical service.

Al Basrah Oil Terminal (ABOT).



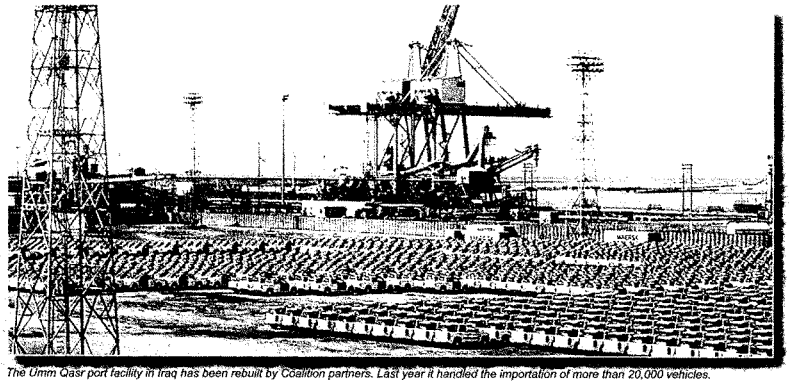
Unloading vehicles at Al Basrah port.

PMO and USAID were tasked with preparing the ports to receive oceangoing freighters and tankers, reconnect the port to the power grid, provide secure warehouses and logistics facilities at Basrah and Baghdad airports, establish a central warehouse at Abu Ghraib, and coordinate a customs clearance process for exempt goods entering the country—all while terrorist attacks increased.

Through an ongoing and coordinated effort with USAID, PMO, and the United Nations Development Program, Iraqi funds were used to dredge the port, remove the partially sunken ships, and refurbish the cargo handling facilities.

When the rapid establishment of Iraqi security forces became the highest priority, PCO/GRD's logistics team was asked by the Multinational Security Transition Command-Iraq (MNSTC-I) to assist them by receiving and transporting police cars, trucks, protective hardware, and other items required. PCO/GRD quickly expanded its facilities to accommodate the added cargo. MNSTC-I now receives more than 75% of the goods they order through the PCO/GRD's logistics facility for delivery to police and military forces across Iraq.

From the warehouse complexes at the airports and other storage locations, cargo that includes everything but construction material and military hardware is transported by truck convoys and trains manned by contractors and protected by non-military, mostly Iraqi, security forces. About eight



The Umm Qasr port facility in Iraq has been rebuilt by Coalition partners. Last year it handled the importation of more than 20,000 vehicles.

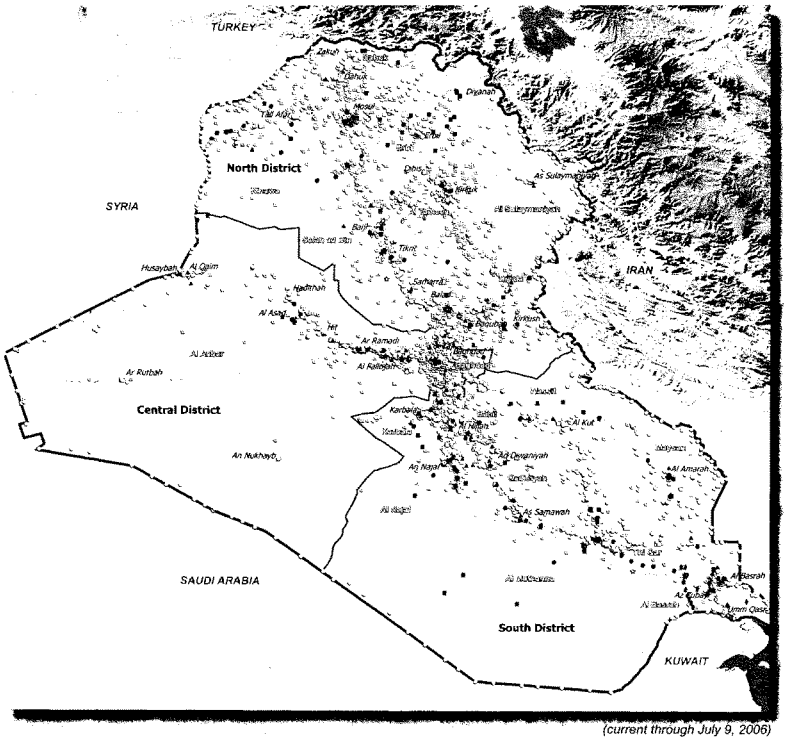
convoys a day averaging eight trucks move across Iraq. Convoys are monitored by tracking devices attached to the trucks. Through real-time transponders, signals are simultaneously monitored by the U.S. military and the PCO/GRD's Logistics Movement Coordination Center (LMCC). When a convoy is attacked, its location is immediately known and quick reaction forces can respond while medical evacuation units are notified if there are injuries.

In 2005, the cargo volume handled by PCO/GRD's port contractors exceeded $3.2 billion worth of goods and is expected to increase by $300 million in 2006. In addition to reconstructing various warehouses, the LMCC developed movement accountability databases for millions of tons of cargo.

Despite the neglected logistics infrastructure, PCO/GRD has been able to establish a consistent flow of non-construction goods, security hardware, and life-support commodities; provide accountability for goods purchased through multiple funding streams; track goods entering Iraq; and employ, train and mentor Iraqis in all functions of running a national logistics operation. All of this is being accomplished with a staff of eight to fourteen people.

A truck convoy prepares to move reconstruction cargo.

his map represents over 11,000 Iraq construction and renewal projects from various DoD civilian and military programs. Completed projects are represented in green, ongoing in yellow and planned in red. The programs represented include the Iraq Relief and Reconstruction Fund, Marine Corps' Construction Program, Operation and Maintenance Account, Commanders Emergency Response Program, and the Accelerated Iraq Reconstruction Program. The map indicates projects in the Facilities and Transportation, Electricity, Oil, and Water sectors.



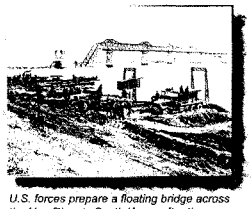
(current through July 9, 2006)

cont'd from pg.1

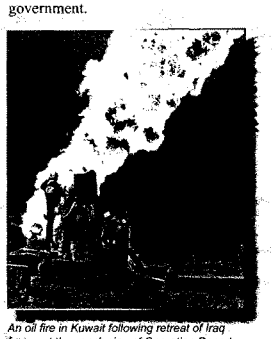
deadly terrorism campaign against aid workers, German collaborators, and occupation troops.

During this three-year war, Korea witnessed devastation on a massive scale as armies advanced and fought across the same area several times. A million Koreans died in the war. Additionally, a third of Korea's homes, schools, buildings, roads and infrastructure was severely damaged. The U.S. Army was the lead agency for the reconstruction programs. Once reconstruction began, South Korea experienced widespread recovery in a short period of time.

Fleeing Iraq forces destroyed oil wells or set them ablaze—turning Kuwait into an environmental catastrophe. The desperate troops destroyed all buildings, roads, and structures, setting traps and leaving mines. America provided contracting and engineering expertise to the Kuwait reconstruction effort and quickly procured and oversaw contracting and project management work. All costs, including U.S. government time and participation, were paid by the Kuwait government.



U.S. forces prepare a floating bridge across the Han River in South Korea after the conflict there.



An oil fire in Kuwait following retreat of Iraq forces at the conclusion of Operation Desert Storm 1991.

U.S. Soldiers stringing powerlines in postwar Japan.

Rebuilding Iraq

2003

2004

May 11-17, 2003	Nov. 6, 2003	[illegible]	[illegible]	[illegible]
President Bush appointed L. Paul Bremer III to be the new top civilian administrator of reconstruction in Iraq. Bremer was ambassador at- large for counterterrorism during the Reagan Administration Coalition Provisional Authority established under Ambassador Bremer's signature. (CPA regulation #1).	Congress passed PL 108-108, which was an emergency supplemental appropriations act for the Department of Defense and for the Reconstruction of Iraq and Afghanistan. This law provided $18.4 billion and was entitled the Relief and Reconstruction Fund (also known as IRRF2, because of the earlier appropriation in 2003.)	PMO issued thousands of Request(s) for Proposal (RFP) for contracts.	PMO's Program Management Plan approved and distributed.	President Bush orders the establishment of the Project and Contracting Office (PCO) with National Security Presidential Directive #36. It also directs the termination of Coalition Provisional Authority on June 30, 2004. This directive also created the Iraq Reconstruction Management Office (IRMO) a temporary organization in the State Department and under the Chief of Mission's authority.

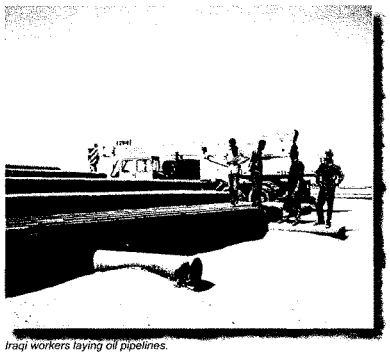
2005

[illegible]	Oct. 27, 2005	[illegible]	[illegible]	Oct. 15, 2005	[illegible]
The Coalition Provisional Authority disbanded and sovereignty was transferred to a new Iraqi government. Project Management Office (PMO) dissolved; Project and Contracting Office (PCO) established with same function and staff.	Secretary of the Army, Francis J. Harvey, delegated oversight and authority of the PCO to Mr. Claude M. Bolton Jr. serving as Assistant Secretary of the Army (Acquisition, Logistics and Technology).	Maj. Gen. Daniel Long Jr. assumed duties as Director of PCO from Mr. Charles Hess. Maj. Gen. Long had been serving as deputy director.	The first rail service since the end of the Hussein regime began today with a train from Basrah to Baghdad and stops along the way.	Nationwide referendum on the Iraq Constitution is held with huge voter turn out.	PCO announced reaching a milestone of 3,000 project starts, and 2,000 completions during the week of 24-30 November 2005

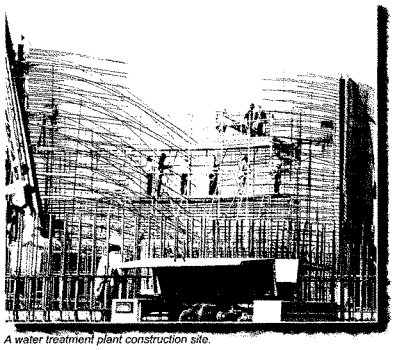
23

2006

[illegible]	[illegible]	[illegible]	[illegible]
The PCO and the US Army Corps of Engineers' Gulf Region Division (GRD) combined into one office or organization, now under GRD's leadership.	The Iraq government held its first permanent elections for parliament	GRD/PCO Logistics' convoys reached a milestone of more than 500 convoys in March. Monthly averages had been increasing. Attacks on convoys remain a serious issue, averaging appx. 5% each month.	Obligated nearly 100% of reconstruction project funds from Iraq Relief and Reconstruction Fund.



Iraqi workers laying oil pipelines.



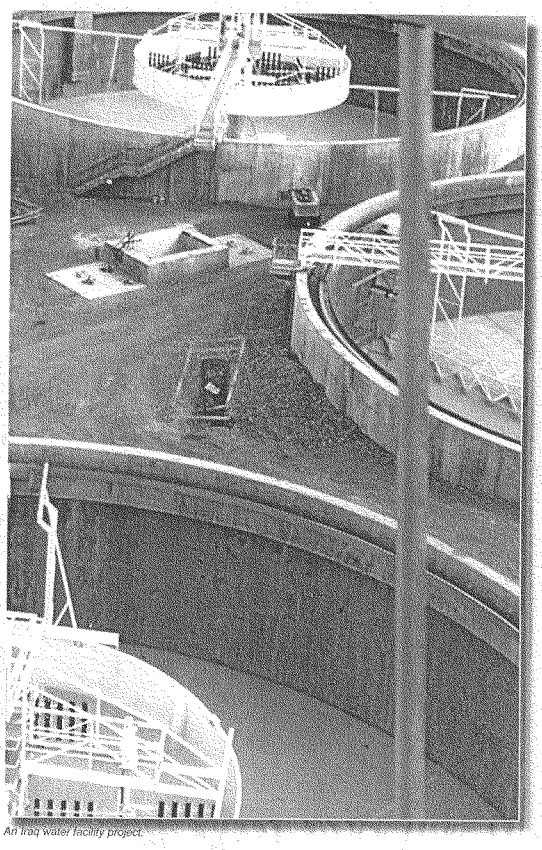
A water treatment plant construction site.

Rebuilding Iraq

hree years ago, the U.S. Army team was asked to provide contracting and program management services to complete a large portion of the Iraq reconstruction program using the Iraq Relief and Reconstruction Funds made available by the U.S. Congress.

In fulfilling that mission, we have encountered numerous challenges and learned valuable lessons requiring agile adjustments to the reconstruction approach in a very dynamic environment.

A great deal of work remains to be done and responsibility for that work now falls to the Iraqis and to other bilateral and multilateral donors. Many basic services and systems have been restored and a solid foundation exists on which these services and systems can be expanded to levels beyond which the Iraqi people have ever experienced.



An Iraq water facility project.

2003-2004	RADM David J. Nash, P.E. (Ret)
2004-2005	Charles M. Hess, P.E., SES
2005-2005	MG Daniel E. Long, Jr.
2005-2005	Hugh M. Exton, Jr., P.E., SES
2005-2006	MG William H. McCoy, Jr. (1)

2003-2004	MG Ronald L. Johnson (2)
2004 -2005	MG Thomas P. Bostick, P.E.
2005-2006	MG William H. McCoy, Jr. (1)

(1) Dual-hatted as CG, Gulf Region Division and Director PCO-Iraq
(2) Dual-hatted as Deputy PCO-Iraq

2005-2006	MG John M. Urias (Ret)
2006-Present	MG Darryl A. Scott

2004-2007	Dean G. Popps

2004-2007	James M. Crum, P.E., SES

2005-Present	Lee Thompson

Multinational Forces – Iraq (MNF-I) www.mnf-iraq.com
Multinational Security Transitional Command – Iraq (MNSTC-I)
www.mnstci.iraq.centcom.mil/

UN International Reconstruction Fund Facility for Irag www.irffi.org/
UK Department for International Development (DFID) www.dfid.gov.uk/
Japan International Cooperation Agency (JICA) www.jica.go.jp/english/

U.S. Department of Defense www.defendamerica.mil/
Defense Reconstruction Support Office (DRSO)
U.S. Department of the Army www.army.mil/
U.S. Army Corps of Engineers (USACE) www.usace.army.mil/
Gulf Region Division (GRD) www.grd.usace.army.mil/
U.S. Department of State www.state.gov/p/nea/ci/c3212.htm
Iraq Reconstruction Management Office (IRMO)
U.S. Department of Treasury www.ustreas.gov/
U.S. Department of Commerce www.export.gov/iraq
U.S. Department of Justice www.usdoj.gov/
Project and Contracting Office (PCO) www.grd.usace.army.mil/
Joint Contracting Command – Iraq/Afghanistan (JCC-IA) www.rebuilding-iraq.net
Defense Contract Management Agency (DCMA) www.dcma.mil/
Air Force Center for Environmental Excellence (AFCEE) www.afcee.brooks.af.mil/
U.S. Agency for International Development (USAID) www.usaid.gov/iraq/

Government Accountability Office (GAO) www.gao.gov/
Defense Contracting Audit Agency (DCAA) www.dcaa.mil/
Coalition Provisional Authority Inspector General
Department of Defense Inspector General (DoD IG) http://www.hqda.army.mil/aaaweb/
U.S. Army Audit Agency (AAA) http://www.hqda.army.mil/aaaweb/
Special Inspector General for Iraq Reconstruction (SIGIR) http://www.sigir.mil/

An Iraqi construction worker receives a birdseye view of an administration building project.

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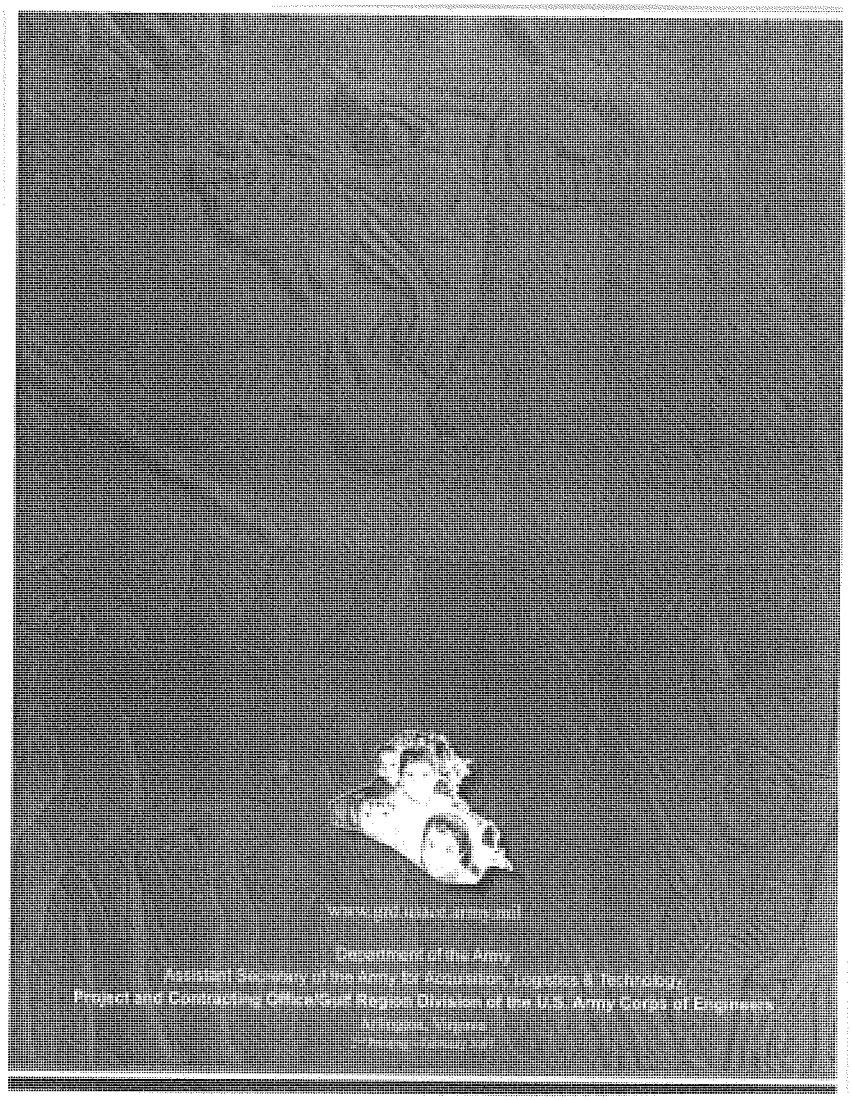

Department of the Army
Assistant Secretary of the Army for Acquisition, Logistics & Technology
Program and Contracting Office, Gulf Region Division of the U.S. Army Corps of Engineers

STATEMENT OF MARK S. WARD
SENIOR DEPUTY ASSISTANT ADMINISTRATOR
FOR ASIA AND THE NEAR EAST
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
BEFORE THE UNITED STATES SENATE
COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS

MARCH 22, 2007

Mr. Chairman, Ranking Member Collins, thank you for the opportunity to discuss this very important topic with your committee – improving procurement and program management for reconstruction programs in Iraq and Afghanistan.

It is understandable that this Committee is focused on the USG's programs in Iraq and Afghanistan. There have been undeniable problems in both countries, from which we have learned much, and there remain formidable impediments. USAID stands ready to help this Committee address these problems in a manner that best advances our overall reconstruction goals.

It is also important to sensitize this Committee to the unique challenges of procurement and program management in conflict situations, which are exceedingly complex, and to draw your attention to some particular issues that stand in inherent tension. USAID must balance a number of important concerns in the procurement process: the imperative that USG procurement follow a realistic, comprehensive plan involving multiple partners; that it also be flexible in order to adjust to a rapidly evolving country environment; that it be as expeditious as possible; and that it ensure rigorous accountability for work done by grantees and contractors, down to level of scores of sub-contractors. There is no simple formula that can effectively balance these often times competing needs. Privileging one of these imperatives over another by rigid formulas may jeopardize the overall operation.

USAID's operations in Iraq and Afghanistan were, and are, of unprecedented scope and complexity. Despite the inherent difficulties just

mentioned and the fact that our work is taking place during active hostilities and an on-going insurgency, much has been accomplished.

In Iraq, through its overall program since 2003, USAID has added 1,292 megawatts of electric generating capacity to Iraq's power grid, serving over 7 million Iraqis. USAID's repairs and refurbishment of several major water and wastewater treatment plants have provided over 3.1 million more Iraqis access to potable drinking water and expanded sewage treatment to serve 5.1 million Iraqis. USAID's rural water program has installed over 70 small water treatment systems in rural communities of less than 5,000 people throughout Iraq. The rural water projects helped supply clean water to over 400,000 villagers each day. USAID's infrastructure improvements helped restore commercial operations at Baghdad International Airport and allowed passenger and cargo vessels to re-enter Umm Qasr sea port, Iraq's major trade port.

USAID, as a strategic player in the President's New Way Forward, has transitioned its assistance strategy. We are no longer working on large scale infrastructure, and are now more focused on building Iraqi capacity. Our programs—from the locally driven Community Action Program to the ministerial level National Capacity Development Program—are aimed at working from community through all governmental levels to ensure that Iraq enjoys a sustainable, prosperous and democratic future.

USAID has been, and continues to be, committed to ensuring that the resources Congress has provided are managed effectively and transparently. Ensuring that these funds are utilized in such a manner only strengthens their impact and improves the chances for success in Iraq. Accountability for Iraq funds is fortified by the right mix of experience and teamwork between our field mission in Baghdad and office in Washington. Experienced controllers, contracting officers, and Inspector General staff have been in Iraq since 2003 to help ensure program accountability.

Accountability starts with a fair and open procurement process. A recent GAO report entitled *Status of Competition for Iraq Reconstruction Contracts* stated that "based on complete data for [October 1, 2003 through March 31, 2006] we found that USAID competitively awarded contract actions for 99 percent of its obligations." In other words, USAID competitively awarded $2.25 billion of the approximately $2.27 billion in IRRF II we obligated. We are extremely proud of this fact.

I want to assure you that USAID is taking every measure it can to ensure that U.S. Government resources and are used effectively and transparently. The successes that have been achieved to date in Iraq are the tangible results of these efforts.

The results in Afghanistan, starting from a much lower baseline, are even more impressive. Six years ago, when the Taliban ruled large parts of Afghanistan, fewer than a million children were in school. Today, according to Ministry of Education's latest figures, almost 6 million children attend school daily. Six years ago, it was estimated that less than ten percent of the people had access to health care of any kind. Today, the Ministry of Public Health estimates that number at eighty percent. Before, fewer than 50 kms of paved roads were usable. Today, through the efforts of the international community, more than 6,000 kms of paved, gravel and cobblestone roads crisscross the country; the USG's contribution to the total is over 4,200 kilometers.

The Kabul to Kandahar Road was a priority development project in Afghanistan because it was key to knitting together this fractionalized country and stimulating economic growth. It is one major factor for the growth of the licit economy at a record pace, averaging 12% growth over the past few years, and exceeding growth in the illicit economy. The US-built portion of the Kandahar to Herat Road, which opened late last year, will also spur economic development in western Afghanistan.

Six years ago, there was no government in place. Today there is a democratically elected President and Parliament. Voter turnout for the Presidential elections in 2004 was 67% and 50% for parliamentary elections in 2005 – a very notable achievement.

There is a long way to go—putting down the insurgency in the South and Southeast, stopping the spread of poppy cultivation, "growing" the private sector to create the jobs that can sustain the country and bring hope and opportunity to its people. Still, there is a lot to be proud of to date in both countries.

As this committee may or may not know, USAID is a much smaller agency today, while the kind of local development projects USAID undertakes have not changed dramatically in the past fifty years. The Agency is still involved in bringing basic education and health care to communities, providing clean

drinking water, building local infrastructure, and training government officials to govern more effectively and in more transparent and accountable ways.

However, the way the Agency works has changed a lot. In the past, one would have seen Foreign Service Officers working in villages on various projects around the world. Today, we have similar projects, but US and local contractors and grantees are carrying out the work. And, it should be noted, it is not only USAID that implements its reconstruction programs by hiring contractors; the same holds true for the Army Corps of Engineers. Moreover, in dangerous environments like Iraq or Afghanistan or Pakistan, there may be only occasional visits by those USAID officers. This is because of security concerns that come into play upon leaving the relative safety of the Capital and the American Embassy.

The simple reality of the post-9/11 world is that the operating environments, like Iraq or Afghanistan or Pakistan, for reconstruction are significantly more dangerous. As a result, we have had to find alternative means for project management and oversight. This is not the preference of USAID officers in the field who list as one of their greatest frustrations their inability to get out and monitor their projects more frequently.

USAID's contractors and grantees, and the people who work for them, take on tremendous challenges and assume great risks. Many have been killed or injured in fulfilling the noble and urgent tasks that have been asked of them in Iraq and Afghanistan.

We recognize that there are two principal criticisms of USAID procurement practices. One is that a small group of USAID contractors and grantees continue to win the "lion's share" of the contracts and grants – and that our procurements are so large that smaller firms and NGOs cannot compete. We appreciate this concern, and USAID will continue efforts to increase the pool of firms that bid on our work. However, I would like to share with you the rationale behind the design of such large procurements. In conflict situations and in natural disasters, the Agency must move quickly and with as much flexibility as possible into dangerous environments. Speed is of the essence - the "hearts and minds" of local communities are in the balance and there is a narrow window of opportunity to deliver tangible results to a population on the benefits that can accrue from stability.

Iraq is a good case in point. Even before US and British troops entered Iraq in March 2003, USAID was actively developing a reconstruction program to be implemented immediately upon cessation of hostilities. USAID used what assessment tools it had at its disposal and consulted with as many experts on Iraq. We relied on 40 years of development experience including the Balkans and Afghanistan. As you are aware, the data from the Saddam era was grossly inaccurate and we discovered a situation on the ground far more complex than what the data indicated. So USAID made the most prudent assessment of needs and costs, and how USAID could best meet them, with the information at hand. But the reality of these kinds of environments is that adjustments will need to be made.

In such circumstances, waiting for hostilities to subside, then waiting for more detailed assessments and cost estimates before announcing procurements was not an option. This would have required a year or more before the US could begin launching the reconstruction projects on which the pacification of the country and its development depended.

The need for flexibility required designing a contract that would allow the Agency to assign a range of task orders as needs evolved and were identified. And this, to be perfectly clear, meant a large contract that demanded skills in many skill areas – building sewage systems for entire cities, rehabilitating power plants, building new and repairing old water treatment facilities, dredging deep water ports, restoring a national fiber optics network, and bringing two international airports up to internationally acceptable standards, and over time, having to implement these projects in a declining security environment. A program of this nature and scale is challenging to the best of small firms. However, on our Infrastructure II contract, we did a full and open procurement process. All companies were offered the opportunity to bid and, in the case of small firms, the opportunity to form consortia to bid.

By contrast, Afghanistan provides a good example of pitfalls that can occur when program needs are not anticipated and ultimately fall outside the umbrella of existing contracts and grants.

In Afghanistan, USAID anticipated the need for a large road construction contractor, but did not plan for other large scale infrastructure. When the USG and the Government of Afghanistan decided that construction of schools and clinics throughout every district of the country was also an

urgent priority, there was no time to launch a new procurement for this previously unanticipated work. As a result, the road construction contract was amended to add construction of hundreds of schools and clinics as well. As it turned out, while working to complete the road, the contractor fell behind on construction of the schools and clinics and the Agency ended up having to give most of that work to several NGOs.

The Committee may decide in this instance whether USAID is to be criticized for the shortfalls in its original relatively narrow contract for road construction alone, or praised for having the flexibility to correct it when the contractor fell behind.

But the Committee should know that the firm's road construction was first rate and has contributed enormously to economic growth in the country. The Kabul to Kandahar and Kandahar to Herat Roads were mentioned earlier. And despite the delays, the Agency has now finished all of the schools and clinics that it undertook to build, with access to education and healthcare among our most signal achievements to date.

The procurement and program management travails in Iraq and Afghanistan are a cautionary tale to those who would want to hamstring the Agency in ways that may result in a slower, better planned procurement process, but at the expense of flexibility and expeditiousness. It is questionable whether the Committee would want to require USAID to follow normal procurement design procedures in abnormal situations, such as conflict or humanitarian emergencies. That is, unless we want to cede our position as the world's leader in responding to conflict situations and natural disasters – a position that I think the Congress and the American people expect us to take. To be sure, the Agency could do it differently and follow the way of many other donors. But it is important that the Committee be aware of the costs of that approach in terms of US leadership in reconstruction efforts around the world and its ability to respond to pressing human needs. We must also continue to bear in mind that many firms are just not interested in working in challenging environments, such as Iraq and Afghanistan. This limits the pool of firms that are willing to bid on contracts in these countries, regardless of the type of competition.

What is being said here should not be misinterpreted. The argument is not that nothing should change about the way goods and services are procured in

conflict and natural disasters. There is clearly room for a different approach once the initial reconstruction effort is underway.

The time to assess emerging, previously unanticipated needs, cost them out, and then seek out smaller contractors and grantees for those jobs can occur after the initial broad scope contracts have been awarded and the work is proceeding. This is the way the Agency has proceeded in Iraq and Afghanistan with success. For example, smaller implementers are involved in the building of district, provincial and cobblestone roads in Afghanistan, as well as courthouse and district centers. In certain sectors, like large scale infrastructure, it may be unrealistic to expect more defined contracts because of continued uncertainties in areas where fighting continues. Even today, it's hard to get in to Kandahar and Helmand Provinces in Afghanistan to do careful engineers' estimates of the costs of roads and other infrastructure. Nevertheless, engineers from a large infrastructure contract are standing by and will be deployed when the opportunity arises.

More can be done to open up procurement and USAID will continue to do so as appropriate, particularly in the second common and valid criticism of USAID, i.e. in providing opportunities to local firms..

We should not lose sight of why the USG is present in developing countries in the first place. Building capacity in Iraq and Afghanistan is difficult, and it is a valid concern that by using US firms, we risk inhibiting capacity building of local firms to do for them what they must eventually learn to do for themselves. However, at this time, the basic levels of capacity are not there. Additionally, in nations such as Iraq and Afghanistan, in which USAID's activities represent a significant amount of US national interest, there is a sense of urgency that is coupled with a high demand for accountability to keep funds from going to terrorist organizations. These factors have limited our ability to contract directly with local firms.

US-based firms have always been higher priced, relative to local firms. But they are much more expensive today, in conflict areas like Iraq and Afghanistan. This is because of the need to hire additional security, which currently amounts to an average of 15-25% more for comparable work in other countries.

Extra costs for US or foreign firms at the beginning of a reconstruction effort can be defended, when it is clear that local firms do not yet have the capacity

to do the work to acceptable standards. But at some point, several years into the campaign, a shift should be seriously considered, when the extra costs associated with US firms in conflict situations – for their higher salaries, for the extra security – outweigh the benefits from engaging local firms. At some point, sticking with US firms too long becomes counterproductive to our development goals. However, it should be understood by all that building capacity takes time, and using local firms increases completion time.

We are already using many local firms in Iraq; arguably in Afghanistan, the basic levels of capacity are still not there. But we need to keep looking for projects that local firms can handle, and encourage them to bid.

Ambassador Tobias, Director of Foreign Assistance and Administrator of USAID said it very well and very succinctly when he said "it's about them, not about us." Unfortunately, this kind of long term capacity building often gets pushed down the list of priorities because it takes time and increases risks. As a result, there is room for improvement to build the capacity of local firms to take on a greater share of the work. Again, USAID must balance this need with the other concerns that I mentioned earlier in my testimony – speed, flexibility, and financial accountability.

Finally, to make contracting more effective, the USG needs additional funding in so-called contingency accounts, so that we can move quickly in response to unforeseen circumstances and needs, rather than waiting for supplemental funding or reprogramming from other priorities.

The Chair and Ranking Member have voiced particular concern about the new infrastructure contract USAID recently awarded in Afghanistan after full and open competition.

Infrastructure of all kinds – roads, power, water and vertical structures – continues to be one of President Karzai's biggest priorities for the US in Afghanistan.

The large construction contract described earlier came to a close last year, when the contractor finished the last schools and clinics and the US portion of the highway between Kandahar and Herat. Given the continued insurgency in Afghanistan, USAID decided that an even larger infrastructure contract – to cover all foreseeable needs – was still appropriate for the next few years. The Agency did not want to get caught, as it did when the need

for schools and clinics arose, without a mechanism to respond. So it designed a large, multi-sector, infrastructure contract for full and open competition.

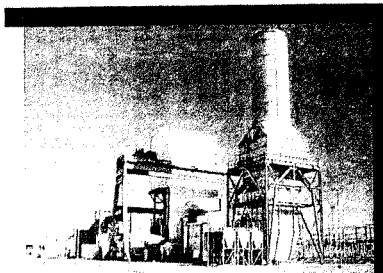
Five firms competed for the contract and the firm that won the original road construction contract was part of the joint venture firm selected. Some have argued that the firm's delay on the schools and clinics should have precluded it from winning the new contract. While past performance was considered, and failure to complete the schools and clinics on time was noted in the evaluation process, the firm's record of success with road construction, strong relationships with other construction companies who could work as subcontractors, the fact that the firm was already mobilized in Afghanistan, and the strong record of the other joint venture partner in the power sector outweighed the negatives.

There is definitely room for improvement in the way USAID procures goods and services and manages programs in conflict and emergency situations, where speed and flexibility are paramount. USAID stands ready to help this committee craft reforms that can make its reconstruction efforts more effective, while retaining the essential need for responsiveness.

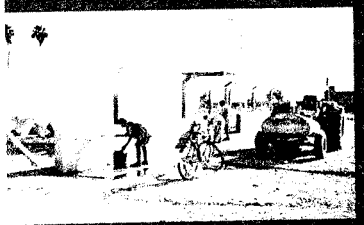
Mr. Chairman, thank you for allowing me this opportunity to share USAID's perspective on managing our programs in Iraq and Afghanistan. I am honored to join colleagues from State, SIGIR and the USACE in discussing reconstruction in these two countries. I look forward to continuing to coordinate with each of them as we implement the interagency effort. And I look forward to your questions as well.

USAID | IRAQ
FROM THE AMERICAN PEOPLE

INFRASTRUCTURE



This power generator in Kirkuk is capable of producing up to 260MW of power



One of the 70 small water treatment systems built for rural communities in Iraq

Transportation/Communications/Buildings

- Rehabilitated Baghdad International Airport, Port of Umm Qasr, and constructed railroad track and built priority bridges
- Restored/built telecommunications and fiber optic networks
- Improved/built 1,237 school buildings

Water/Sewer

- Rehabilitated 19 major water treatment plants providing potable water for 3.1 million people
- Refurbished 10 sewage treatment plants serving 5.1 million people
- Installed 70 small water treatment systems in rural communities throughout Iraq, providing clean water to almost 500,000 villagers each day

Power

1,292 MW added/restored to the grid

USAID | IRAQ
FROM THE AMERICAN PEOPLE

ASSISTING LOCAL COMMUNITIES

Before: a major public market in Kirkuk had grown unsanitary due to the deterioration of infrastructure (above). After: the market is now a paved and clean center for commerce (below).

Community Action Program (CAP)

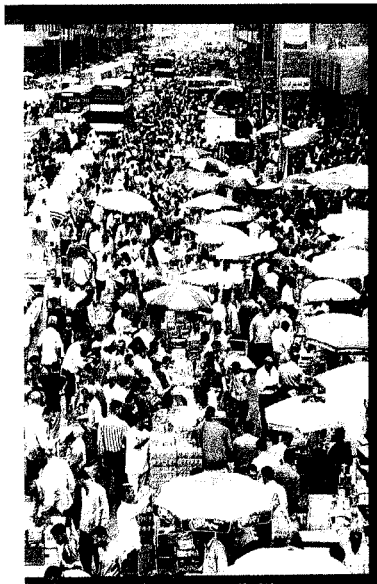
- Over $71 million for 6,000 CAP projects; Iraqi communities have contributed more than $74 million.
- 1,457 Community Action Groups have been mobilized in all 18 governorates.
- Created more than 2.7 million days of employment and 34,000 long-term jobs (43 percent of these jobs have gone to women).

Community Stabilization Program (CSP)

CSP fosters more productive and peaceful communities (focusing on men age 17-24) through five programs: Public Works, Vocational Training & Apprenticeship, Micro-Small-Medium (MSME) Enterprise Development, Business Training, and Youth & Life Skills Training.

USAID | IRAQ
FROM THE AMERICAN PEOPLE

SUPPORTING ECONOMIC GROWTH



Economic growth activities range from supporting small businesses – like these vendors – to supporting macroeconomic reforms.

Private Sector Development

- Created microfinance lending in 15 of 18 governorates. Loan portfolios consist of over 17,000 loans totaling over $18.5 million
- Established WTO Unit, Investment Promotion Agency, Trade Information Center, Loan Guarantee Corporation

Economic Governance

- Captured 100 percent of GOI budget in FMIS
- Assisted in securing IMF Stand-By Arrangement
- Expanded Social Safety Net to cover 23 percent of Iraqis
- Strengthening capacity of Ministries and Central Bank
- Helping GOI formalize budget processes and fiscal decentralizatio

Agriculture Rehabilitation

- Rehabilitated 321,000 acres of irrigation systems
- Rehabilitated 66 veterinary clinics serving almost five million animals and 130,000 animal breeders.
- Reflooded 50km² of marshlands
- Repaired over 2,000 tractors to return to use for agricultural production

USAID | IRAQ
FROM THE AMERICAN PEOPLE

STRENGTHENING DEMOCRACY

Over $165 million provided to strengthen the political processes in Iraq and to ensure the long term sustainability of the national elections process.

National Governance

- Provided technical assistance in all three national elections
- Hosted over 10,000 education sessions for 326,000 voters
- Distributed 1.35 million election education pamphlets on the Constitution in Arabic and Kurdish
- Supported Independent Elections Commission
- Trained and deployed 32,000 election monitors

Local Governance

- Activities in all 18 provinces
- Assist Iraqis establish local government institutions
- Sponsor thousands of training events

National Capacity Development Program (Tatweer)

New program bolsters the capacity of mid- and senior-level management in the Iraqi Ministries of Planning and Development Cooperation, Finance, Oil, Electricity, Municipalities and Public Works, Water Resources, Health, Education, Justice and Agriculture.

USAID | AFGHANISTAN ROAD RECONSTRUCTION

FROM THE AMERICAN PEOPLE

Constructed over 2,500km of roads; in 2002, only 50kms of roads were paved

Infrastructure Program

715km of the Ring Road

- Kabul-Kandahar highway (389 km)
- Kandahar-Herat highway (326 km)

Over 800km of secondary roads

- 730km paved
- 73km district roads improved

Alternative Livelihoods Program

- 485km of rural cobblestone and gravel roads

Agriculture Development Program

- 589km of rural roads improved

75% of employees working on these projects are Afghans gaining valuable experience.

USAID | AFGHANISTAN
FROM THE AMERICAN PEOPLE

ECONOMIC GROWTH

Building capacity in Afghanistan

The licit economy is growing at a record pace, averaging 12% growth over the past few years.

Fiscal Reform

- Introduced a new currency in January 2003; currency remains stable
- Helped start up a central bank that holds more than $2.5 billion in reserve
- Helped establish 15 new private banks
- Increased customs revenue; equals half of government-collected revenues.

Land Titling

6 million (90%) existing land records organized for easy access in 22 regional court registries

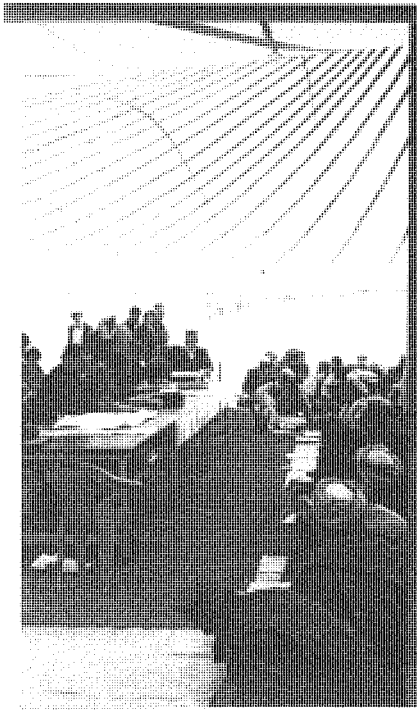
Industrial Parks Development

Established 3 Industrial Parks.

- More then 10,000 men and women will be employed at the 3 sites

USAID | AFGHANISTAN DEMOCRACY & GOVERNANCE

FROM THE AMERICAN PEOPLE



Successful Presidential Elections in 2004 and Parliamentary Elections in 2005

Built 40 court houses and justice facilities in 18 provinces.

Provided $3 million in small grants to over 200 Afghan NGOs to build civil society.

Supported the capacity of Afghan NGOs to promote community development and advocate for the rights of women and other disenfranchised groups.

Built a network of 33 independent, community based radio stations throughout the country.

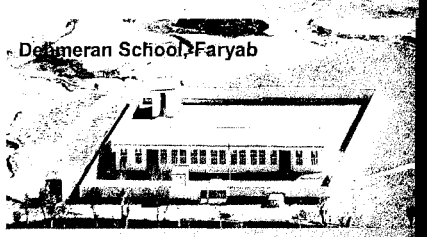
USAID | AFGHANISTAN

FROM THE AMERICAN PEOPLE

EDUCATION

Mangal Zai School, Helmand

Dehmeran School, Faryab



Rouza Bagh Girls School, Herat

Over 5.8 million children have returned to school; 38% are girls.

170,000 students in accelerated learning programs, 58% girls

65,000 teachers in remote locations being trained via radio

6 advisors at Ministry of Education and 7 at Ministry of Higher Education

651 schools complete

58.5 million primary school books printed

USAID | AFGHANISTAN

FROM THE AMERICAN PEOPLE

HEALTH

Sheikh Amir Clinic, Khost

Shinkay Clinic, Zabul

Over 80% of people have access to basic package of health services; less than 10% in early 2002

Over 640 health clinics complete

7.6 million patients per year receive services; average 21,300 per day

Over $9 million of pharmaceuticals distributed

6.9 million vaccinated against polio

8,354 health workers trained including doctors, midwives, nurses and community health workers

Mark S. Ward
March 22, 2007

DECONSTRUCTING RECONSTRUCTION: PROBLEMS, CHALLENGES AND THE WAY FORWARD IN IRAQ AND AFGHANISTAN

USAID provided the information and documents listed below to Senator Coburn on March 7, 2007. This constituted USAID's detailed response to specific questions from the Senator's office about USAID programs in Afghanistan and the Agency's management of such. In addition to the responses, USAID also provided pictures of 530 of the clinics that had been built or refurbished and handed over to the Ministry of Health in Afghanistan, as well as the supporting documents listed below. We would be happy to provide a CD with copies of those photos to the Committee on Homeland Security and Governmental Affairs.

I. List of Supporting Documents:

1. Information on radio teacher-training program
2. Map of USAID PRTs and PRT Organization Chart
3. Sections of FY04-06 CBJs relating to USAID's PRT program
4. Letter from Ministry of Public Health RE: Clinics
5. Photos of Clinics in Flood Zones
6. Photos of school in Ghazni province with missing roof tiles
7. E-mail communication between USAID and LBGI (4 e-mails)
8. Picture of Dam Gundai Clinic
9. David Harbon Email
10. Code of Federal Regulations Section 226.62.
11. FSG Assets List
12. Minutes of the November 8, 2006 Donor Coordination meeting at the MOPH.

13. Section 2104 of the 2005 Supplemental Appropriations Act, notifying Congress of USAID's intent to use *$4.3 million* for Tetanus, Polio, and Malaria Control
14. Copy of USAID grant to WHO
15. Copy of MOU between WHO and one of its implementing NGOs
16. MSH workplan
17. Illustrative list of work performed by LBGI in other countries
18. Photos and Bills of Quantity for USAID Clinics (Volumes I and II)

II. Cover Letter from James R. Kunder to Senator Coburn:

March 7, 2007

The Honorable Tom Coburn
U.S. Senate
Washington, DC 20510

Dear Senator Coburn:

I have read with great care the additional questions on reconstruction in Afghanistan prepared by your staff and submitted to the U.S. Agency for International Development. I continue to share your expectation that the U.S. taxpayers and the Afghan people get their full money's worth from the tax dollars expended in that nation.

I am providing substantial information today in partial response to your questions. Although very great efforts have been made by our staff in Afghanistan to provide all the material you requested, the combination of winter weather in Afghanistan and ongoing security concerns did not permit us, for example, to gather photos of every clinic constructed or refurbished across all of the nation's provinces. I am submitting today the large number of photos we have compiled, and will continue to provide supplementary information as it arrives in Washington. In addition, the Afghan government and international donors are still building the information systems within the Afghan government to allow us to provide detailed answers to the questions you asked on issues like the impact of midwife training programs, and I will provide more comprehensive information as it becomes available.

As I mentioned to you in our meeting in December, I accept full responsibility within USAID for all aspects of the reconstruction program in Afghanistan, its successes and its failures. The U.S. government sent me to Kabul in January, 2002, to re-open the long-closed USAID office in Afghanistan, and I retained responsibility, either in person or in my management responsibilities, from then until late 2006.

During this period, I know we made some mistakes, and I acknowledge those mistakes. On behalf of my colleagues who have sacrificed greatly during the reconstruction of Afghanistan, including the more than one hundred civilians working in USAID programs – Afghans and Americans – who have died in the effort, I respectfully disagree with the suggestion in many questions prepared by your staff that the overall effort has been "mismanaged." Some tasks were made more difficult by the wartime environment, and sometimes we had limited choices about which firms to engage on behalf of the taxpayers, because not every American firm was ready to go to Afghanistan at risk of life and limb. As I assured you earlier, I understand full well that we owed, and owe, maximum accountability to the people of the United States who made us the stewards of their tax dollars.

I want to reiterate that, in the area of accountability, we made some good calls, as I anticipated how difficult reconstruction would be in a nation that went through 23 years of warfare. I asked USAID's Inspector General to embed staff with us, and to run concurrent audits of our work, as we launched reconstruction. Indeed, many of the questions that your staff submitted to USAID drew upon information that was reported to the USAID by our Inspector General.

We also took some appropriate corrective actions immediately. I have reported on some of those steps in my earlier response. In some cases, we uncovered the rotten apples ourselves and got rid of them. In most cases, we made sure that firms that gave less than full value to the taxpayers made up the shortfalls out of their own pockets, and I have documented those instances, as well.

In other cases, we should have been more diligent, as you have rightly pointed out. I share your concern about every truckload of asphalt that was not poured hot, and every school that had shoddy workmanship. The Afghan people have suffered enough without our reconstruction projects

causing them more hardship. Some of these oversights were partly explainable by military exigencies. Frankly, we pushed and pushed, and perhaps rushed, the contractor on the Kabul-to-Khandahar Highway, in order to show visible progress to the Afghan people and, we hoped, save the lives of some of our soldiers in the bargain. But, there is no excuse for the errors that were made, and I accept responsibility for them.

Upon receiving the second set of questions your office submitted to us, I scheduled an additional trip to Afghanistan myself, to examine in greater detail the concerns you raised. It is clearer to me now, upon additional examination, why our communications to the Congress – on issues like the number of health clinics completed by USAID in Afghanistan and on the number of teachers trained in USAID programs – caused confusion, and led to your concerns that we were over-reporting data. I have attempted to address these issues fully in the answers provided to your second set of questions. I am convinced that much of the confusion on the numbers reported by USAID was due to imprecise use of language on our part, and the mixing of terms like "construction" and "refurbishment" in reporting documents. During my recent trip to Afghanistan, I traveled with officials at the Ministry of Public Health, and I am convinced we have completely reconciled the records with our colleagues at the Ministry.

I also held several coordination meetings with our U.S. military and NATO colleagues fighting in Afghanistan, from the command level to the Provincial Reconstruction Team level. Although normal coordination issues will always arise in an insurgency situation, I am convinced – in response to your concerns – that there is excellent communication and a shared sense of mission between our civilian and military teams in Afghanistan.

As I discussed with you earlier, your interest has caused me to re-examine accountability processes within USAID. After carefully reading your questions, I have directed, with the full concurrence of Administrator Tobias, a number of steps to enhance accountability in the future. These steps include:

1. I have directed the Assistant Administrator for Legislative and Public Affairs to improve the transparency of our Afghanistan programs by posting on a public website all current information on our program objectives; our operating year budget; and our partner organizations, both contractors and grantees. We will use Afghanistan as a model

for compliance with the new statutory requirements for public posting of contractor and grantee information.

2. I have requested the USAID Inspector General (IG) to conduct a full review of all recommendations made by the IG's office in its audits on USAID Afghanistan programs, since the opening of the USAID Mission in 2002, to ensure that all recommendations for accountability improvements have, indeed, been carried out.
3. I have directed the Office of the Chief Acquisition Officer to conduct a complete review of those contract or grant actions resulting in substandard performance, in order to ensure that all appropriate legal or contract remedies have been pursued to ensure contract compliance and return to the U.S. Treasury of any recovered funds.
4. I have directed the USAID Acting Assistant Administrator for Asia and the Near East to conduct a full review of program indicators in Afghanistan, including but not limited to the health field, to ensure that concrete outcomes have been established for each USAID program, and these indicators measure direct benefit to the Afghan people.
5. I have directed the USAID Chief Acquisition Officer to reinforce guidance to Agency personnel on federal policies to ensure full and open competition to the maximum extent possible, in order to obtain the best quality at the most reasonable price, and to remind all personnel of the significant justification requirements and higher level approvals required for deviating from full and open competition.
6. I have directed the USAID Mission Director in Afghanistan to conduct a complete review of all USAID reconstruction programs in Afghanistan, to ensure that reconstruction programs are building Afghan capacity, within government and within the private sector.
7. In order to ensure that poor contractor performance is taken into account when considering future business with the U.S. Government, I have directed the USAID Chief Acquisition Officer to ensure compliance with federal requirements that officers produce timely past performance reviews; that officers enter such reviews into the U.S. Government-wide performance database; and that officers take past performance reviews, as a critical indicator of future performance, fully into consideration for contract awards.
8. I have directed the USAID Chief Acquisition Officer, in those instances where a contractor has not met performance criteria, to enforce all remedies for poor performance to the maximum extent consistent with law.

9. I have conducted a series of consultations with senior DoD officials, civilian and military, to ensure that USAID is doing all it can to support our military forces and that reconstruction projects are fully consistent with counterinsurgency strategy across Afghanistan. Furthermore, I will personally ensure maximum USAID participation in, and support for, Provincial Reconstruction Team training conducted by the U.S. military.

As we have prepared responses to the questions you have asked of USAID in Afghanistan, I believe it is apparent that much has been accomplished in the reconstruction of Afghanistan, that much could have been done better, and that much work remains ahead for our country. Your inquiries have helped refocus my efforts.

In closing, I want to reiterate that the reforms being undertaken by Ambassador Randy Tobias, the new Director of Foreign Assistance, are, in my view, directly related to the high standards you are rightly demanding of us. Ambassador Tobias's restructuring of the U.S. foreign assistance program is intended to drive additional accountability into all aspects of the U.S. foreign assistance program. And I want to note those parts of the President's 2007 State of the Union speech that called for the establishment of a "Civilian Reserve Corps" for reconstruction and stabilization activities. It is clear from your questions that our nation needs to devote additional human resources to support our national priorities and our troops in situations like Afghanistan. Clearly, USAID's efforts to ensure maximum impact and accountability, and especially to build Afghan capacity, would benefit significantly from the additional resources envisaged in the Civilian Reserve Corps concept.

As you requested, I am prepared to meet with you at your convenience, including periodically on an on-going basis, to continue to report on reconstruction in Afghanistan or other issues of concern to you.

Sincerely,

James R. Kunder,
Deputy Administrator (Acting)

III. Questions from Senator Coburn and USAID responses, delivered to the Senator's Office on March 7, 2007:

Senator Tom Coburn's Detailed Feedback on USAID's response to Subcommittee Findings: "Afghanistan Reconstruction Efforts by USAID: Findings and Recommendations"

MEMORANDUM
December 5, 2006
TO: USAID
RE: Questions Regarding the USAID program in Afghanistan
The attached document is a continuing dialogue fostered by the initial and incomplete USAID response to Sen. Coburn's findings and questions regarding reconstruction efforts in Afghanistan.
Questions in Senator Coburn's report that USAID failed to answer:

- Page 4, #2
- Page 6, #1
- Page 7, #3, 4, 6
- Page 9, #8, 9
- Page 10, #10, 11
- Page 12, #2, 3
- Page 13, #2
- Page 16, #1, 4
- Page 17, #5, 6

Please provide responses to these questions.

Questions in the USAID response answered insufficiently or with wrong, confusing, missing or debatable information.

- See footnotes 2, 5, 6, 9, 17, 18, 22, 32, 34, 42, 47, 49, 56, 58, 61, 62, 63, 65, 66, 70, 71, 72, 75

Please provide more information, documentation or fuller response as requested in the noted footnotes.

New questions raised by the USAID response.

- See footnotes 3, 8, 11, 12, 19, 35, 36, 37, 38, 39, 41, 43, 45, 48, 50, 53, 57, 64, 73, 76

Please provide responses to these questions raised by your initial answers.

Questions Regarding the USAID program in Afghanistan

November 14, 2006

Those Americans who have served alongside the people of Afghanistan share with you the deepest concern for their future success.

The Afghans have made huge strides with U.S. assistance in overcoming a legacy of war and repression and poverty. When USAID arrived in 2002 after the ouster of the Taliban, it returned to a country that was the fourth poorest on earth. Afghanistan had endured 10 years of communist rule, a long and brutal struggle that ousted the Soviet army and years of factional fighting afterwards.

About 10 years ago, many Afghans were so desperate at the chaos that they welcomed the Pakistan-backed religious Taliban which restored order -- but at a terrible cost. Women were barred from school and even from the marketplace and jobs. Ethnic groups were persecuted and the country isolated by medieval theocratic tyranny. Osama bin Laden's Al Qaeda was allowed to set up training camps for his terrorist activities aimed at America, Europe and many other places.

When Jim Kunder led the first USAID teams returning to Afghanistan after the ouster of the Taliban in 2001, he found the USAID emblem on the Kandahar airport, on the country's biggest dam and on schools and public works projects all over the nation of 25 million people. Only a few dozen miles of the Kabul-Kandahar-Herat road built by USAID in the 1960s was still paved.

When one examines closely the series of U.S. assistance projects that consumed $3.7 billion of taxpayers' money from 2002 to 2006, it's easy to find a project that took too long to complete, or a clinic that didn't at first meet all expectations.[1] But there is also a much broader picture of progress and rebirth. In school after school, there are the 42 million textbooks U.S. funding paid for being used by the five million kids in school – five times the number under the Taliban.

Courageous 18-year-old Afghan girls have come from their villages to learn to be midwives and already they are reducing what has been the world's highest death rate in childbirth.[2]

Because so many girls and boys never were allowed to learn in school, and they are too old now to begin in the first grade, USAID trained hundreds of teachers in accelerated learning programs – combining six years of schooling into one and a half years.[3] We see the 170,000 young adults in these programs able in three months to read not just Dari or Pashtu but English – eager to advance their education.

And this work has not been without risk. Tragically, 147 USAID contractors have died and 178 were wounded since April, 2003. Some died in a plane crash, others were picked off while rebuilding roads and schools.

USAID officials are honored to have served alongside these heroes and to have worked alongside the courageous U.S. military forces protecting Afghanistan from incursions by terrorists and the Taliban. USAID officers staff the Provincial Reconstruction Teams scattered across the country and each day they ride with the troops to remote villages to plan and carry out projects. They grade and pave roads, build schools and clinics, provide medicine and training, install small hydropower systems, assist local government and help farmers move away from poppy.[4]

Secretary of Defense Donald Rumsfeld said in 2003 that "Military and civilians together are also building a better Afghanistan through Provincial Reconstruction Teams and U.S. Agency for International Development projects."

Gen. John Abizaid told the Senate Armed Services Committee in 2005 that "A USAID person that can help move a road project forward is worth a company."

There is great difficulty in carrying out assistance projects in an insecure environment. Add to that the burden of years of war, exile, illiteracy and lack of investment, and you can understand the enormous challenge facing the Afghans and those who would assist them develop their country in freedom.

Where problems and difficulties faced our teams, the Afghans and USAID staff sought ways to deliver assistance despite these obstacles. In the large part, the U.S. government succeeded. And we continue to overcome the problems as they arise and as the complex task remains to be completed.

In this effort, thank you for your help, your understanding, your wisdom and your interest in the future of the Afghan people, who have born their burden for so many years and are now, hopefully, on the home stretch to creating a homeland truly at peace.

[1]There are more than "a project" and "a clinic" that didn't meet expectations. Senator Coburn's findings included reports from the Inspector General and GAO, official letters from the Ministry of Health, media reports and reports from sources on the ground which indicate numerous projects and construction failures that USAID has yet to justify.

[2]As indicated in Senator Coburn's findings, reports indicate only 80 of the original midwives in training demonstrated a basic understanding of the material and had to be retrained.

- **What are the actual outcomes of this program? What effect has it had on reducing the infant mortality rate?**

Afghanistan long had the world's second highest infant mortality rate. This is a product of poverty, geography, and a generation of conflict and tyranny, among other factors. In 2003, USAID began to address the problem through a program to train new midwives.

USAID's midwives training program was designed by the Johns Hopkins Program in International Education for Gynecology and Obstetrics (JHPIEGO) to meet current international standards. A key tool to accomplish this endeavor was the development of two new training programs to provide professional education to midwives and community midwives. The new competency-based curriculum focuses on the development of critical clinical skills needed for basic maternal and newborn care, as well as for the management of complications in pregnancy and childbirth.

Since 2003, USAID's program has essentially doubled the number of Afghan women who have a trained birth attendant (from 12% to 23%). Through the Rural Expansion of Afghanistan's Community-based Healthcare (REACH) project, 804 new midwives were trained and certified over the last three years. An additional 600 will be trained by 2010 through a follow-on project.

USAID is the major contributor to the effort to increase the number of skilled midwives in Afghanistan. Through USAID's efforts, a new generation of midwives, the first ever to undergo a professional two-year training program, is entering the Afghan work force. Programmatic emphasis is placed on training midwives who will work in underserved rural areas, where medical personnel of any kind are scarce and men are not permitted to provide medical care to women.

Midwives are an essential component of the country's maternal and child health system, providing ante-natal, delivery and post-natal care, and promoting breastfeeding and birth spacing services. This represents a laudable start in helping Afghanistan address its tragic maternal and child mortality rate.

Nationwide statistical outcomes of the program on infant mortality are not yet available but will be in the future when management tools are put in place. Piecemeal statistics, maternal death rates gathered from certain hospitals, for example, are encouraging. As the quality of maternity service spreads through wider accessibility to clinical care and the midwife program, statistical outcomes should improve.

We cannot make any independent determinations on the impact of the midwife training program on Infant Mortality Rates (IMR) or Under 5 Mortality Rates (U5MR), as changes in the IMR/U5MR involve many factors. It is important to note that USAID and MOPH development efforts to reduce IMR/U5MR are comprehensive in nature and address more than just midwife training to include the availability of general health services, neo-natal care, nutrition, immunizations, acute respiratory infections/pneumonia, diarrheal diseases, etc

Despite the lack of census and other detailed data, there have been recent attempts to do "best estimates" in reference to changes of IMR/U5MR and other indicators. One of the latest such efforts has been the UNICEF/Ministry of Economy "Best Estimates of Social Indicators for Children in Afghanistan, 1990 - 2005" dated May 2006. In Paragraph 4.4 "Three scenarios" 4.4.2.1 the "Optimistic" scenario/reduction rates, the document estimates a dramatic decrease in IMR/U5MR from the comprehensive improvements in basic health services, which have been strongly supported by USAID.

Year\Under 5 and IMR	U5MR	IMR
2000*	257	165
2002	211	131
2003	230	125
2004	190	120
2005	180	115

*State of the World's Children (UNICEF)

In Paragraph 4.4.3 the "median' scenario, the estimates are:

Year\Under 5 and IMR	U5MR	IMR
2000*	257	165
2003	230	140
2005	210	130

*State of the World's Children (UNICEF)

Taking either of the above estimates, there has been a dramatic reduction in IMR and U5MR. Utilizing the above "median" scenario, avoids the most optimistic and the most pessimistic scenarios. Although there are different estimates used by different Government of Afghanistan (GoA) ministries, it is most reasonable to use the "median" estimates.

USAID has been the largest donor to the health sector, has provided key comprehensive health services in 13 of the 34 provinces, has constructed/refurbished the most facilities for the Ministry of Public Health (MOPH) and has followed the best guidance of the MOPH and international donors ("Basic Package of Health Services for Afghanistan or BPHS and "Essential Package of Hospital Services" or EPHS). One might assume that the decreases in IMR/U5MR in the "median" estimate by UNICEF between 200 and 2005, in fact, can be in a significant part credited to USAID investments/support to include midwife training, immunizations, diarrheal disease control, respiratory pneumonia control and other interventions as outlined in the "Basic Package of Health Services for Afghanistan" and supported by USAID.

We are not aware of any reports that all but 80 midwives had to be retrained. However, the course is a rigorous one and refresher courses are the norm for such training programs.

[3] **Reducing 6 years of training to 1.5 years suggests USAID-trained teachers might be at risk of not being effectively equipped and qualified. Reports from the MOE and others inside Afghanistan claim that many of these trainees were "trained" by listening to a radio program and failed to start teaching after participating in this program and that many of the ones who do teach are not qualified.**

- **What is the total number of USAID-trained teachers versus the number currently teaching?**

USAID is engaged in two categories of teaching training in Afghanistan.

- Public sector teachers, who are Ministry of Education (MOE) employees, and
- Non-public sector teachers, through accelerated learning programs.

In the public sector, USAID is training approximately 25,000 primary school teachers. Footnote 3 seems to assume that USAID is engaged in educating a new cadre of 25,000 teachers embarking on a teaching career. However, it should be noted that the training program is designed for teachers who, despite war and repression, have had some training and teaching experience. In this regard, USAID's program might better be referred to as a "retraining" program.

It should also be pointed out that long distance learning techniques, given the remoteness of the places we are trying to reach, are effective mechanisms to reach isolated populations, with radio being the most appropriate tool for the country. MOE estimates that approximately 140,000 teachers are currently active in the system, including the 25,000 trained by USAID programs.

Radio-based teacher training programs (concluded in 2005) were supplementary to face-to-face training, and played its primary role by

reinforcing lessons learned, and benefiting many additional teachers (approximately 65,000 teachers listened to the program on average at least once a week). **(Additional information on Radio Teacher Training is included in the annexes).**

In the private sector, USAID works through the Accelerated Learning Program and community-based schools in areas where no government schools exist or where children are over-aged and can, therefore, not enter the public school system. This program increases the pace of student learning, not the pace of teacher training. The program's beneficiaries are students too old to enroll in regular elementary school classes and accelerated learning offers a way for them to catch up academically with their peers.
These programs have trained over 6,800 teachers to date and have educated more than 170,000 students.

Some teachers participating in the accelerated learning program did not have a grade 12 education (required by MOE to teach grades 4-6) because the program targeted girls (who must nearly always be taught by women, and few women in Afghanistan have completed grade 12) and rural areas (40% of classes were in villages with no primary school, and in many cases no "qualified" teacher). Yet the training provided to the accelerated learning program teachers, and the equipment (including teacher, student and classroom kits) resulted in student achievement that was on average higher than MOE schools. End of year testing has shown that the majority of accelerated learning students (90%), have performed at least at their age-appropriate grade level, and 66% are performing above grade level.

We do not currently have any reliable estimates of the total number of active teachers *not* employed by the Ministry of Education. However, by mid-2007, a new Education Management Information System (EMIS) financed by both USAID and the World Bank is expected to be operational. The system will provide census data on both public as well as non-public sector teachers.

- **Are these teachers currently teaching at the grade-level for which they were trained? What quality control does USAID use to determine the competency of its teachers?**

These primary school teachers are teaching at the level for which they were trained.

There are a number of formal and informal criteria used for teacher competency evaluations, such as:

- pre- and post-tests on course material
- teaching *practicum* accompanied by classroom observation
- self-assessments and
- demonstration of modern didactic methods.

USAID is currently working with the Ministry of Education to develop appropriate competencies and standards. These will be institutionalized and used as national measures of teacher quality.

- **How many students (by age/sex/location) and schools are being served by USAID-trained teachers?**

According to newly reported data from the MOE, student enrollment for grades 1-12 is approximately 5.8 million. Of that total,

--91% (5.2 million) are primary school students, and
--38% (2.2 million) are girls.

As mentioned above, USAID programs have to date provided technical and operational support under MOE's Teacher Education Department to 25,000 MOE teachers as well as an additional 6,800 teachers working in non-public sector schools. By the end of the 5 year duration of USAID's Basic Education Project, all primary school teachers in the country will have participated in teacher training and school principal training programs. USAID assistance has also provided over 57 million textbooks to schools nationwide.

As stated in bullet 1 of this footnote, the EMIS will be fully operational by mid-2007.
Specific data requests the EMIS will be able to support include:

- # (number) of students enrolled by gender by grade, by province, and by district
- # of students who passed, failed, or were not admitted to exams, by gender, by grade by province and by district

- # of schools for primary, middle and secondary levels by province and by district;
- # of teachers for primary, middle and secondary levels by contract type, gender, province and district, and school, with years of experience in teaching and highest grade completed

This data can be analyzed through cross-tabulation to compare, for example,

students in winter/summer break provinces; or ratio of male and female students by geographical region; types of school grade ranges in different provinces or districts;
gender ratio by grade range; or number of teachers per student.
Additionally, with some data manipulation, it's possible to examine changes in enrollment and teacher supply, at the provincial aggregate level.

Once the EMIS is fully operational, we will be able to provide you with the requested information.

[4]**The USAID personnel in the Provincial Reconstruction Teams (PRT), in most cases, amount to a few individuals who don't often travel out of the PRT. In many cases it is the military members within the PRTs, using Department of Defense Commander Emergency Response Program (CERP) funds, who are actually carrying out these projects such as roads and agriculture programs. It is inaccurate to imply that USAID is conducting these programs while they are being completed by the Corps of Engineers and military civil affairs teams.**
USAID works in coordination with the Department of Defense and the State Department within PRTs. The **attached map** provides a list of current USAID PRT staff. As the map indicates, USAID has a PRT advisor serving in almost all PRTs and Regional Command Centers, including USAID staff at both US and non-US led PRTs. USAID PRT officers are important sources of expertise, knowledge, and funding for US-led and non US-led PRTs and they carry out significant activities, many of which are not within the military's core set of competencies, such as the building of capacity of local communities and local officials. USAID PRT staff design projects, and oversee their implementation and monitoring. USAID funding for PRTs was $53 million in 2004, $85 million in 2005, and $20 million in 2006. **We**

have attached relevant sections of the 2004-2006 CBJs for the PRT program.

In addition to managing projects in the PRT Program budget, USAID PRT Officers also play an important role in helping to monitor implementation of USAID's national programs in the field and are the "eyes and ears" for technical officers in Kabul. USAID PRT officers work with provincial and district-level government officials, communities, and village elders to identify small infrastructure projects and services needed for the community. USAID PRT projects are carried out in coordination with the military's CERP funds; however, the level of coordination has varied depending on the PRT and those staffing it from the various agencies.

It is true that, in some PRTs, it can be difficult for USAID's Officers to regularly travel outside of the PRTs. This is due either to a lack of security in the area or a scarcity of force protection resources provided by the PRT's military component. Most USAID PRT Officers travel several times per week outside of their PRTs in tandem with their military counterparts to meet with government officials or community leaders, make assessments, design and monitor projects.

1. In testimony before the House Armed Services Committee on June 28, 2006, James Kunder stated that USAID had constructed 528 clinics. Does this include the 140 clinics USAID claims to have handed over to Afghanistan in 2003? Does this include the 90 clinics that were constructed in flood zones?

Answer: USAID had constructed 528 clinics by June 28, 2006.[5] This figure includes the clinics referenced above that were completed and handed over to Afghanistan in 2003.[6]
From the records available, we are not certain of the accuracy or origins of the 90 clinics in flood zones that have been included in this question.[7] In particular, there is no record in either of the two USAID Inspector General audits of the schools and clinics program of 90 clinics being built in flood zones. In fact, this figure is almost certainly inaccurate. We believe that the actual number of facilities built on potential flood zones is approximately 8[8] and in all cases physical mitigation measures were undertaken.

Available USAID records indicate that by the end of 2003, there were 68 health facilities constructed with USAID funds (50 clinics from the Rural Expansion of Afghanistan's Community Based Healthcare program (REACH), the Office of Transition Initiatives (OTI) constructed 4 clinics and hospitals and 14 health posts).[9] There were also 63 education facilities completed by OTI in 2003.

Currently, the total number of clinics constructed as of September 30, 2006 is 583.[10] This is a comprehensive number that includes all USAID sponsored programs. The breakdown of clinics by program, to date:

•SACCARP*	230
•PRT **	38[11]
•OTI	4
•REACH	311
Total:	583

**Schools and Clinics Construction and Rehabilitation Program*
***Provincial Reconstruction Team*

The total number of schools constructed as of September 30, 2006 is 589. The breakdown of schools by program, to date:

•SACCARP*	371
•PRT**	16
•OTI	63
•APEP ***	139
Total:	589

**Schools and Clinics Construction and Rehabilitation Program*
***Provincial Reconstruction Team*
****Afghanistan Primary Education Program*

It should be noted that in a donor-wide review no other development program has constructed as many education/health facilities than the USAID Afghanistan program. This is an impressive feat given the utterly remote location of many sites; a lost generation of skilled labor due to 25 years of warfare; complete lack of a logistical distribution infrastructure and high security risks for the movement of equipment/supplies and for building sites in remote areas. These clinics have been instrumental in raising the access to basic health services to the general population from approximately seven

percent to eighty percent of the population, according to the Ministry of Public Health.[12]

We have no idea how Mr. Gregory Schaefer arrived at the figure of 90 potential flooding sites, as referenced in the letter by Dr. Fatimie,.[13] We have reviewed the records for the clinic construction program and have identified 19 sites that are located close enough to a water course to merit review for potential flooding. In eight cases, engineers deemed the risk of damage to the structure to be sufficiently high, and physical mitigation measures were implemented.[14] Such measures include water channels, earth berms and Gabion blocks (wire mesh cubes filled with rocks) to divert any flood waters that approach the structure. In the other eleven sites, the engineers deemed the potential for damage too low to justify the installation of physical mitigation measures.

[5] In a report Senator Coburn obtained from sources in the Ministry of Public Health (attached to this document), the total number of newly constructed clinics is actually 235 while 82 more are under construction (as of November 1, 2006). That means that there are 293 clinics that either USAID is over-reporting or the Ministry does not know exist. To illustrate USAID's confusing and conflicting reports on clinic construction, even when USAID makes a presentation of its progress on clinics to the U.S. Ambassador (as shown in the attached Bi-Weekly Update on June 11, 2005), USAID has conflicting numbers with totals that are not added properly. It explains the confusion and lack of accounting for exactly how many clinics have been built and handed over to the Ministry of Public Health to date.

- **Please provide a list of all the clinics with their location, cost, contractor who built them, date they were handed over to the Ministry, and a photograph of the completed clinic. This list should differentiate between a brand new clinic and a refurbished clinic. If the clinic already existed prior to USAID involvement and was only refurbished, please provide information on what exactly was refurbished on the clinic (i.e. wall being repainted, light fixture replacement, new door, etc.). The list should also indicate whether the clinic is currently staffed and in operation.**

  The requested data on clinics is included as a chart within the annexes, located in Volume I of the clinics binder. The chart

contains a listing of all clinics that have been/are being built, refurbished. It shows location, type of structure, and contractor who built them. A photograph of approximately 80% of the structures has also been submitted in the two accompanying binders. The chart and the binders together differentiate between new clinics (456 total) and refurbished clinics (215 total), as requested, and provide information on what was refurbished (bills of quantity for many of the clinics are included in the binder). Efforts are underway to provide the remainder of the requested information, which will be made available as soon as it is gathered. However, the security situation in Afghanistan may prohibit us from gathering some of the remaining information and photos.

The chart is designed to clear up confusion of reports from multiple sources at multiple times.

Additional question from Senator Coburn's Office on December 20, 2006: I had a conversation with one of my contacts, and it was mentioned that a number of the clinics that have been turned over to the Ministry of Public Health are not equipped or staffed and therefore are "operating" but not as clinics but other various uses. Senator Coburn had requested this information to be part of the master list of clinics you guy are working on, but I wanted to clarify that the list should only indicate a clinic is operational if it is staffed, equipped, and being used as a clinic.
We are aware of a few clinics that are not in operation because of security threats. In other cases, clinics are not operational because of time lags between the Ministry of Public Health request for donor support of a new health facility, and the period required for the donor to competitively procure a non-governmental organization to operate the facility. It should be noted that many clinics built with USAID funding are supported by other donors, while others are operated directly by MOPH. We are only aware of two cases where clinics have been used for other activities. In both instances, local police occupied the facility until it was occupied by health service providers.

- **If the average cost per new clinic built is $100k (a conservative figure based on audits and internal USAID documents), then this would require more than $50.2M in actual expenditures.**

Please provide data on the total expenditures USAID has made to date for the clinic construction.
Total cost for construction of clinics is $64,345,073.

[6]The Ministry of Public Health does not have any records of the 140 clinics that Mr. Kunder claims USAID handed over in 2003. In a November 10, 2005 letter from the Ministry of Public Health to USAID (attachment #4 to Senator Coburn's findings), the Minister requested USAID records that documented the location and transfer of these missing clinics. To date, USAID has not responded with an answer to the Ministry, nor has USAID responded to Senator Coburn's request for these documents either (question #2 on page 4 of Senator Coburn's findings).

- **Please provide the requested information on the 140 missing clinics to both the Minster of Public Health and Senator Coburn.**

USAID recognizes that our methodology for reporting the status of clinics has been inconsistent. There have been four different programs involved in clinic construction, rehabilitation, and refurbishment, all operating under different mandates. In brief, the process has been long and complex. It should also be noted that since USAID's involvement in Afghanistan, the Agency has dealt with three different governments.

Reports from multiple sources have not properly referenced the specific program involved. Also, reports have been made at different times by different personnel within the Government of Afghanistan as well as different officials within different Ministries. And these have not always been consistent with reports that the Agency and spokesman within the Agency have made.

The Agency has made numerous attempts to reconcile data. This was a part of the Acting Deputy Administrator's mission to the country in February. We now have an **agreed upon list, which is included in the annexes as per our response to footnote 5. A letter from Minister of Health, Mr. Amin Fatemie, is also included in the annexes.** The letter acknowledges receipt of the complete clinics list, and concurs with USAID's construction and refurbishment figures.

[7]The 90 clinics were referenced in a March 3, 2005 letter (attachment #5 to Senator Coburn's findings) to USAID from Dr. Amin Fatemie, Afghanistan Minister of Public Health. Both Dr. Fatemie and USAID were informed of the risky placement of the clinics by Greg Schaeffer from the Army Corp of Engineers. After seeing USAID performance on the initial reconstruction projects for such projects as the schools, clinics, and highways, the U.S. Ambassador requested the Army Corps to do oversight and quality checks on USAID's work. To date, USAID has not responded to the Ministry of Public Health regarding these 90 clinics.

[8]**Given the apparent confusion regarding the clinic records, how does USAID know for sure that other clinics are not placed in flood zones?** References made in the March 3 letter from Dr. Fatemie are for clinics in the Schools and Clinics Construction and Rehabilitation Program (SACCARP) program, since that was the scope of Mr. Schaeffer's responsibility with USAID.

The few sites located in flood prone areas have been verified through on-going monitoring and inspection by USAID and our quality assurance contractor, International Relief and Development (IRD). We have confidence that flood prone areas have been properly identified because we have visited every SACCARP site numerous times, with over 10,000 site inspections logged, which includes assessment trips, handover inspections, warranty inspections, as well as routine monitoring inspections.

Corrective measures were implemented as necessary on a case-by-case basis. The decision to construct flood mitigation measures was based on discussions between contractor/grantee engineers, USAID/IRD engineers, and input from local residents who have a experience with flooding in their community.

To the best of our knowledge, the flood zone problems have been properly identified for all SACCARP constructed clinics (and schools) and corrective actions have been taken where required. Of the 19 sites mentioned in our original response to this question, there are 11 clinic sites that USAID is monitoring and will budget funds, in the Cooperative Agreements with the United Nations Office of Project Services (UNOPS) and the International Organization for Migration (IOM), to provide engineering solutions as

needed. The remaining 8 sites have already undergone physical mitigation measures.

In response to Dr. Fatemie's March 3 letter, USAID and/or its IRD representative have become regular participants at the weekly Construction Task Force meetings at MOPH, where ongoing issues such as flood protection are addressed. In addition, MOPH has participated in the handover inspections of all clinics completed to date, including flood prone sites, and has signed the appropriate clinic handover forms.

- **Please provide a list of all clinics built in a flood zone that includes location, original cost, contractor, cost incurred to protect against flooding, date repairs were completed, date clinic was handed over to the Ministry, and a photo of the completed clinic. Please attach to this report a letter of concurrence from the Army Corp of Engineers.**
  The requested information on the 19 sites mentioned earlier is provided in the annexes. We do not have photographs specifically showing the flood mitigation measures for all of the sites, but can obtain them when security and access permit.

  Regarding your request for a letter of concurrence from the US Army Corps of Engineers, this will require issuing a task order to the Corps, which would necessitate additional inspections by the Corps and incur significant additional costs.

[9] **This statement contradicts the statement in the previous paragraph and later in the document. There, USAID claims 140 clinics were constructed and handed over to the Ministry of Public Health in 2003. Here, USAID claims only 54 clinics were completed and handed over. Later in the document, USAID claims 121 were completed in 2003. <u>See footnotes #6 and 27.</u>**
Please refer to our response to footnote 6.

[10] **Again, the Ministry of Public Health claims only 235 clinics have been completed as of November 1, 2006. <u>See footnote #5.</u>**
As per Senator Coburn's request in the original set of questions, we provided a letter from the General Director of Policy and Planning at the Ministry of

Public Health that states 528 clinics were completed by USAID by June 30, 2006. Also please see our response to footnote 5 and footnote 6.

[11]**Provincial Reconstruction Team (PRT) dollars are not controlled by USAID but rather by the Department of Defense, which includes program funding such as CERP funding (until recently when PRT authority was transferred to other nations under the International Security Assistance Force).**
Please see USAID response to footnote 4 and supporting documents.

[12]**What is the source of the figure that access to basic health care under the Taliban was only 7%? How does USAID determine the current access is 80% (based on clinic access) in light of the confusion about the true number of new clinics built and handed over to the Ministry of Public Health?**
The source of data on access to basic health care is the Ministry of Public Health (MOPH). MOPH now has a comprehensive, computerized data system, which provides the location of each health facility in the country by district and province, the entity (NGO or MOPH) responsible for each health facility in operation, and the populations they serve. In addition, the MOPH has an active health management information system (HMIS) that collects information from all health facilities operating in the country.
It should be noted that the 80% access figure is a consequence of international efforts, not of USAID's efforts alone.

[13]**Why did USAID not do everything in its power to verify the analysis of the Army Corps of Engineers to understand Mr. Schaefer's report. <u>See footnotes #7 and 8</u>.**
The Army Corps of Engineers did not perform an in-depth analysis and no report was produced. USAID did display "due diligence" and in fact tracked down Mr. Schaefer so that he could elaborate upon his findings. He confirmed that his statements on the number of sites in flood zones were anecdotal and came from informal discussions with various people. They were not his personal observations.

According to Mr. Schaefer: "Much of the blame goes to the poor land parcels donated to or taken by GoA. Nobody wants to give up their flat land in that country. Much of the problem came with USG's inability to do site

visits and the lack of definitive direction to our implementing partners and the MOPH/MOE."

[14]**USAID did not begin to address this problem until *after* the clinics were built and *after* it was discovered by the Army Corps of Engineers and USAID has yet to fully investigate this potentially life-threatening issue. See footnotes #7, 8, and 13. While USAID claims to coordinate and communicate with other U.S. agencies in Afghanistan, this response suggests the opposite.**
USAID began addressing the problem when it became aware of it. This happened d*uring* – not after – the implementation of the SACCARP project responsible for the bulk of USAID's clinic construction. Lessons have been learned to improve the overall site selection process so that construction in flood prone areas can be avoided in the future.

Sites for clinic construction are donated by the government or by a local village. Prime construction land (flat with well drained soil, a shallow water table, and no exposure to periodic flooding) is often already dedicated for other uses, such as agriculture or housing. USAID does not categorically refuse construction of a clinic in a community because the site is vulnerable to periodic flooding. A decision is made by weighing the scope and cost of possible mitigating actions against a host of other factors that define the general quality and constructability of an alternate site.

2. Can USAID provide the location, cost, and contract documents for the 90 clinics built in flood zones as well as the 140 clinics that it claims to have handed over to the Afghanistan government in 2003?

Answer: There is no record in either USAID Mission records, or in the two USAID Inspector General audits of the schools and clinics program of 90 clinics being built in flood zones.[15] Please see our answer from paragraph 2 of question #1 above.[16]
USAID can provide records for the eight sites where our engineers deemed there was a potential risk of flooding and flood mitigation measures were undertaken.[17]

[15]There is no record because it appears that USAID internal controls failed to recognize the problem and USAID's seeming failure to coordinate with

other U.S. agencies has kept it from thoroughly investigating this issue despite requests to do so from the Ministry of Public Health and Senator Coburn. See footnotes #7, 8, 13, and 14. There is also no record in IG reports or the Congressional testimony of Mr. Kunder regarding the 19 potential sites and 8 sites where USAID engineers deemed there is a risk of flooding and where flood mitigation measures were taken.

[16] See footnotes #5 and 8.

[17] **Senator Coburn already requested this in his findings report. Please provide a detailed list. See footnote #8 and question #2 in page 4 of Senator Coburn's findings.**
Please see our response to footnote 8 and accompanying document in annexes.

3. Can USAID provide a written statement from the Afghanistan Ministry of Public Health that confirms the receipt of the 528 clinics referenced in Mr. Kunder's June 28, 2006 testimony?
Yes. Please see the attached letter from the MOPH.[18]

[18] Documents obtained by Senator Coburn from the Ministry of Public Health only list 235 clinics completed by November 1, 2006. The letter referenced here by USAID that is from the Ministry states there are 528 newly constructed and renovated clinics. In the testimony of Mr. Kunder, USAID reports, and earlier in this response, USAID claims that 528 clinics were constructed.

- **Is the true figure for constructed clinics 235 or 528? If it is 235, then is USAID's claim of increasing access to healthcare at these clinics from 7% to 80% inaccurate since USAID only introduced 235 new clinics (with 293 refurbished clinics that may have already been in operation)?**
  As of June 2006 the figure of 528 for newly constructed and renovated clinics was correct. Please see the response to footnote 5 (above). It should once again be noted that the 80% access figure is a consequence of international efforts, not of USAID's efforts alone.

- **Please provide a list of every renovated clinic that details what was *renovated*, cost of renovation, contractor, date renovation was completed, and a photo of the clinic.**
  The Bill of Quantities and other information for many renovated clinics are included in the binders accompanying this response. These Bills of Quantity provide the most detailed information available on the scope of renovations. They range from modest repairs to substantial renovations. We will continue to collect Bills of Quantity from our implementers and will provide your office with copies. Also, see response to footnote 5.

4. Given that the Louis Berger Group Inc. contract was sole-source and it received payment from USAID regardless of the outcome, who paid for the reconstruction of Louis Berger Group Inc.'s mistakes and how much did it cost over the original amount of the initial contract?

Answer: The Louis Berger Group, Inc. (LBGI) contract was not a sole source contract; it was a limited competition award made in September 2002.[19] USAID does not provide payment to its contractors unless they meet the terms of their contract, whether it is sole-source, limited competition, or full-and-open competition. We discovered a design flaw in some of the roofs of the schools and clinics built by the LBGI through our normal inspection process.[20] We directed LBGI to rectify the problem. In response, LBGI replaced, retrofitted, or repaired all of the faulty roofs. At no time were Afghan citizens
put at risk.[21] Because it was a design flaw of LBGI, USAID has required that the correction of affected trusses should be done at LBGI expense. The Agency is currently in discussions with LBGI on this issue. SAID will only pay the costs associated with the delivery of appropriately designed and constructed facilities. It does not pay for the errors that are due to performance of the contractor.[22]

The primary finding of the Mission quality control system in 2004 and 2005 was the need for structural strengthening of roof trusses.[23] The school and clinics in question have been reassessed, and properly renovated. All of the roofs in need of strengthening have been reinforced or replaced entirely by the contractors, under the inspection of Mission quality control engineers.

To maintain the integrity of our school construction efforts and assure the standard of future work, USAID implements three levels of quality assurance, depending upon staff availability and security. They are: 1) USAID staff engineers and USAID-contracted inspectors (International Relief and Development(IRD) engineers) visit construction sites to verify building compliance and standards; 2)The USAID-contracted IRD contractor provides locally-hired engineers to inspect construction sites at least monthly and to assure compliance (including all aspects such as foundations, structural reinforcements, concrete work, roofing, walls, electrical wiring, plumbing, etc.) and
report bi-weekly to USAID on all projects; and 3) Official Afghan and USAID validation of the quality of construction prior to the official handover to the Ministry of Education or the Ministry of Public Health.[24] An official from the Government of Afghanistan and USAID staff jointly inspect a completed facility and sign off on a certificate of inspection prior to handing over the school or clinic to the Afghan government.

[19] **Please report the names of the other competitors for this contract.**
1. Washington International, Inc.
2. Metcalf & Eddy
3. CH2M Hill; Parsons Delaware Inc; Unioninvest (joint venture).

[20] **Press reports, IG reports, and sources within the Afghanistan government disagree. The flaws in the roofs built by Louis Berger Inc. were not discovered until *after* the roofs collapsed during the first snowfall. It is also reported that USAID did not publicly admit that the roofs collapsed until after it was brought to the attention of the U.S. Ambassador to Afghanistan in a weekly metrics meeting.**
On January 16, 2005, USAID was informed of a possible problem with the roof on one of its schools. It sent an urgent message instructing its security contractor to take photos, and for LBGI to begin an investigation. The next day, the USAID Security and De-mining local non-governmental organization flew over the Moqur site in Ghazni province took photos of a school that showed an 8 by 8 ft section of roof missing; **photos are attached.** USAID immediately informed LBGI by e-mail of the findings, including a picture of the school and the missing roof. It instructed LBGI to send personnel to the site to perform emergency repairs in order to minimize any damage to the building interior. LBGI staff that went to the site found a missing roof section and no indications of a collapsed roof. That section of

the roof simply had not been finished because the contractor stopped work when the weather turned. Upon further examination, however, truss deformation was found. At about the same time this was discovered, an LBGI Afghan engineer was alerted by the District Governor in Moqor District of Ghazni province that the roof on the Sekatacha Nawrozi school had collapsed. This report was erroneous. What was found was bent trusses, not a collapsed roof. On January 22, 2005, LBGI sent an e-mail to USAID outlining a plan to initiate inspections on a sample of 12 school and clinic roof systems. **E-mail communications with LBGI attached** indicate a good faith effort on their part to respond to roof problems in a timely fashion. Further, they acted proactively by undertaking further investigations of other sites in order to take appropriate remedial steps as soon as circumstances permitted.

[21] **Ironically, the only reason "no Afghan life was at risk" was not because of USAID forethought or the "normal inspection process" but underperformance. The schedule for completing the buildings was long overdue, so the buildings were not in operation when the first snow fell which caused the roofs to cave. Had USAID been on schedule, the buildings would have been occupied--which would put Afghan lives at risk.**
Please see response to footnote 20. No roofs collapsed, and therefore no Afghan lives were at risk.

[22] While the repairs to the roofs have been paid for, it is still unclear who footed the retrofitting and repair bill. It is reported that Louis Berger Group (LBGI) has not yet accepted responsibility or admitted to its error and declared in a meeting with Embassy staff that it would not pay the costs of replacement. It should also be noted that when the initial school roofs collapsed, the Vice President of Louis Berger Group told the chief of the Afghanistan Engineering District that LBGI would not pay for the repairs since USAID had no "hammer" over them. Later the USAID Mission Director stated in a Bi-Weekly update meeting to the Ambassador that USAID would most likely have to pay for the repairs and had little recourse.

- **Where does this issue stand as of this date? Please provide documentation that Louis Berger Group Inc. paid for the repairs and did not pass this expense along to the US taxpayer either directly or indirectly.**

USAID/Afghanistan has an agreement in principle with LBGI regarding the settlement of roof retrofits, and is in the final stages of finalizing its terms. This process is governed by federal contracting law and regulations, and has been in negotiations accordingly. Documentation will be provided once the settlement has been finalized.

[23] Sources in the Government of Afghanistan report this was not the finding of Mission quality control but of the Afghanistan Ministry of Public Health construction department staff. Louis Berger Group was forced to redesign the roof in order to lighten the trusses. This was only done after it was pointed out that the Model Clinic roof was too heavy and could only be installed with the use of cranes which would not be possible in many remote locations. It took the collapse of several roofs before USAID's quality control made a finding and discovered that the redesign of roof trusses was faulty. See footnote #20.
Please see our response to footnote 20, and supporting documents listed.

[24] **Senator Coburn has received photographic evidence suggesting that reports from USAID contractors on the progress of construction sites are misleading and inaccurate. The evidence is a Ministry of Public Health assessment of a Louis Berger Group Inc. report on clinic construction status. The Ministry went to 5 sample sites on this one survey and took photographs of the actual status of sites. In each case, Louis Berger Group Inc. falsified the report. For example, Louis Berger Group Inc. reported the Dam Gundai clinic was up to the beams. The photo evidence taken shortly after by the Ministry shows the site was nothing more than a concrete slab. This corroborates the reports of USAID subcontractors reporting work that was never finished in order to receive unearned payments (including subcontractors soliciting bribes to falsify progress reports).**
What the photos do not take into account is that a percentage of materials on site are counted towards the percentage complete. Therefore, the indicated percentage may reflect the above items, as well as the fact that the sub-contractor has procured other project materials and billed for them. This is an accepted practice to report on percent complete in construction-based projects.

Therefore, the buildings in question are in fact close to the percentages noted on the photos. The completion rates are based on a series of items; the completion of each item is counted as a defined percentage. The items include: mobilization; clearing and grubbing; site preparation/leveling; foundation excavation; foundation; lower bond beam; columns; walls; electrical work; plumbing; upper bond beam; floor/sidewalks/ramps; windows/doors; roof system; plaster/tiling; paint; well; septic tank; latrines; guard house/gate; and final clean-up.

An updated photo of the Dam Gundai clinic is provided in the annexes and shows progress to date far beyond progress described as "up to the beams."

5. Were the 140 missing sites that USAID is claiming to have completed in 2003 the same Louis Berger Group Inc. sites that United Methodist Committee on Relief was unable to find? Or is the actual number of missing sites greater than 140?

Answer: We do not know what the reference to "140 missing sites" refers to.[25] In fact, we are unaware of any "missing sites".[26] The total number of clinics completed in 2003 was 121.[27] LBGI was not building clinics during that period. (Refer to Appendix 1, LBGI did not begin to construct schools and clinics until 2004.) This question appears to confuse the work of SACCARP (LBGI and UMCOR), which began primarily in 2004 with the previous work of OTI and REACH that began in 2002 and 2003.[28]

[25] The 140 missing sites are the ones USAID is not able to keep track of itself nor can prove exist. The 140 missing sites are the ones referenced in the letter from the Ministry of Public Health and that USAID reported in both a cable and in its Mission Plan. USAID has yet to answer the Ministry's letter. See footnotes #6 and 9.

[26] **In addition to these 140 missing sites, the Washington Post interviewed David Harbin of the United Methodist Committee on Relief who claimed there were several more missing sites Louis Berger Inc. claimed to have started but were never found. See Stephens, Joe and David**

Ottaway, "Rebuilding Plan Full of Cracks," *Washington Post*, 20 November 2005.

Louis Berger was initially assigned 105 schools and clinics for construction and they have been accounted for.

Attached is an e-mail from Mr. David Harbin that states his comments were not reported accurately.

[27] This is yet another confusing count by USAID regarding how many clinics it actually completed and handed over to the Ministry of Public Health. See footnotes #6, 9, and 25.

[28] There is no confusion between the work of Louis Berger Inc. in 2004 and other USAID work in 2003. There are a significant number of completed clinics and schools that USAID claims to have completed in 2003 but is unable to give an account. See footnotes #6, 9, 25, 26, 27.

6. Who ultimately paid the repair costs of Louis Berger Group Inc.'s poor road construction? How much more did this add to the cost of the project?

Answer: In general, we believe that LBGI performed well under extremely difficult conditions. However a USAID Regional Inspector General (RIG) audit report dated September 21, 2004 did note that there were quality problems during construction of the Kabul- Kandahar highway.[29] The USAID Mission took action by improving LBGI's quality control and quality assurance plans as well as improving our monitoring of construction.[30] The audit closeout report shows that USAID reviewed costs to assure that there were no payments for any poor quality. In one case, the placement of poor quality asphalt was replaced at no cost to USAID.[31] It should be noted that LBGI was required to provide a one year defect liability warranty of the work (normal construction practice), also at no cost to USAID.[32]

[29] The IG reports that these quality problems were due to USAID's lack of monitoring Louis Berger Group Inc.'s performance and due to Louis Berger

Group Inc.'s lack of quality control and assurance as required by their contract.

[30] **Please provide information on how USAID improved its monitoring and Louis Berger Inc's quality control and the dates for implementing each step taken.**

USAID took a number of steps to enhance the monitoring of its projects. In August, 2004, USAID/Afghanistan created and staffed a Quality Assurance (QA)/Quality Control (QC) Manager position in its Office of Infrastructure, Engineering and Energy (OIEE). with the following responsibilities:

- Chief QA and Risk Management/Safety Officer.
- Developing and implementing turnover procedures and warranty procedures, including standardized reports, record keeping, and correspondence.
- Primary point of contact with LBGI QA Staff on QA/QC issues.
- Training of USAID and IRD staff on QA procedures and policies.
- Coordinate QA activities with other OIEE managers.
- Working with USAID OIEE administrative support staff to ensure proper electronic and paper filing system.
- Reviewing audits of USAID construction program and assisting the director and deputies in audit compliance issues.
- Review and approval of QA/QC actions required by contractors.
- Preparation and submittal of correspondence to LBGI on routine QA/QC issues.
- Preparation of correspondence for OIEE director on significant QA/QC issues.
- Providing interface with IRD staff on QA issues.
- Reviewing IRD staff inspection reports, ensuring LBGI is taking appropriate actions.
- Tracking corrective actions.
- Providing training to IRD roads engineers as needed.
- Supervising turnover procedures and substantial completions.

This position allowed for a full-time quality manager to anticipate and monitor quality problems, as well as to seek their resolution. The Quality Assurance Manager also worked directly with the field monitors from IRD and reviewed reports of on-going construction activities being performed by LBGI.

In addition to the position created at USAID, LBGI also created and staffed a Quality Manager position for its infrastructure program in August 2004. The Quality Assurance Manager from USAID worked closely with the LBGI Quality Manager on issues of Quality Control and Quality Assurance.

The Quality Managers from USAID and LBGI collaborated on the creation of a Standard Operating Procedure for Project Handover, a Construction Risk Management Plan, and revised Quality Control and Quality Assurance plans. The Handover Plan was completed and approved in September 2004. The Construction Risk Management Plan was drafted in December 2004, and the revised Quality Plans were drafted from December 2004 to March 2005. All of these plans and procedures were approved by USAID and were integral to improved monitoring of USAID's program.

[31] USAID lists one case, but according to the 2004 Inspector General report referenced in this paragraph and according to reports from within the Government of Afghanistan, there were many other cases where the road was cracked, culverts were missing, the foundations were crumbling and other substantial problems with poor construction quality.

[32] **Please define "proper monitoring." For example, in the summer of 2004 there was a 25 day work stoppage on road work in the south due to "security concerns" by the subcontractor. This information was not reported to the Ambassador until 21 days after the work stoppage began. Additionally it was learned that the contractor and subcontractors have the authority to make the decision for a work stoppage without any consultation with USAID or the Embassy. During these work stoppages management fees continue to be paid to the contract or and subcontractors. Additionally, during this time, the Corps of Engineers had operations in Kandahar and informed the Ambassador that there were no security issues at the time in that area that would necessitate a work stoppage on the Kabul-Kandahar road.** For a definition of "proper monitoring," please see our response to footnote 30.

It should be noted that the 25 day work stoppage did not occur on the Kabul-Kandahar road. The stoppage occurred on the Kandahar to Herat road, more than 500 kilometers to the north of Kandahar in Herat. In August 2004, fighting between local tribal leaders jeopardized the safety of personnel

working on the Kandahar-Herat Road. United States Protection and Investigations, Inc. (LBGI's security provider) recommended the suspension of operations in the area until September 2004, when the situation was again deemed safe.

Security issues continued even after the period of the work stoppage. Construction contractors routinely faced injury and death. throughout the construction of the Kandahar-Herat road. 138 workers – out of a total of 147 USAID contractor and grantee deaths to date - lost their lives to attacks, banditry and vehicular accidents while rebuilding infrastructure in Afghanistan.

Due to the remote location of the site, the laborers lived in camps provided by the contractor. Contractors cannot control the security environment they are called to work in. Their laborers are paid "stand by" costs when security issues require the suspension of work. The point is that the costs of labor and equipment for the sub-contractors rise even when work is suspended.

The USAID contract with LBGI, as well as LBGI's construction subcontractors, included provisions for work stoppages due to *force majeure* - events such as acts of war, terrorism, and civil unrest. These provisions are standard for international construction contracts as referenced in the Conditions of the Contract documents published by the *Federation Internationale des Ingenieurs-Counseils*. Work stoppages due to events which constitute a *force majeure* are countenanced by USAID in the USAID Mandatory Reference 305 Country Contracting Handbook, Chapter 2.

- **Considering the road was not completed until it was more than a year over schedule, at what stage of the road construction process did Louis Berger Inc. provide the one-year defect liability warranty on its work? How did this delay affect the original cost and budget?**
  The Kabul-Kandahar road was completed in two phases: Phase 1, which consisted of an initial asphalt layer, was laid to provide an improved riding surface (one layer of asphalt treated base), and was completed in record time on December 11, 2003, two weeks ahead of schedule. The end of Phase 1 produced a drivable, all-weather road inaugurated by President Karzai and former USAID Administrator Natsios. The Phase 2 completion of the remaining

Asphalt Treated Base (ATB) course, as well as the wearing course and shoulder works, was completed in fall 2004, as scheduled.

The one-year warranty period began at the point when each sub-contractor completed phase 2 work on its respective portion of the road. In the one section of the road where cracking was found, the warranty was extended for an additional year.

- **Are reports accurate that claim at least $150M in additional Afghanistan reconstruction funds were used to cover the extra costs of repairing Louis Berger Inc.'s poor road construction work? If not, what was this added cost?**
No, the reports are not accurate and we do not accept the suggestion that Louis Berger's work was consistently poor. It was not. There were several increases to the LBGI contract ceiling, but the ceiling increases were not due to the reason cited in the question, but rather resulted from:
--an increase in the portion of the Kabul-Kandahar road that the US had agreed to construct,
--augmentation of the original contract's scope of work, to include the building and renovation of schools and clinics, along the highway
--the worse than expected condition of the highway between Kandahar and Herat,
--the need for more preparatory crushing of road-making material,
--increased security costs,
--increased cost of fuel oil and bitumen, and
--deterioration of the Kabul-Gardez provincial road due to the extreme 2004-2005 winter and heavy traffic.

LBGI issued five construction subcontracts to build individual sections of the Kabul-Kandahar road. Each construction subcontract for this part of the Ring Road received a daily and final inspection by LBGI's site engineers. All defects in both workmanship and materials quality were noted in Nonconformance Reports and a Final Punch-list Inspection, which the construction subcontractor rectified on an item-by-item basis prior to receiving final release of their performance bond and retainage. This is a standard operating procedure for construction contracts. Repairs

and remediation of non-conforming work and materials were performed by LBGI's construction subcontractors at no additional cost to the US government.

Below are excerpts from the RIG Audit Closeout Report.

"Recommendation 1: We recommend that USAID/Afghanistan develop a comprehensive monitoring plan to ensure quality, timeliness, and compliance with contract terms, including requiring the contractor to submit a comprehensive quality control and assurance program for USAID approval.

Status: Reference (a) indicates that USAID/Afghanistan determined and the RIG/Manila acknowledged the management decision to: (1) develop by the end of calendar year 2004, a series of comprehensive monitoring plans not only for the road construction activities but also for every program managed by the infrastructure office and (2) to ask Louis Berger Group, Inc. (LBGI) to submit a comprehensive quality control and assurance plan. References (b) and (c) indicate that USAID/Afghanistan has developed and implemented comprehensive monitoring plans for every program managed by the infrastructure office. Also, LBGI has completed an updated and comprehensive quality assurance plan for the Kandahar to Herat Highway. The comprehensive plan, detailed general procedures, and work procedures for each aspect of the work were submitted to USAID/Afghanistan. USAID/Afghanistan approved the plan/procedures and LBGI is implementing them in the field.

Recommendation No. 2: We recommend that USAID/Afghanistan perform an analysis of contractor claims to ensure that USAID does not pay for the defective roadwork.

Status: Reference (a) indicates that USAID/Afghanistan determined and the RIG/Manila acknowledged that a management decision was made to require the Cognizant Technical Officer (CTO) to assure that USAID does not pay for defective segments of the road when approving invoices for payment. Reference (b) indicates that USAID/Afghanistan, through extensive monitoring, analysis, and auditing of the roads projects, has ensured that it does not pay for repair of defective roads."

On May 18, 2006, the USAID Office of the Regional Inspector General (RIG) issued an audit of the Kandahar-Herat Highway, reconstructed by LBGI, Inc. (see Report No. 5-306-06-005-P). The results of this audit found

that these reconstruction activities were on schedule to achieve planned outputs, except for 24 kilometers of road work. There is no mention or finding of "poor road construction." [33]

Some of the roads have experienced additional wear and tear given the heavy overloading of some of the trucks that use them. [34] The lack of any regulations for road usage including enforcing/establishing speed limits and weight limits for loads, have contributed to the wear and tear. It could be argued legally that this wear and tear is not covered by the warranty, although on the completed Kabul-Kandahar road, for example, LBGI and their subcontractors did repair minor [35] settlement of isolated spots on the road during the one year warranty period. USAID's new infrastructure contracts will include maintenance work, as well as training and capacity building for maintenance. [36]

[33] The recommendations for monitoring are inconsistent because USAID does not have an internal mechanism for monitoring projects and operations in Afghanistan. There is no qualified staff on the ground with mobility to oversee the operations, and the only Inspector General is regional and has limited mobility and expertise in any of these areas. Additionally, the basic criterion that is monitored is based on *outputs* and not *outcomes*. Demonstrating the actual requirement for proper oversight, in August 2004 COL John O'Dowd the Chief of Afghanistan Engineering District, informed the U.S. Ambassador that in order to properly monitor the projects that USAID had ongoing would require a full-time, on the ground staff of 1000.

[34] Construction experts report that settlement problems occurred prior to opening the road and have to do with poor foundation—not so-called "wear and tear."

- **Does this indicate that there are other poorly constructed roads that the Inspector General has not audited?**
  In response to our inquiry about this matter, USAID's Inspector General informed us that, "with regard to poorly constructed roads, the Office of Inspector General is unaware of any other poorly constructed roads that have not been audited."

The Kabul-Kandahar road was designed in accordance with the recommendations and standards set forth by the American Association of State Highway and Transportation Officials. Accordingly, live loading conditions for 18 kip equivalent single-axle loads to meet the HS20-44 load standard was implemented. This design standard is the same utilized for highways and interstates in the United States. The construction quality standard followed the recommendations of the United States Department of Transportation Federal Highway Administration, set forth in *Standard Specifications for Construction of Roads and Bridges on Federal Highway Projects*, which provides for strict compaction requirements for earthworks, aggregate, and asphalt pavement lifts of construction. The implementation of construction was therefore similar to that performed for highway and interstate construction in the United States. The design and the construction followed normal industry and technical procedures meeting international quality standards despite the fact the project was implemented in a country with an ongoing armed insurgency and with little to no capacity in the local construction industry.

The highway was constructed according to such strict standards to accommodate the driving conditions found in Afghanistan, to allow access of vehicles where regulations as to inventory and load weight are nonexistent, and to minimize maintenance problems to the extent possible.

[35] **Please define "minor settlement" and indicate the total cost for repairing Louis Berger Inc's faulty road construction.**
Minor settlement, refers to deficiencies/defects which are normal to any construction project, such as compaction. Repairs were covered under the warranty by the various LBGI subcontractors implementing the project at no additional cost to the US taxpayer.

[36] **Why are maintenance, training, and capacity building a new addition to USAID contracts? Does USAID incorporate the transfer of maintenance of infrastructure to local partners into contracts and plans for reconstruction?**
USAID takes seriously the maintenance of projects in which US taxpayers invest resources. Training and capacity building are not new additions to

USAID contracts. Depending on the performance track record of recipient governments, USAID may include maintenance and capacity building requirements as needed.

Based on evidence available at the time, maintenance was not initially included as part of the LBGI contract because it was determined that the Government of Afghanistan would perform it. However, since this did not prove to be the case, this component was included as part of the new contract, as well as stipulations on cost recovery.

USAID maintenance training for Government of Afghanistan employees, as well as the installation of USAID-funded weigh stations to control transport overloading, should help provide the Afghan Government the resources necessary to maintain the country's road assets in the future.

7. Louis Berger Group Inc. failed to have an approved quality control and assurance program in place, as required by their contract. What did USAID do in light of Louis Berger Group Inc. breaking the agreement?

Answer: LBGI did have a quality control and assurance program, but it was subsequently improved and approved by USAID after the September 2004 audit.[37] It should be noted that since LBGI served both as construction manager and prime contractor under the Rehabilitation of Economic Facilities Services (REFS) Program, requiring both quality control and quality assurance programs in place, USAID managers felt it prudent to contract with IRD to provide a third, independent quality control and assurance program. This decision in no way indicated a failure of LBGI's own quality control (QC) and quality assurance (QA) program, but was part of an effort to improve the program as a result of the September 2004 audit.[38]

[37] The Inspector General reported in this 2004 audit that Louis Berger Inc. did not have the necessary quality control and assurance and required by their contract.

- **Is it USAID's position that the Inspector General report is inaccurate?**

No. The September 2004 IG report found that "USAID/Afghanistan did not *fully* monitor its road reconstruction activities . . . although it has taken some positive steps to improve monitoring (emphasis added)." The report further stated that "USAID/Afghanistan generally checked the timeliness of the reconstruction activities, but did not fully monitor the quality of the road construction, in part, due to security restrictions that limited travel outside of Kabul." The report made recommendations regarding the development of a "monitoring plan to ensure quality, timeliness, and contractor performance," and to "review contractor claims to ensure that USAID does not pay for the defective work that had to be redone." USAID/Afghanistan concurred with both recommendations and explained in a letter to the IG the steps that the Mission had taken or was implementing to address some of the gaps. All of those changes were put in place.

- **What controls have been put in place to ensure proper monitoring and fulfillment of contractual requirements by LBGI? How will USAID conduct this monitoring?**
  Please see our response to footnote 30.

[38] When it became evident to the U.S. Ambassador that Louis Berger Inc. was mismanaging its reconstruction programs (especially after several problems were pointed out by the Ministry of Public Health regarding the "model" clinic and poor road construction) the Ambassador requested the Army Corps of Engineers to perform quality assurance of Louis Berger Inc.'s work. As the result of this poor performance, the U.S. taxpayers ended up paying for USAID, IRD, the Army Corps of Engineers, and the Inspector General (3 different U.S. agencies and 1 NGO) to monitor Louis Berger Group Inc.

- **Please provide the total expenses incurred by the Inspector General, USAID, IRD, and the Army Corps of Engineers while performing this additional and unforeseen monitoring of Louis Berger Group Inc.'s activities.**

USAID foresaw the need for extensive oversight and monitoring because of the volume of funds it was mandated to oversee in Afghanistan, the scope of projects it was asked to implement, the accelerated time frames for showing results that US strategic interests required, and the environment of war and insurgency in which we

were called to operate. It was, in fact, the Agency which brought in the Corps of Engineers as it was the Agency that requested its IG to concurrently audit its Afghanistan projects.

In fact, the Corps of Engineers, IRD and USAID were not engaged *seriatim* to oversee unforeseen shortcomings. The Inspector General, USAID, IRD, and the Army Corps of Engineers acted as complementary parties assuring quality for USAID's projects. It is not uncommon to augment Quality Assurance (QA) teams during the course of construction when conditions dictate. QA is a fundamental component of the infrastructure program and the number and qualifications of QA personnel change with the program requirements.

In terms of expenses incurred for the monitoring and QA of USAID programs in Afghanistan:

> Since 2003, OIG has spent $2.7 million to provide oversight of the Agency's programs in Afghanistan. (For further information, please contact the office of USAID Inspector General Donald A. Gambatesa at 202-712-5948).
>
> IRD total contract amount for power, roads, schools and clinics is $57,937,032
>
> The monitoring cost for USACE is not available because there was never a specific mechanism (Agreement or MOU) between USAID and USACE with an established budget and deliverable for the monitoring work. A formal arrangement was never put in place because the Corps was not able to access most of the site locations with ex-pat inspectors due to poor security. The Corps' effort became extremely limited because of security concerns and eventually it was realized that IRD with its national staff was the only practical means to monitor remote project sites.

8. Why is USAID again using Louis Berger Group Inc. with such a poor track record (that could include fraud if "completed sites" are never located) to handle more critical infrastructure projects?

Answer: The Afghanistan Infrastructure Reconstruction Project (AIRP) was won by the Louis Berger Group in joint venture with a worldwide leading U.S. energy sector firm, Black & Veatch, after a full & open competition involving a best value selection process performed strictly according to the Federal Acquisition Regulation (FAR). Five offerors competed for the award. Under a FAR Part 15 negotiated procurement, best value award process, the offerors' technical and cost business proposals are evaluated according to the terms of the relevant Request for Proposal, and the Louis Berger/Black & Veatch (B&V) team won on this basis.[39] This is a joint venture, under the terms of which B&V will do all energy/power sector work, LBGI roads, and any other work will be split 50/50.
Past Performance was duly considered as a technical evaluation factor, along with: Technical Understanding & Management Approach, Staffing Plan & Qualifications of Proposed Personnel, and Corporate Organization & Capabilities.

[39] The ability to author well written proposals does not give any indication about the ability to produce results—but past performance is such an indicator. In this case, Louis Berger Group's past performance on roads, schools and clinics was lacking when it came to the quality of the construction, amount over budget, time past deadline, and other indicators.

- **Why does USAID not consider past performance failures when awarding contracts—even if they are as large as $1.4B as in this case?**
  Past performance is a normal criterion in USAID selection processes and was one of the criteria considered in this selection process. Other criteria included: technical understanding and management approach; staffing plan and qualifications of proposed personnel, and corporate organization and capabilities.

  We reject the suggestion that LBGI performance on the Kabul to Kandahar Road was in any way a "failure". It was in fact a signal achievement of strategic importance to Afghanistan and the foundation for its further development. President Karzai's announced it as his number one priority and LBGI was able to

accomplish it on time and under budget, during conditions of war, and with a paucity of local resources. Such an engineering feat has been rightly recognized by the civil engineering profession for a series of awards.

- **Considering Louis Berger Group has a failed track record and was removed from projects due to mismanagement and poor performance, why would USAID consider Louis Berger Group Inc. in the first place?**
  LBGI was not removed from projects by USAID in Afghanistan as a result of mismanagement or poor performance. We decided to reduce the number of schools and clinics to be built by LBGI, and to transfer that work to other NGOs to allow us to build at a faster rate, and to allow LBGI to focus on roads.

  The contract was awarded based on a full and open competition; all proposals were considered equally under the system. Selection criteria included past performance, technical understanding and management approach; staffing plan and qualifications of proposed personnel, and corporate organization and capabilities. As per our response to previous bullet, LBGI performed in an outstanding manner during the construction of the Kabul-Kandahar road, and received many engineering awards as a result.

9. How many site visits can USAID document of U.S. officials making to inspect projects and ensure quality of the work? What functions do USAID staff perform on a project after they disburse funding for the project?

Answer: USAID officials and their contracted inspectors/engineers made more than 4,100 site visits over the life of the school and clinics program. For the SACCRP, the USAID Cognizant Technical Officers (CTOs) or the contracted IRD vertical structures managers (US citizens) have visited schools and clinics in every province where construction is occurring (except Uruzgan) and have visited works constructed by each of the Implementing Partners/contractors in the program. Visits to sites in southern and some eastern provinces have stopped recently due to security restrictions. USAID can provide documents for all sites where US officials have participated in the handover

inspection. In many cases where the CTO is restricted from going to the site for security reasons, USAID's Afghan engineer (alternate CTO) has led the handover inspections. In general, USAID direct inspections and inspections by organizations, such as International Relief and Development (IRD), have identified problem areas and high quality control for the school and clinic program early in the process.[40]

Each USAID project is managed by a Cognizant Technical Officer (CTO) who is responsible for the management and oversight of the contract, which includes inspection and ensuring the quality of work.[41] Given the security situation in Afghanistan and the consequent restrictions on the movement of Embassy staff, USAID CTO in Afghanistan are unable to inspect projects as often as they would like. For that reason we hire third party contractors to conduct site visits. This is not an ideal situation; however, the security situation in the country necessitates this practice. Our project managers, however, inspect sites to the extent possible, and are in constant contact with their project implementers.

[40] As indicated in Senator Coburn's findings, neither USAID nor IRD discovered the bribery and falsification of progress reports that were filmed on a hidden camera and reported by the Washington Post. Furthermore, had these types of problems been identified earlier in the process as USAID claims, the roofs and walls in the schools and clinics built my USAID would not have collapsed, poor materials would not have been used, rebar would have been properly installed prior to concrete being poured, design problems would have been corrected *before* construction.

[41] **Given the 2004 Inspector General reported that USAID failed to monitor the Kabul to Kandahar Highway, was the CTO for this project derelict in his duty or was there no CTO assigned?**
A CTO (project officer) was assigned to this project and was not derelict in his duty. USAID early on recognized the magnitude of his task and moved to include IRD and the Corps of Engineers to complement his work.

As stated above, the September 2004 IG report found that "USAID/Afghanistan did not *fully* monitor its road reconstruction activities . . . although it has taken some positive steps to improve monitoring (emphasis added)." The report further stated that "USAID/Afghanistan generally checked the timeliness of the reconstruction activities, but did not fully monitor the quality of the road construction, in part, due to security

restrictions that limited travel outside of Kabul." The report made recommendations regarding the development of a "monitoring plan to ensure quality, timeliness, and contractor performance," and to "review contractor claims to ensure that USAID does not pay for the defective work that had to be redone."

USAID/Afghanistan concurred with both recommendations. All of the recommended changes were put in place.

- **Are reports accurate that claim there is only one CTO assigned to cover the construction of hundreds of clinics, the reconstruction of hospitals, and provision of healthcare services to 13 provinces?**

Project officer responsibilities are separated between construction and health care services. The Director of Social Services Development (SSD), Deputy Director of SSD and the Senior Health Advisor share project officer responsibilities for various health care service contracts and agreements. There is a separate project officer for the SACCARP program and clinic construction carried out through PRT is overseen by a project officer in the PRT office.

It should be noted that it is normal practice to have one designated CTO for a project, in order to have a clear line of responsibility. However, that does not signify that only one person is responsible on a daily basis for the management and implementation of the project. The CTO works with other members of the USAID team, in coordination and collaboration with a large implementer staff.

- **How were the site visits conducted?**

Site visits were (and continue to be) conducted by road and helicopter.

- **Were the inspectors USAID employees or contractors?**

Inspectors are either IRD or USAID employees.

- **What training and qualifications in engineering and construction do the inspectors have?**

All inspectors for IRD and USAID, including Afghan nationals, have degrees in Architecture or Engineering.

- **What expertise in infrastructure development do the CTOs have?**

The current project officer for SACCARP has a Master of Architecture degree with 13 years experience in design and construction. Prior to being assigned to USAID from the US Army Corps of Engineers, the project officer was the program manager for military construction at Eielson AFB, Alaska with a program valued in excess of $100 million per year.

- **Are the CTOs located in Kabul or in Bangkok?**

The CTOs are located in Kabul.

10. Why did USAID permit Shelter for Life to pass through money to 5 Stones after 5 Stones was rejected from doing the contract?

Answer: The Five Stones Group (FSG), on its own initiative, submitted an application to build schools and clinics to USAID for consideration. USAID reviewed this application along with the other four applications received. This was in response to a limited request for applications (cooperative agreement and not a contract).

USAID and US Army Corps of Engineers (USACE) reviewed all five applications, including FSG's. Based on the applications, they found all five to be capable of implementing the program. However, because FSG was a new organization, they did not meet the criteria that a recipient must be in existence for 3 years; they lacked internal systems, including financial reporting systems, that a direct recipient of USG funding must have; consequently USAID rejected its application.[42] FSG later collaborated with Shelter for Life, without any involvement from USAID, and SFL submitted an application. The award was given to Shelter for Life, with FSG as a sub-recipient to SFL. However, SFL terminated FSG after four months.[43]

As noted above, the application by FSG was not rejected on the basis that it was not capable of implementing the program, but rather because it did not meet the requirements mentioned above[44]. It is not uncommon for a new organization to begin development work as a sub-recipient under a more

experienced NGO. Further, USAID is not in "privity" of agreement with sub-recipients and, accordingly, must look to the Recipient, in this case SFL, to manage and enforce the terms of its sub-agreement, including the financial requirements. This relationship is spelled out in USG regulations; specifically, 22 CFR 226.51 which states as follows: "Recipients are responsible for managing and monitoring each project, program, sub-award, function or activity supported by the award. **Recipients shall monitor sub-awards to ensure sub-recipients have met the audit requirements** delineated in Section 226.26." [45] (Emphasis added).

[42] In the preceding sentence, USAID claims that it reviewed Five Stones Group's application and found that it was capable of implementing the program, but then USAID says it lacked "internal" and financial reporting systems.

- **Why doesn't USAID include an NGO's capacity to manage finances and have internal controls when it determines which companies have the capacity for implementing its programs?**
  USAID does consider an applicant's capacity to manage finances and internal controls. FSG's direct application to USAID was not approved due to deficiencies in these areas. The primary criterion to judge an applicant's ability to implement a program is based on technical expertise. However, a number of other criteria, such as the applicant's management and financial controls, must also be satisfied during a proposal review. Therefore, FSG was deemed technically capable of implementing the program… the first criterion. But the firm was judged as lacking required experience, accounting and internal controls, and its application was rejected, based on this second criterion.

- **Does this explain why USAID projects in Afghanistan consistently have significant cost overruns?**
  Although situations such as sub-grantee non-performance can contribute to an increase in program cost, in Afghanistan cost overruns have generally been due to the rising costs of security and the danger and difficulty of working at exposed project sites. Some are in extremely remote locations, where protection by Coalition forces is not generally available. The fact that a good number of USAID projects were being implemented in the context of an active insurgency needs to be underscored when judging the overall performance of the Agency.

[43] Sources on the ground in Afghanistan report that the contract was only terminated after the U.S. Ambassador discovered USAID permitted Five Stones Group to continue operating in Afghanistan (with Shelter For Life acting as the pass through). When he was informed of the details at a metrics meeting, he threatened to remove from country the USAID official, Charles Mosely, who had knowledge of this arrangement. The Inspector General's office reports that a criminal investigation was initiated, but due to lack of follow-through by USAID to pursue the matter, the investigation was dropped. The ability for Five Stones Group to thwart the system in this fashion is an illustration of USAID's lack of monitoring its programs while relying solely on the reports of its contractors.

- **Did USAID take any disciplinary action against its CTO officer who failed to monitor the contract with Shelter For Life?**

After the IG closed its investigations, USAID decided not to renew Mr. Mosely's contract.

- **Why didn't USAID pursue the investigation of the Five Stones Group that was started by the Inspector General on this matter?**

According to IG statements: "Regarding the Five Stones Group, the Office of Inspector General closed its investigation upon receiving declinations to prosecute from the United States Attorney's Office. Since USAID had previously taken administrative action by terminating the Shelter for Life grant, the Office of Inspector General did not refer the matter to USAID for additional action."

[44] See footnote #42.

[45] **What is the penalty for the "recipients" when they fail to monitor the sub-awards properly? What action has USAID taken against Shelter for Life? Has Shelter for Life subsequently received any additional contracts from USAID anywhere in the world?**

Penalties for non-compliance of recipients are listed in the Code of Federal Regulations Section 226.62. **A copy of the relevant section is attached.** In the case of Shelter for Life (SFL), the agreement was terminated by USAID for failure to comply with the terms and conditions of the award. SFL appealed this termination in accordance with 22 CFR 226.62 by submitting a

dispute per Subpart F of the CFR. The Agreement Officer made a decision to rescind the termination and to reinstate the award, but with a partial suspension of works not started. The works or buildings that were well underway were continued, but works in the very early stages or not yet started were suspended pending successful corrective actions by SFL, at which time the situation would be re-evaluated. SFL senior management, including its CEO, flew to Kabul removed certain staff and instituted cost-sharing. The cost-sharing arrangement helped absorb some of the losses incurred due to Five Stones Group's earlier non-performance. USAID took appropriate action again SFL, and subsequently SFL was able to meet the terms of its agreement, and finish all of its school and clinic construction work by May 2006. Shelter for Life has received subsequent awards from USAID.

It should be noted that given the volume and scope of programming, shortcomings in aspects of it were not unanticipated. This is why the Agency voluntarily engaged its own IG to undertake Afghanistan oversight functions. The Agency was not acting in a perfect world but in a war zone where defeating terror and beating back an insurgency were the primary objectives.

Arguably, the SFL case could be interpreted as vindicating the oversight process that was in place: USAID suspended; SFL corrected; and now SFL is a good performer.

11. Has USAID used 5 Stones for any other project? If not, how was 5 Stones permitted to be in Afghanistan when it didn't qualify as a contractor and weren't in use by USAID? Can USAID provide the paperwork given to 5 Stones permitting it to be in Afghanistan?

Answer: USAID/Afghanistan has not had a direct award with FSG; USAID involvement with FSG occurred when Shelter for Life, on its own volition, decided to use the FSG as a sub-recipient. USAID has no authority over what NGOs can operate in Afghanistan. Per the Government of Afghanistan, all NGOs must comply with the NGO registry process and are required to register before they begin operating in the country. USAID does not have copies of any paperwork permitting FSG to operate in Afghanistan.[46]

[46] **U.S. government sources disagree because it was known to officials at USAID that the Board of Directors and corporate executives who created Five Stones originally came from both Shelter for Life and a lobbying group in Washington. Knowing this information would make it clear that there were violations of contracting law. The investigation was initiated after a US judge forced the issue based on the evidence he had seen while in Afghanistan.**

The agreement that Shelter for Life (SFL) had with Five Stones Group was a sub-grant and USAID contracting officers had no reason to believe there was any conflict of interest arising from past associations between staff members of the two organizations. SFL was considered acceptable from a pre-award standpoint. SFL's application with FSG as a sub-award was reviewed by a technical evaluation team and found to be adequate and acceptable, and no exception was taken to FSG as a sub-recipient. It is not uncommon for USAID to suggest that organizations not yet capable of managing a direct grant pursue a sub-grant instead. This allows them to improve their management systems while performing for the direct grantee.

12. Why didn't USAID attempt to retrieve the money and/or equipment from 5 Stones after they were removed from the contract? Can USAID provide the documentation illustrating 5 Stones use of the grant met the requirements of the contract agreement with Shelter for Life?

Answer: USAID officials, in conjunction with Shelter for Life, pursued all equipment procured by FSG and the USG's interests were protected. The Contracting Officer and Executive Officer went out to the FSG compound, with the assistance of several USAID local staff, confiscated all vehicles and drove them to Shelter for Life which had title to the equipment.[47]

USG interests were protected through out the process and equipment and property issues handled in accordance with 22 CFR 226. In other words, USAID did get much of the equipment back. Shelter for Life absorbed the cost for other equipment.

USAID does not have pertinent documentation that illustrates Five Stones Group's use of the grant met the requirements of the contract agreement with SFL.[48]

[47] **Please list the equipment that was salvaged from the Five Stones Group contract, and give the amount of expended "start up" funds that**

were never collected from Five Stones Group either in the form of equipment or cash. Please indicate who replaced the funds that were never recovered from Five Stones Group (i.e. the U.S. taxpayer or Shelter For Life).
A list of equipment that was recovered from the Five Stones Group is provided in the annexes.

[48] **Why does USAID use contractors who are unable to document full compliance with the terms of their contract? What sort of reporting is normally required of contractors to ensure compliance?**
USAID goes to great lengths to be a good steward of the public's money. When a recipient of a cooperative agreement is determined not to be in full compliance with the terms of its agreement, action is taken to terminate or suspend the agreement. In the case of the cooperative agreement with SFL, performance reports were submitted quarterly, in keeping with the program description. A Final Report was also submitted. Reporting on construction activities included biweekly reports on construction progress, as well as monthly expenditure and quarterly accrual reports.

A work plan is normally submitted annually to USAID outlining how the implementer will achieve the objectives of its agreement. Depending on the terms of the agreement, the implementer then provides USAID with regular progress reports that can range in frequency from weekly to semi-annual. The progress reports provide information on the implementer's activities, the objectives being met, and reporting on indicators.

In the case of Afghanistan programming, the Agency's first objective was to put in implementers that could perform in a post-conflict environment and a non-functioning state. Shutting down SFL was not the Agency's preoccupation. Rather, our primary objective was to complete projects, undercut the insurgency, help save the lives of American troops, and achieve the U.S. strategic objectives in the War on Terror.

13. Was there any reprimand or other action taken against the USAID officials who permitted the questionable arrangement between Shelter for Life and 5 Stones?

Answer: USAID's agreement was with SFL, not FSG. SFL upon its own accord used FSG as a sub-recipient. We are unaware of any "questionable

arrangement" between the two organizations.[49] Shelter for Life staff acted properly under the circumstances, as did USAID officials as noted in the previous answer. No reprimands or other actions were justified and none were taken.[50] As per 22 CFR 226.61, SFL, not USAID, was ultimately responsible for terminating the (sub) agreement with FSG. SFL complied with section 226.51 (h), which requires that Recipients to notify USAID of developments which have a significant impact on the award-supported activities and to offer assistance needed to resolve the situation.

[49] **Are you now aware of any "overhead" that Shelter For Life took from this pass-through to Five Stones? If so, has USAID attempted to recover this money?**

Overhead for Shelter for Life on its sub-awards was not originally part of the USAID-Shelter for Life agreement. Overhead was added to the agreement a few months prior to Five Stone's termination. Of the overhead costs charged in that short period of time, some was absorbed by Shelter for Life's voluntary cost-sharing agreement.

It should also be pointed out that in circumstances like these, the cost of pursuing the recovery of overhead for sub grantees shortcomings may prove more costly to the taxpayer than absorbing the costs.

[50] **If the pass-through to Five Stones was acceptable, why was the agreement terminated?**

The agreement between Five Stones and Shelter for Life was terminated by Shelter for Life as a result of Five Stones' failure to comply with the terms of its agreement.

14. When did USAID first hear that Cooperative Housing Foundation (CHF) was soliciting bribes from local subcontractors? What was USAID's response? Why was CHF not immediately terminated as a contractor and criminal prosecution initiated?

Answer: As soon as CHF informed USAID/Afghanistan about the incident, which was late 2003, the USAID Inspector General Criminal Investigator was contacted.[51] CHF took immediate corrective action when they first became aware of bribery issues; long before the incident was reported by the Washington Post. RDA, the company that was being solicited, was subsequently found to be in default for shoddy workmanship.[52] CHF took

immediate recourse for the actions of its employee, and continued with the implementation of its contract.

[51] The Inspector General's criminal investigation into this matter did not begin until this year when Senator Coburn's staff brought it to his attention. Furthermore, CHF was not the informant, but the Afghanistan subcontractor that CHF was soliciting bribes from was the informant. After this incident, despite CHF employees actively bribing its subcontractors to falsify reports, USAID continued to award contracts to CHF.
Please see response to footnote 52 below.

[52] **Why didn't USAID take "immediate recourse" against CHF rather than rewarding CHF with millions more in contracts?**
USAID took immediate and proper action by contacting the IG. The IG found that this was not an institutional issue with CHF as an entity, but improper activity by a CHF employee. CHF took action accordingly. This matter was handled in accordance with all applicable legal and regulatory standards.

15. On the tape that shows the bribery taking place, CHF claims to have taken bribes from subcontractors of other sites in the area. Did USAID follow up on this probability and determine these other sites so the construction work can be checked and repaired, if found to be under code?

Answer: Yes. USAID has set standards that all contractors must adhere and this standard was applied to the construction work undertaken by CHF. USAID's standard for substantial completion requires that the building is checked thoroughly to ensure building specifications are met, including any applicable codes. The process includes inspection to ensure the structure is: (1) generally in good order, (2) functions as intended, and (3) has no life safety issues (i.e., meets code in critical areas). Lastly, inspectors compile a punch list of items for minor repair (repairs to hardware, change of light fixture, etc.) to be addressed later. These items do not hinder operations by the user.

16. Given International Relief and Development's (IRD) failure to monitor construction progress, why has USAID continued to use IRD

and recently award it a several hundred million dollar contract to monitor overall progress in Afghanistan?

Answer: For schools and clinics in particular, IRD has done an excellent job of monitoring construction progress.[53] The current IRD contract value is $57,973,032 over five years. IRD won the contract on a best value basis after a MOBIS (GSA Schedule) competition for which five other proposals were received. IRD with its largely Afghan staff, had the ability to arrange sites visits to places where we could not go – but all this was done without excessive expense.

Please refer to the letter from the Ministry of Public Health on IRD's performance.[54]

[53] **Senator Coburn has received photographic evidence that illustrates that reports from USAID contractors on the progress of construction sites are likely inaccurate. IRD failed to catch these inaccuracies in its reporting. <u>See footnote #24.</u>**
Please see our response to footnote 24, which explains how the rate of completion is measured, and confirms the completion rates which were provided.

- **What is the criterion that USAID uses to deem IRD's monitoring performance "excellent?" Are there penalties in IRD's contract for this type of significant failure in monitoring? Why hasn't USAID enforced the penalties in this case?**

USAID uses several means to determine a company's performance and assure that it complies with the standards required by its contract.

IRD's work is considered excellent because of its rigorous attention to monitoring efforts and the results they have achieved. Since the start of the current Schools and Clinics Construction and Refurbishment Program (SACCRP) in April 2004, IRD has conducted well in excess of 10,000 monitoring inspections. IRD has documented each visit with photos and/or project status information and has communicated its findings via email, telephonic and face-to-face discussion on a near daily basis. Although the output is impressive, the outcome speaks for itself. With 6 different Implementing Partners and more than 200

sub-contractors, the quality of work is consistently high across the board. In formal weekly reviews between USAID and Implementing Partners, IRD consistently provided detailed reports on the status of buildings to include photos and trip reports. This detailed information provided the basis for timely response by the implementing partners to rectify quality concerns and improve quality assurance. IRD was the common denominator among all implementing partners and sub-contractors in defining and quality assurance.

This quality is reflected in the fact that the Ministry of Education and Ministry of Public Health have accepted all completed sites to date and have provided USAID with letters of appreciation. It is also reflected in the continued good relations we have with each Ministry.

To be sure, the monitoring program is an enormous undertaking and there have been and will continue to be constant refinements in planning, procedures, implementation and monitoring/evaluation. In no way is it reasonable to conclude that IRD has failed significantly.

1. The following table from the November 2006 report illustrates the activities that IRD has undertaken.

Items	Total Visits	Area 1 (Kabul)	Area 2 (Ghazni)	Area 3 (Mazar-e-Sharif)	Area 4 (Kandahar)
Routine	230	98	23	91	18
Handover	50	5	21	24	0
Final	20	4	0	16	0
Punch List	23	4	14	2	3
Warranty	48	3	10	35	0
Site	8	0	3	3	2
Total	379	114	72	171	23

2. Monitoring inspection reports: Monitoring inspections are almost always made with coordination and participation of the contractor or grantee. A report is prepared to identify the site, its progress, and any issues for resolution. Photographs are provided on the report as backup.

3. Daily Interaction: The project officers for the schools and clinics program interact almost daily with IRD via email, telephone, and face to face meetings in order to carry out the completion of the program.

4. Feedback from contractors and grantees: USAID routinely receives and/or solicits feedback from its contractors and grantees. These organizations consistently "accuse" IRD of being over-zealous with its inspections.

5. USAID project officers have participated in approximately 10% of the handover inspections of completed facilities. The quality of these facilities, as shown in the photographs in the attached binder, show consistently high quality across the board, irrespective of implementer.

[54] **Senator Coburn's staff has contacted senior officials at the Ministry of Public Health who had no knowledge of this letter being signed by the Minister until extensive further inquiries were made. At that point, they expressed regret about the letter and assured Senator Coburn's staff that future letters presented for signature would be more closely monitored since this letter does not accurately portray the mismanagement of USAID contractors and the frustration the Ministry has had with USAID in the past. Given that the Minister of Public Health himself was the only one aware of the letter, we suspect that the letter may have been signed under intense pressure by USAID. These senior officials also assured Senator Coburn that now that they know USAID's motives for this letter, the Minister will be careful not to sign more letters that fail to reflect reality.**
USAID categorically rejects any allegation that the Agency employed "intense pressure" to procure the signature of the Minister of Public Health.

In fact, USAID did not solicit a letter from the Minister Public Health regarding IRD's performance.

USAID's relationship with the Ministry of Public Health was and is an excellent one, based on close collaboration between our staff and implementers with that Ministry. This is not USAID's assessment alone. In 2006, the Government of Afghanistan, at its own volition, bestowed the highest civilian honor of the country, the Mir Masoodi Khan Award, to Dr. Jim Sarn and Mr. Jim Griffin, the USAID Mission's health advisors.

17. Given USAID outsourcing of construction to companies like CHF and monitoring to companies like IRD, what role does USAID play in these programs? Using this agreement with CHF to build clinics and schools as an example, what percentage of the funding does USAID claim for its administrative overhead? What percentage of the funding is claimed by the contractors and subcontractors for administrative overhead? What percentage of the funding is for the "bricks and mortar?"

Answer: USAID has rarely engaged in directly implemented construction work since the 1960s; rather USAID's role is that of contract administration. This contract administration includes financial oversight and field monitoring. Because of the large size of the USAID program in Afghanistan compared to the size of the USAID field staff, consulting companies such as IRD have been awarded contracts to assist the Agency with program monitoring. This is particularly true for infrastructure programs including school and clinic construction, roads, and power sector work.

USAID does not attribute administrative overhead to individual agreements. The total "administrative overhead" budget, including both the operating expense account and program funding for USAID/Afghanistan in FY07 is estimated at $60.3 million, a significant portion of which is for security costs. This budget covers an approved total staff level of approximately 306. The requested FY07 program funding level is $802,800,000. Thus, the percentage of "administrative overhead" (from both OE and Program funds) to the overall program funding level is 7.5%.

A General Accounting Office audit found that in September 2004, the average program funding per staff person for USAID Missions worldwide

was $1.2 million, whereas for USAID/Afghanistan the average was $11.2 million.[55] The Mission does not know precisely how the GAO calculated these figures; however, as of September 2006, the obligated amount of USAID/Afghanistan's funding in active awards was $3.1 billion (the total estimated cost of these awards is $5.2 billion). This gives a current ratio of $10.1 million per staff person using the obligated level, and $17.1 million per staff once the remainder of the funding is obligated into the current awards. Considering both the "overhead" of less than 10%[56], and the high staff-per-managed-dollar, the funds appropriated to USAID for Afghanistan are being very efficiently managed.

The USAID Mission's award file shows that the CHF "overhead" rate was 23% applied to total direct costs – but for this award CHF excluded from total direct costs the amount of construction and refurbishment above $25,000 for each sub-award.[57] Modification No. 4 (signed September 2005) shows the following budget:

Personnel $1,031,062
Fringe Benefits 207,760
Travel 341,450
Equipment 1,468,500
Supplies 140,600
Construction 5,178,544
ODC 4,105,070
Indirect cost 1,523,679
Grand total $13,996,665

Equipment, Construction, and Other Direct Costs (ODCs) are as a practical matter part of the Construction element, i.e., "bricks and mortar." Under the LBGI contract referred to elsewhere (including Ring Road, schools & clinics, etc.) 24 per cent was spent on design, management, supervision, demining, site security and indirect overheads and profits. Under the grant with the United Nations Office for Project Services (UNOPS), another implementing partner for roads, schools and clinics, the corresponding figure is 19 per cent.

[55] Given the level of funding being managed by USAID staff in Afghanistan, this is not an example of efficient or effective money management.

[56] Mr. Kunder's replacement as USAID director in Afghanistan, Patrick Fine, contradicts this claim of low overhead (see attachment #7 of Senator Coburn's findings).

- **Please provide a more comprehensive accounting of all money spent—including subcontract expenditures. This report should clearly differentiate how much of the total funding was actually spent on "bricks and mortar." See footnote #57.**

The following calculation assumes the definition of "Bricks and Mortar" as the total value of construction contracts awarded to Afghan prime contractors. The CHF program was completed by IOM, so additional subcontracts were tendered by IOM.

A. Construction Contracts with change orders:
CHF: $6,478,914 (actual costs as of November 2005)
IOM: $2,597,930 (actual costs as of December 2006)
Total: $8,988,087 (Bricks and Mortar)

B. All other costs, excluding Bricks and Mortar
CHF: $7,517,751
IOM: $541,477
Total: 8,059,228 (NGO other costs)

C. Award Amount to Complete CHF Assignment
A + B: **$17,047,315**

D. IRD Cost for S&C Quality Assurance
QA: **$594,327**

E. Total Paid by USAID for Implementation and Management of CHF Agreement
A-D: **$17,641,642**

F. USAID overhead as calculated by GAO (7.5%)
.075E: **$1,323,123**

Summary: 51% of every dollar is spent on Bricks and Mortar costs, excluding USAID overhead. With USAID overhead included, 47.4% goes

to "bricks and mortar." The balance was spent on overhead, quality assurance, monitoring, design, engineering, and related costs.

[57] It appears that most of the work of CHF was subbed out and done by others.

- **Why would these costs be excluded if it hinders USAID from giving a truthful representation of the real overhead versus funds spent on "brick and mortar?"**
  The word "excluded" refers to the amount for which CHF did not claim overhead. According to the terms of its agreement with USAID and USAID regulations, overhead was not charged on a sub-award for the portion of that award over $25,000. We used that amount for the purposes of our calculations.

- **Why isn't it USAID policy to keep an accurate record of where the funding flows in order to have an accurate assessment of the real progress of its programs?**
  It is USAID policy to keep accurate records of funding flows.

18. How has USAID corrected the problem with building sites in locations that are inaccessible or not near doctors and medical workers to staff the clinics?

Answer: All USAID clinics have been staffed by MOPH, or designated NGO medical personnel. [58] USAID consulted extensively with the Afghan Ministry of Public Health when designing health programs, including clinic construction to assure optimal staffing.
(Please see attached letter from the MOPH). [59] Consultations between USAID and the MOPH are intended to ensure that the clinics are built where they are needed. In the mountainous rural areas that cover much of the country, there is always consideration of the importance of preserving scarce agricultural lands, which are critical in maintaining the nutritional status of villagers. In all cases, site decisions take into consideration the need to staff each location. However, clinics in rural areas experience considerable staff turn-over, which is a challenge for the MOPH and NGOs to maintain a full staff complement at all times.
Please refer to the letter of support from the Minister of Public Health. [60]

[58] **Please provide the date when every clinic USAID constructed has been staffed, and also indicate whether the staff was provided by the Ministry of Public Health or a NGO. According to audits, media reports, and sources within the Afghanistan government (see Senator Coburn's findings), due to lack of communication, coordination and local buy-in, many clinics were constructed in inaccessible locations or near villages with no staff that could operate the clinic.**

USAID worked closely with the MOPH Task Force, chaired by the Director General for Policy and Planning, in selecting locations for clinics, to ensure need and accessibility. Task Force members include senior representatives from the Ministry's construction directorate, a USAID construction consultant (from the REACH project), representatives from USAID construction contractors and selected NGO engineers, such as from the Swedish Committee for Afghanistan and Ibn-Sina.

The Task Force met weekly at MOPH. Task Force members or representatives visited all proposed clinic sites. During field visits, members met with provincial governors, provincial public health directors, district governors and community elders to confirm that clinic sites were located in areas with need and access. Selected sites were visited and coordinates recorded. Nevertheless, these efforts at monitoring staffing are a constant challenge.

Generally, clinics are fully staffed within three to six months after construction is completed. We cannot provide specific dates services began for the hundreds of clinics that are staffed and in operation, since many clinics built with USAID funding are operated by other donors, MOPH, or local NGOs.

Delays in staffing sometimes occur because the GOA has its own formal process for accepting a clinic upon completion of construction. Then, if the MOPH is unable to staff the clinic, it will formally ask a donor to provide staff and overall operations support for the new clinic. The MOPH operates clinics directly in three provinces: Parwan, Panjshir and Kapisa. Clinics in all other provinces are, with few exceptions, staffed by Afghan personnel hired by Afghan, American or international NGOs. These NGOs are supported by donors, the major ones being the World Bank, EC and USAID. USAID provides support to more clinics than any other donor, supporting clinics in 13 of the 34 provinces in Afghanistan.

USAID occasionally receives reports of clinics not currently being in operation. These are brought to the attention of the MOPH. Usually such reports come from district or provincial government officials, and sometimes from donor-supported monitors. These staffing requirements present an enormous and continuous challenge to the MOPH and Government of Afghanistan.

[59] This letter does not excuse USAID for past failures to work with the Afghan government. The letter may be referring to recent changes and new developments since the claim is contradicted by previous letters and statements from the Ministry of Public Health to USAID pleading for more consultation and inclusion with USAID's executive decisions on clinic locations (see attachments #1, 2, 4, and 5 of Senator Coburn's findings and footnote #51).

[60] Please refer to footnote #54.

19. How much more money has USAID spent to reconstruct schools and clinics or has USAID abandoned them? Are there any lost costs in this project?

Answer: This question is not clear.[61] If the question refers to projects damaged or destroyed by anti-government elements, to date about 20 sites have been affected to varying degrees by attacks and suffered major damage. Of those damaged and in secure environments, most have been repaired within budget (contingency funds) by the implementing partners. Those few too severely damaged to be repaired within budget or in areas where security is untenable have been suspended until the situation improves and the mission can reassess the cost and benefit of repairing or replacing the facility.

[61] Given the context of Senator Coburn's findings, the question refers to the numerous schools that were built in inaccessible locations, flood zones, or in locations with no nearby staff to operate the clinic.

- **Please provide the total amount of lost costs and cost overruns on this project due to USAID's poor planning.**

It is indisputable that additional short-term costs are incurred in working with Afghan ministries. Additional costs are implicit in the Agency's efforts to build indigenous capacity, and we do not believe such costs are "lost". The long term gains may be considerable although not immediately calculable. The Afghanistan we found in 2002 was a failed state with little capacity. It was not unusual to change plans in light of the fact that the Agency dealt with several transitional governments during this period. An on-going insurgency forced changes in projected times and places for programming. Such changes were inherent in the environment in which we were operating and reflected an effort to adapt to changed circumstance, not poor planning.

The State Department has stated recently in their oversight reports on construction in Iraq that the cost differential is 16% to 22% additional for the combined indirect and direct security costs. These reports are in line with reports from IOM, which states that a project can be 15% to 20% higher in "conflict zones". This is in addition to the increases in costs for the risks taken by shipping materials along high-risk thoroughfares and laborers being threatened by night letters for working with the coalition forces.

Therefore, much of the increases in cost of construction in Afghanistan are due to the reality of doing such work in active conflict zones.

For information about the schools in flood zones and etc, see our response to footnote 8 (above).

20. Were the schools and clinics located in inaccessible locations included in the total completed sites that James Kunder reported in his June 26, 2006 testimony of the progress in Afghanistan? If so, what is the number of schools and clinics that are currently in use and handed over to the Afghanistan government?

Answer: All of the schools and clinics built to date by USAID were included in Mr. Kunder's testimony of June 26, 2006. The number of schools and clinics handed over to the Government of Afghanistan currently stands at 588 schools and 583 clinics respectively. Please note that as per the

formal turnover process in response to Question 3, a school or clinic can be in use prior to being officially handed over to the Government.

21. What measurable indicators are being used by USAID to measure healthcare capacity in Afghanistan? Public health capacity? Health workforce development? Other health systems such as public health surveillance efforts, vital statistics capacity development, others?

Answer: One of the ways USAID/Afghanistan reports progress against its goals is through the USG Action Plan. The Action Plan tracks inter-agency progress against performance goals, noting both monthly program outputs as well as annual measures of impact over 5 years. Agencies that participate in the Action Plan are: USAID, State Department (including INL), DOD, Treasury, and DEA.

For the health sector, USAID has almost 20 indicators to measure success in the health sector. Our key indicators are listed in the answer for Q 22. Other indicators are: number and percent of children fully immunized for diphtheria petrusis tetanus (DPT-3); proportion of births attended by skilled health personnel; number of people served in operational USAID-supported clinics (per month); number of community health workers (CHW) trained; number of people receiving treatment and counseling (per month) from a CHW; number of midwives graduated from formal midwifery training program; number of midwives enrolled in formal midwifery training program; and number of doctors, nurses, midwives who received refresher training.

22. What specific measures of morbidity and mortality are being used by USAID to demonstrate U.S. contribution to improvements in the health of the Afghan people?

Answer: USAID is using the following key indicators to demonstrate U.S. contributions to improvements in the health of the Afghan people:

- Total people served by the Basic Package of Health Services and the Essential Package of Hospital Services (via USAID's clinics and community health workers provide services)

- Percent of women and children being served by the Basic Package of Health Services and the Essential Package of Hospital Services Health
- Increases in knowledge and behavioral change for key preventive health practices
- Number of skilled community midwives graduating and practicing in communities and the number of women receiving treatment and counseling (a proxy for Maternal Mortality.

It is important to note that indicators such as infant and maternal mortality are not measured the monthly or yearly, as significant changes are normally seen over 5 to 10 year periods [62]

[62] The figures provided here are simply inputs, not outcomes, and there is no standardized information about the quality of these inputs, just raw numbers.

- **Does USAID require all its NGOs operating clinics to collect standardized disease data at every clinic and to report it back to a centralized location at the Ministry of Public Health? If not, why not?**
  This is a requirement. Centralized data collection is now being implemented.

- **In addition to case reports and disease surveillance, what sort of random, systematic chart reviews are required by USAID to ensure the quality of care being delivered and to measure improvement in the reduction of preventable problems such as maternal or infant death, inappropriate medication, lack of presumptive malaria treatment for pregnant women, etc?**
  The implementer responsible for technical and managerial improvement makes random visits to clinics to assess the effectiveness of clinic operations. Regular inspection visits, are made – sometimes jointly – by MOPH personnel and a supervisory contractor or grantee officer to assess the quality of care delivered at USAID-supported clinics. A summary of 1,355 monitoring visits made between 2003 and 2006 by Management Sciences for Health to more than 300 USAID-supported clinics under the REACH program is attached.

- **How does USAID justify the claim that a 5-10 year period is required to see changes in light of CDC's success in reducing maternal mortality in half at the Rabia Balkhi hospital in Kabul (a joint project of DOD and HHS)?**
  More than a fifth of Afghan women now have access to a trained birthing attendant (more than a 50% increase from an estimated 12% in 2003). It will take more time to extend skilled birthing services to all Afghan women. As we have said above, so far USAID has trained and deployed over 800 midwives, a significant improvement over previous conditions. However, given the time needed to identify, train and deploy new midwives, a sea change in outcomes will take time. Addressing such systemic factors such as illiteracy rates, sanitation, access to potable water and nutrition – all of which contribute to maternal and child health -- can only be improved over the long-term. We expect, therefore, that measurable improvements in maternal mortality nation-wide will of necessity come more gradually than in the capital city's leading hospital.

  As per our response to Footnote 2 above, related to infant mortality, the same "Best Estimates" of Social Indicators for Children in Afghanistan" has made estimates for maternal mortality. The "best estimate" of maternal mortality as quoted in this publication is:
  - 2002 – 1900 deaths/100,000 live births
  - 2004 – 1550
  - 2005 – 1500

  As USAID is the largest donor in the health sector, changes in maternal mortality levels, assuming the UNICEF "best estimates" are accurate, can be largely attributed to USAID's collaboration with the MoPH.

- **Why, if well-trained birth attendants are being trained and placed would you not see improvements in birth outcomes right away?**

Improvements can be seen more immediately. However, changes in morbidity and mortality rates at the national level take longer to determine. Please see our response to the previous question.

23. What process is being followed to work with all partners and develop a strategic plan whereby funding levels are demonstrably most allocated to the highest health-related priorities?

Answer: The major health donors to in the country are the World Bank, European Community (EC) and USAID. Together we support the highest health priority in Afghanistan - basic health delivery - in all 34 provinces via national and international NGOs. Total costs per year for the three donors are over $70 million a year to deliver health care through village health posts and clinics and hospitals at the district and provincial and levels. The WB, EC and USAID programs follow basically the same model, as approved by the Ministry of Public Health (MOPH): The Basic Package of Health Services for Afghanistan (for health posts and clinics) and the Essential Package for Hospital Serves. Both "packages" were developed under a USAID contract, and we hold regular coordination meetings among the major donors.[63] At least quarterly, USAID health staff has detailed discussions with the officers responsible for the WB and EC health portfolios. The MOPH and the MoF has, at minimum, monthly meetings with major donors, including the JICA, DIFID, CIDA, WHO, UNICEF and other UN agencies involved in health delivery improvement.[64]

[63] Please describe the type of "coordination" happening at the "coordination meetings" that USAID holds regularly with the major donors, as your answer indicates.

- **What processes and outcomes are being standardized?**

The three major health sector donors, World Bank, EC and USAID, have standardized health delivery systems, implemented through NGOs, called the Basic Package of Health Services and Essential Package of Health Services. Documents describing these systems were provided to your office earlier this year. These are comprehensive systems at the health post, clinic, district and provincial hospital levels. The major donors have somewhat differing contracting mechanisms; however, through sharing ideas, and

guidance from the MOPH, we are moving towards standardizing monitoring and other implementation systems so that the MOPH inherits a uniform delivery system in the future.

- **What strategic goals have been set and how are they being measured and by whom?**

The MOPH has a coherent, but fairly general, National Health Strategy. Donors, particularly USAID and the World Bank, are working with the MOPH on a more specific health strategy for the country. The Health Management Information System (HMIS) tracks a comprehensive list of indicators.

- **Who ultimately is accountable for the success of these health sector efforts?**

USAID and its contracting partners have contributed substantially to the very real improvements that have been made to the Afghan health system since 2003. From the Afghans' and donors' perspective, however, the MOPH has stewardship of Afghanistan's health delivery system, even though most health delivery in the country continues to be funded by donors and implemented by NGOs.

- **Please provide minutes or follow-up group emails to attendees arising from any of these meetings.**
  Minutes of the November 8, 2006 Donor Coordination meeting at the MOPH are included in the annexes.

- **In the 2005 Supplemental funding, over $13M was appropriated to USAID for immunizations of Polio, Malaria, and Typhoid. However, it is reported that USAID attempted to reprogram nearly $9 million of this funding to be used for "support to the Ministry of Public Health for international meetings" and "social marketing."**
  $13 million was not appropriated to USAID/Afghanistan for immunizations of Polio, Malaria, and Typhoid. Pursuant to section 2104 of the 2005 Supplemental Appropriations Act, Congress was notified of USAID's intent to use $4.3 million for Tetanus, Polio, and Malaria Control. None of this $4.3 million was used for "support to the Ministry of Public Health for international meetings" or "social marketing", or any purposes different than those notified to Congress in the section 2104 report. **A copy of**

the relevant pages of the section 2104 report is included in the annexes.

- Why would USAID prioritize international meetings over immunizations?

USAID does not prioritize international meetings over vaccinations.

[64] It is reported that USAID has replaced Management Sciences for Health (MSH) with WHO as its primary umbrella organization for the disbursement of health sector funds (>$50M).

- **How does giving the UN money for overseeing health sector spending build sustainable capacity in the country?**

The World Health Organization already works closely with the Grants and Contracts Management Unit (GCMU) of the MOPH to manage the competitive procurement of NGOs to deliver health services in the 13 USAID-supported provinces. The MOPH/GCMU issues Requests for Applications for relevant population clusters in the 13 provinces. The MOPH is accountable for convening a Technical Review Committee that reviews applications. A committee of representatives from the MOPH, WHO and USAID then selects the most responsive applications and an award is made by WHO. No award is made without MOPH approval.

Once selected, NGOs deliver the health services, but the latter are monitored closely by a team of MOPH and WHO monitors. One of WHO's tasks is to build the monitoring capacity of the MOPH so the latter can begin to manage the entire BPHS and EPHS delivery system.

USAID is planning to provide direct funding to the MOPH once we determine that the MOPH has the capabilities to manage the funds. The move from MSH to WHO is an intermediate step toward having the MOPH run the delivery system. And this will build capacity. Thus it is a move towards government management of the system and sustainability.

- **Since the Ministry of Public Health is ultimately going to have to take over the health sector for the country, why would**

USAID not give the money to the Ministry and then aggressively monitor the spending and operations under that contract to ensure that the Ministry is transparently and appropriately disbursing it to the various NGOs and government clinics and other players?

In 2006, in accordance with USG regulations on accountability, USAID began conducting annual assessments of the MOPH's ability to manage funds for the delivery of Basic Package of Health Services and Essential Package of Health Services directly. The 2006 assessment concluded that the MOPH management capabilities were not yet up to the standards required to manage US Government funds directly. This year's assessment will be conducted in April or May 2007 to determine if the Ministry can now meet the qualifications needed. USAID's implementers, MSH and WHO, will continue to work with the MOPH to strengthen its management capabilities.

- **What exactly are the terms of the contract with WHO? What outcomes are being measured by WHO under the contract? What standardized data collection is WHO requiring of all its subcontractors to measure improvements in health programs? A copy of the grant to WHO is included in the annexes, along with a copy of an MOU** between WHO and one of the implementing NGOs, which specifies the data subcontractors are required to collect to measure improvements in health programs.

- **Will WHO be making public all of its spending to subcontractors on a web site?**

  WHO will not make public all of its spending to subcontractors on a website, as such information could be used by insurgents to target the NGOs. However, WHO will be providing regular reports. It should be noted that spending changes may take place in light of the security situation.

  Attached is a copy of an MOU between WHO and one of the implementing NGOs, which lays out the data the subcontractors are required to collect to measure improvements in health programs.

24. Given competing accounts of USAID coordination with other USG and local partners, please provide support for Mr. Kunder's testimony that that USAID is working closely with the Defense Department and other agencies and local partners.

Answer: USAID is working closely with all USG agencies, including the Department of Defense, both in Afghanistan and in Washington.

Close collaboration with the Department of Defense, the U.S. Coalition Forces, and more recently NATO, occurs both around the Provincial Reconstruction Team (PRT) program, and special initiatives such as "Policy Action Group," led by President Karzai and his National Security Advisor.

USAID, CFC-A and CDC have regular meetings to communicate plans and coordinate activities – e.g. Avian Influenza, health facility construction and equipping. The PRT office resides within USAID and most PRT teams have a USAID representative, who communicates daily with their military counterparts. All new USAID PRT staff are briefed on the USAID portfolio – programs and contractors – and, in addition, they are provided briefing materials upon their arrival.

Coordination and cooperation with local partners takes place both informally on an *ad-hoc* basis, and using formal structures such as the program working groups and sector-wide consultative groups established as part of the Afghan National Development Strategy oversight process. In these venues, USAID either leads or coordinates with both GOA ministries and other bilateral and multilateral donors. USAID also participates in the World Bank-led Afghan Reconstruction Trust Fund program.

To use Counter-Narcotics (CN) as an example[65], in Washington, the counternarcotics implementation plan in Afghanistan incorporates the strengths and expertise of several U.S. agencies: DOS, DOD, USAID, DOJ, and DEA. These agencies closely coordinate efforts so that the programs can fight the challenges posed by all aspects of the illicit drug trade. The Afghanistan Interagency Operations Group, chaired by the NSC and the DoS' Bureau of South and Central Asian Affairs, meets on an almost daily basis to strengthen interagency communication and coordination on all aspects of Afghan reconstruction, including CN. In addition, INL hosts a

weekly interagency working group meeting that focuses on CN issues, and coordinating all five pillars of the USG's CN plan.

In Kabul, USAID's main mechanism for inter-agency CN coordination is the Counter Narcotics Task Force. The Task Force is coordinated for the Ambassador by INL/Kabul. USAID officials from the Alternative Livelihood Program (ALP) attend, as do representatives from the U.S. Military (CFC-A), DEA, DOJ and other Embassy sections (POL, RSO and Public Affairs).

Regarding USAID collaboration with local partners, ALP works closely with UNDP, British Embassy Drugs Team, European Commission and the Ministry of Counter Narcotics both independently and via the UNDP/MCN Counter Narcotics Trust Fund, of which USAID/ALP is a member of the steering committee. USAID/ALP is represented and contributes further to local coordination at bi-weekly ISAF Counter Narcotics Team meetings.

[65] This information regarding Counter-narcotics operations in Afghanistan is not directly relevant to Senator Coburn's findings that focus mostly on the lack of collaboration with health care programs. Regardless, reports indicate that in the one area of this program that USAID should have facilitated—rehabilitation programs, treatment centers, trafficking of people, nutrition and alternative livelihoods——the Department of Defense (not USAID) is preparing programs with the Afghanistan government and will provide the necessary funding. The information presented here is confusing in that USAID was not the coordinating agency responsible for this program. Additionally, it should be noted that the $332 million in contracts spent by USAID in the spring of 2005 for Alternative Livelihoods, which is USAID's main contribution to counter-narcotics efforts, was spent without coordination with other agencies—including explicit exclusion of USDA. Participation and coordination with other U.S. agencies in the development of these contracts and programs would have ensured stricter requirements and performance benchmarks for the contractors.

- **Please provide the expenditures made by USAID to interagency programs and coordinated efforts in the Counter-narcotics programs. Indicate which agency is the lead agency, the outcomes of the funding, and the date the program started/completed.**

The US Government's counter-narcotics (CN) program consists of a five-pillar strategy of eradication, interdiction, public education, law/enforcement/justice reform, and alternative livelihoods. The State Department's Bureau for International Narcotics and Law Enforcement Affairs (INL) is the lead agency for the overall CN strategy. USAID is responsible for the alternative livelihoods pillar only. The CN strategy was approved by, and is regularly reviewed by, the NSC and the Deputies' Committee.

It is inaccurate to suggest that the Alternative Livelihoods program was done without coordination with other agencies. USAID regularly works with other USG agencies on CN efforts in Kabul through regular country team meetings. These include USAID, INL, DEA, DOJ and DOD. Coordination in Kabul is complemented in the field by USAID alternative livelihoods program managers based in Helmand, Nangarhar, and Badakshan provinces. These managers consult regularly with US and NATO field commanders, USAID alternative livelihoods contractors, INL-funded Poppy Elimination Program teams, and local Afghan officials.

While DOD provides support to other pillars of the CN program, it does not implement alternative livelihoods activities. Neither has USDA been excluded from USAID's programs. On the contrary, USAID has provided funding to USDA personnel to work in the Ministry of Agriculture and Irrigation in Kabul, as well as on several Provincial Reconstruction Teams.

As desirable as they may be, rehabilitation programs, treatment centers, trafficking-in-persons programs, and nutrition are not part of the USG strategy outlined above. Since USAID began alternative livelihoods operations at the end of CY 2004, $251 million has been obligated, of which $136 million has been disbursed. These funds have been used to rehabilitate rural transport, irrigation, and drainage infrastructure, improve agricultural productivity through fertilizer and seed distribution and farmer training, and increase private sector activity through agribusiness development, rural credit, market development, and

cash-for-work employment for rural laborers. The alternative livelihoods program is also helping Afghan fruit and vegetable producers develop export markets in the Arabian Peninsula and elsewhere.

25. Why did USAID not work with the Afghanistan Ministry of Public Health to develop a single consensus five year plan in 2004?

Answer: USAID works closely with the Ministry of Public Health (MOPH) in developing GOA plans as well as USG strategies. Our staff and project managers are in daily, if not more frequently, with their MOPH counterparts as well as holding regular meetings with the Minister of Public Health. In addition, USAID staff are part of the MOPH strategic planning initiatives. In the recent development (2004 to 2005) of the USAID health strategy, regular consultation meetings were held with the MOPH officials. These same officials provided editorial comments and revised text for incorporation into the final USAID Health Strategy, which was approved by the Mission and incorporated into the USAID Afghanistan Mission Strategy, which was approved in 2005.[66]

Please see attached letter from the MOPH General Director of Policy and Planning regarding our collaboration with the Ministry.[67]

[66] **This response does not answer the question. If USAID is working closely with the Ministry, please explain why USAID and the Ministry developed two different five year plans in 2004.**

We are aware of only one five-year plan to guide overall health system development in Afghanistan. It was developed by the Ministry of Public Health, with USAID and other donors' support. Within the U.S. government, an interagency team has developed an internal USG plan to manage taxpayers' resources in support of the Ministry of Public Health. This is the reason why there may be confusion over "different plans." The USG plan is designed to support the Ministry plan which is the definitive planning document.

[67] This letter written by a mid-level ministry employee must be seen in the context of the numerous letters and documented reports from the Minister of

Public Health which contradict these statements. See footnote #54 and attachments #1, 2, 4, and 5 of Senator Coburn's findings.
Please see our response to footnote 54.

26. What plan does USAID have to transfer health sector reconstruction and maintenance functions over to the government of Afghanistan? Can USAID provide defined benchmarks for turning over operations to the Afghanistan government?

Answer: The Ministry of Public Health' strategy is to work on policy, and leave implementation and operations to NGOs[68]. This is an approach supported by USAID and many other donors in the sector. USAID and the Department of Treasury have recently completed a preliminary analysis of recurrent budget sustainability of the Government of Afghanistan, including the health sector. At present, reconstruction costs across all sectors are borne entirely by the international community, and this is not projected to change for the foreseeable future.[69] However, ministries are increasingly covering operations and maintenance costs. USAID will be working with the Ministry of Public Health and other GOA institutions to increase capacities in these areas.[70]

Currently, USAID has projected continued support for the health sector through 2011, with gradual increased expenditures by the MOPH. This transfer of responsibilities and costs will of course rest on the growth of the economy and improvements in security.

[68] **This is a misleading statement. The Ministry of Public Health indicates that its policy is to build its own capacity rather than continue relying on USAID and other donor nations to have complete management control over the delivery of Afghanistan healthcare services.**

As stated above, a key element of MOPH strategy is that health service delivery be carried out by non-governmental organizations, with policy guidance, monitoring, and other public administration functions carried out by the Ministry. With regards to USAID capacity building in the ministry, please see our response below to footnote 70.

[69] **It is no wonder that this will not change while USAID's policy is to not build capacity within the Ministry of Public Health but only allow it to operate at the policy level.**

To clarify our response above, our reference to not projecting a change for the foreseeable future is directed at "construction costs," given that those costs will not be covered by the Government of Afghanistan until the country's revenues from its own internal sources are dramatically increased.

[70] **Rather than providing written plans, please provide a detailed account of action currently underway within the Ministry of Public Health that increases capacity.**

The best reference for actions currently underway within the MOPH is in the detailed work plan of MSH, USAID's prime implementer for increasing Ministry capacity within the central and the provincial MOPH offices. **A copy of the work plan, which provides a detailed account of action currently underway within the Ministry to build capacity, is included in the annexes.**

27. In his memo, Mr. Fine stated Louis Berger Group Inc. was chosen even though it had no experience doing that type of work, and the five NGOs were chosen to replace Louis Berger Group Inc. even though they couldn't demonstrate they were able to do the work. How has USAID reformed its contract award process in order to not make this mistake in future contracts?

Answer: USAID follows established pre-award policies and procedures in accordance with pertinent OMB Circulars, the Agency's Automated Directives System, the Federal Acquisition Regulation (FAR), and other relevant guidelines throughout the process of making its awards. In doing so, USAID strives to minimize problematic projects and difficulties with partners, notwithstanding the extremely difficult the environment for development work in Afghanistan.

When the original award was made to LBGI, that company was found to be the best value and to have demonstrated they could do the work.[71] Subsequent experience shows LBGI. largely did. Admittedly, there were problems along the way, and more funding was required, but given the

extremely difficult operating environment that was to be expected. Mr. Fine was not involved in any of the procurement decisions and in fact had not yet arrived in Kabul as the Mission Director.[72] The USAID Contracting Officer or Agreement Officer has sole responsibility for procurement decisions. The five NGOs involved sole source cooperative agreements. Experienced and qualified engineers from both USAID and the U.S. Army Corps of Engineers found them to be capable of doing the work and they were selected as a result.[73]

[71] According to Louis Berger Group Inc. track record before receiving this contract (as referenced in the 2004 internal memo of USAID Afghanistan Director Patrick Fine), this is not accurate.

- **Please provide evidence that Louis Berger Group Inc. had a proven track record for constructing schools, clinics, and highways in settings found in Afghanistan.**
  An **illustrative list of work performed by LBGI in other countries is included in the annexes.**

[72] **Please provide documentation that Mr. Fine recanted his assessment as illustrated in his critical memo written in October of 2004.**

Mr. Fine was not a member of the Technical Evaluation Committee and has since retired from USAID. In private conversations, he has indicated his willingness to discuss his memo with the Senator at his convenience.

[73] **This statement is not accurate. According to sources who attended the original committee as well as the 2004 internal memo from USAID Director Patrick Fine, all of these organizations were not found to be capable of doing the work.**

According to USAID's official award file, the Technical Evaluation Committee found all 5 NGOs capable of performing the work. Mr. Fine was not part of the Committee, and was not working at the Afghanistan Mission at the time the selection took place.

28. Has USAID responded to Louis Berger Group Inc.'s security concerns on 13 sites they are supposed to complete? Have the sites been completed?

Answer: Per recommendations in USAID's Inspector General, report number 5-306-06-008-P, USAID made the decision to cancel construction of 13 buildings (nine schools and four clinics) that LBGI could not complete. USAID/Afghanistan felt that due to the critical security situation at the sites where these buildings were to be located LBGI would be unable to complete construction.[74]

[74]**What happened to the money allocated for these 13 sites that were never completed?**
USAID was not invoiced by LBGI for the 13 sites it did not complete. The funds allocated to LBGI for the building of the sites were reallocated to other projects.

29. Has USAID modified its agreement with International Organization for Migration (IOM) in order to complete the work that previous contractors failed to do?

Answer: USAID's Inspector General recommended in report number 5-306-06-008-P, that the Mission modify the scope of work in its agreement with the International Organization for Migration (IOM). We agreed with the IG's recommendation to add the buildings not completed by Cooperative Housing Foundation International and United Methodist Committee on Relief to the IOM agreement and have modified the agreement accordingly.

30. How has USAID responded to the performance failures of these contractors for work that was never completed? Has the U.S. taxpayer been refunded for work never done?

Answer: In order to complete the work and address the performance issues with Cooperative Housing Foundation International and United Methodist Committee on Relief, USAID transferred responsibility for the buildings to another implementing partner (see OIG audit report #5-306-06-008-P). Additionally, USAID felt that the security situation was hindering LGBI's ability to complete construction of 13 buildings and subsequently cancelled

construction for those buildings (refer to OIG audit report #5-306-06-008-P). This was done at no additional cost to the U.S. taxpayer.[75]

[75] **Please answer the question, and include a description of what actions USAID took against its subcontractors for the numerous performance failures and inability to fulfill agreements.**

USAID has taken appropriate action against non-performing contractors, in accordance with the Code of Federal Regulations Section 226.62. **A copy of the relevant section is attached.** Certain projects were cancelled for security reasons but the U.S. taxpayer was not charged for them.

If confirmed as Deputy Administrator, the Acting Deputy Administrator has pledged to reinforce procurement oversight by requiring all USAID CTO's, as a matter of course, to report to the USG Contractor Data Base all findings of inadequate performance."

31. Why did James Kunder not include a report of USAID's mismanagement of the reconstruction including the cost overruns in his recent testimonies before Congress?

Answer: The major USAID reconstruction effort in Afghanistan has included a vast series of individual projects – from roads, to school construction to hospital sanitation to draining works in cities to repairs of dams and other infrastructure.

As in any major construction program in any country in the world, a certain number of natural errors take place as repairs to decrepit structures or introduction of new materials requires adjustments in techniques and training of craftsmen to tackle these tasks.

The massive increase in school population from 900,000 to more than five million students since 2001 is a sign that whatever glitches may have gained attention of journalists, the true story of U.S. assistance in Afghanistan is one of great achievements.[76] Our reports to the American people and to Congress have attempted to bring these results to life and to show a balanced picture in which millions of Afghans now have access to education, health care, paved roads and other amenities thanks to American aid.

I am pleased to discuss any cost and quality issues that anyone may bring up. But I expect that I will also be able to present the far more significant story of what has been and is still being accomplished.

[76] USAID is claiming credit for the work and efforts of the Afghanistan people to rebuild their country. There are numerous cases where schools operated in tents and under trees.

- **Please indicate the actual number of children attending new schools constructed by USAID and the number of children being instructed by USAID trained teachers who have been certified to teach at the level they are currently teaching. (See footnote #3)**

The percentage of children who attend Afghan public schools still varies greatly from region to region, as does the percentage of girls attending. Nonetheless, immense progress has been made over the past five years. The Afghan Ministry of Education reports that approximately 5.8 million children are currently enrolled in school, as compared to less than one million in 2001. Of that number, approximately 2.2 million are girls.

Regarding the number of children attending schools constructed by USAID: USAID has built or refurbished 533 MOE schools and an additional 139 for out of school youth for the accelerated learning (AL) program, which ended December 2006. The USAID built/refurbished MOE schools are mostly 8 classroom facilities. The average school attendance is 40 students per class and 2 shifts per day which equals 640 students per MOE school. Multiplying 640 students per MOE school by 533 USAID-built MOE schools equals 341,120 students enrolled. This is a conservative estimate, as in many schools the average number of students per class is higher than 40 and they operate in 3 shifts. Additionally, this number does not include the accelerated learning program students attending non-MOE schools.

Regarding the number of students being instructed by USAID trained teachers:

USAID programs have provided technical and operational support under MOE's Teacher Education Department to 25,000 MOE primary school teachers and an additional 6,800 teachers working in non-public sector primary schools. This means that approximately 20 percent of Afghanistan's estimated 140,000 teachers have been re-trained by USAID and they teach over one million Afghan children. By the end of USAID's 5 year Basic Education Project, all primary school teachers will have participated in teacher training and/or school principal training programs.

Please note that there is presently no certification system by the MOE for teachers. The minimum qualification to be hired as a teacher is a high school degree; an estimated 50% of all teachers meet this minimum MOE requirement. Those who do not have a high school degree are hired as "contract teachers." Given the shortage of teaching staff and the low salary structure to attract new, qualified teachers, the MOE will continue to rely on these teachers for some time. USAID, in collaboration with the World Bank, is helping the MOE upgrade these teachers by implementing an MOE in-service teacher training and support system. It will reach all (estimated 140,000) MOE teachers and include face-to-face teacher training, distance teacher training, and school-based technical assistance.

It should further be noted that USAID assistance has provided all of the 57 million textbooks in use by schools nationwide.

Also, please see our response to footnote 3.

32. Can USAID provide documentation on how it measures the Afghanistan government's inability to properly manage the reconstruction funding?

Answer: The GOA and international community in early 2006 endorsed the Interim Afghan National Development Strategy (I-ANDS), and under the aegis of the United Nations Assistance Mission to Afghanistan (UNAMA) established the Joint Coordination and Monitoring Board (JCMB) to oversee implementation of the I-ANDS. Each reconstruction and development sector has associated benchmarks for achievements which are continually

monitored. The most recent status report on short-term benchmarks is attached as Appendix 3.

USAID/Afghanistan is about to begin the largest and most comprehensive capacity building program that the Agency has undertaken in the last 20 years. The program, which will run for at least the next five years, will build capacity (both in Kabul and the provinces) of selected government institutions, the private sector, higher-education institutions, and the non-governmental sector. In each area, assessments of capacity will be conducted to serve as baselines for subsequent improvement. One initial focus within the government will be on budget execution.[77]

[77] **A review of USAID funding requests for FY 2007 indicates there are no new programs or projects to develop capacity within the Ministries. Additionally the discussions of creating "good governance funds" which are to be used to reward governors who are thought to be making good efforts dilutes already stretched resources and becomes a "slush fund" with no mechanism for control or monitoring. Additionally, the hiring of more "technical experts" has not significantly increased the capabilities within the Ministries as most of the advisors in every sector are not teaching the vital requirements needed to develop sustained operations. These contractors are perpetuating long-term contracts by ensuring the government of Afghanistan is unable to sustain itself either financially or administratively.**

In May 2006, USAID began the Afghans Building Capacity program, a broad-ranging capacity building initiative, designed to enhance the performance of Government of Afghanistan ministries at both the central and provincial levels. The program will also strengthen Afghanistan's universities, with particular emphasis on technical and managerial fields, as well as expand educational opportunities through scholarships.

SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

April 26, 2007

The Honorable Mark Pryor
United States Senate
SD-340
Washington, DC 20510

Dear Senator Pryor:

This is in reply to your question arising from the committee's hearing, March 22, 2007, "Deconstructing Reconstruction: Problems, Challenges, and the Way Forward in Iraq and Afghanistan."

SIGIR does not have jurisdiction over reconstruction in Afghanistan and therefore cannot respond to your question regarding a contract awarded by USAID in September, 2006, to the joint venture of the Louis Berger Group, Inc. and Black & Veatech Special Projects Corporation for rehabilitation and construction of vital energy, water and transportation infrastructure across Afghanistan. I would refer your question to Donald Gambatesa, USAID Inspector General, 1300 Pennsylvania Avenue, Washington, DC 20523, or by telephone at 202-712-1150.

If you or members of your staff have any further questions, please contact Mrs. Marthena Cowart, Assistant Inspector General for Congressional Affairs, at 703-604-0368 or by email at Marthena.Cowart@sigir.mil.

Sincerely,

Stuart W. Bowen, Jr.
Inspector General

cc: Mrs. Marthena Cowart, Assistant Inspector General for Congressional Affairs
Mr. Nick Arntson, Chief of Staff

Post-Hearing Questions for the Record
Submitted to Stuart W. Bowen, Jr.
From Senator Barack Obama

"Deconstructing Reconstruction:
Problems, Challenges and the Way Forward in Iraq and Afghanistan"
March 22, 2007

1. A big sticking point for me, not only in the Iraq Reconstruction, but in any setting, is no-bid contracting. I've done a lot of work with my colleague Sen. Coburn to put an end to no-bid contracting in the context of FEMA and specifically the response to Hurricanes Katrina and Rita. No-bid contracting not only shortchanges the American taxpayer by providing arguable sweetheart deals to a contractor, but it gives the beneficiary of the no-bid contract an unfair advantage in the bidding process. What we see all too often is a contractor with a no-bid contract gets the follow up contract after it is finally open for bidding. That happened in Iraq with the Restore Iraqi Oil contracts and Halliburton. Despite significant questions about costs and billing in the first contract – Halliburton received the follow up contract as well.

   What should we learn from the experience with no-bid contracts in Iraq Reconstruction and how do we avoid them in the future?

   Response: SIGIR's Lessons Learned Report, *Iraq Reconstruction: Lessons in Contracting and Procurement*, issued in July of 2006, recommended that the USG pre-compete and pre-qualify a diverse pool of contractors with expertise in specialized reconstruction areas. The contractors should receive initial reconstruction contracts during the start-up phase of a post-conflict reconstruction event. This would largely obviate the need for sole source contracting. Then, as soon as possible, the contingency operation should move to full and open competition for contracts. Additionally, Congress should encourage the creation of an enhanced Contingency FAR (Federal Acquisition Regulation) that would clearly provide guidance to contracting officers in post-conflict efforts in the future, including specific guidelines about sole source contracts. (I have enclosed copies of our three lessons learned reports).

2. The Iraq Study Group's report clearly said, "A lack of coordination by senior management in Washington still hampers U.S. contributions to Iraq's reconstruction. Focus, priority setting, and skillful implementation are in short supply." The Study Group then recommends a "Senior Advisor for Economic Reconstruction in Iraq."

Secretary Rice has named Ambassador Tim Carney as a new point person for Iraq Reconstruction. According to Secretary Rice, Ambassador Carney will "coordinate all relevant elements of the Embassy, USAID Mission, and IRMO to bring about a smooth transition from U.S. government and other external assistance to full Iraqi self-reliance."

What are the changes being made in our Iraqi Reconstruction efforts as a result of Ambassador Carney taking his position? If you are not aware of any changes, what suggested changes would you argue he make?

Response: The position of Coordinator for Iraq Economic Transition is temporary. Ambassador Carney is slated to complete his tour in Iraq by June 2007. The effort is aimed at specific initiatives – like the budget execution initiative – designed to promote effective interaction between the USG and the Government of Iraq. Such effective engagement is an essential precursor to Iraq assuming full responsibility for its national recovery.

In light of the imminent conclusion of AMB Carney's tenure, some next steps to consider include:

a. designating a follow-on key U.S. interlocutor on relief and reconstruction (someone to continue AMB Carney's important work);
b. requiring clearer and more specific long-term budget plans from the Iraqis, with greater transparency and more measurable metrics;
c. increasing involvement by - and improving coordination with - key multilateral partners (UN and World Bank). This is, initially, as symbolically important as it is substantively necessary.

3. Your office has done a fantastic job in tracking down waste, fraud, and abuse. How much of this wasted money, if any, has your office recovered?

Response: SIGIR Audits have resulted in $49 million in dollars saved and recovered. In addition, our audits have had an additional $57 million in positive financial impacts. Our investigations directorate has seized and recovered a total of $9.5 million.

Questions for the Record Submitted to
Ambassador David Satterfield by
Senator Barack Obama
Senate Committee on Homeland Security and Governmental Affairs
March 22, 2007

Question #1:

To what extent international partners are working with us on reconstruction efforts in Iraq? Please provide specific details on the work of our international partners, including dollar amounts and the number of projects involved.

Answer #1:

In total, since 2003 international donors have pledged about $13.8 billion in support for Iraqi reconstruction. About $3.8 billion was given in the form of grants and direct assistance. Another $10 billion has been pledged in the form of soft loans and balance of payments support.

Grant aid is administered both multilaterally and bilaterally. The International Reconstruction Fund Facility for Iraq (IRFFI) is the main mechanism for administering grant aid multilaterally. The IRFFI is composed of two trust funds, one run by the U.N. Development Group, and the other by the World Bank Group. As of March 2007, 25 countries and international organizations had deposited a total of about $1.6 billion into the IRFFI funds ($1.1 billion in the UNDG trust fund and $0.5 billion in the World Bank trust fund). The European Union, Japan, the UK and Canada

are the largest contributors to IRFFI accounting for contributions of $620 million, $490 million, $127 million and $69 million, respectively. The UN trust fund supports the electoral process, infrastructure rehabilitation, education, culture, health, agriculture, environment, good governance and refugees. The World Bank fund supports capacity building; schools and health care facilities among other reconstruction projects.

Along with IRFFI, bilateral assistance is now tracked by Iraq's Ministry of Planning and Development Cooperation (MoPDC) in its newly-established Donor Assistance Databas. The database can be viewed at www.mop-iraq/dad/ where the countries, amounts and purposes of donor activities are tracked in detail. MoPDC is still adding data to the database, but as of April 19, 2007 had recorded more than 400 projects provided by bilateral donors other than the United States. More than $2.3 billion has been obligated for these projects including about $1.0 billion from Japan, $775 million from the UK, $153 million from South Korea, $110 million from Canada and $100 million from Spain.

Donors pledged about $10 billion to Iraq in the form of soft loans or balance of payments support. Most comes from the World Bank ($3 billion), Japan ($3.4 billion) and the International Monetary Fund (up to $2.55 billion). Under its IMF Standby Arrangement (SBA) Iraq can

immediately draw up to $720 million in balance of payments support but Iraq has not drawn upon this facility. The Iraqi government lacks a clear-cut way for donor soft loans to be approved. An effort by the Ministry of Finance to resolve this issue in the context of Iraq's 2007 Budget Law was unsuccessful. Until this matter is resolved the World Bank and Japan will continue to face difficulties initiating new soft loan-based projects.

Question #2:

In his new role, what is Ambassador Tim Carney doing to improve interagency cooperation which, according to the Iraq Study Group and the Inspector General's Lessons Learned Report, needs improvement.

Answer #2:

Ambassador Carney has established strong working relationships with all Coalition and U.S. Embassy agencies involved in economic issues, including MNC-I, MNF-I ECON, the Economic Section of the U.S. Embassy, USAID, IRMO, the Treasury Department, the Business Transformation Taskforce (Brinkley Team) of the Office of the Secretary of Defense and others.

Ambassador Carney coordinates and chairs inter-agency and international working groups, including the Executive Steering Committee and the Economic Steering Group. He coordinates weekly meetings among

USAID, IRMO and the Iraqi Deputy Prime Minister for Economic Affairs Dr. Barham Salih. Ambassador Carney recently reestablished a ministerial capacity development committee to coordinate international efforts directed at improving ministerial performance and capacity. He leads the weekly Iraqi Executive Steering Committee meetings, which brings together Iraqi and Coalition agencies in support of the Baghdad Security Plan.

In addition to these regular meetings, Ambassador Carney brings together agencies on time sensitive issues on an ad-hoc basis and ensures that there is a constant flow of information between other Embassies, International Agencies in Baghdad, and the United State Government.

Question #3:

What other changes have been made as a result of Ambassador Carney's appointment?

Answer #3:

Ambassador Carney works closely with the Treasury Attaché, the Iraqi Reconstruction Management Office and MNF-I to help Iraqis employ their own considerable resources. This work centers on assisting Iraqi authorities in spending the capital investment part of their national budget, some $10 billion, to benefit all Iraqis. After considerable effort, Iraqi ministries and the Parliament have established the necessary laws and

regulatory frameworks. There is also now good cooperation between the Ministries of Finance and Planning and actual spending will begin in April. He has also ensured that our growing PRT effort will work effectively with our Iraqi counterparts. His office works with the range of U.S. civilian and military agencies to ensure funds for projects and capacity-building are well coordinated.

Among Ambassador Carney's efforts, the Government of Iraq's sustained focus on budget execution is perhaps the most noteworthy change since his arrival. After significant under-spending in 2006, the GOI has renewed its efforts to ensure improved execution of the capital budget in 2007. This has required the personal involvement of Deputy Prime Minister Salih, Finance Minister Jabr and Planning Minister Baban. Ambassador Carney also established weekly budget execution meetings with the GOI. Deputy Prime Minister Salih reported progress during the first session. The Ministry of Finance made an early capital budget release of $1 billion and 94 of 128 entities with capital budget accounts have received money (up from 79 in early April).

Question #4:

An important element of the reconstruction efforts is preparing the Iraqis to take control of their nation's infrastructure. According to the Special IG's

January 2007 Quarterly Report, in 2006, oil production continued to lag below targets and electricity demand exceeded capacity. The report also notes that "Iraq has been unable to protect its infrastructure: electricity towers and oil pipelines are continually interdicted." What are we doing to address these problems and what should we have done from the outset to help prevent these problems?

Answer #4:

Oil: The GOI assumes an annual average production target of 2.1 million barrels per day for 2007. Over the last 12 months Iraq has met that target. Iraq has greater capacity, but has difficulty utilizing it because of old infrastructure, electricity failures, and bottlenecks at Gulf oil terminals.

MNF-I is working with the 4th Iraqi Army Division to reduce sabotage against pipelines connected to Iraq's largest refinery at Bayji. Although the picture is not yet clear, corruption appears to be a driver of pipeline attacks. MNF-I's operation has yielded positive results, but it is a short-term solution. A long-term solution requires reducing incentives for smuggling and corruption. The GOI is making progress on the score. For example, under the IMF Stand By Arrangement, Iraq is required to reduce subsidies and subsequently has raised fuel prices. This has cut into smugglers profits.

Electricity: USG and GOI projects are scheduled to add 2,100 megawatts of generating capacity by the end of 2007. Of that total, 1,200 MW is to be located in Baghdad, which will therefore be less dependent on vulnerable transmission lines.

Closing the gap between supply and demand will require large, additional investments in new generation capacity. Iraq must also end its policy giving away free electricity from the national grid, which creates infinite demand. USAID has been working with the Ministry of Electricity on this but the GOI has been slow to raise prices.

Questions for the Record Submitted to
Ambassador David Satterfield by
Senator John E. Sununu
Senate Committee on Homeland Security and Governmental Affairs
March 22, 2007

Question #1:

The U.S. government has committed $4.2 billion on the reconstruction of Iraq's electricity sector, as of earlier this month, according to a State Department. How much of this money has been spent thus far and how has that money been allocated across the three major regions of the country (North, Central and South)?

Answer #1:

Of the $18.4 billion available under the second part of the Iraq Relief and Reconstruction Fund (IRRF), $4.2 billion was apportioned for electricity projects. As of March 27, 2007, $2.1 billion had been spent, and an additional $1.9 billion had been contractually obligated in this sector. The Gulf Region Division of the US Army Corps of Engineers (GRD) and US AID are the two implementers of these projects under IRRF.

Of the two, USAID has nearly completed its contracts in the electricity sector. USAID does not have a breakout available by region. The principal ongoing construction is being done by the Army Corp's GRD, which has a data base with obligations, but not expenditures, by region. The regional breakdown of obligations for its projects is:

North	$ 787 million
Central	$1,289 million
South	$ 925 million
GRD Total for regions	$3,001 million

In addition, GRD has obligated $324 million for national projects that are not attributable to a single region.

Question #2:

How much would it cost to build 500 megawatts of new capacity in an area such as Kurdistan, where security conditions are more stable?

Answer #2:

There are two plausible alternatives for that capacity. One is a type of combustion turbine that runs most effectively on natural gas but also can run on heavy fuel oil (HFO) or crude oil. The other is a large steam turbine, which would run on HFO or crude oil. The best choice between these alternatives would depend on the kind of fuel that is expected to be economically available and the role that the generation would play. For 500 megawatts, the estimated capital cost for the first alternative is $300 million to $350 million; for the second alternative it is $500 million.

CHARRTS No.: SG-02-001
Senate Committee on Governmental Affairs
Hearing Date: March 22, 2007
Subject: Deconstructing Reconstruction: Problems, Challenges and the Way Forward in Iraq and Afghanistan
Witness: Major General Johnson
Senator: Senator Obama
Question: #1

Question. One of the mistakes made at the outset of the reconstruction effort was not involving enough Iraqis in the process. According to your written testimony, over 75 percent of the Corps of Engineers contracts are to Iraqi contractors. What is the value of these contracts? Who has the remaining 25 percent of the contracts? What is the value of those contracts?

Answer. Since October 2006 when the Corps of Engineers Gulf Region Division (GRD) formally assumed Army's Iraq Reconstruction mission from the Project and Contracting Office (PCO), GRD has awarded a total of 390 million dollars in contracts for reconstruction work. Of the 390 million dollars awarded, 268 million dollars were awarded to Iraqi contractors and 122 million dollars were awarded to non-Iraqi contractors. Non-Iraqi contractors include multi-national firms comprised of U.S. based companies as well as companies from other countries.

The Army has significantly adjusted our strategy since the Iraq reconstruction mission began three years ago. The initial acquisition strategy for the reconstruction effort involved the use of large prime contractors to provide program management and design/build services for large scale projects. This initial strategy was considered to be appropriate at the time given the magnitude and complexity of the reconstruction program and the contingency environment the Army was working in. Over the last three years however, the Army has steadily reduced the involvement of large multinational firms and increased the number of contracts awarded to Iraqi firms to where today over 75 percent of GRD contracts are to Iraqi contractors.

CHARRTS No.: SG-02-002
Senate Committee on Governmental Affairs
Hearing Date: March 22, 2007
Subject: Deconstructing Reconstruction: Problems, Challenges and the Way Forward in Iraq and Afghanistan
Witness: Major General Johnson
Senator: Senator Obama
Question: #2

Question. In your written testimony you mention that over 1000 Iraqis are directly employed by GRD and its contractors. Is this group of employees distinct from the thousands of

Iraqis you mention that are employed by the Iraqi contractors who hold 75 percent of your contracts?

Answer. Yes, the 1000 Iraqis directly employed by GRD I referenced in my testimony are separate and distinct from the Iraqi contractors who are constructing our projects. The 1000 Iraqi personnel who work directly for GRD are part of our Iraqi Associates program and provide life support, security, construction management, administrative, and technical services for GRD's offices throughout Iraq. As of March 2007, there were a total of 43,000 Iraqis employed on all GRD managed reconstruction activities. This number includes the 1000 Iraqi associates employed directly by GRD as well as those employed by Iraqi contractors working for the Corps of Engineers.

CHARRTS No.: SG-02-003
Senate Committee on Governmental Affairs
Hearing Date: March 22, 2007
Subject: Deconstructing Reconstruction: Problems, Challenges and the Way Forward in Iraq and Afghanistan
Witness: Major General Johnson
Senator: Senator Obama
Question: #3

Question. A major recommendation in the recently released Inspector General's Lessons Learned Report and the Iraq Study Group Report is for increased interagency cooperation and a point person for contact to prevent duplicative efforts. Do you support this recommendation? How is your office cooperating with the new reconstruction point person, Ambassador Carney?

Answer. Yes, and in fact, we are already working closely with the current coordinator of reconstruction assistance, Ambassador Tim Carney. A single authority responsible for planning, programming, and directing reconstruction efforts could not only assist in preventing duplicative efforts, but also assist in the coordination of the efforts of the agencies involved in the reconstruction mission to ensure the mission is executed efficiently.

As we noted in our Statement of Administration Policy (SAP) related to the supplementals, the Administration does not support the creation of a Presidentially-appointed, Senate-confirmed position to oversee Iraq assistance programs. This position is not necessary since the Secretary of State has already appointed a coordinator for reconstruction.

The Corps of Engineers is fully committed to supporting Ambassador Tim Carney and recognizes the need for a continued close partnership with the State Department and the Ministries of the Government of Iraq. The Corps of Engineers has worked and continues to work closely with the U.S. Department of State and the Government of Iraq (GOI) to develop cooperation strategies and to coordinate reconstruction activities. Interagency cooperation in reconstruction is a key element which the Corps of Engineers fully supports. GRD has been tasked to provide liaisons to embed within the Ministry of Oil, the Ministry of Electricity, the Ministry of Water Resources, the Ministry of Municipalities and Public Works, and the Ministry

of Construction and Housing. The mission of these liaisons is to assist the Iraqi Ministries in developing the capacity to manage and execute their budgets and to take over the reconstruction mission once the U.S. Government's mission is complete. This plan is in accordance with the vision and direction given by Ambassador Carney.

CHARRTS No.: SG-02-004
Senate Committee on Governmental Affairs
Hearing Date: March 22, 2007
Subject: Deconstructing Reconstruction: Problems, Challenges and the Way Forward in Iraq and Afghanistan
Witness: Major General Johnson
Senator: Senator Obama
Question: #4

Question. Your testimony mentioned two important enterprises, the reconstruction of the electricity infrastructure and the oil sector. Does the Army Corps of Engineers play the primary role in these reconstruction efforts?The Special Inspector General's January 2007 Quarterly Report indicates that oil production continues to lag below targets and electricity demand still exceeds capacity. What could we have done differently, from the outset of the reconstruction efforts, to increase oil production and electricity capacity? What obstacles are we facing now in our efforts to get the Iraqis capable to oversee and protect these important sectors?

Answer. The Army Corps of Engineers Gulf Region Division (GRD) does play a primary role in the reconstruction effort of the electric and oil infrastructures. The Corps of Engineers is a key member in a team that identifies, prioritizes, and executes programs and projects that are designed to jump start the Iraqi national electrical grid and the oil and gas infrastructure. This team consists of members of the Department of State, GRD and the Iraqi Ministries of Electricity and Oil. The policy of the U.S. Government (USG) during the early planning and execution stages of the oil restoration mission was to repair and restore the oil infrastructure to a pre-war level. Since the oil sector offered the greatest potential for private sector investment, the USG felt that the private sector would provide the large investments required to increase oil production. It was never the USG's intent or policy to increase production above the pre-war level using USG funds.

The U.S. Congress appropriated $1.7 billion in 2003 to support the USG policy for the oil sector. The money provided was considerable but still was only a fraction of the estimated $8 billion needed to increase production and was the minimum needed to maintain production. To help put this in perspective, over the last four years the USG's expenditures in Iraq's oil sector averaged about $400 million per year with another $500 million per year contributed by the Government of Iraq. During 2006, Exxon-Mobil spent $20 billion, Chevron-Texaco spent $16 billion and Conoco-Phillips spent $16 billion on capital investments for their companies. Aramco does not normally share their capital spending with the public, but the Saudi Oil Minister mentioned at a conference last year that their budget for capital investment was $20 billion for 2006.

The original objectives for oil production and export would have been met, if not for the insurgency attacks on pipelines and processing plants in the northern part of Iraq. Attacks on export pipelines in the north have essentially eliminated the capability to export the crude oil being produced in the Kirkuk area oil fields. In addition, a mortar attack in early 2006 destroyed a large stabilization plant in Kirkuk. Since that plant is an integral part of crude oil processing, the Kirkuk oil wells have been shut down until the plant is repaired. Oil production in the southern part of Iraq has been at pre war levels since early 2004.

Electricity demand still exceeds capacity. Demand has increased at a rate of 10 percent per year, primarily due to a growing Iraqi economy and greater access to new appliances. Recent Iraq Ministry of Electricity estimates show that demand will lag capacity until at least 2011. The goals of the Iraq Relief and Reconstruction Fund (IRRF) was to jumpstart electricity reconstruction efforts, establish between 10 and 12 hours of daily power in Iraq, and increase generation, transmission, and distribution capabilities. Towards that end, the USG has invested $3.4B into an infrastructure that will require at least a $20-30B investment or possibly more to completely restore. During March 2007 an average of 11 hours of daily power was achieved in Iraq.

While the current plan for restoring the Iraq electric infrastructure is working, the plan conceivably could have benefited from two additions. First, the investment in infrastructure for capturing and processing natural gas would have allowed for gas turbines to be put in service. Second, greater investment in thermal units which operate on heavy fuel oil (HFO) would have been beneficial. Thermal units are easier to maintain and could have helped alleviate the burden of excess HFO at Iraqi Oil Refineries.

There are several obstacles we are now facing in our efforts to get the Iraqis ready to take over the restoration and protection of the electricity and oil infrastructure sectors.

The number one obstacle that the Iraqis must overcome is the sabotage of infrastructure by insurgents. Damage to power lines and towers continue, especially for transmission lines into Baghdad. If not secured, there will be little chance that Baghdad will receive 10-12 hours of power this summer. For the oil sector, continued attacks on export pipelines in the north have essentially eliminated the capability to export the crude oil being produced in the Kirkuk area oil fields. These pipelines must be restored and protected to allow the export of oil from the northern oil fields.

The Iraqi capital budget is another obstacle which will need to be overcome. The Government of Iraq (GOI) budgeted $3.5 billion for their oil sector capital in 2006, but only spent $0.5 billion. They spent $0.9 billion in 2005. The electric sector data has not been as clear and remains to be determined. With the IRRF program ending, it is very important for the Iraqis to execute their capital budget and provide desperately needed infrastructure investment funds.

Finally, a coordinated GOI energy policy that takes into account competing priorities between the Ministry of Electricity and the Ministry of Oil is needed.

CHARRTS No.: SG-02-005
Senate Committee on Governmental Affairs
Hearing Date: March 22, 2007
Subject: Deconstructing Reconstruction: Problems, Challenges and the Way Forward in Iraq and Afghanistan
Witness: Major General Johnson
Senator: Senator Obama
Question: #5

Question. In addition to your work on rebuilding the electricity sector and the oil sector, it is my understanding that the U.S. Army Corps of Engineers was responsible for the Primary Healthcare Centers project, which began in March 2004 for 150 centers. It seems to me that an important part of our effort to win the hearts and minds of the people of Iraq would be our effort to provide some healthcare infrastructure. According to the Special IG, for about two years, little progress was made on this project, despite the expenditure of $186 million. By March 2006, we reduced the number of centers requested to 142. Of those 142, 135 centers were partially constructed, one was placed under a different contract, and only six were accepted as completed by the Corps. The government then terminated the contract for 121 of the 135 partially completed centers. So, out of a 2004 request for 150 centers, we now have a contract for 20 centers. What has the Corps learned from that experience and what the Corps will do differently as a result?

Answer. The Iraqi Ministry of Health (MOH) requested in 2005 that the U.S. Army construct 142 Primary Healthcare Centers (PHCs). The Army contracted with Parsons Corporation to build 141 PHCs and awarded the contract for one PHC to an Iraqi construction firm. Parsons substantially completed six PHCs, however was only able to partially complete the remaining 135. Parsons had considerable difficulty in meeting the requirements of their contract and ultimately the U.S. Government terminated their contract because the Government felt Parsons was not capable of successfully completing the work. The U. S. Government only paid Parsons what they were due under the terms of their contract at the time it was terminated.

As of April 15, 2007, fifteen PHCs have been completed and turned over to the Iraqi MOH. Eight of these PHCs are open and providing healthcare to the Iraqi people. The Iraqi MOH is currently staffing and setting-up the other seven PHCs for immediate operation. The Army has contracted with Iraqi firms to complete the remaining PHCs and currently 120 PHC's are under construction by local Iraqi contractors. Of the 120 PHCs under construction, 70 are scheduled to be completed and turned over to the Iraqi Ministry of Health (MOH) by July 2007 with the last PHC scheduled for completion in December 2007.

The Corps has made a number of significant changes as a result of lessons learned from the PHC projects and other reconstruction projects in Iraq. GRD has shifted away from design-build and cost plus contracts to direct and fixed price contracts. GRD has reduced the involvement of large multinational firms and increased work with Iraqi firms that have proven themselves as successful contractors. A strict "cost to complete" system has been instituted to ensure that

sufficient funds are available to complete our projects in the future. GRD also learned from the construction of the PHCs that each local community has a unique set of circumstances, and construction must be tailored to meet those needs. In this type of situation, it is more effective to use multiple local contractors rather than one large prime contractor.

The construction of the PHC Program has been especially challenging, however it has also been especially rewarding. Each of the open clinics have been successfully treating on average over 350 patients a day and are a significant enhancement to the delivery of primary healthcare to the Iraqi people. When the PHCs are all finished and in operation, primary healthcare will be available to thousands of Iraqis, most of who had little or no access to healthcare previously.

Questions for the Record
Submitted to Mark S. Ward
from Senator Mark L. Pryor
Senate Committee on Homeland Security
and Governmental Affairs
March 22, 2007

Some say that the United States and the international community should try to eliminate the poppy crop in Afghanistan in order to reduce the global heroin trade. Others say that eradicating the poppy crop is unrealistic. The Senlis Council, an international policy think-tank with an office in Kabul, Afghanistan, argues that legitimizing the poppy crop is the only feasible solution to Afghanistan's drug crisis. They claim that licensing would cut out the drug-lord insurgents and increase the availability of painkilling medicines, like morphine, available in the developing world.

Question:

What percentage of the total farming population in Afghanistan is (estimated to be) involved in the poppy trade?

Answer:

The following estimations are derived from information in "Afghanistan Opium Survey 2006- United Nations Office of Drugs and Crime (UNDOC)".

Total Population:	23,000,000
Number of Persons Involved in Poppy Production:	2,898,000
Percentage of Total Population in Poppy Production:	12.6%

It is commonly agreed upon by donors that 80% of the Afghan population is involved in agriculture. Given this we can estimate the following:

Total Population involved in Agriculture:	18,400,000
Number of Persons Involved in Poppy Production:	2,898,000
Percentage of Agriculture Population Involved in Poppy Trade:	15.8%

Question:

How is the distribution of the poppy crop into the illegal drug market being tracked?

Answer:

Defer to Department of State

Question:

Can you please describe the tactics U.S. agencies have taken to try to curb this trade? Turkey is often cited as the poster child for establishing a viable, legal poppy crop. Turkey earns $60 million a year by exporting the raw materials that are used to produce morphine and codeine. Once Afghanistan establishes the necessary legal, law enforcement, and agricultural capacity, do you think that it could achieve success in this regard, like Turkey?

Answer:

Defer to Department of State

Question:

Have programs to introduce alternative crops into the country been favorably received? What percentage of the "drug income" can farmer recoup by growing alternative crops?

Answer:

Programs that introduce crops other than poppy have been very well received by the Afghan people and their elected representatives. Farmers are eager for moral, religious, and other reasons to adopt marketable licit crops that provide their families with a reasonable household income.

Unfortunately, there is no licit alternative crop that is as valuable as poppy. The percentage of "drug income" a farmer can recoup by growing legal alternative crops varies greatly by region, season, and year, depending upon the "farm gate" price of opium poppy, the price of manual labor (a key input into poppy cultivation), and the competing prices of alternative licit commodities. For example, some studies have shown that the price of opium is ten times greater than wheat, Afghanistan's staple crop. Under certain price and other conditions, however, it has been shown that the potential income from all raw wheat products (grain, stalks for animal fodder, etc.) can actually *exceed* poppy, once the high cost of labor and other inputs in the opium poppy production process are taken into account. The problem with such analyses, however, and the difficulty of fully replacing income from poppy with that of licit crops – even those high value crops

more valuable than wheat - is that the farm gate price of opium poppy is extremely elastic. Poppy traders and brokers enjoy such high profit margins that if there are supply shortfalls, they can easily increase the price to match that of high-value licit competitors. For example, the estimated farm gate value of Afghanistan's 2006 opium poppy crop was $760 million; Afghanistan's internal poppy brokers and traders exported the crop for $3.1 billion, and the final street price in London for the 6,100 metric ton supply would yield $38 billion for criminal trafficking networks. While there are substantial transport, risk-related, and other costs involved in the transmission of the opium poppy crop from the farmer to the final user, profit margins are still so high that traders, brokers, and international narcotics/criminal networks are able to manipulate the farm gate purchase price in order to guarantee supply and, in some cases, manipulate the world price of all illegal opiates. Despite the price differentials, however, USAID has observed that farmers do adopt licit alternative crops – even though they are of lesser value, because cultivating poppy is against their moral or religious convictions, and because there are growing threats of crop eradication, which increase the risk of loss.

Question:

What steps has the United States taken to counter the perception in Afghanistan that drug-lord/ insurgents are facilitating a path to financial success while U.S. programs are destroying the livelihoods of the local population?

Answer:

Defer to Department of State

Questions for the Record
Submitted to Mark S. Ward
from Senator Barack Obama
Senate Committee on Homeland Security
and Governmental Affairs
March 22, 2007

Question:

The Government Accountability Office and others complained early during Operation Enduring Freedom regarding the lack of a comprehensive operational strategy in the Afghanistan reconstruction effort.

Does the USAID have an operational strategy in place right now? If so, what is the strategy? Would you advise future reconstruction efforts to have such a strategy in place from the outset?

Answer:

USAID has a 5 year strategic plan which was put in place in 2005. This strategy is in line with, and contributes to, the internationally endorsed Afghanistan Compact, developed in January 2006, and the Afghanistan Government's National Development Strategy (ANDS), which lays out very specific indicators and timelines for action. The USAID strategy is also part of the overall USG strategy, laid out in the NSC-led Action Plan. The Action Plan tracks inter-agency progress against performance goals, noting both monthly program outputs as well as annual measures of impact over 5 years. Agencies that participate in the Action Plan are: USAID, State Department (including INL), DOD, Treasury, and DEA.

While it is always preferable to have a strategy in place to guide objectives, as well measure performance and results against such objectives, it is also very important to remain flexible in the context of changing circumstances on the ground. Given the difficulty of developing a strategy at the beginning of a new program in a conflictive environment, USAID's policies anticipated and allowed USAID/Afghanistan to delay preparation of the five-year strategy.

Question:

Another complaint we've heard, regarding our efforts in both Iraq and Afghanistan, was the failure to incorporate locals early on. I've heard complaints that some of our construction efforts in Afghanistan were not built to meet the harsh Afghanistan winters or used materials that Afghanis were unfamiliar with and therefore upkeep was almost impossible because they didn't know how to repair the structures. What has the USAID done to address those concerns? How are local peoples and communities integrated into the reconstruction process now? Please provide the number of locals employed by these projects and the number of projects involved.

Answer:

Given the need to act and to show results quickly, combined with the very low level of local capacity, as well as the lack of sufficient understanding of the conditions on the ground in the early stages of development, reconstruction efforts relied to a large extent on expatriate or third-country labor and equipment. However, as we have increased our efforts aimed at capacity building, and as these efforts bear fruit, we are increasing the level of effort of local labor. For example, as part of our infrastructure program to build schools and clinics, the contractor was mandated to hire Afghan sub-contractors and to develop their capacity to build to standards. All but one of the sub-contractors successfully met the terms of their agreement. Additionally, USAID has just begun an extensive capacity building program to work with ministries, NGOs, universities and the private sector. Finally, most USAID programs incorporate capacity building as an important component, and the level of effort in this area is increasing.

Question:

Attacks against aid workers are a serious problem in Afghanistan. What could have been done from the outset of the reconstruction effort to safeguard aid workers better and protect projects as well? What steps has USAID taken to address these safety threats?

Answer:

When we first began our program in Afghanistan, the security issues were not as great as they are today; the security factor has increased steadily over time.

There are many types of aid workers in Afghanistan, and we are acutely aware of the very difficult security environment in which they work. From the beginning of the reconstruction effort, each aid operation--NGO, United Nations, private, USAID--has developed its own approach to providing security for its people. In some cases, those methods are extremely overt (humvees, armored cars, heavy force protection); in other cases they rely on operating "under the radar screen" (e.g., using old cars, no body armor, no force protection, no association with government, the military or foreigners). Each organization constantly assesses the evolving security situation, and adjusts its own particular security *modus operandi* as circumstances change. The biggest difficulty is the constantly evolving and increasingly sophisticated insurgency which progressively targets aid workers directly for ambush, kidnapping, or IED attack.

USAID spends a large amount of money on security, most of it associated with our field projects. In addition to standard operating procedures (hard shell vehicles, use of aircraft where possible, heavy force protection), we use up to five different security elements when implementing field projects. These are:

- Local individuals in the vicinity of the project (e.g., a road project) who are hired to help protect the camps and construction sites.
- Contract security firms like Global or USPI, including their third-country (often Nepalese Ghurka or South African) security experts.
- Involvement of the local Afghan National Army (ANA), Afghan National Policy (ANP) or Afghan National Auxiliary Police (ANAP)
- Involvement of one or more Special Forces (SF) units under special circumstances (e.g., post-Operation Medusa in Panjway District) to provide force protection for immediate and near-term post-kinetic (P-K) humanitarian and stabilization assistance.
- In the most extreme circumstances (e.g., the Ring-Tirin Kot Road; the Southern Strategy Roads; Kajaki), involvement of US or NATO/ISAF principal forces directly to provide *in extremis* support.

Question:

How, if at all, is USAID changing its strategy or refocusing projects in response to the growing resurgence of the Taliban? Are there areas of the country where we are pulling out of projects? Are we increasing security efforts? Is the resurging Taliban increasing our costs in any way?

Answer:

USAID works with ISAF Headquarters on long-term strategic planning; we work with the NATO Regional Commands and Task Forces especially to de-conflict our activities and to amplify the joint impact that we have on the ground; we work with the Special Forces on post-kinetic security, and especially on bringing development to strategic targets (e.g., fence-sitting communities) in very insecure areas; and we work with Provincial Reconstruction Teams under military command to implement a wide range of projects in the field.

The growing resurgence of the Taliban has actually increased our efforts: We are not pulling out of any "area" of the country, although we may tactically avoid engaging in especially hot areas when necessary for the safety of our people. Increasingly, however, we are focusing our development assistance in those areas which are the *most* difficult to work in--the east and the south, generally, and particular districts and villages specifically. There is broad based consensus now that defeating this insurgency will take—working in tandem—a combination of long-term

security, sustained economic development, and reasonably good governance. We, therefore, attempt to focus most of our time and effort on the provinces, districts and communities where we can have that effect on the ground. At the same time, we are indeed increasing security to protect our contractors, our grantees and ourselves as the threat becomes more focused and is intensified.

The cost of the increased security efforts has not yet been tallied, but such an analysis is underway. It is important to note that there are both direct and indirect security costs. The former are relatively easy to quantify, and consist of security sub-contracts held by our implementing partners. Indirect costs are more difficult if not in some cases impossible to quantify, and are made of up a variety of things including the inability to recruit qualified staff and/or the higher costs of doing so. Even more difficult to assess are the costs of not delivering development due to security constraints (the attached lists activities in southern Afghanistan halted due to the security conditions), including the inability to operate in the field as has impacted other development agencies including the UN and DfID.

We will provide more detailed information on the additional costs to your office as soon as they are available.

Question:

It is my understanding that USAID was responsible for the contract for the Basrah Children's Hospital in Iraq. Congress specifically authorized funding for this project. According to an Inspector General's report, part of the problem with this project was that USAID did not establish an appropriate program management structure for its projects in Iraq. What has the USAID done differently in Iraq as a result of the experience with the Basrah Children's Hospital?

Answer:

In response to the SIGIR finding that "part of the problem with this project was that "USAID did not establish an appropriate program management structure for its projects in Iraq", USAID respectfully disagrees with this finding of SIGIR. USAID's Infrastructure II program was staffed by a team of engineers and construction specialists. At one point, USAID had over 50 engineers working on the infrastructure program, including a mix of USAID employees, United States Army Corps of Engineers (USACE) staff assigned to USAID/Iraq, and contractor staff. This team in turn was supported by a health officer, a Senior Contracting Officer, a Senior Acquisition Specialist, a Contract Specialist and staff in our Financial Management Office. In addition, USAID had deployed a USACE engineer to Basrah who made regular site visits.

The deteriorating security environment in Basrah, starting in 2005, had a very significant impact on the schedule, cost, and program management in general. Increasing levels of intimidation, kidnappings, and murders had a pronounced impact on the contractors and subcontractors ability to execute the project. Productivity suffered from public disturbances that caused late starts or early finishes, as well as from prolonged absences or resignations of individuals targeted for attack. Highly sophisticated roadside bombs appeared throughout the area, including on all routes approaching BCH. Local police became less reliable and the power of sectarian militias increased. Bechtel reported that BCH was the most dangerous site that it worked on under the Infrastructure I and II contracts. Because of the deteriorating security condition, USAID's prime contractor was not able to have full-time expatriate presence on the site for program management of its subcontractors. Similarly the team assembled by USAID to perform its program management function, which included the USACE, was not able to perform frequent site visits and had to frequently rely on second hand information for program management.

USAID has changed its reporting procedures for contract program management costs, i.e., those not directly identifiable to the work under each

specific job order (activities), to improve uniformity in reporting across all USG agencies and contractors.

A major issue at the heart of the rising costs for the BCH was the cost accounting mechanisms used by USAID and the implementing partner. USAID's Infrastructure II contract, awarded to Bechtel National in July 2004, used a contracting mechanism that has worked very successfully in other reconstruction programs in places such as Afghanistan, West Bank/Gaza, and Sudan. Under this mechanism, a single large infrastructure contract is openly competed and awarded. Under the direction of USAID, the contractor is required to fully manage (start up, design, and implement) the entire infrastructure program, including a full range of infrastructure activities. In Iraq, funding was initially allocated to Bechtel for "core" program management costs (costs not identifiable with specific activities, such as the costs of Bechtel's Baghdad headquarters). Additional funding was allotted to Bechtel as specific activities were developed and approved. The contract required that Bechtel report management overhead costs separately and did not require allocation of those costs to specific activities. This contracting approach provides the critical flexibility and rapid implementation needed to implement the program under these difficult

circumstances, while still maintaining strict adherence to AIDAR and FAR guidelines and regulations.

This contracting and costing structure has been the most practical way for USAID to handle reconstruction efforts in difficult and post-conflict environments like Iraq, Afghanistan, Sudan, and West Bank/Gaza. Inherently, contractors operating in these circumstances cannot know from the beginning the total number, size, and duration of all activities to be undertaken throughout the life of the contract. Due to changing funding levels, priorities, and conditions on the ground, these activities may be resized or cancelled at any time, making any reasonably accurate allocation of indirect costs to specific activities at any point in time extremely difficult. The GAO and the USAID/IG have thoroughly audited this type of contract many times, and have had no structural cost accounting issues with it.

In the Spring of 2006, USAID agreed to change its reporting procedures for contract program management costs, i.e., those not directly identifiable to the work under each specific job order (activities), to improve uniformity in reporting across all USG agencies and contractors. However, because this reporting methodology was applied towards the end of the contract, it attributed a high indirect cost to the few remaining job orders, and additionally "charged" the remaining job orders for the indirect costs on

canceled job orders. As Basrah Children's Hospital (BCH) was a relatively small job order for the contract (representing 2.78 percent initially and 5.8 percent eventually of the total value of the contract), this method assigned the BCH job order a proportionately high "increase" of indirect costs.

Question:

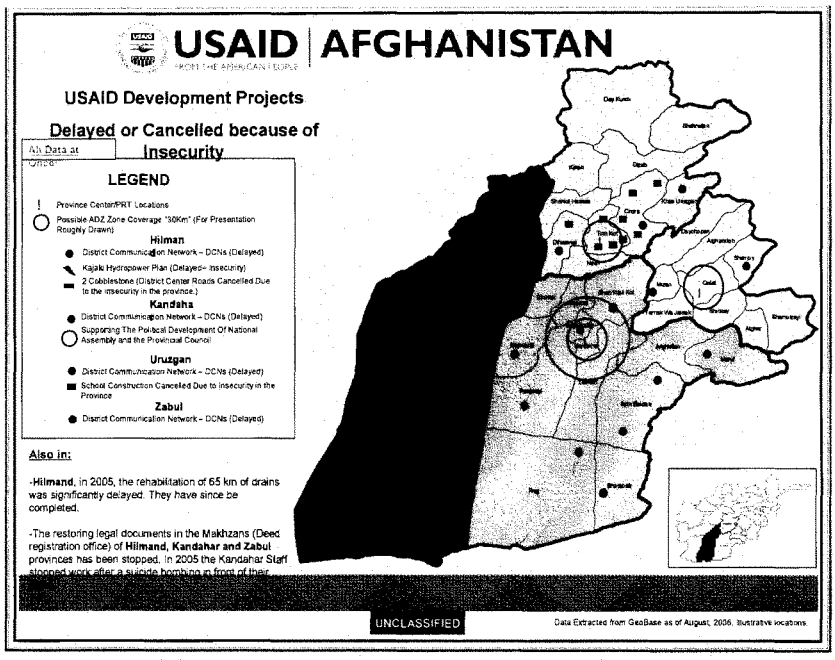
Was this project ever completed?

Answer:

An independent assessment in late June 2006 concluded that because BCH would be the only remaining project under the infrastructure contract beyond October 2006, it would be more cost effective to transfer this activity to the U.S. Army Corps of Engineers (USACE), which has projects ongoing in Basrah. USAID followed this recommendation and transferred all activities related to the BCH to the USACE. At time of transfer, early October 2006, the project, including equipment installation, was roughly 35 percent complete.

It is now nearly 50 percent complete. Structural concrete work is essentially done, and block work is more than 90 percent complete. The remaining tasks consist principally of more detailed work such as the installation of electrical and mechanical systems.

Attachment to question 4:



USAID | AFGHANISTAN

FROM THE AMERICAN PEOPLE

USAID Development Projects

Delayed or Cancelled because of Insecurity

LEGEND

! Province Center/PRT Locations

Possible ADZ Zone Coverage "30Km" (For Presentation Roughly Drawn)

Hilmand

- District Communication Network – DCNs (Delayed)
- Kajaki Hydropower Plan (Delayed– Insecurity)
- 2 Cobblestone (District Center Roads Cancelled Due to the insecurity in the province.)

Kandahar

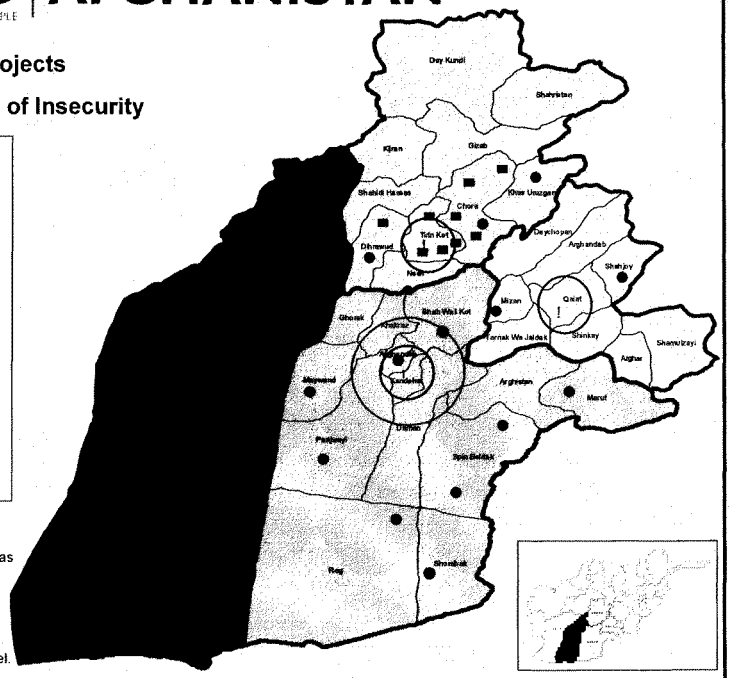
- District Communication Network – DCNs (Delayed)
- Supporting The Political Development Of National Assembly and the Provincial Council

Uruzgan

- District Communication Network – DCNs (Delayed)
- School Construction Cancelled Due to Insecurity in the Province

Zabul

- District Communication Network – DCNs (Delayed)



Also in:

-**Hilmand**, in 2005, the rehabilitation of 65 km of drains was significantly delayed. They have since be completed.

-The restoring legal documents in the Makhzans (Deed registration office) of **Hilmand, Kandahar and Zabul** provinces has been stopped. In 2005 the Kandahar Staff stopped work after a suicide bombing in front of their Hotel.

UNCLASSIFIED

Data Extracted from GeoBase. Illustrative locations.

Post-Hearing Questions for the Record
Submitted to Mark S. Ward
From Senator Tom Coburn
Senate Committee on Homeland Security
and Governmental Affairs
March 22, 2007

In a July 14, 2004 interagency cable, USAID claims to have built and handed over to the Afghanistan government 140 clinics in 2003. We have a copy of the November 10th, 2005 letter from the Afghanistan Ministry of Public Health to USAID stating Afghanistan has no record of these clinics. To our knowledge, USAID has not responded to this letter.

The following is the record of USAID's response to my inquiries about these 140 clinics of 2003:

- October 27th, 2006 – I requested location, cost, and contract documentation for the 140 clinics (pg. 4)

- November 14th, 2006 – USAID responds without documented evidence of the existence of the clinics but with three different numbers of clinics it claims to have built and handed over by 2003: 140 clinics (pg. 2), 54 clinics (pg. 3), and 121 clinics (pg. 5).

- December 5, 2006 – I repeated my request for the location, cost, and contract documentation for the 140 clinics (pg. 4).

- March 6, 2007 – USAID responds to the repeated request for documentation by providing a spreadsheet that documents information for 39 of the 140 clinics.

- March 22, 2007 – In testimony before the Senate Homeland Security and Governmental Affairs Committee, Mark Ward of USAID responded to my request for documentation of the remaining 101 clinics not account for by insisting USAID provided all the documentation.

Question:

Why didn't the Afghanistan government know anything about these clinics in 2005?

Answer:

Following the receipt of the letter from the Minister, key USAID staff provided additional input into the operational units of the MOPH in order to outline the status of all USAID funded construction/refurbishment activities, primarily through briefings by consultants, improvements in data management, and presentations by USAID at the weekly Construction Task Force meetings chaired by the Senior Construction Advisor to the Minister. As a result of these efforts, the various operational components of the Ministry of Public Health achieved a more detailed understanding of the scope and scale of USAID funded construction/refurbishment activities and helped to clarify the issues raised in the Minister's letter. The Minister's March 2007 letter to USAID, which we provided to Senator Coburn's Office, corrects his understanding and confirms USAID's figures.

Question:

Why is USAID—after six months—still unable to provide documented proof of the existence of all 140 clinics?

Answer:

In the extensive March 2007 response to your office, USAID documented the clinics that have been built through our programs, which incorporates the 140 clinics referenced in the November 2005 letter from the Minister of Health. The actual total of clinics built or refurbished is now 607, out of a planned total of 670. As part of the March 2007 response, USAID provided a chart, which contains a listing of all clinics that have been/are being built and refurbished. The chart shows the location, type of structure, and contractor who built them. Pictures and/or bills of quantity for 530 of the clinics were also included. The chart signifies the agreed upon list which was provided to Minister Fatemie. The Minister provided USAID a letter on March 4, 2007, acknowledging the receipt of the complete clinics list, and in that letter concurs with USAID's construction and refurbishment figures.

We have instructed our implementers to make site visits to the remaining clinics, to the extent security allows, to take pictures for our files and will be providing you with the additional photos as soon as they are provided to us.

Question:
What changes will USAID commit to make regarding its record keeping and oversight of its programs in order to prevent this confusion and lack of accountability from happening in the future in Afghanistan and other locations?

Answer:

USAID has taken a number of steps to enhance the monitoring of its projects, and is continuously striving to further improve its practices. In August, 2004, USAID/Afghanistan created and staffed a Quality Assurance (QA)/Quality Control (QC) Manager position in its Office of Infrastructure, Engineering and Energy (OIEE) which has the following responsibilities:

- Chief QA and Risk Management/Safety Officer.
- Developing and implementing turnover procedures and warranty procedures, including standardized reports, record keeping, and correspondence.
- Primary point of contact with Louis Berger (LBGI) QA Staff on QA/QC issues.
- Training of USAID and IRD staff on QA procedures and policies.
- Coordinate QA activities with other OIEE managers.
- Working with USAID OIEE administrative support staff to ensure proper electronic and paper filing system.
- Reviewing audits of USAID construction program and assisting the director and deputies in audit compliance issues.
- Review and approval of QA/QC actions required by contractors.
- Preparation and submittal of correspondence to LBGI on routine QA/QC issues.
- Preparation of correspondence for OIEE director on significant QA/QC issues.
- Providing interface with IRD staff on QA issues.
- Reviewing IRD staff inspection reports, ensuring LBGI is taking appropriate actions.
- Tracking corrective actions.
- Providing training to IRD roads engineers as needed.
- Supervising turnover procedures and substantial completions.

This position allowed for a full-time quality manager to anticipate and monitor quality problems, as well as to seek their resolution. The Quality Assurance Manager also worked directly with the field monitors from IRD and reviewed reports of on-going construction activities being performed by LBGI.

In addition to the position created at USAID, LBGI also created and staffed a Quality Manager position for its infrastructure program in August 2004. The Quality Assurance Manager from USAID worked closely with the LBGI Quality Manager on issues of Quality Control and Quality Assurance.

The Quality Managers from USAID and LBGI collaborated on the creation of a Standard Operating Procedure for Project Handover, a Construction Risk Management Plan, and revised Quality Control and Quality Assurance plans. The Handover Plan was completed and approved in September 2004. The Construction Risk Management Plan was drafted in December 2004, and the revised Quality Plans were drafted from December 2004 to March 2005. All of these plans and procedures were approved by USAID and were integral to improved monitoring of USAID's program.

USAID is constantly refining its record keeping and oversight and accountability of programs. For example, USAID has provided key consultants related to construction and rehabilitation of facilities to work within the Ministry of Public Health to include:

- A construction advisor through the REACH program to work closely with the MOPH, particularly related to clinic construction and refurbishment for health clinics and hospitals.
- A senior advisor to the Department of Construction of the Ministry of Public Health who played a major role in donor funded construction efforts for the Ministry of Public Health.
- In 2004, USAID initiated planning and quality control oversight by providing over 30 Afghan national engineers who conducted over 10,000 site visits to schools and clinics with MOPH national level engineers and provincial health team members.
- Since 2004, USAID has worked closely with the U.S. Army Corps of Engineers (USACE) which has seconded highly qualified permanent staff from the USACE to provide full-time professional, technical oversight to all aspects of USAID clinic construction and refurbishments, to include hundreds of site visits to provide oversight to the work of the 30 Afghan engineers mentioned above.
- USAID has also increased its Foreign Service National Staff from one to three full-time engineers who also provide management and oversight of all clinic related construction/refurbishment activities.

With specific reference to health facilities construction, USAID has strived to be fully accountable for the work it has undertaken. When problems are discovered, they are resolved to the extent practical and with concurrence by the MOPH. These facilities have played a significant role in increasing access to quality healthcare throughout Afghanistan.

Although USAID has developed effective mechanisms to monitor the quality of construction and rehabilitation of facilities in the field, USAID does recognize, however, that we have been inconsistent in reporting the construction status accurately to various interested parties, who have specific and varied needs for data presentation. This is because we had not combined the data from the four programs to date (PRT, OTI, SACCRP, and REACH) into a single, easily readable and easily

accessible database. To assist in resolving this problem, the mission has combined all four programs to date onto a single spreadsheet with project identification information and status which has been acknowledged by the Minister of Public Health as referenced in our response to item 1b of this QFR.

The next iteration of this database will be a much more comprehensive internet-based system so that all stakeholders will have nearly real-time access to such data as project location, status, cost, quality assurance monitoring reports, photographs, contract modifications, and other key project documents. The database will provide users (including the Ministry) with the capability to produce a variety of project reports. This new database has been under development since early January and is expected to be operational by the summer of 2007.

In addition, USAID is assisting the Ministry of Public Health (and the Ministry of Education) to develop this same type of database for its use in cataloguing and managing its entire inventory of facilities. The USAID database and the Ministry database will be compatible so that information can be transferred on a regular basis.

Question:

As you know, staff working at the U.S. Embassy in Kabul caught the USAID contractor, Shelter for Life, passing funds through to a subcontractor, the Five Stones Group, who was rejected for not meeting requirements for working with USAID. The USAID Inspector General initiated an investigation into the possible fraud, but the case was dropped once USAID terminated the Shelter for Life contract. Why did USAID bring Shelter for Life back as a contractor even though fraud might have taken place? Shouldn't the Inspector General first complete its investigation and clear Shelter for Life of any wrong doing or negligence?

Answer:

USAID's agreement with Shelter for Life (SFL) was a grant. The agreement that SFL had with Five Stones Group (FSG) was a sub-grant and USAID contracting officers had no reason to believe there was any conflict of interest arising from past associations between staff members of the two organizations. SFL was considered acceptable from a pre-award standpoint. SFL's application with FSG as a sub-grantee was reviewed by a technical evaluation team and found to be adequate and acceptable, and no exception was taken to FSG as a sub-grantee. It is not uncommon for USAID to suggest that organizations not yet capable of managing a direct grant pursue a sub-grant instead. This allows them to improve their management systems while performing for the direct grantee.

With respect to the completion of investigation, the Inspector General stated: "Regarding the Five Stones Group, the Office of Inspector General closed its investigation upon receiving declinations to prosecute from the United States Attorney's Office. Since USAID had previously taken administrative action by

terminating the Shelter for Life grant, the Office of Inspector General did not refer the matter to USAID for additional action."

Question:

What is the policy for USAID suspending contracts and relations with companies that commit fraud, have poor accountability standards, or break U.S. law or regulations? Why didn't USAID suspend all contracts and relationships with Shelter for Life in this instance?

Answer:

USAID policy with regards to companies that commit fraud or break U.S. laws or regulations is to refer such cases to the Inspector General. In cases of poor performance or accountability standards, Code of Federal Regulations Section 226.62 which provides remedies for noncompliance is invoked.

After award, in cases where the recipient fails to comply with the material terms and conditions of an award, the Agreement Officer may take action as specified in 22 CFR 226.62. Failure to comply with the terms and conditions of the award may result from a recipient's inadequate accountability standards.

22 CFR 226.62 specifies:

"If a recipient materially fails to comply with the terms and conditions of an award, whether stated in a Federal statute, regulation, assurance, application, or notice of award, USAID may, in addition to imposing any of the special conditions outlined in §226.14, one or more of the following actions, as appropriate in the circumstances. (1) Temporarily withhold cash payments pending correction of the

deficiency by the recipient or more severe enforcement action by USAID. (2) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance. (3) Wholly or partly suspend or terminate the current award. (4) Withhold further awards for the project or program. (5) Take other remedies that may be legally available."

In the case of Shelter for Life, USAID terminated this agreement for failure to comply with the terms and conditions of the award. Shelter for Life appealed this termination in accordance with 22CFR 226.62 by submitting a dispute per Subpart F of the CFR. The Agreement Officer made a decision to rescind the termination and to reinstate the award, but with a partial suspension of works not yet started. The buildings that were underway were continued, but works in the early stages or not yet started were suspended pending successful corrective action by Shelter for Life, at which time the situation could be re-evaluated. Shelter for Life senior management, including its CEO, flew to Kabul, removed certain staff, and agreed to assume some of the costs. Shelter for Life was subsequently able to meet the terms of its agreement.

Question:

The USAID Inspector General indicates that up to $3.7M of start up costs were incurred before this contract arrangement was stopped—and when I asked USAID how much of this was recovered from Shelter for Life, the response was that USAID negotiated a "cost-sharing" agreement with Shelter for Life—and USAID stated that it would cost the tax-payer too much money to recover all the funds lost to possible fraud and mismanagement. When a contractor is caught mismanaging or defrauding U.S. funds, is it a normal procedure for USAID to absorb part or all of the losses, reinstate the contractor, and not seek any disciplinary options?

Answer:

We have submitted a list of inventory recovered from Five Stones Group. Additionally, USAID, as per the response above, did seek disciplinary action with regards to Shelter for Life: USAID suspended the agreement; Shelter for Life corrected its performance, and subsequently met the terms of its agreement.

Question:

Mr. Ward stated in his testimony that 80% of Afghans currently have access to healthcare. How did USAID formulate this statistic as it is reported there is no reliable census for determining the population in Afghanistan?

Answer:

The source of data on access to basic health care is the Ministry of Public Health (MOPH). MOPH now has a comprehensive, computerized data system, which provides the location of each health facility in the country by district and province, the entity (NGO or MOPH) responsible for each health facility in operation, and the populations they serve. In addition, the MOPH has an active health management information system (HMIS) that collects information from all health facilities operating in the country. It should be noted that the 80% access figure is a consequence of international efforts, not of USAID's efforts alone.

Question:

How does USAID define "access?"

Answer:

Access, as defined by the MOPH and accepted by USAID, is the percentage of the population that lives within four kilometers of an existing health facility, whether it is a health post, a basic health clinic, a comprehensive health clinic or a hospital.

Question:

When asked about the new controls and oversight to be implemented for the latest Louis Berger Group contract, Mr. Ward stated that the staff in the PRTs would be providing the additional oversight. Is it true that there are now fewer PRTs under U.S. control than when the original problems occurred with the earlier Louis Berger Group contracts as documented by Government Accountability Office, the Inspector General, press reports, and internal USAID documents?

Answer:

It is true that there are currently fewer PRTs under U.S. command. At present, 12 of the 25 PRTs are "US-led" (e.g., there are US commanders in-charge at the PRT); however, all PRTs fall under NATO/ISAF command and USAID has officers in many of them.

Question:

Is it true that the U.S. currently has only an average of 2 USAID and USDA personnel in each PRT?

Answer:

USAID has Field Program Officer positions in 20 of the 25 PRTs, including both US and non-US led PRTs. USAID has 3 Development Advisor positions in the 4 Regional Commands (at present, we do not staff Regional Command-North) and two Development Advisors serving in US and ISAF "higher headquarters" offices in Kabul and Bagram Airfield. Seven PRTs have a USAID-funded USDA advisor. In three PRTs (Badakhshan, Helmand, and Jalalabad), USAID also has an advisor who focuses on Alternative Livelihoods.

Question:

How many of these U.S. personnel have training or expertise in project management and/or engineering?

Answer:

All of our Field Program Officers (FPOs) have formal training on project management and/or expertise in project management gained from either managing USG projects for USAID directly in other countries or managing projects for NGOs. None of the USAID FPOs are trained engineers.

The USAID PRT Office utilizes the engineering services provided by USAID/Afghanistan's Office of Infrastructure, Engineering & Energy (OIEE). Of the 24 full time OIEE staff, 17 are experienced engineers and 19 have project management experience. At present, OIEE dedicates two expatriate engineers, on a full-time basis, to the PRT Office and 2 Afghan engineers are under recruitment. In addition, in order to augment our internal engineering staff, USAID is negotiating an amendment to USAID/Afghanistan's engineering contract with IRD in order to provide quality assurance/quality control over the PRT Office's small-scale infrastructure projects.

Question:

Given the fact that security concerns keep civilians from regularly traveling outside of their base of operations, in what way can this staff consistently oversee the Louis Berger Group contract implementation and quality control out in the field?

Answer:

The frequency of travel outside the base depends on the level of security/threat at the specific PRT, as well as the regulations and the resources of the country leading the PRT. In many of the provinces where PRT staff are based, the security situation and the level of force protection are adequate to allow for monitoring several times per week, allowing our staff to meet with government officials, community leaders and implementers, and to assess and monitor projects. In those PRTs situated in provinces that are less secure, and where there is a higher threat level, our staff are not able to travel outside the base as frequently.

PRT staff, however, are not the sole monitors of our contracts, including that of the Louis Berger Group. The Kabul-based program managers make site-visits to projects under their responsibility to the extent possible. Additionally, USAID has a third party contractor, IRD, which also provides monitoring and oversight. For example, since the start of the current Schools and Clinics Construction and Refurbishment Program in April 2004, IRD has conducted well in excess of 10,000 monitoring inspections. IRD has documented each visit with photos and/or project status information and has communicated its findings via e-mail, telephonic and face-to-face discussion on a near daily basis.

Question:

How many full time managers are in Kabul specifically working on the PRT program?

Answer:

USAID's PRT Office has the following positions: Director, Deputy Director, Program Manager, Administrative Officer, one local-hire administrative assistant and one local-hire budget/procurement specialist. In addition, the Chief of Staff for USAID/Afghanistan advises the PRT Office and the Mission Director on civilian-military relations and works closely with regional military commands to coordinate USAID and US and non-US development and reconstruction efforts.

Question:

Since the majority of the PRTs are operated by our coalition partners, how is USAID coordinating with NATO and the PRTs operated by coalition partners?

Answer:

As mentioned earlier, USAID has PRT Officers serving in 20 of the 25 PRTs, including non-US led PRTs; Development Advisors serving at three of the four Regional Command centers and 2 Development Advisors serving in US and ISAF military "higher headquarters" offices. USAID coordinates closely at various levels with coalition partner-led PRTs.

In Kabul, USAID/Afghanistan interacts with non-US PRT partners through the PRT Executive Steering Committee, which holds regular meetings. The USAID

Chief of Staff is in daily contact with US and non-US military counterparts to coordinate USAID PRT (and USAID non-PRT) assistance, particularly in eastern and southern Afghanistan. USAID has detailed a full-time Development Advisor to the headquarters office of the International Security Assistance Force (ISAF) based in Kabul. The USAID Mission management team and ISAF General Command Officers meet on a weekly basis to discuss issues related to implementation of USAID projects, including USAID-funded PRT projects.

At the regional level, USAID has Development Advisor positions dedicated to three of the four Regional Commands (RC-E, RC-S, and RC-W). USAID Development Advisors are responsible for coordinating USAID assistance with US and non-US military and civilian elements based at those commands.

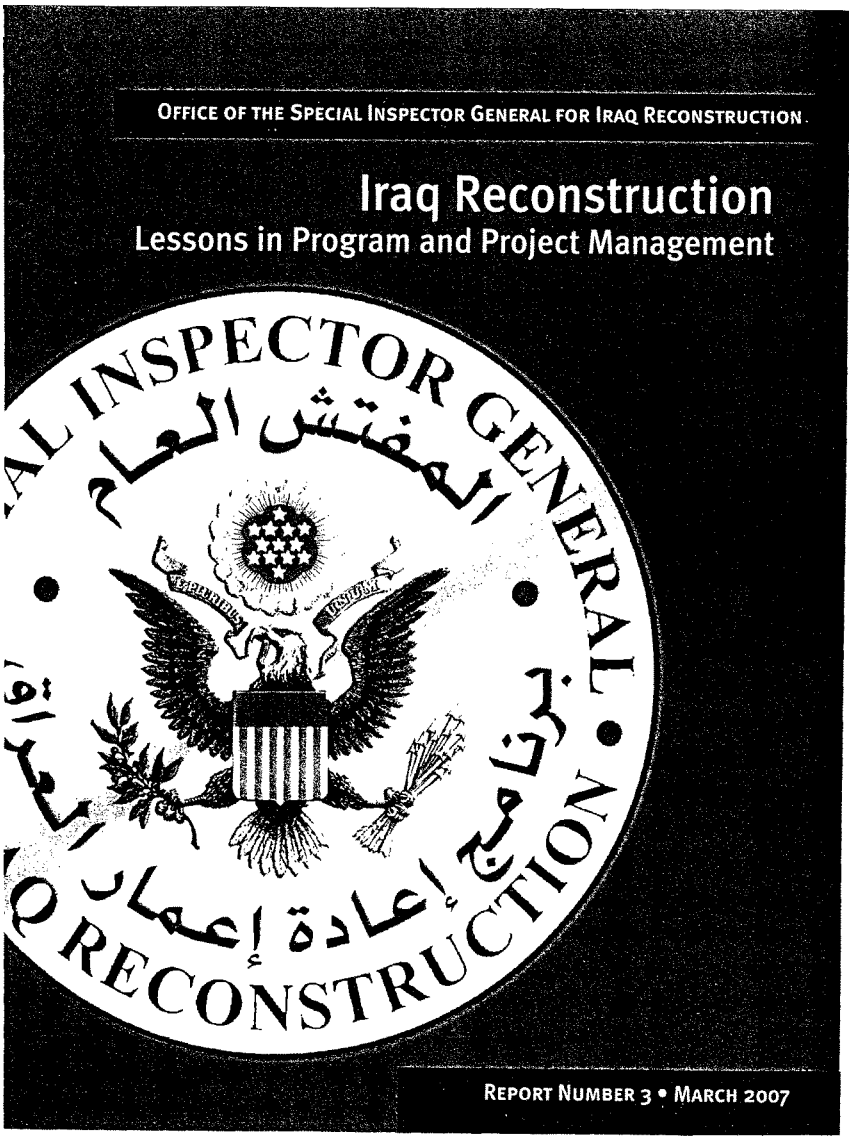
At the PRT level, USAID has Field Program Officer positions at 20 of the 25 PRTs, including 10 positions (includes the USAID/ALP Officers at Helmand and Badakhshan) at the 13 non-US led PRTs. USAID PRT Field Program Officers are responsible for coordinating USAID assistance with US and non-US partners in their respective areas of operation, including PRT lead nations as well as military and civilian agencies operating in their respective areas.

Question:

Many of us have serious concerns with USAID's past performance with reconstruction in Afghanistan. To ensure better accountability from this point forward, are you willing to provide Congress with monthly accountability briefings with representatives from other U.S. agencies working in Afghanistan, the Embassy of Afghanistan, the Inspector General, and GAO included?

Answer:

Mr. Ward has would be happy to continue to attend and to provide information on USAID programs in Afghanistan at any briefings organized by Congress.


OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION
Iraq Reconstruction
Lessons in Program and Project Management
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REPORT NUMBER 3 • MARCH 2007

SIGIR Mission Statement

Regarding U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective:

- oversight and review through comprehensive audits, inspections, and investigations

- advice and recommendations on policies to promote economy, efficiency, and effectiveness

- deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse

- information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports and other publications

Special Inspector General
for Iraq Reconstruction

IRAQ RECONSTRUCTION:

LESSONS IN PROGRAM AND PROJECT MANAGEMENT

3

[March 2007]

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PREFACE

Iraq Reconstruction: Lessons in Program and Project Management is the third and final Report of the Special Inspector General for Iraq Reconstruction's (SIGIR) Lessons Learned Initiative (LLI). Begun in September 2004, the LLI focused on three areas of the U.S. relief and reconstruction effort in Iraq:

- human capital management
- contracting and procurement
- program and project management

The LLI has sought to capture the key lessons learned from the Iraq reconstruction experience and to recommend systemic adjustments within the U.S. government aimed at promoting improved capacity and preparedness for future post-conflict relief and reconstruction operations.

The first LLI Report, *Iraq Reconstruction: Lessons in Human Capital Management,* was released in early 2006. SIGIR published its second Report, *Iraq Reconstruction: Lessons in Contracting and Procurement,* in August 2006. The collected observations of these two Reports amplified the need for targeted reform of U.S. contingency relief and reconstruction planning. Significantly, the U.S. government has responded to a number of issues raised in both of these Reports.[1]

For this Report, SIGIR reviewed all relevant documents and conducted extensive interviews with those possessing direct experience managing programs and projects in Iraq. On April 12, 2006, SIGIR presented the findings of this research to a panel of 27 experts, who participated in a day-long conference at the National Defense University in Washington, D.C. The participants, who are listed at the end of this Report, examined and discussed SIGIR's initial findings,

and the Report's subsequent direction was shaped largely by their collective insight.

Thousands of talented and dedicated men and women worked long hours under challenging and often dangerous circumstances to manage and execute the Iraq reconstruction program. They developed, in a very short period of time, a relief and reconstruction endeavor of unprecedented complexity and magnitude. The findings in this Report are intended neither to diminish their individual efforts nor to question their collective commitment. Rather, SIGIR has sought to factually review the evolution of program and project management in Iraq and to derive constructive lessons learned. Learning from the Iraq experience will improve the U.S. government's capacity to execute future relief and reconstruction operations in contingency environments.

OVERVIEW

The operation and management of U.S. relief and reconstruction efforts in Iraq was characterized by continual change. Three successive organizations bore responsibility for providing the program with strategic oversight and tactical direction: the Office of Reconstruction and Humanitarian Assistance (ORHA), the Coalition Provisional Authority (CPA), and the U.S. Mission-Iraq.

ORHA and CPA—both under the aegis of the Department of Defense (DoD)—were dissolved within 14 months of the conclusion of the 2003 invasion of Iraq. The U.S. Mission-Iraq—under the Department of State (DoS)—assumed oversight of the program at the end of June 2004. Each responsible entity developed successive

reconstruction strategies responsive to the evolving environment it faced in Iraq.

ORHA emphasized planning for what was expected to be a relatively short-term relief and reconstruction endeavor, developing strategies to ameliorate expected humanitarian crises and potential disasters, such as oil-field fires. ORHA's small reconstruction component intended to restore essential services rapidly back to pre-war levels. Its inchoate operations, however, were superseded by the advent of CPA in April 2003.

Concurrently, in April 2003, the Congress created the Iraq Relief and Reconstruction Fund (IRRF 1), appropriating $2.475 billion, the preponderance of which was allocated to the U.S. Agency for International Development (USAID). The scope and amount of IRRF 1 reflected what many expected the post-invasion situation in Iraq to require: rapid relief efforts, minimal reconstruction, and some stimulus for basic economic development. Moreover, the Administration expected that Iraqi oil revenue would be a primary source for reconstruction funds.

The initial plan anticipated that, within 12 to 18 months, Iraq would assume complete sovereignty, including full responsibility for relief and reconstruction efforts.[2] These optimistic projections presumed that Iraq would promptly take on the oversight of most programs and projects, except oil restoration, which would receive continuing support from the U.S. Army Corps of Engineers (USACE) under the Task Force Restore Iraqi Oil (RIO) program.

The events of summer 2003, however, substantially altered the U.S. strategy in Iraq, including its approach to relief and reconstruction. The virtual collapse of Iraq's governing structures, the recognition that Iraq's infrastructure was severely dilapidated, and the rise in insurgent attacks forced ORHA's successor organization, CPA,

to conclude that the relief and reconstruction effort anticipated by IRRF 1 would need to be greatly expanded. In addition, the breakdown in Iraq's oil production and export systems meant that oil revenue would not be sufficient to fund the program.

CPA thus requested a much larger supplemental appropriation than the Congress had provided in the IRRF 1. In November 2003, the Congress appropriated $18.4 billion for the new program, IRRF 2, which, pursuant to CPA's strategic plan, emphasized large-scale infrastructure projects. To oversee this revised and expanded program, CPA created a new management entity: the Program Management Office (PMO). By March 2004, 12 major contractors had won competitively bid, large contracts to design and build projects in six infrastructure sectors. To support PMO's management of these contractors, seven private-sector program management contractors were engaged. USACE partnered with PMO in this process, providing construction management and oversight. USAID's influence correspondingly diminished during this period.

On June 28, 2004, the United States transferred sovereignty to the Iraqi Interim Government (IIG). The U.S. Mission-Iraq concomitantly took the lead in reconstruction management, and the Iraq Reconstruction Management Office (IRMO) was created under DoS to assume responsibility for the strategic direction of the reconstruction effort. The change to DoS leadership led to another shift in reconstruction emphasis. Capital-intensive infrastructure projects, funded by the bulk of the IRRF 2, were given less prominence. And the worsening security situation required substantial funding to be shifted to support the Iraqi Security Forces. USAID, which had a diminished voice during CPA's tenure, regained prominence. And PMO became the Project and Contracting Office (PCO), which continued oversight of most construction projects. USACE's Gulf

Region Division (GRD) increased its management presence and eventually absorbed PCO.

Key Questions

In this Report, SIGIR explores five key questions about program and project management:

- How did the original reconstruction planning efforts affect the ability of managers to oversee the execution of the initial relief and reconstruction projects?
- How was CPA's PMO structured, and what were the advantages and disadvantages associated with this model?
- What were the causes and effects of the reconstruction delays in fall 2003 and winter 2004?
- How did managers meet the challenge of constant change—particularly the reprogramming that occurred during the summer and fall of 2004?
- What were the key execution issues relating to managing subcontractors and Iraqi firms, cost controls for U.S. and non-U.S. funds, and implementing performance metrics and capacity-development initiatives?

This Report is organized into three sections:

Pre-ORHA through Early CPA (Fall 2002 to August 2003)—*Initiating the Program*: Section one provides an overview of the planning environment, which had a direct effect on the capacity of program managers to execute and control reconstruction projects.

The Later CPA Period (August 2003 to June 2004)—*Re-initiating the Program*: Section two analyzes PMO and the delays in executing reconstruction projects during this period.

U.S. Mission/Iraqi Government (July 2004 to Present)—*Executing and Controlling the Program*: Section three focuses on the three program realignments and their effect on the execution of the reconstruction program. This section also discusses the management of reconstruction projects, including performance management, cost and quality control, and capacity development.

A Note on Scope and Methodology

To define program and project management, this Report uses the Project Management Institute's (PMI) definition of these terms:

- A *project* is a "temporary endeavor undertaken to create a unique product of service."
- A *program* is a "group of related projects managed in a coordinated way."

This Report also uses PMI's five phases of program and project management: initiating, planning, executing, controlling, and closing. Within these phases, key components of project management—including scope, time, cost, quality, people, communication, and risk—are discussed.[3]

The development of contracting plans and the solicitation of contract awards are explained in *Iraq Reconstruction: Lessons in Contracting and Procurement.* Workforce planning, recruitment, and continuity of staff are discussed in SIGIR's first Lessons Learned Report, *Iraq Reconstruction: Lessons in Human Capital Management.*

This Report describes the management and execution of IRRF, seized, vested, and DFI funds. It does not directly discuss the management of other funding streams, including the Economic Support Fund and the Iraq Security Forces Fund.

RECOMMENDATIONS

Program management in Iraq grew increasingly complex from 2003 to 2007, ultimately involving hundreds of contractors and thousands of projects. The reconstruction effort required, but did not initially receive, consistent and effective oversight. U.S. policymakers repeatedly shifted strategy in response to the constantly changing circumstances in Iraq. These policy shifts, including leadership changes, meant that program managers not only dealt with long periods of uncertainty, but also had to adjust to new systems, procedures, and reporting requirements. This compounded the difficulty of delivering projects on time, within scope and budget.

Over the past four years, DoD, DoS, and USAID have adapted to relentless and challenging demands with commitment and agility, internalizing and drawing on important lessons learned in the course of their work. SIGIR offers these recommendations, based on these lessons learned, to both help the ongoing Iraq relief and reconstruction program and to promote systemic adjustment through legislative and regulatory reform. Such reforms are essential to preparing the United States for future post-conflict contingency relief and reconstruction operations.

1. The Congress should consider a "Goldwater Nichols"-like reform measure to promote better integration among DoD, USAID, and DoS, particularly with respect to post-conflict contingency operations.

In 1986, the Goldwater-Nichols Act initiated a fundamental reorganization of the Department of Defense. As a result of this Act, U.S. forces increased cooperation and integration. It was not an easy process, but over the past twenty years, the United States has benefited greatly from the improved coordination among the military services.

The Iraq experience illustrates the need to expand cooperation and integration across U.S. agencies, but most especially among DoD, DoS, and USAID. Unlike other agencies, these three have missions that require them to operate primarily outside the United States and engage constantly with other governments and international entities.

Steps have already been taken to move this integration forward. National Security Presidential Directive 44 and DoD Directive 3000.05 both encourage interagency cooperation. USAID has created an office of military affairs to serve as a liaison to DoD. DoS, in response to NSPD-44, established the Office of the Coordinator for Reconstruction and Stabilization. USAID and DoS staff regularly attend military training exercises to share lessons learned and to brief military personnel on their responsibilities and capabilities. DoD's Joint Concept Development and Experimentation Office is currently looking at ways to improve civilian/military planning. These steps, although important, are just a beginning. The experience of the Goldwater-Nichols Act suggests that the Congress should consider new legislation that could advance further cooperation among DoD, DoS, and USAID on post-conflict contingency reconstruction and relief planning and execution.

2. The Congress should adequately fund the Department of State's Office of the Coordinator for Reconstruction and Stabilization.
The Office of the Coordinator for Reconstruction and Stabilization (S/CRS) was created by the President in response to the need for better post-conflict contingency coordination among U.S. departments. S/CRS completed a post-conflict implementation plan in October 2006. This plan identifies short-, medium-, and long-term tasks that the U.S. government should execute to improve planning,

preparation, and execution of post-conflict contingency operations. The plan commendably seeks to address many of the lessons learned from Iraq that SIGIR and others have identified. Most important, it aims at institutionalizing ongoing interagency contingency exercises and developing a civilian reserve corps. A lack of funding and weak recognition of S/CRS by some agencies have prevented the plan from being fully realized. The Congress should provide S/CRS with the funding and authority to fulfill its mission.

3. The U.S. government should clarify the authorities of the multiple agencies involved in post-conflict operations to avoid ambiguity over who is in charge.

Although no single U.S. agency demonstrated the capacity to manage the large and complex Iraq program alone, the resultant and unavoidably *ad hoc* response that sometimes ensued was less than optimal. Developing *ad hoc* organizations in theater, such as the PMO and IRMO, consumed significant U.S. resources and time. Moreover, these new offices did not have the appropriate staff, procedures, systems, or institutional strength to direct effectively the complex interagency rebuilding effort.

S/CRS should be fully empowered to take up its presidentially mandated responsibility for coordinating the planning for future contingency relief and reconstruction operations. Additionally, S/CRS should be provided legal authority, working within the interagency structure and guidelines, to decide who should be in charge of what in any post-conflict reconstruction operation.

4. Existing agencies should institutionalize the most effective project management systems, procedures, policies, and initiatives developed during the Iraq reconstruction effort.
Because U.S. government agencies did not have appropriate systems in place to properly manage a program of the magnitude and complexity of the IRRF, they often created new systems and procedures. Over time, many of these procedures became effective in practice. USAID, DoS, and DoD, should identify and institutionally incorporate the best practices from the Iraq experience.

5. Program managers should integrate local populations and practices at every level of the planning and execution process.
In planning for future contingency operations, the U.S. government should involve, from the outset, a broad spectrum of individuals with familiarity about the affected nation (from policy makers to contractors to international experts). In Iraq, successful reconstruction managers took the time to understand local customs and practices.

Project design and execution should incorporate local contractors and vendors. Also, planning for projects should consider local and regional quality standards, rather than trying to impose U.S. standards, which too often caused increased cost and delayed execution in Iraq.

6. Funding designated for post-conflict contingency programs should support flexible programs and projects that yield both short- and long-term benefits.
Consideration should be given to developing multi-year programs with properly-sequenced reconstruction projects. Both short- and long-term relief and reconstruction programs can be better planned

and implemented through a multi-year financing strategy rather than through unscheduled supplemental appropriations. Contingency funding should also be made available for essential but unforeseen programs and projects. In Iraq, adequate reserves were not set aside to fund unanticipated projects, and the frequent reprogramming of funds adversely affected outcomes in several infrastructure sectors.

7. Develop policies and procedures to manage non-U.S. appropriated funds.

The United States deployed to Iraq without standardized policies and procedures to manage non-U.S. appropriated funds (e.g., the Development Fund for Iraq). Policies and systems were thus developed reactively and not implemented consistently. As a result, there were questions about the accountability of non-U.S. funds. As oversight entities pursue allegations of waste, fraud, and abuse, jurisdictional questions continue to surface. Before contingency operations begin, planners should develop clear policies regarding the management of non-U.S. funds.

8. Develop comprehensive planning for capacity development.

Before approving reconstruction funds, the Congress should require agencies to present a capacity-development strategy that will enable the effective transfer of operational responsibility for reconstruction projects to the host country.

In Iraq, capacity-development programs were not adequately integrated into the overall effort. Projects should include an organizational and management component as well as training in operations and maintenance.

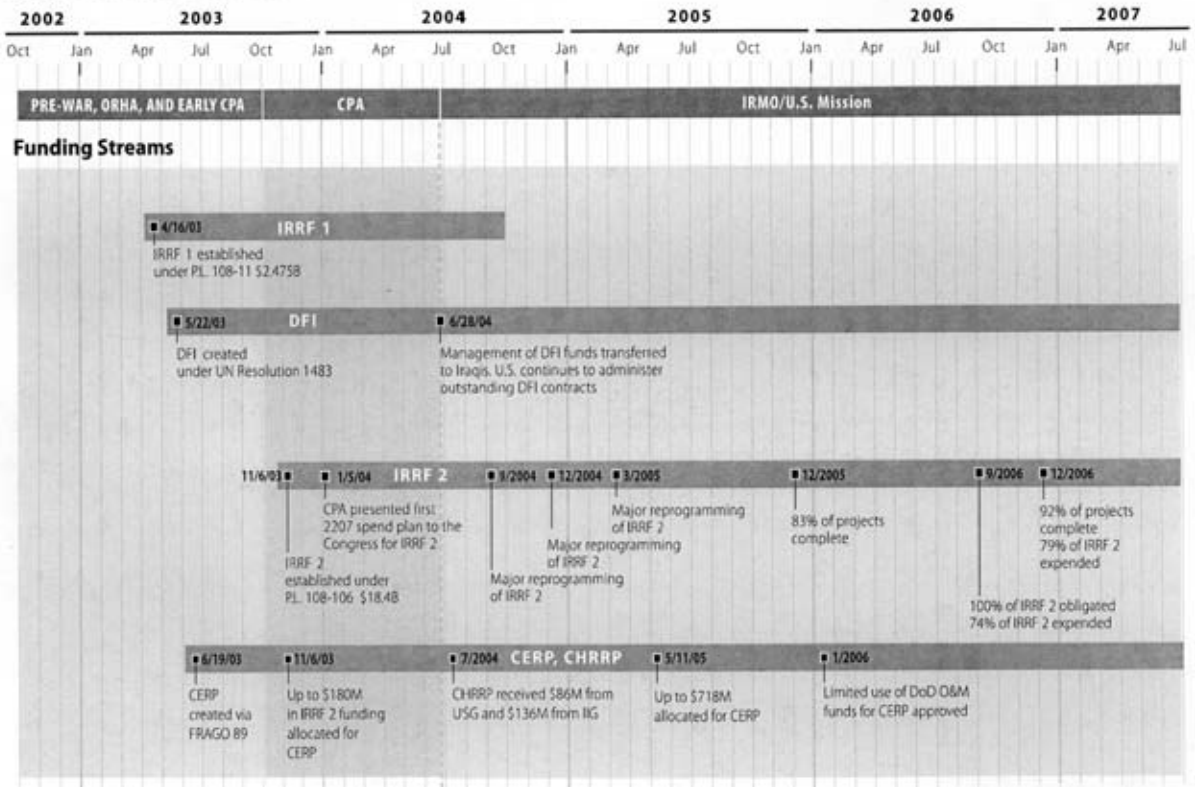
9. Future post-conflict contingency planning should provide for well-resourced and uninterrupted oversight of relief and reconstruction programs to ensure effective monitoring from the outset and permit real-time adjustments.

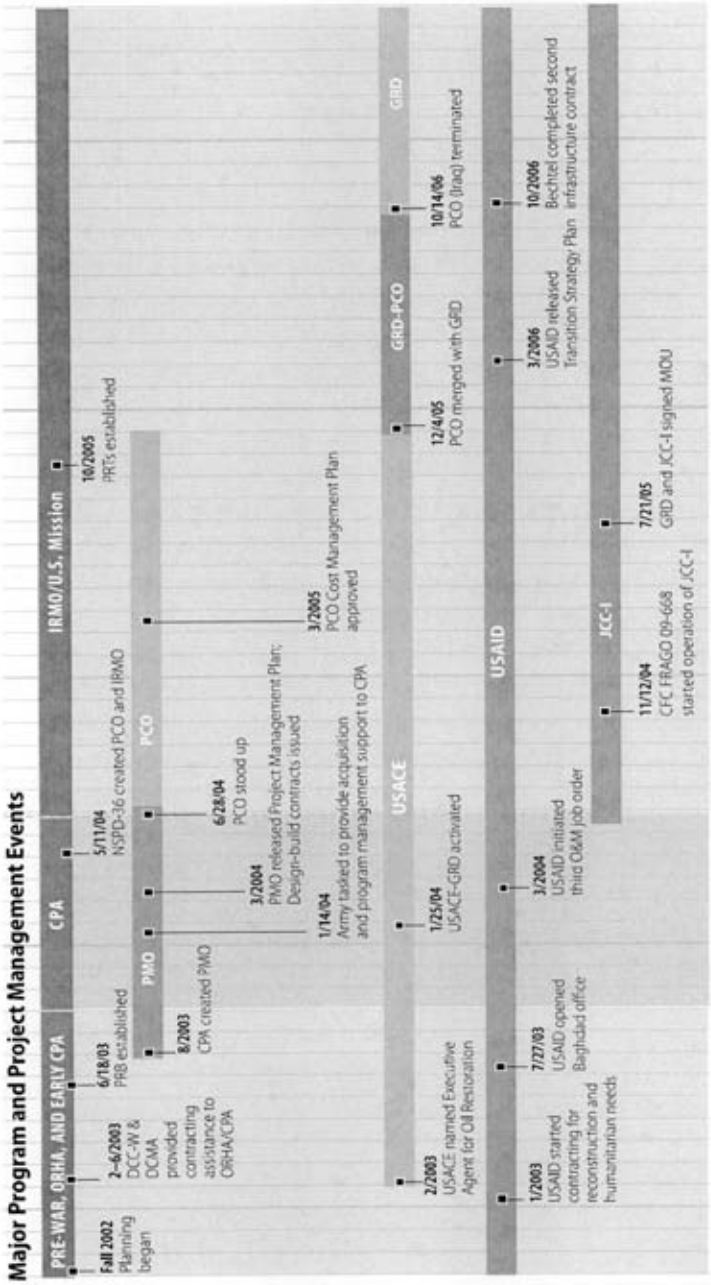
An effective monitoring and oversight plan needs to be in place within each agency from the outset of contingency operations. This will allow for early and direct feedback to program managers, who can implement course corrections in operating practices and policies. Early and effective oversight will also deter fraud, waste, and abuse. For construction projects, there should be consistent oversight, including appropriate quality assurance and quality control programs. In Iraq, successful projects were usually those that received good quality assurance and effective quality control.

Operations that involve multiple agencies, funding streams, and management systems require that the Congress take steps to standardize oversight and provide clear guidance on any reporting requirements involving multiple agencies.

IRAQ RECONSTRUCTION

PROGRAM AND PROJECT MANAGEMENT TIMELINE




Major Program and Project Management Events
PRE-WAR, ORHA, AND EARLY CPA
CPA
IRMO/U.S. Mission
Fall 2002
Planning began
2–6/2003
DCC-W & DCMA provided contracting assistance to ORHA/CPA
6/18/03
PRB established
PMO
8/2003
CPA created PMO
5/11/04
NSPD-36 created PCO and IRMO
PCO
6/28/04
PCO stood up
3/2004
PMO released Project Management Plan; Design-build contracts issued
1/14/04
Army tasked to provide acquisition and program management support to CPA
3/2005
PCO Cost Management Plan approved
10/2005
PRTs established
USACE
2/2003
USACE named Executive Agent for Oil Restoration
1/25/04
USACE-GRD activated
GRD-PCO
12/4/05
PCO merged with GRD
GRD
10/14/06
PCO (Iraq) terminated
USAID
1/2003
USAID started contracting for reconstruction and humanitarian needs
7/27/03
USAID opened Baghdad office
3/2004
USAID initiated third O&M job order
3/2006
USAID released Transition Strategy Plan
10/2006
Bechtel completed second infrastructure contract
JCC-I
11/12/04
CFC FRAGO 09-668 started operation of JCC-I
7/21/05
GRD and JCC-I signed MOU

PRE-ORHA THROUGH EARLY CPA (FALL 2002 TO AUGUST 2003)—INITIATING THE PROGRAM

Before military operations began in March 2003, several reconstruction plans were in place. Federal agencies had developed these various plans in classified environments to prevent speculation about war plans. As a result, they often worked independently from each other.[4]

Some assumptions upon which these plans were based later proved inaccurate, and the plans were never fully integrated into a single operational strategy. This lack of coordination subsequently affected the capacity of program managers to execute projects in Iraq.[5]

Initial Planning for Relief and Reconstruction

Iraq reconstruction planning began during the fall of 2002.[6] The National Security Council (NSC) Deputies Committee and the Office of Management and Budget (OMB) sponsored interagency working groups to prepare post-war plans. DoD created Joint Task Force IV[7] to coordinate post-war plans, and other U.S. agencies, including USAID, developed internal planning groups.

In January 2003, just two months before the start of the March 2003 invasion, ORHA was established as a temporary organization under DoD to coalesce the existing plans for humanitarian assistance and reconstruction. The establishment of ORHA, and the shift from an NSC to a DoD-led effort, was the first major evolution in the reconstruction program. ORHA was established partly because it became clear that there was a need for an operational entity on the ground in Iraq to play a primary coordinating role.[8] But it proved

The plans were **never fully integrated** into a single operational strategy. This lack of coordination **subsequently affected the capacity of program managers** to execute projects in Iraq.

more challenging than expected to integrate the "disparate team of government agencies"[9] involved under a newly created and poorly resourced lead organization.

ORHA comprised individuals from a variety of agencies[10] and backgrounds, with responsibilities divided into three pillars:

- humanitarian assistance
- civil administration
- reconstruction

Several assumptions influenced planning across each of ORHA's three pillars. The expectation that a significant humanitarian crisis would occur meant that assistance resources were focused on providing refugees with water, food, and medicine. Reconstruction funding was limited and was designed to target critical infrastructure[11] in order to bring Iraq's essential services back to pre-war levels. Iraq was expected to rapidly assume the financial burden for much of the reconstruction program with funding from oil revenues.[12]

Reconstruction planners assumed that events in Iraq would follow a fairly linear progression from war to recovery to stability. Humanitarian relief would supplant martial activity, and stabilization would permit rapid reconstruction.[13] In February 2003, an interagency exercise, held in Washington, D.C., anticipated that a lack of security could cause looting, but no specific strategy to prepare for this contingency was developed.[14] Stability was expected to be achieved relatively soon after hostilities ceased.

> I think our assumption [was that we would] have a certain degree of stability. The Iraqis are going to go back to work, the ministries aren't going to be looted. You're essentially going to have a functioning state, but unlike Bosnia, our assumption was this is an oil-rich state. So, within a year or maybe 18 months...there will be oil revenues flowing...
>
> [We planned] out a series of discrete interventions...that [would] keep the place from falling apart and do the absolutely critical things that need[ed] to be done to pull Iraq back together...[until the] oil revenues [would come] pouring into the country.... Planning was done on operating assumptions that [were] so radically different from what ultimately evolved...[15]

The key assumptions regarding the anticipated post-conflict environment in Iraq—that stabilization would be quickly achieved; that Iraq's governing institutions would resume operations; and that oil revenues would provide reconstruction funds—drove the plans developed by each of ORHA's three pillars.

HUMANITARIAN ASSISTANCE PILLAR

DoS and USAID partnered to develop ORHA's humanitarian assistance pillar, which focused on preparing for the anticipated humanitarian crisis. The DoS Bureau of Population, Refugees, and Migration joined with USAID's Office of Foreign Disaster Assistance (OFDA), to develop an assistance program aimed at providing immediate relief—including food, water, shelter, and medical care—to displaced Iraqis.

USAID's Disaster Assistance Response Team (DART), managed by OFDA, deployed to the Gulf Region and prepared to move into Iraq to meet the immediate needs of internally displaced persons.[16] Before deployment, the DART team had participated in exten-

sive preparatory exercises, including disaster assistance training,[17] instruction on Iraqi culture, and safety procedures. DART spent approximately $1 million on these preparations.[18] USAID's Office of Transition Initiatives (OTI)—an office that provides "fast, flexible short-term assistance targeted at key political transition and stabilization needs"[19]—partnered with DART in these efforts.

By the time hostilities began in March 2003, the humanitarian pillar's staff[20] was in place in the Gulf Region, contingency funding was available,[21] and contractors and non-governmental organizations (NGOs) were engaged. Importantly, by February 2003, the DoS/USAID interagency effort accomplished several important staging milestones:

- pre-positioned supplies throughout the region, totaling $26.5 million[22]
- fielded a 65-person team
- established a 24-hour support office
- secured contingency support funding through USAID
- identified and funded contractors and grantees

CIVIL ADMINISTRATION PILLAR

The strategy for the civil administration pillar was intended to rapidly re-establish Iraqi governmental functions after hostilities ceased. This approach called for Coalition senior advisors to help Iraqi civil servants continue to operate Iraqi ministries,[23] thereby maintaining the delivery of critical services, particularly water and electricity.

Unlike the humanitarian assistance pillar, the civil administration pillar, which operated under the aegis of DoD, accomplished little preparation before deploying to Iraq. The civil administration team was not sufficiently staffed, adequate funding had not been secured,

DoD **deployed** without adequate funding mechanisms, contracting support, or contract administrators **to assist the senior advisors' activities** with Iraqi ministries.

and contractors required to supplement the staff had not been identified.

> There was no pre-planning done to address the civil administration needs. There was an assumption that Iraqis who normally took care of such things would continue to do so. When they didn't, there was no plan in place on how to make these civil administration tasks happen.[24]

DoD deployed without adequate funding mechanisms, contracting support,[25] or contract administrators to assist the senior advisors' activities with Iraqi ministries.[26] Although logistics and basic service support was to be provided through the Army's Logistics Civilian Augmentation Program (LOGCAP) contract,[27] the means for providing adequate funding to support senior advisors' activities with Iraqi ministries were not established in advance.

ORHA's Comptroller and his limited team were prepared to manage the operating budget of ORHA[28] but not to support reconstruction projects. The Principal Deputy Under Secretary of Defense, Acquisition, Technology, and Logistics requested that the Defense Contract Management Agency (DCMA) provide contracting support for ORHA, but specifically stated that DCMA's support would not include reconstruction and humanitarian efforts.[29] Only after arriving in Kuwait—and in response to increasing requests made once operations were established in Iraq—did the ORHA

Comptroller's team expand its mandate and establish procedures to support reconstruction activities.[30]

RECONSTRUCTION PILLAR

In the fall of 2002, before the creation of ORHA, the NSC and OMB sponsored initial planning for the reconstruction program. U.S. agencies involved included DoD, DoS, USAID, the Department of the Treasury (Treasury), and the Department of Justice. With the creation of ORHA, these interagency working groups became less active,[31] and ORHA designated USAID to lead the reconstruction pillar, thereby activating many of the plans that USAID had already been developing.

Agency Relief and Reconstruction Plans

USAID developed relief and reconstruction plans for ten sectors: health, education, water and sanitation, electricity, shelter,[32] transportation, governance and rule of law, agriculture and rural development, telecommunications, and economic and fiscal policy.[33] These plans included "benchmarks to be achieved within one month, six months, and one year."[34] Activities targeted critical program interventions[35] to bring Iraqi essential services back to pre-war levels.

During the fall of 2002, USACE concomitantly evaluated possible post-conflict damage scenarios for Iraq and developed a cost estimate for the reconstruction of Iraq's infrastructure. The team estimated that the reconstruction effort would require $35 billion, based on a moderate damage scenario. USACE had not been specifically tasked to do this, and it is unclear whether this estimate was ever disseminated to inform others engaged in post-conflict planning.[36]

In March 2003, the Department of the Treasury created the Iraq Financial Task Force (IFTF) to "coordinate the planning and execution of Treasury's role in post-war stabilization, administration, and reconstruction of Iraq."[37] Specific efforts included planning for a new Iraqi currency. Treasury also provided technical advisors to assist the Iraqi Ministry of Finance and the Central Bank of Iraq.

USAID concurrently began issuing contracts to support the planned relief and reconstruction effort, with most contracts issued during the spring of 2003.[38] These contracts were eventually funded by IRRF 1, which the Congress approved in April 2003. The scopes of work for these contracts were based on easily accessible information about the country and region, which often proved to be inconsistent and/or misleading. For example, although program managers were able to develop fairly detailed plans for the rehabilitation of the Port of Umm Qasr (because of sound intelligence information), there was limited data available on the condition of Iraq's water sector, and thus the scopes of work for projects in this sector were correspondingly inadequate.[39]

USAID deployed with approximately 27 personnel, including sector managers, contracting experts, financial officers, logistical teams, and inspector general personnel. USAID also hired a contractor to provide additional program management and logistical support, developing a "Mission-in-a-Box"—the people and systems needed to manage the anticipated effort in Iraq.[40]

USAID headquarters established an Iraq reconstruction office in Washington, D.C., comprising USAID personnel and contractors. This office acted as a liaison, providing reach-back and technical advice to USAID/Iraq. USAID also prepared to establish a relatively large infrastructure office in Iraq to manage USAID's largest contract—a $1.03 billion infrastructure project awarded to the Bechtel

Corporation in April 2003. USAID's Iraq infrastructure office was staffed by approximately 24 USAID and contract personnel.

In late February 2003, the Department of the Army tasked USACE to repair the expected damage to Iraq's oil infrastructure and to restore Iraqi oil and gas production capacity to pre-war levels.[41] USACE's Southwest Division was given the mission, and Task Force Restore Iraqi Oil (RIO) was formed to execute the program. To support the RIO effort, USACE entered into a contract with KBR[42] and mobilized more than 100 USACE personnel, including project managers for oil production, refined products, communications, and security.[43]

USACE expressed interest in becoming more involved in international reconstruction efforts.[44] Some believed that USACE was better suited—given its experience and mission—to oversee construction projects than USAID. This created some tension[45] between the two agencies; but ultimately, in May 2003, the decision was made to have USAID and USACE enter into an interagency agreement that tasked USACE personnel to provide construction management and quality assurance support for USAID's infrastructure projects. Specifically, USACE was to help "ensure that the reconstruction contractor's work [was] completed in accordance with the job order, international standards, environmental requirements, and in compliance with U.S. government policies."[46]

In addition to forming Task Force RIO and partnering with USAID, USACE planned to deploy up to ten Forward Engineering Support Teams (FESTs) to the region to support engineering needs in Iraq. These teams of five to ten military and civilian personnel were intended to augment an operational military unit's existing engineering capability. Their primary responsibility was to conduct

assessments of infrastructure needs encountered by the operational units.[47] The teams employed "tele-engineering" to access support offered in the United States by a mix of military and civilian staff at the Engineer Infrastructure and Intelligence Reachback Center.[48]

In addition to its infrastructure reconstruction projects, USACE provided senior advisors to specific ministries such as irrigation, electricity, housing and construction, transportation and communications, and health.[49]

FUNDING AND THE ORIGINAL RECONSTRUCTION GOALS AND EXPECTATIONS

In April 2003, the Congress appropriated $2.475 billion to IRRF 1 under Public Law (P.L.) 108-11. The Congress designed the law to be flexible and to allow the transfer of funds across sectors (subject to notification). It also permitted reimbursement to agencies that had expended their own funds on reconstruction planning and activities.[50]

USAID's "Vision for Iraq" plan supported much of the initial request for reconstruction funding under IRRF 1. NSC and OMB approved the plan in February 2003,[51] which included milestones and goals for key sectors and established a timeframe for completing projects. Many of the goals defined by USAID sought to achieve quick results and reflected specific targets provided by the NSC or created by USAID in response to directives from the NSC.[52] USAID included several of the same outcomes outlined in the document in the scopes of work for its initial reconstruction contracts. However, the plan did not clearly define what it meant to restore Iraq's infrastructure to "pre-war levels."[53] Thus, reconstruction plans and programs were not consistently gauged to a specific goal.[54] This was in part because there was difficulty getting accurate information about the state of Iraq's infrastructure.[55]

The feasibility of achieving the initial reconstruction milestones was questioned at the time. From the outset, "there was a gap between goals and available funding—$680 million [the amount originally allotted for USAID infrastructure reconstruction efforts] was nowhere near the amount needed to attain the goals."[56] One of USAID's critical goals was to help the Iraqi ministries become operational as quickly as possible,[57] but one USAID contractor questioned how to accomplish capacity building in ministries that, for all practical purposes, had ceased to operate.[58]

Table 1 illustrates the goals for selected components of the original reconstruction program as outlined in the USAID "Vision for Iraq," USAID contracts, and the CPA strategic plan, which was created in July 2003. Reported program results are also included.[59]

Early Reconstruction Goals and Eventual Program Results

	USAID Vision Document (Feb. 2003)	USAID Contracts (FY 2003)	CPA Strategic Plan (Summer 2003)	Results
Schools	Within six months, 3,000 schools [will be] repaired or rehabilitated.[a]	Within six months the contractor will repair or rehabilitate up to 3,000 school buildings.[b]	By October 2003, rehabilitate 1,000 priority schools.[c]	Since 2003, approximately 3,000 schools had been rehabilitated, in full or in part [d] (In addition, GRD-PCO completed 807 schools and MNF-I completed 1,365 [e])
Health Care	Basic health services will be available to a targeted 50% of the population, and maternal/child health to 100% of the population, in secure areas, within six months [f]	Basic health care available to 12.5 million persons.[g]	By October 2003, restore basic health care services to 95-100% of pre-war levels.[h]	USAID does not report results relating directly to percentage of population served. Rather, it posts several specific accomplishments relating to health services, including: • immunizing more than three million children under five • vaccinating more than 700,000 pregnant women against tetanus • re-equipping more than 600 health clinics with essential equipment and supplies[i]
Electricity	Within one year: Generation of 6,750 MW achieved.[j]	Within 12 months generating capacity will be restored to 75% of the pre-1991 level of 9,000 MW (or 6,750 MW [k]) (Note Pre-war capacity has been estimated at 4,500 MW.[l])	By October 2003, improve generating capacity to 4,000 MW [m] By January 2004, improve generating capacity to 5,000 MW.[n] By 2005, improve generating capacity to 7,000 MW.[o]	The December 2006 quarterly average was 4,260 MW [p]

Table 1

a USAID document, "USAID's Vision for Post-Conflict Iraq," February 2003 (online at. http://pdf.dec.org/pdf_docs/PDABY341.pdf, accessed May 12, 2006).

b USAID document, "Iraq Infrastructure Reconstruction Statement of Work," April 17, 2003 (online at: http://www.usaid gov/iraq/contracts/pdf/BechtelSecC.pdf, accessed May 12, 2006), p. 14.

c CPA document, "CPA Strategic Plan," July 2003.

d USAID website, "USAID Assistance for Iraq Education" (online at http://www.usaid.gov/iraq/accomplishments/education.html, accessed January 5, 2007).

e SIGIR Report, "SIGIR Quarterly Report and Semiannual Report to the United States Congress," January 2007, p. 69.

f USAID document, "USAID's Vision for Post-Conflict Iraq," February 2003 (online at: http://pdf.dec.org/pdf_docs/PDABY341.pdf, accessed May 12, 2006).

g USAID document, "Health System Strengthening in a Post-Conflict Iraq Statement of Work," April 30, 2003 (online at: http://www.usaid.gov/iraq/contracts/pdf/ABTSecC.pdf, accessed May 12, 2006), p. 10.

h CPA document, "CPA Strategic Plan," July 2003.

i USAID website, "USAID Assistance for Iraq: Health" (online at: http://www.usaid.gov/iraq/accomplishments/health.html, accessed May 12, 2006).

j USAID document, "USAID's Vision for Post-Conflict Iraq," February 2003 (online at: http://pdf.dec.org/pdf_docs/PDABY341.pdf, accessed May 12, 2006).

k USAID document, "Iraq Infrastructure Reconstruction Statement of Work," April 17, 2003 (online at: http://www.usaid.gov/iraq/contracts/pdf/BechtelSecC.pdf, accessed May 12, 2006), p. 12.

l SIGIR Report, "SIGIR Quarterly Report to the United States Congress," April 2006, p. 57.

m CPA document, "CPA Strategic Plan," July 2003.

n CPA document, "CPA Strategic Plan," July 2003.

o CPA document, "CPA Strategic Plan," July 2003.

p SIGIR Report, "SIGIR Quarterly Report and Semiannual Report to the United States Congress," January 2007, p. 25.

We were **bumping into one another** as we tried to **solve the same problem**.

Insufficient Capacity To Meet Immediate Needs

In March 2003, ORHA personnel began deploying to Kuwait. In April 2003, members of ORHA's humanitarian assistance, civil administration, and reconstruction pillars all moved into Iraq, where ORHA took the lead in U.S. relief and reconstruction efforts. However, ORHA was never able to develop a fully coordinated plan. In the absence of an integrated strategy, each participating entity deployed to Iraq with divergent understandings and assumptions about the goal of the reconstruction effort, its proposed length and scale, and the responsibilities and functions assigned to each agency. This led to confusion and duplication of effort.

One former ORHA official stated: "We were bumping into one another as we tried to solve the same problem."[60] Another reported that he did not know USAID's role and had never heard of DART or OTI until he arrived in Kuwait in March 2003.[61]

> Initially we were told repetitively to stay in [our] lane and the lanes turned out to be, I think, more like stovepipes. So very few of us really had any idea what others' capabilities were, what their mandate was. There was a lot of confusion that probably could have been avoided had there been much more consultation from the beginning.[62]

Existing strategic plans failed to reach some military units. For example, in April 2003, the 101st Airborne Division "began to be concerned with reconstruction, stability and ops, and [it] basically generated [its] own plan, based on the conditions there, in total segregation from whatever plans may have existed within ORHA and within the Corps of Engineers."[63]

The experience of a USACE FEST member based in northern Iraq illustrates the confusion that plagued the initial phase of reconstruction operations. As FEST teams completed assessments of infrastructure needs throughout the country, the information they acquired was sent to Baghdad, where needs were prioritized and then provided to various entities for execution. However, information was not clearly communicated, which created duplication of effort. In one instance, a local contractor hired by a FEST team to renovate a building found that a military unit was already doing the work.[64]

Once in Iraq, it quickly became clear that the anticipated humanitarian crisis had not materialized. There were not large numbers of refugees, nor had there been a general breakdown in the food distribution system. There was, however, an acute need to restore basic services—e.g., trash collection, sewage line repair, and electrical power. ORHA had neither the capacity nor the organization to carry out these tasks, so other agencies expanded their mandates to begin to meet these urgent needs.[65]

USAID's OTI was a bright spot during the initial chaos, agilely responding to the needs it confronted. One CPA official noted that the OTI program succeeded because it had money and was "the easiest to access and the most useful."[66] An OTI staff member explained the early activities of the organization:

> I was astounded to find that OTI was practically the only organization in [Baghdad] that had any money in hand and had an ability to implement right at the beginning.[67] We were there essentially to try to respond to events as they unfolded, and so initially, it was to try to employ as many people as possible, and secondly, to try to demonstrate that there was some things happening that were positive to the Iraqi people, and that's essentially what our mission was.[68]

The degree to which civilians would be expected to **work in hostile environments** had not been adequately examined before the start of operations.

One of OTI's initial tasks was to assist various ministry staff resume operations by replacing essential equipment that had been looted. Through grants, OTI provided desks, chairs, computers, and basic office supplies purchased from the local market.[69] This initiative, "Ministry-in-a-Box," helped more than 30 Iraqi ministries recover from the massive looting that had ransacked virtually every government facility in Baghdad.[70]

When the expected humanitarian crisis did not materialize, DART and its implementing partners became an underutilized asset, even though DART possessed the organic capacity to fund grants and write contracts for urgent relief and reconstruction needs, a function that ORHA's civil administration pillar lacked. However, DART's leadership was reluctant to authorize DART teams to operate in the insecure environment that constituted post-conflict Iraq.[71]

The degree to which civilians would be expected to work in hostile environments had not been adequately examined before the start of operations. This was a concern for DART and USACE's forward engineer teams, which included both military and civilian personnel.[72] Differing expectations among these organizations contributed to administrative logjams that delayed project execution because available capacity was not used to meet urgent needs.

ORHA Shifts to CPA

Soon after ORHA mobilized into Iraq, CPA was created, supplanting ORHA as the entity responsible for governing Iraq and overseeing the reconstruction effort. The first official recognition of CPA

appeared in a U.S. Central Command (CENTCOM) order that Commanding General Tommy Franks issued on April 16, 2003. On May 9, 2003, the President appointed Ambassador L. Paul Bremer III as his envoy to Iraq, giving him specific direction:[73]

> All USG elements in Iraq, other than those under the command of the Commander, U.S. Central Command, will keep you fully informed, at all times, of their current and planned activities.[74]

On May 13, 2003, the Secretary of Defense designated Ambassador Bremer as the CPA's Administrator, providing that, as Administrator, he would be responsible for "the temporary governance of Iraq, and...oversee, direct, and coordinate all executive, legislative, and judicial functions necessary to carry out this responsibility, including humanitarian relief and reconstruction and assisting in the formation of an Iraqi interim authority."[75]

CPA quickly absorbed the resources and operations of ORHA. On June 16, 2003, the Deputy Secretary of Defense stated that "ORHA is dissolved and its functions, responsibilities, and legal obligations [are] assumed by the CPA."[76] The memo also stated that the Secretary of the Army, who became the executive agent (responsible for providing administrative, logistics, and contracting support) for ORHA on May 21, 2003, would now be the executive agent for CPA.

This rapid organizational evolution produced several significant challenges for those managing initial reconstruction projects and funds, including: unclear understanding of various agency capabilities; insufficient capacity to meet immediate needs; inadequate policies, procedures, and systems; shifting strategies and funding uncertainties; weak communication systems and large information demands; and lack of expertise in program management.

Management of Vested Iraqi Funds

On March 20, 2003, the President signed Executive Order 13290, which provided that vested funds—Iraqi funds frozen in U.S. banks—would be transferred to the U.S. Department of the Treasury, and "should be used to assist the Iraqi people and to assist in the reconstruction of Iraq."[77] Under this authority, the ORHA Comptroller began using these funds to initiate reconstruction projects approved by Iraqi ministries. An interagency group determined that vested funds needed to be treated like U.S.-appropriated dollars.[78]

MANAGEMENT OF PAYMENTS TO IRAQI CIVIL SERVANTS USING VESTED FUNDS

Treasury was aware of the logistical and procedural challenges associated with paying nearly two million Iraqi civil servants: there was no functioning banking system and no easy way of identifying valid employees. Neither ORHA nor CPA was equipped with the necessary resources to accomplish this task.

While in Kuwait, Treasury officials turned to the ORHA Comptroller for assistance in developing a plan to use vested funds to pay civil servants.[79] The Comptroller requested $100 million to pay civil servants and to support humanitarian relief and small reconstruction. Washington approved the use of vested funds for these projects.[80]

After ORHA determined where the money would be housed, it set up the process for paying civil servants. An April 11, 2003 memo from the Deputy Secretary of Defense stated that Americans would have fiduciary responsibility for the money until it was transferred to another responsible individual or entity. After a discussion with an interagency group, ORHA decided that a "trusted Iraqi" would be used to pay the civil servants. The trusted Iraqi would assume responsibility for the funds after an American official transferred

the money. The trusted Iraqi was responsible for obtaining lists of civil servants to be paid and then distributing payments. The Army provided security as funds were disbursed to the trusted Iraqi and subsequently at the paying stations.[81] After the payments were made, the trusted Iraqi was to provide a list of disbursements and signatures of the people who received the money. Compliance with this process, however, was inconsistent at best.

MANAGEMENT OF INITIAL RECONSTRUCTION PROJECTS FUNDED BY VESTED FUNDS

In April and May 2003, the ministry advisors in ORHA's civil administration pillar began to identify relief and reconstruction needs. These advisors immediately observed the damage that widespread looting had caused in Baghdad after hostilities ended:

> One of the biggest obstacles to the ability of ORHA to implement anything was the rampant looting that had taken place. The [Iraqi] ministry buildings effectively no longer existed. There were no windows or doors. They were just concrete shells of buildings.[82]

Initially, there was no process within ORHA's civil administration pillar for funding rapid relief projects for the decimated ministries.[83] Building on the process to pay civil servants, ORHA put together systems to fund project requests from the senior advisors and the military. The ORHA Comptroller became the conduit for submitting requests to the OSD Comptroller. The process required senior advisors or military officers to complete a standard form stating requirements based on the needs of the ministries. Initially, there was no formal review of requests in Iraq beyond the individual ministry approval of suggested projects. After project funding was approved, ministerial advisors designated a trusted Iraqi to be responsible for the project.[84]

Funds were often disbursed before work was performed so materials could be purchased. The responsible individuals would later provide evidence that the project had been completed.[85] There was limited capacity to provide oversight of these transactions. One official noted that the overarching goal was to get Iraqis back to work, restore basic services, and execute projects that quickly improved local communities. The conditions and time constraints presented by the chaotic post-conflict environment meant that depending on the trustworthiness of Iraqi workers was essential to the success of a project.[86]

As of June 2, 2003, $500,000 of vested funds had been given to support these emergency projects. An additional $2.1 million was set aside, pending DoD's demonstration that the initial $500,000 had been spent on projects that benefited the Iraqi people.[87]

Management of Seized Funds

On May 7, 2003, based on a British model that gave British forces "walking around money,"[88] a Combined-Joint Task Force 7 (CJTF-7) operations order initially gave up to $25,000 in seized funds to individual brigade commanders.[89] A three-page handout detailed the procedures to be followed by a paying agent and a field ordering officer, who were responsible for disbursing funds for small projects. The commanders were responsible for documenting the expenditures and providing reports to ORHA. By June 2, 2003, $4 million of seized funds had been given to the Brigade Commanders' Discretionary Fund. This was supported by $400,000 of vested funds.[90]

On June 16, 2003, the CPA Administrator changed the fund's name to the Commander's Emergency Response Program (CERP), and on June 19, 2003, the Commander of CJTF-7 issued

CPA **failed to clearly define** roles and responsibilities, failed to implement adequate controls, and did not consistently enforce its own rules to ensure **transparency of the management and disbursal of the DFI.**

Fragmentary Order (FRAGO) 89, ordering CERP into operation. Some CERP projects were managed by military officers with little reconstruction and development experience.

One civil affairs officer noted that he needed "design and implementation assistance: none of us has ever built a landfill or paved city roads back in the United States."[91] Other CERP projects lacked sufficient oversight and appropriate documentation.[92] But CERP went on to become one of the most important programs in Iraq's relief and reconstruction.

Management of DFI Funds

On May 22, 2003, U.N. Security Council Resolution 1483 recognized the Development Fund for Iraq (DFI) as a primary source for funding Iraq's recovery. The DFI subsumed the existing Oil-for-Food funds and frozen Iraqi assets that belonged to the Iraq government or that had been controlled by Saddam Hussein.[93] The resolution underlined that these funds be transparently managed and disbursed under the direction of CPA for the benefit of the Iraqi people.[94] On June 15, 2003, the CPA's Administrator signed CPA Regulation 2, which applied to the "administration, use, accounting, and auditing of the DFI."[95]

A CPA-IG audit of CPA's management of the DFI found that CPA "policies and procedures, although well-intended, did not establish effective controls."[96] CPA failed to clearly define roles and responsibilities, failed to implement adequate controls, and did not consis-

tently enforce its own rules to ensure transparency of the management and disbursal of the DFI.[97]

Of particular concern were the insufficient financial and contractual controls. CPA was responsible for implementing U.S. financial management policies, such as the DoD Financial Management Regulations (FMR). The CPA-IG audit revealed that the DoD FMR "could have been easily adapted to establish policies and procedures to account for DFI cash."[98] CPA developed new policies and procedures to manage DFI, but failed to enforce them effectively. Further, CPA failed, pursuant to its own rules, to secure the services of an effective outside auditing firm to review and advise CPA on DFI controls. The accounting firm that CPA did employ only managed balance sheets for CPA's comptroller.[99]

NEW POLICIES LAUNCHED WITHOUT PROPER TRAINING

CPA's disbursing and paying agents were pressed into service before they could be given adequate training on the procedures governing the handling of DFI disbursements. CPA-IG's review of 26 DFI disbursements found that only one included the documentation required under CPA's regulations.[100]

An early 2005 review of CPA's financial management practices by the OSD found that "effective, efficient financial management of non-U.S. fund sources was not accorded a high enough priority."[101] The OSD assessment report found that "financing of reconstruction activities began before procedures and staffing were fully in place," and "many policies and procedures were developed in response to new situations, not in advance."[102] Further, the report noted that "the Army's financial management system was selected, but the other services [members from Navy, Air Force, etc.] were not trained in, and therefore did not completely understand, this system."[103]

The OSD review further observed that "at the onset of stability and reconstruction operations, there was a lack of clearly defined authorities and lines of accountability for financial management internal controls," adding that "modern systems to conduct procurement, asset control, budget execution, and accounting were not in place. Financial records were largely kept in a manual system, limiting access only to in-theater personnel."[104] The concerns raised by this review were substantiated by CPA-IG's audit of CPA's management of DFI.[105]

The story of the DFI's management underscores the need to include an effective oversight component in the initial planning of any reconstruction effort.

TOO FEW CONTRACT ADMINISTRATORS TO MANAGE CONTRACTS

Initially, only three contracting officers were in Baghdad to support CPA's relief and reconstruction demands.[106] This limited contingent constrained CPA's capacity to provide effective execution of needed contracts and contract oversight. There was a similar dearth of contracting officer representatives (COR), who were needed to provide technical expertise and to monitor contract performance.[107] Unsurprisingly, the lack of sufficient personnel to support CPA contracting early on produced problems. A CPA-IG audit found CPA "contract files to be in disarray."[108] Some contracts were missing, and others were stored on personal email accounts, individual hard drives, or external storage devices. See SIGIR's *Iraq Reconstruction: Lessons in Contracting and Procurement* at www.sigir.mil.

Management of U.S. Funds

Initially, USAID and USACE were the two main U.S. agencies responsible for managing U.S-funded reconstruction projects in Iraq. By early May 2003, USAID contractors and staff had established offices in Baghdad, although many personnel were still in Kuwait awaiting deployment. The formal establishment of the USAID mission in Baghdad was announced on July 27, 2003. During the summer of 2003, USAID managed 12 relief and reconstruction contracts and a number of grants and cooperative agreements. USACE simultaneously managed Task Force RIO and the FESTs deployed with operational Army units. During the spring and summer of 2003, both agencies faced challenges managing their projects because of shifts in program scope and funding uncertainties.

In the spring of 2003, contractor mobilization and the execution of initial reconstruction planning efforts were limited by funding uncertainties. IRRF 1 was approved by the Congress in April 2003 when USAID was beginning to implement its relief and reconstruction programs. Early delays were ameliorated when, on May 22, 2003, the President issued Executive Order 13303, allowing contractors to spend U.S.-appropriated funds immediately on reconstruction efforts.[109]

Notwithstanding this new spending authority, many program managers in Iraq found that, during the summer of 2003, their budgets were being cut because of CPA's shifting spending strategies. Consequently, some contractor staff demobilized, and some ongoing activities were canceled or de-scoped. One contractor had to lay people off, close regional offices, and scale down reconstruction efforts.[110] Other contractors were asked by CPA to slow down spending as the IRRF 1 program strategy was being revised.[111]

CPA's assumption of control over all reconstruction planning in June 2003 bred tension between CPA and USAID. As CPA expanded and began to exercise its broad authority, USAID contractors were required to coordinate their ongoing programs with the new strategic plan under development by CPA and the senior advisors. This collision of reconstruction management activities sometimes caused contractors to receive conflicting requests from different U.S. government entities or officials.[112]

Oversight of contractors became an immediate concern:

> The situation in Iraq was less than stable, and security was becoming a concern across the board. Security cost began to escalate rapidly and was the subject of almost daily briefings/discussions.... Not long after the award of the contracts, [USAID] did get four contract specialists into country to 'oversee' the contracts. I use that term rather loosely because I do not believe anyone was able to freely visit the contractor sites to see how progress was going...[113]

During this time, USACE faced growing challenges managing the expansion of the RIO project:

> Project management was not an issue, program expansion was. Our original mission was to restore the oil infrastructure to keep crude oil flowing, thus enabling the Iraqi government to receive funds to support their recovery. Our first add-on mission was to restore the production of [liquified petroleum gas] LPG for cooking and boiling of water. That task fell to the RIO team. Then benzene (auto fuel) became an issue (gas lines) and our mission expanded to include purchasing and transporting fuel from Kuwait. Repairs to the production infrastructure were adversely impacted by acts of sabotage, but completed prior to hand-off back to the Iraqi Ministry of Oil.[114]

Program Review Board

On June 18, 2003, in an effort to coordinate and prioritize reconstruction planning and projects, the CPA Administrator signed CPA Regulation 3, establishing the Program Review Board (PRB). The PRB reviewed proposed reconstruction projects—regardless of whether they were underwritten by seized, vested, DFI, or appropriated funds—and recommended expenditures.[115]

The PRB coordinator developed processes, forms, and instructions for requesting PRB approval for reconstruction projects. A database was created to track PRB-approved projects. Initially, this system only tracked the number of approved projects, and it provided no information on project status. This limited reporting capacity obscured visibility on the progress of reconstruction projects.[116]

Re-thinking the Relief and Reconstruction Program

During the summer of 2003, CPA developed a new reconstruction strategy that shifted the focus from a small-scale, discrete relief and development effort to an ambitious, large-scale reconstruction program. The shift in strategy was driven by the recognition that many initial assumptions that drove early planning proved off the mark.

> [Things] changed over the course of the summer of 2003 as the recognition set in that, in part because of the looting and in part because of the bad condition of the infrastructure...that the reconstruction issues [were] much larger than was originally believed and that the capabilities of the Iraqi ministries to do anything were very limited...[117]

In July 2003, CPA created its first strategic plan, which established five priorities: security, essential services, economy, governance, and strategic communication. The plan included broad goals and metrics but was not tied to a specific budget.[118]

Simultaneously, CPA worked with the interim Iraqi ministries to develop the 2003 Iraqi government budget, and the World Bank, United Nations, and Bechtel simultaneously conducted infrastructure assessments. Bechtel's assessment, completed in June 2003, identified approximately $16 billion of work in six infrastructure sectors.[119] The joint World Bank and United Nations report, a draft of which was completed in July 2003 (it was later published in October 2003), estimated that $56 billion was needed to meet median-term reconstruction needs.[120]

Iraq's available budget could not yet fund needed reconstruction projects, and thus CPA sought a very large U.S. appropriation. At that time, the United States was preparing for an October 2003 international donor conference. A review of previous donor conferences showed that other countries had been more inclined to support "soft" projects, including those focused on education and governance. So the CPA Administrator made a strategic decision to concentrate the supplemental request on security, justice, and infrastructure projects.[121]

Based on these assessments, and various input from Iraqi ministries, senior advisors, USAID, and USACE, CPA's budget and finance officials put together a large and ambitious supplemental request in less than two months. Participants in this process reported that there was little time or opportunity to debate.[122] In August 2003, the CPA Administrator submitted to OMB a multi-billion dollar relief and reconstruction funding request to begin the restoration of Iraq's infrastructure (original estimates ranged from $24-$27 billion[123]). In September 2003, OMB submitted a $20.3 billion request to the Congress, and in November 2003, the Congress passed legislation appropriating $18.4 billion to the Iraq Relief and Reconstruction Fund (IRRF 2).

THE LATER CPA PERIOD (AUGUST 2003 TO JUNE 2004)—RE-INITIATING THE PROGRAM

To manage its significantly expanded reconstruction program, CPA created the PMO in August 2003, giving this office the authority to oversee the execution of the thousands of projects funded by the $18.4 billion IRRF 2 program. The CPA Administrator directed PMO to develop a system to execute this program and oversee the implementation of more than 2,300 projects.

The Origin of the PMO

In the process of formulating its greatly expanded reconstruction program, CPA examined several program management options. CPA first considered having USACE, which was already overseeing projects in Iraq, manage the entire program. However, USACE officials demurred, contending that the agency did not have the capacity in Iraq to exercise oversight of this prodigious program.[124] USACE was heavily engaged in managing oil and electricity programs under Task Force RIO and Task Force Restore Iraqi Electricity. Its primary expertise rested in construction management and execution, and not the kind of planning, programming, and budgeting demands inherent in CPA's reconstruction program.[125] Moreover, USACE maintained that it could not rapidly secure sufficient staff[126] to manage the massive program in Iraq.[127]

CPA consulted with USAID about the structure and direction of the IRRF 2 program,[128] but USAID did not have the staff nor the organizational capacity[129] to manage so large an infrastructure-focused program. Additionally, CPA recognized that the Iraqi ministries were unable to manage the program, although they were included in the project selection process.[130]

When it became clear that neither USACE nor USAID nor the Iraqi ministries could manage the reconstruction program, CPA turned to a core group then serving within CPA, some of whom had significant infrastructure and engineering backgrounds. This group developed a concept paper that envisioned the formation of a new and novel program management office within CPA that would rely on contractors both for the management and the execution of the reconstruction program. That is, both oversight and execution of the program would be largely contracted out.

On August 15, 2003, the CPA Administrator approved the formation of the PMO and directed $10 million to fund its startup. To lead the effort, he appointed a retired U.S. Navy Rear Admiral, who was then the Deputy Senior Advisor to the Transportation and Communication Office Ministry.[131]

On September 6, 2003, OMB submitted CPA's $20.3 billion budget request to the Congress seeking supplemental funding for Iraq-related activities, a portion of which would "finance the most critical needs for security and infrastructure that cannot be met with anticipated revenues from oil sales until the entire oil infrastructure becomes more robust."[132] To support this request, CPA developed a 48-page document that discussed the current state of each of the key sectors, described illustrative projects, and provided estimated costs. However, the request included little analysis of how these costs were determined.

The following day, the President addressed the nation about funding Iraq's relief and reconstruction, stating that the United States "will provide funds to help [Iraq] improve security and...help them to restore basic services, such as electricity and water, and to build new schools, roads, and medical clinics."[133]

CPA immediately issued an information memo announcing the creation of PMO and detailing the mission of the office. The memo noted that:

> [The] implementation of such a large program, in such a short time, is an exercise unprecedented in the worlds of development and nation-building and will require an equally unprecedented effort in terms of its execution. [I have] therefore decided to establish a Program Management Office under CPA to drive this forward, with involvement from both the public and private sectors.[134]

On November 6, 2003, the Congress approved $18.4 billion for Iraq's relief and reconstruction. Compared to the IRRF 1 law, this legislation was quite specific, defining allocations among ten sectors and outlining a number of requirements and duties that CPA had to carry out as it implemented the program.

IRRF-2 KEY COMPONENTS

- **Ten sector allocations:**

IRRF 2 ORIGINAL ALLOCATIONS BY SECTOR

Electricity	$5,560,000,000
Water Resources and Sanitation	$4,332,000,000
Security and Law Enforcement	$3,243,000,000
Oil	$1,890,000,000
Justice, Public Safety Infrastructure, and Civil Society	$1,318,000,000
Health Care	$793,000,000
Transportation and Telecommunications	$500,000,000
Roads, Bridges, and Construction	$370,000,000
Education, Refugees, Human Rights, and Governance	$280,000,000
Private Sector Development	$153,000,000

TABLE 2

- **Re-allocation across sectors.** Up to 10% could be re-allocated between sectors, but could not increase a sector's allocation by more than 20%.
- **Availability of funds.** Funds were to be available until September 30, 2006.
- **Cost to complete projects.** Before the initial obligations of funds, CPA and OMB were to submit a proposed project-by-project report, called the *Section 2207 Report*. The report would list the major projects under each of the ten sectors, the costs required to complete each project, and anticipated obligations for each three-month period. The first report was due by January 5, 2004.
- **Clarification of responsibilities.** The *2207 Report* required a list of agencies responsible for executing each project. The agencies included CPA, DoS, Treasury, DoD, USAID, and the Department of Health and Human Services.[135]
- **Capacity development.** Agencies receiving funds were encouraged to "provide significant financial resources, technical assistance, and capacity building to counterpart organizations led by Iraqis."[136]

The USG component of PMO was under-resourced from its inception, and thus PMO was dependent upon contractor support. When the Congress passed the supplemental funding legislation, the PMO director was supported by just two people from USACE and 14 contractors.[137]

PMO was **under-resourced from its inception** and was primarily dependent on contractor support. When the supplemental passed, the **PMO director was supported by only two people** from USACE and 14 contractors.

PMO Develops a Program Management Plan

PMO developed a Program Management Plan (PMP), the first draft of which was completed by October 2003; the final version was approved in March 2004. The plan detailed PMO's proposed organizational structure, financial controls, personnel needs, information management requirements, and project management tools. The PMP provided for the following:

Limited U.S. government personnel: PMO planned to hire "'just enough' United States government employees to perform inherently governmental functions, augmented by multiple program management contractors who [would] be engaged to oversee the large construction contracts, delivering this historic volume of work on an accelerated schedule."[138] PMO estimated that a staff of 100 government personnel would be needed to oversee the program.[139] The PMO director—a government employee—would be responsible for integrating and coordinating the program, allocating resources, clarifying roles and responsibilities, and establishing polices and procedures. A Director of Programming would be responsible for synchronizing efforts across all the sectors.

Private-sector management support: Seven program management organizations would work with a core team of government staff to perform program and project management. One contractor would "provide program management support to the CPA/PMO to

facilitate overall program coordination and management"[140] and one to support the management of each of PMO's six sectors: security and justice; electricity; oil; public works and water; transportation and communication; and buildings, housing, and health. The PMO contractor and the Sector Program Management Office Contractors (SPMOC) would be "capable of providing the full range of program management services including but not limited to: integration and coordination; scheduling; resource management; estimating; acquisition and procurement support; logistics support...[and] task order development."[141]

A program management contractor described the model:

> The role of the program management office was to set policies, processes, and procedures. It was also to be the overall program manager and integrator of the sector programs. The sector program managers would write requirements and develop project packages. They would also work with the design-build contractors on the design of the projects. Once the design was established and the project determined, the Corps would step in to oversee the activities and provide construction management.[142]

Private-sector construction expertise: PMO proposed hiring twelve design-build construction companies with particular experience in each of PMO's six sectors to execute the work.[143]

Government construction management support: PMO asked USACE to provide construction management and quality control in each sector. A member of USACE was appointed Director of Construction, responsible for all "construction management, coordination, quality assurance, schedule, financial, and progress management at the PMO."[144] USACE was then establishing the Gulf Region

Division (GRD) to consolidate USACE's existing offices in Iraq under one command-and-control authority.[145] On January 25, 2004, USACE activated GRD, establishing its headquarters in Baghdad. GRD included three districts located in the northern, central, and southern regions of Iraq. Staffing for these districts and the division headquarters came primarily from four other USACE divisions. USACE members deployed to Iraq from these divisions on a rotating basis.[146]

Contract administration: CPA's contracting office provided contracting officers to work with the PMO's program managers. GRD worked with the CPA's Head Contracting Authority (HCA) to divide up contract administration duties: GRD staff served as the administrative contracting officers, and HCA staff members served as the procuring contracting officers for PMO.[147] The head of the contracting office also served as the Director of Non-construction, responsible for the procurement of equipment, supplies, and services.

Integrated financial and information management: To manage costs and performance, PMO proposed the development of a new information management system that would track key performance indicators: cost, scope, and schedule. PMO expected to use part of the $50 million allocated in IRRF 2 for reporting and monitoring to fund this system.[148]

Utilization of Iraqis and capacity development: The PMP stated that the PMO would use "Iraqi capabilities—planners, administrators, contractors, subcontractors, suppliers, and other Iraqi personnel resources—to the greatest extent practicable."[149] PMO expected to coordinate with Iraqi ministries to develop project requirements and also expected the design-build contractors to transition their

skills and knowledge to the Iraqi people. The transfer of knowledge, skills, and abilities was a requirement in the program management, sector program management, and design-build contracts.[150] This was expressed directly in design-build contractors' award fee: 40% of their possible fee was based on their ability to meet subcontractor goals and train, develop, and transition projects to the Iraqis.[151]

Figure 2 illustrates the various layers of PMO.

PMO's Layered Management Approach

[1] Sector Program Management Office (Contractors and Government)
[2] Design-Build
[3] Subcontractors

Figure 2

PMO Struggles To Execute Its Plan

PMO was heavily reliant on its management contractors, but there was confusion about the actual roles and responsibilities of the various actors within PMO.[152] In addition, a number of logistical issues impeded PMO's progress, including hiring staff, developing the new information management system, and creating a plausibly executable project plan. Resolving these issues consumed most of PMO's efforts from inception until March 2004, when the design-build contracts were all finally awarded.

DEFINING ROLES AND RESPONSIBILITIES

PMO's government staff and its program management contractors had different understandings of their respective roles and responsibilities. Specifically, there was confusion about the scope of the supervisory contractors' responsibilities.[153] To address this issue, PMO began to develop standard operating procedures (SOPs). A team of contractors and government employees were tasked to create the SOPs; however, they were not completed until the summer of 2004 and thus were never truly implemented during the life of PMO. One contractor observed that "you need a unified program management approach. [We] never got that, never got anybody to agree that we were on the right coordinated track."[154]

Inherently Governmental Function

The responsibilities of the program management contractors were not adequately detailed in their respective contracts. This was partly because of the "uncertainties of the reconstruction program."[155] The SPMOC contracts stated that "the duties to be performed under this contract [are] necessarily general. Attempting to develop a finite description of the tasks would serve little purpose given the irreducible uncertainties of the reconstruction effort."[156]

INHERENTLY GOVERNMENTAL FUNCTION

An inherently governmental function is one that "is so intimately related to the public interest as to mandate performance by Government employees." An inherently governmental function includes activities that require either the exercise of discretion in applying Government authority, or the making of value judgments in making decisions for the Government.

See FAR 7.5 for specific examples (online at: **http://www.acquisition.gov/far/current/html/Subpart%207_5.html#wp1078196**, accessed February 25, 2007).

This issue was not properly addressed until after the management contracts were awarded in March-April 2004. Only then were contractors asked to submit a program management plan that defined their roles and responsibilities within PMO.

In August 2004, a review by DCMA and the Defense Contract Audit Agency (DCAA) concluded that the contractors' program management plans were so broad that the contractors might have been performing inherently governmental functions. DCMA and DCAA recommended that these plans be approved only if they expressly limited the contractors' scope of work to non-governmental duties.[157] Later, a responsibility matrix was created to avoid any potential issue of contractors performing governmental duties, but the matrix was not made part of the contracts until the second year.[158]

FUNDING

Pursuant to the CPA Administrator's September 9, 2003 request, the OSD Comptroller approved $10 million in U.S.-appropriated funds to support PMO's operations for the first six months.[159] In addition,

USACE provided $9 million to prepare the project plan and initial scopes of work.[160] During the fall of 2003, these funds supported PMO's staff.[161] Additional money was needed to hire government personnel to manage the program, but this funding was not yet available. *See infra* p. 61.

Thus, PMO was understaffed. PMO was structured such that "there could only be a few key government people providing oversight. The projects were many, so there needed to be a lot of contractor help to manage [the program]."[162] More than $200 million was allocated from IRRF 2 to fund the program management contractors.[163]

HIRING STAFF

In November 2003, when the IRRF 2 supplemental passed, PMO was staffed with 3 people and supported by 14 USACE contractors. By January 2004, eight government personnel were working in PMO.[164] PMO found that the government was not as agile as the private sector in hiring people, and some qualified candidates dropped out of the process because of lengthy delays.[165] In August 2004, a year after PMO was created, the office had only 50 of the 100 people that the director had requested.[166]

Finding people with a comprehensive understanding of program management—including the development of an appropriate cost, scope, and schedules for each project and task order—proved to be an enormous challenge.[167] In addition, the relatively short tours of some government personnel adversely affected continuity. Contractors hired people for one-year assignments, but the staff supplied by the various military services had tours of only four or six months, frequently with gaps during turnovers.[168]

At its inception, **PMO did not have an existing information management system** to track projects.

ESTABLISHING AN INFORMATION TECHNOLOGY SYSTEM

At its inception, PMO did not have an information management system to track projects. PMO leadership decided to fund the development of a specialized system to manage the program's projects, which was expected to be eventually provided to the Iraqis.[169] This decision was driven by the conclusion that "no existing DoD management solution provides the full complement of integrated capabilities that were required."[170]

PMO sought to have an operating data management system by January 15, 2004.[171] However, developing and implementing this system proved much more difficult than expected. First, PMO did not receive the $50 million earmarked in the supplemental appropriation for project management systems until May 2004. A SIGIR report on the use of these funds found that only $26.2 million was spent on system development. IRMO used the remaining funding for salary support.[172] Second, many of the program management and design-build contractors used different information systems; their contracts did not require all contractors to conform to a common standard.[173] The PMO contracting and finance departments also used different systems. Integrating and managing these various databases was virtually impossible.

The various information systems included:

- *Standard Procurement System (SPS) and Procurement Desktop-Defense (PD2)* —DoD's automated contracting system
- *Resident Management System (RMS)*—USACE's construction management system

"We **needed a system** just to [keep] track of the program. When you **lose track of a program,** a big program like this with [2,300] projects, **you never get it back.**"

- *Corps of Engineers Financial Management System (CEFMS)*
- *Primavera P3 (Project Management)*—commercial software for planning and scheduling
- *Maximo*—commercial software for asset management, which can also integrate other program elements, such as contract management

In January 2004, GRD's Director of Resource Management arrived to set up CEFMS, which is the USACE project tracking system. By February 2004, the first funding document was loaded into the system.[174] However, it took additional time to integrate all of the systems: they were not fully integrated until the spring of 2005. *See infra* p. 107.

Networking and storage space also posed significant challenges. Data storage capacity was limited, which constricted the ability of managers to maintain electronic files.[175] Interoperability was also a serious obstacle. One official noted, "there was no connectivity or linking to any other office, except for email."[176]

The delay in creating integrated information systems greatly hindered the capacity of program managers to oversee and control the program. PMO "needed a system just to [keep] track of the program. When you lose track of a program, a big program like this with [2,300] projects, you never get it back."[177]

NEGATIVE EFFECTS OF AN ACCELERATED TIMEFRAME: DEVELOPING THE PROJECT PLAN, ESTABLISHING METRICS, AND MANAGING EXPECTATIONS

After the supplemental funding request was submitted to OMB, a team of consultants worked from October until December 2003 to help PMO develop the specific projects that would make up the PMO's reconstruction program. They worked with the senior advisors and ministries to determine the project list. The CPA Administrator directed that the CPA's senior advisors and the Iraqi ministries—not the PMO—should determine which projects would be funded under the IRRF 2 plan.[178] But the involvement of the ministries varied. Some ministries had "designs sitting on their shelf," while others were not prepared to participate.[179]

USACE contractors identified about 5,000 projects, developed rough cost estimates (including security and program management costs) for each, and then prioritized the projects based on need and available funding. Lower priority projects fell below the funding cut line, and these proposals were given to Iraq's Ministry of Development, Planning, and Cooperation, which was expected to work with other donors to fund them.

On December 1, 2003, the prospective project list was passed to the CPA Administrator. Over the next nine days, CPA regional advisors and military commanders in the field reviewed and further prioritized the projects.[180] A final list of approximately 2,300 projects was completed on December 10, 2003, and sent to Washington, D.C., for final approval. This list was approved and incorporated into the first *Section 2207 Report* to the Congress, submitted on January 5, 2004.[181]

However, PMO was severely limited by time and resources during the formulation of its program:

> Forty-five days is not enough time. I don't care how hard you work, or how good you are, or how smart you are, or what your agency is, that's not enough time to put [an $18.4 billion] program together.[182]

At this time, CPA had also not tied this spend plan to its July 2003 strategic plan. In September 2003, the Deputy Secretary of Defense tasked a team within the OSD to assist with the development of CPA's metrics.[183] One of the team's first tasks was to link CPA's strategic plan to the supplemental request. Based on the supplemental allocation, CPA's five goals were funded as follows:[184]

- security: $4.315 billion
- essential services: $13.246 billion
- economy: $563 million
- governance: $563 million
- strategic communication: no funding

The CPA supported the development of metrics and continually monitored outputs in the oil, electricity, and water sectors. However, the CPA's capacity to consistently collect and analyze information on the entire reconstruction program decreased in November 2003 when the USG decided to transition responsibility to the IIG by June 30, 2004. This decision forced the CPA to focus more of its attention on the immediate steps required for a successful political transition rather than on longer term reconstruction goals.[185] Program managers did not develop a consensus on the benchmarks for more specific outputs across all sectors until after June 2004. *See infra* p. 102.

Managing expectations became a growing challenge for the PMO during this period. The understanding was that the work would be done quickly:

> We were going to build the whole thing the first year. That was the message to the outside. No matter how hard we tried, that was the measuring stick that came over every video teleconference, not spending enough, not doing enough projects...Somehow we did not get the expectation right on what it would take to do $18 billion worth of work.[186]

After the supplemental request passed in November 2003, the Deputies Committee continued to debate the purpose of the money and how it would be managed. There was disagreement about the PMO, who should be responsible for the money, and what types of projects should be funded. This delayed the procurement of the design-build and program management contracts—and consequently, the execution of projects—by 30 to 45 days.[187]

The delay in the arrival of IRRF 2 funds had a severely constricting effect upon the reconstruction program.[188] In addition, once money did arrive, the emphasis focused on project starts and amounts obligated and expended. Some failed to consider the inevitable time constraints associated with preparing designs, hiring subcontractors, and initiating work.[189]

Project Execution Delays: Before the Design-build Contractors Arrived

Between September 2003 and March 2004, before the arrival of the design-build contractors, several factors combined to slow the reconstruction effort. Existing government organizations lacked the capacity to manage "the scale and complexity of the reconstruction effort funded by IRRF 2,"[190] but the decision to create PMO—and the significant amount of time and resources it took to develop the new office and hire its supporting contractors[191]—directly affected the execution of projects. With respect to existing projects, managers continued to face shifting priorities and changes in funding, which

affected their capacity to execute according to project schedules. For new activities, including the procurement of non-construction goods and services, the lack of operational systems and effective procedures limited progress.

SHIFTING PRIORITIES

CPA's decision to focus on large infrastructure projects created a deep division[192] among those involved in the reconstruction effort about the appropriate priorities for reconstruction.[193] Several USAID officials operating in Baghdad during this time did not agree with CPA's direction,[194] and argued that more funds were needed for agriculture, democracy, and economic reform (including private-sector business development).[195]

> If I go to an elected official and say what do you need, they're going to say build me something. They're never going to say...please put me through the tortured process of [for instance] reforming our oil pricing system.... What needs to be done is never what the politicians ask for....
>
> So, the reason the substantive issue was so difficult is that those of us who...were arguing, you know, do this stuff first, don't build stuff, but on the other hand, I read the same...public opinion surveys that [others] read...and there was a huge imperative to build things.[196]

USAID developed a budget, which would have allocated $5 billion of IRRF 2 to the agency as follows:

- Infrastructure: $3.25 billion
- Health, Education, and Humanitarian Assistance: $250 million
- Economic Governance, Agriculture, and Marshlands: $550 million

- Local Governance, Elections, and Community Programs: $800 million
- Monitoring and Evaluation: $150 million

This proposed budget was not included in the final supplemental request. However, by March 2007, USAID received approximately $3.9 billion of IRRF 2 funds.[197] *See infra* p. 86.

Agreeing on who ultimately held decision-making power for the reconstruction programs and project selection was a problem. PMO executed the program, but was not the decision-maker. The senior advisors were the authorities on what projects should be funded and the direction of the overall program. "Ultimately, [the CPA Administrator] was the decision-maker."[198] Others involved with PMO, however, reported that conflicting agency interests hampered good decision-making.

> We thought we knew, we were told who the decision-makers were, but the truth is on the ground...you had all of these advisors out in the various areas, you had all the [military] commanders [and] sometimes those priorities did not match and then you talked to the ministers or you talked to the leaders in the local Iraqi areas, and you were trying to overlay all those desires and hit a high pay-off target where they all say it was a priority.[199]

This tension created management challenges, but differences in priorities and opinions also presented significant challenges at the contractor level. In its audit of a USAID economic reform project, the USAID Office of Inspector General (USAID OIG) found that of 38 planned activities, 10 had been completed, 6 were cancelled, and 22 were ongoing, as of May 31, 2004.[200] The audit found that some of the delays were the result of CPA's changing strategies:

> One of the challenges was the limited control that USAID/Iraq had in managing this program. As a development agency, USAID often adopts a long-term perspective that focuses on building the host country's capacity and self sufficiency in order to promote self government. On the other hand, the CPA was more focused on addressing near-term priorities that would affect an orderly transition of power to a sovereign Iraqi government. Consequently, there were different priorities based upon these discrete institutional approaches and roles. As a result of the different priorities, the Mission could not exercise its normal latitude and control in addressing problems in the design and implementation of its activities.[201]

USAID OPERATIONS DURING CPA/PMO

In September 2003, USAID's reconstruction portfolio included projects in health, economic governance, local governance, infrastructure, and education. Contractors had spent the previous spring and summer mobilizing, developing work plans, and commencing initial activities. USAID's September 23, 2003 report highlighted some of its ongoing projects: infrastructure work and equipment repair at Baghdad's International Airport; assessments and repairs of key bridges; identification of more than 500 community activities through the community action program; an accelerated program to rehabilitate 1,000 schools by October 2003; teacher training initiatives; the emergency repair and rehabilitation of power generation facilities and electrical grids; the distribution of health kits; the award of more than 800 rapid-response grants; opening the Port of Umm Qasr; the establishment of local councils; and renovations of major sewage treatment plants.[202]

After PMO was created, the scope of USAID's operations significantly changed. Under IRRF 1, OMB apportioned reconstruction money directly to USAID, which gave the agency both fiduciary

and executive responsibility for projects approved by ORHA or the CPA.[203] Under IRRF 2, however, PMO "kept track of the funds and managed the overall program."[204] PMO managed the scope of USAID's project activity under IRRF 2, which created friction between USAID and CPA/PMO: "[USAID] did not like the control that [PMO] exercised."[205]

However, this coordination was required as PMO was in charge of all reconstruction activities funded by IRRF 2, and the Army was fiscally responsible for the execution of IRRF 2 funds.[206]

FAILING TO USE EXISTING CAPACITY

From September 2003 to March 2004, only a limited number of organizations focused on infrastructure construction efforts because the design-build contracts were not issued until March 2004.[207]

Some of the military units with the capacity to execute reconstruction projects failed to receive resources needed because of the centralized structure of the program:

> We have the [PMO] working in August, September, October, November [2003] with almost no people to determine what the requirements are, even as military units across Iraq had had to submit any project that was valued at over $10,000 to Baghdad to be prioritized. We had hoped [these projects would] one day be funded and executed by someone since we weren't authorized to execute it, even though we had designers, construction managers, quality assurance inspectors, contracting officers, finance officers. We had people, communications, transportation, security, and we had identified these requirements....When [the CPA Administrator] visited in mid-May to Mosul as an example, we gave him $20 million of scope of estimated work that needed to be done; we got $200,000. We left that capacity on the table for a year...that was a huge loss, and it was a loss because of this compartmentalization and this over-centralization.[208]

Bechtel's second infrastructure contract, awarded in January 2004, was intended to bridge Bechtel's first contract and the design-build contracts that PMO would manage. When the contract was awarded, Bechtel set up its organization and mobilized staff to manage a $1.8 billion program. Bechtel's task orders were not issued as quickly as originally anticipated: between January and April 2004, Bechtel received only six job orders, totaling approximately $213 million.[209]

Bechtel was fully mobilized and could have moved forward to increase services throughout Iraq, as PMO awarded the other design-build contracts.[210] In addition, the delay increased Bechtel's overhead costs, thus reducing the amount available for actual construction.

CPA INITIATIVES TO MEET IMMEDIATE NEEDS

During early 2004, CPA expanded the use of DFI funds for the reconstruction program, pending the award of the design-build contracts. CPA thereupon created a new program, the Accelerated Iraq Reconstruction Program (AIRP) and provided more funding to CERP and the Rapid Regional Response Program (R3P).

CPA had created R3P in September 2003 as a civilian equivalent to CERP. The program was "designed to provide maximum flexibility to regional and governorate coordinators in implementing projects responsive to the needs in their areas of responsibility."[211] The R3P was funded by approximately $250 million in DFI funds[212] and focused on job creation and small, high-impact projects.[213]

By January 2004, regions could execute programs up to $500,000 (up from $200,000) without prior Regional Program Coordinator approval.[214] However, in at least one region, "personnel did not use effective procedures to monitor performance of contracts; and, in some cases, projects were not monitored at all."[215] SIGIR investiga-

tions uncovered a criminal scheme involving R3P funds in Hilla, Iraq, resulting in the prosecution and imprisonment of several individuals.

In April 2004, the CPA Administrator initiated the AIRP in ten strategic cities: Baghdad, Ba'quba, Falluja, Mosul, Ramadi, Samarra, Tikrit, Najaf, Diwaniya, and Kerbala. Teams deployed to these cities to help local officials prioritize projects. Technical experts assisted with the development of scopes of work, and provided contracting support.[216] Many of the AIRP projects focused on water and sanitation.

According to a June 22, 2004 DoD status report, the AIRP had employed 5,400 Iraqis on projects.[217] Some of those employed completed site preparation work in anticipation of the design-build contracts.[218] At the time of transition, 33 contracts valued at about $130 million had been awarded,[219] and approximately 150 projects, totaling $277 million, had been approved. *See infra* p. 101.

INITIAL LOGISTICS CHALLENGES AND DELAYS

The IRRF 2 supplemental request originally focused on infrastructure projects, not equipment. However, during the development of the first project spend plan, it became clear that senior advisors and the Iraqi ministries wanted funds for non-construction equipment and materials. The spend plan included approximately $4 billion for non-construction and $1.8 billion for capacity building.[220]

In December 2003, the head of PMO asked a Marine Corps Colonel to be PMO's Director of Reconstruction Logistics, responsible for the acceptance, storage, and wholesale distribution of non-construction equipment and materials. Non-construction items included fire trucks, spare parts, hospital furniture, pumps, generators, and many

of the other needs of the ministries. Non-construction also included equipment for the Iraqi security forces.

Initially, PMO was not set up to manage non-construction projects, including the logistics associated with shipping, handling, insuring, transporting, and storing this equipment. Logistics requirements took time, resources, and more personnel than were available.[221]

There was a crucial need to support the ministries and the New Iraqi security forces. To fill this need, contracting officers initially used DFI money to buy equipment and materials, often based on anticipated requirements. But there was no logistics system set up to handle the equipment purchased with DFI funds, and there was no specific agency responsible for "inventorying and signing for goods coming into Iraq."[222]

Lacking a specific location to send equipment, contracting officers created an end shipping destination: "Baghdad Warehouse." Initially, no such warehouse in Baghdad existed. When equipment arrived, contracting officers and program managers stored equipment wherever they could. One program manager observed that he "was ordering guns, ammunition, vehicles, and other items with no organized receiving point. For instance, the guns and ammo were going to the basement of the courthouse, the only place we could find."[223]

In February-March 2004, an inter-agency assessment team traveled to Baghdad to examine contracting, acquisition, and logistics. Regarding logistics, the team found that the non-construction program was under-resourced and that a plan was needed to "synchronize, prioritize, [and] de-conflict movement of supplemental, non-appropriated, and donated material into theater/country." An ongoing challenge was "clearly defining requirements for non-construction acquisition."[224]

The team developed 17 recommendations to improve management of logistics and the non-construction program, including:

1. Creating a rear contracting office to handle non-construction buys
2. Establishing a non-construction office
3. Creating a program management team to assist the ministries in defining and determining requirements
4. Clarifying who has authority to purchase goods[225]

A similar review by the U.S. Army Audit Agency (USAAA) concluded that, "in the early stages of implementing the FY 2004 IRRF program, a limited number of personnel were available for determining the accuracy of the receiving reports and invoices." PCO personnel indicated that "spot checks were occasionally performed, but without any standard process. Because of the increased security risks at the time, there was a problem getting personnel to the receiving points to inventory and sign the receiving reports."[226]

Logistics Improvements

The Director of Reconstruction Logistics immediately recognized the need to improve accountability of equipment and supplies entering Iraq. After he received $16 million in DFI seed money, he located two storage facilities—one at the Umm Qasr port and another at Abu Graib—to become principal receiving points for "Baghdad Warehouse" materials. During the summer of 2004, he worked with the contracting team to award a logistics support contract and set up a database to track all equipment entering these two storage facilities.

By the fall of 2004, the logistics team was able to account for all inbound IRRF non-construction equipment and materials that

would be stored at the Umm Qasr port and Abu Graib (this particular team was not responsible for tracking equipment and supplies en route to the warehouse). In January 2006, in a review of the accountability of FY 2004 IRRF funds, USAAA found that "PCO's process for "receiving goods and services based on the invoice and receiving report"[227] generally followed the required USACE guidance.

The logistics team did continue to experience some management challenges in the process of handling DD250 (material inspection and receiving report) accounts, including the government's struggle to make timely payments, due to "receiving reports not properly signed and untimely submissions."[228] This resulted in some vendors becoming unwilling to deliver supplies to Iraq. To resolve this issue, PCO and DCMA developed a memorandum of understanding (MOU) to establish roles and responsibilities, ensuring that a representative was present to receive goods. This MOU was completed in October 2004 and renewed in 2005.[229]

Another significant challenge for the logistics team was personnel turnover. The logistics team consisted of eight certified U.S. government contracting officer representatives who supervised five separate contracts. Over the course of three years, 81 people filled these 8 spots.[230] In addition to the turnover within the logistics team, the turnover within organizations ordering the equipment meant the logistics team continuously had to re-educate them about the importance of proper logistics execution during planning and budgeting.

Project Execution Delays: After the Arrival of the Design-build Contractors

By April 2004, all contracts for program management support as well as the design-build contracts had been awarded, and contractors began to mobilize. Design-build and program management

contractors were given 30 days to mobilize. Although some began work in April, many took 45 days to get started.[231] Concerns about security caused some contractors to delay sending their people to Iraq.[232]

When they arrived, some contractors found an organization unprepared for their arrival. Because the program management contracts were awarded at the same time as the design-build contracts, a solid management structure was not yet in place.[233] One design-build contractor found that contracting officers had not yet received a copy of its contract:[234]

> So we've been given tasks to mobilize, get ourselves to Iraq, and there was no one in Iraq that had even seen the contract. They had to get it from us.[235]

The contracting office was supposed to receive the contracts 24-48 hours after the contracts were awarded, but the lack of integrated systems prevented this. Some information could be forwarded via email, but some of the files were too large. Most of the actual contracts did not arrive in theater until April 2004.[236] Insufficient project information and slow funding also caused delays.

INSUFFICIENT PROJECT INFORMATION

The original goal was to have the program management contractors prepare the scopes of work for the design-build contractors. However, these contracts were not awarded until March 2004. Government staff, who did not necessarily have the skills to adequately complete this task, worked with the USACE contractors to prepare the initial scopes of work:

"So **we've been given tasks to mobilize**, get ourselves to Iraq, and there was **no one in Iraq that had even seen the contract.** They had to get it from us."

> We knew that [it] had to be done, so we set ourselves to preparing these task orders...it was a very difficult time and challenging time for the people that were here to engage in this task order preparation. The task order preparation is where you define for the design-build contractor exactly what it is that you want him to design and build, involves a lot of leg work, a lot of homework and putting a lot of documents together that eventually become part of the contract that tasks that design-build contractor to do the work. If it's not done well that part of the design-build contractor's work will not start out well. So, it was important work, but it was work that wasn't intended to be...done by...government staff. It was intended to be done by contractors.[237]

USACE contractors worked with the government sector leads to create the initial sets of scopes of work, which would later be incorporated into task orders. After they were developed, they were put aside in anticipation that people would arrive later to implement them. At that time, the team prioritized efforts based on projects that would make an immediate impact or projects that already had plans in place.[238]

When program managers began to develop the task orders, they found that the utility of these initial scopes of work varied across sectors.[239] In the end, some of the task orders did not provide accurate information on the current condition of Iraq's infrastructure. Others did not consider existing designs within certain ministries.

In the end, some of the **task orders did not provide accurate information** on the current condition of Iraq's infrastructure. Others **did not consider existing designs** within certain ministries. And some were **developed without consulting Iraqis.**

And some were developed without consulting Iraqis. Finally, some designs and design standards proved to be unworkable, too technically advanced, or not culturally appropriate. When contractors arrived onsite, unforeseen needs increased costs and delayed construction. For example:

- Before dredging could begin at the Port of Umm Qasr, the piers needed repairs.[240]
- Unanticipated land ownership issues delayed the construction of court facilities.[241]
- Unplanned site conditions delayed the construction of primary healthcare centers.[242]

FUNDING DELAYS

During the spring of 2004, the original *Section 2207 Report* became an integral part of the project execution process. PMO program managers packaged projects, using this report as their guide.[243] Then project requests were provided to the PMO finance office. Finance staff members worked with the contracting staff to ensure that task orders could be traced back to project descriptions in the *Section 2207 Report*.

The IRRF 2 supplemental directed that changes to projects identified in the initial *Section 2207 Report* must be justified and approved.

One official described this as an arduous process.[244] The PMO finance department then forwarded the request to the Army, and the Army sent it to DoD. DoD provided it to OMB for final approval. OMB then released the funds to the appropriate executing agency. Initially, OMB delayed approval, which stalled the overall process.[245]

> I think it's the age-old dilemma [between Washington and the field], do you trust the people in the field when people back in Washington don't really know what the people in the field are doing? ...I think there was the impression that, at least we thought so [in Iraq], that Washington wanted to look at everything. They wanted to have complete information–if you were working on an oil cap project, they'd want to know, well, who's the contractor, and how's it being done, and when's it going to be finished?... I think that, in my 20-year experience at OMB, this was a level of control and oversight and intervention that I'd never seen before.[246]

The contracting staff could not issue the task order until funds were released. When the money was released, negotiations with the contractor would begin, which often took about 30 to 90 days.[247]

Effects of Incremental Funding: An Example of Inefficiency

Most reconstruction projects depend on other projects and must be properly sequenced. A senior advisor commented that "you've got to do the right projects at the right time or it doesn't work. The whole thing will shut down if you don't do those things in sequence."[248] Projects in Iraq, especially in the oil and electricity sectors, were not always developed in the proper sequence.

> There was a sequence of events...that had to be done.[249] We did the engineering, the design, and parts list for [all the] task orders. [Then PMO] would come in and say, okay, we have [a certain amount of money]. Put it on task order number four. We'd come back, task order four is third in line to 11, 15, 19—you have to do 11, 15, and 19 first, before you do 4...We couldn't get the thought process linked and sequenced to be able to do anything productive.[250]

Incremental funding, lack of direction, and turnover of staff were contributing factors. "There was never a continuous stream of funding. I went through seven contracting officers in six months. There was never a continuity of leadership, focus, thought..."[251]

SECURITY DELAYS

All projects were affected by the change in the security situation, which became even more dangerous in April 2004. Some construction projects were destroyed after they were finished.[252] Related factors contributed to delays, including reduced workdays to allow for staff to travel during daylight, evacuations because of civil unrest, and the inability of trucks to deliver supplies.[253] One project experienced "three evacuations, a hijacking incident, and the ransacking of [two project] offices."[254] Looting, sabotage, and attacks on people occurred at some of the infrastructure contractors' construction sites.[255]

QUANTIFYING THE DELAYS

PMO asked the design-build contractors to deploy to the region just after signing their contracts. They were given initial mobilization task orders to do so, and the contractors rapidly deployed assets to Iraq. It naturally takes time to mobilize and begin projects. But, due to the constraints discussed above (security, funding, inappropriate

scopes of work, and indecision) the design-build contractors were not immediately put to work by PMO. Under their cost plus contracts, the contractors continued to incur costs and charge overhead costs to the government, even though many were not working on actual reconstruction projects.

A recent SIGIR audit on this issue stated that 5 of the 12 design-build contractors charged $27 million in mobilization costs, $62.1 million in administrative costs, and only $26.7 million in direct project costs between March and November 2004.[256]

Of these five contractors, the first to receive a task order did so three months after it arrived in Iraq; one contractor waited nine months before substantial work began. The latter contractor, KBR, received its mobilization task order on February 14, 2004, but did not begin substantial work until November 19, 2004. During this time KBR billed $52.7 million in administrative costs and $13.4 million in project costs. This is only a partial account of the indirect costs incurred during this time.[257] Administrative task orders were not issued immediately, and when issued, they were not issued to all of the design-build contractors.

OVERCOMING IMPLEMENTATION CHALLENGES AND DELAYS: AN EXAMPLE OF COOPERATION

The Blackwater incident in Falluja in April 2004 was a "defining moment, and everything changed."[258] It changed the way many contractors operated. The deteriorated security situation caused some contractors to run their programs remotely. Other contractors managing both construction and non-construction projects reduced security risks by calling on their Iraqi counterparts and the U.S. military.

Some contractors moved to northern Iraq and other safer areas,

and they relied on their Iraqi staff to run the day-to-day aspects of the projects. Iraqi engineers and other employees working on the USAID-funded infrastructure project continued field inspections of work sites.[259] Iraqi subcontractors were able to continue work on many water and sanitation projects even in areas where daily fighting was underway.[260] Attacks appeared to target U.S. personnel; thus, it was important to reduce the appearance that projects were run by Americans.[261]

Officials and contractors stressed the need to hire and train local counterparts at the beginning of a reconstruction program. Iraqi involvement not only helped develop capacity, it minimized security risks.[262]

OVERCOMING IMPLEMENTATION CHALLENGES AND DELAYS: ANOTHER EXAMPLE OF COOPERATION

In spring 2004, USAID and the 1st Cavalry Division (1st Cav) of the U.S. Army overcame many obstacles to progress by combining their strengths: USAID, through OTI, had the processes in place to issue grants, and the 1st Cav had people to provide protection and oversight. Together they implemented projects focused on job creation, with the common goal of improving security and basic services, such as sewage collection, trash removal, and water and electricity distribution. By focusing on these initiatives, USAID and 1st Cav demonstrated to the Iraqi people a presence on the ground that could enhance their quality of life.[263]

Members of USAID and 1st Cav jointly approached the CPA Administrator, who approved the realignment of $162 million to support this effort.[264] USAID and 1st Cav worked together to develop a scope of work for the project and then used OTI's fast and efficient grant mechanism to initiate the work.[265] Ultimately, the

project employed about 57,000 Iraqis per day.[266]

The 1st Cav and USAID worked well together for several reasons. OTI asked a member of the 1st Cav to sit in OTI's office space. This helped alleviate differences in terminology between the two organizations. For example, the military and OTI used two different processes for identifying addresses, which sometimes caused delays and or confusion when locating a project site. This issue was addressed with the co-location of staff.[267] The 1st Cav leadership understood the importance of thinking about non-military ways to improve the situation on the ground and reached out to various players to build partnerships and projects. In addition, because 1st Cav was in Baghdad, it could build off of existing resources more easily than units stationed in remote parts of the country.[268]

The End of PMO

The contractors and employees hired to manage contractors or design and build projects arrived in April and May 2004. They found an organization again in transition. On November 15, 2003, it was announced that the United States would transition authority to the Iraqis by July 1, 2004. And on May 11, 2004, President Bush announced that by June 30, 2004, the PMO would be dissolved and replaced by two new offices, PCO and IRMO.[269] Contractors arriving during this transition were faced with an unexpected challenge:

> ...we finally got...the majority of the contractors there in May. We did away with [the] PMO in July, and then we started [another] new organization.[270]

U.S. MISSION/IRAQI GOVERNMENT (JULY 2004 TO PRESENT)—EXECUTING AND CONTROLLING THE PROGRAM

The third phase of the Iraq reconstruction program focused on jump-starting the infrastructure reconstruction effort, improving management systems and practices—including oversight—and responding to a continuing parade of organizational and programmatic shifts. Although progress was made in these areas, it was often reactive. And many of these program management enhancements were not fully implemented until a year or more after the start of the IRRF 2 program.

Roles and Responsibilities Shifted and Clarified

During the year following the dissolution of CPA, several significant organizational changes realigned program management responsibilities and functions among the various entities involved in the Iraq reconstruction program.

In May 2004, National Security Presidential Directive 36 (NSPD 36) made DoS responsible for the U.S. reconstruction program in Iraq, "with the exception of U.S. efforts relating to security and military operations, which would be the responsibility of DoD."[271] As a result, PMO's duties were split between two new temporary organizations after the transition—the DoS-run Iraq Reconstruction Management Office and the DoD-led Project and Contracting Office. IRMO took on the overall management of the Iraq reconstruction program; PCO was tasked with acquisition and project management support for DoD construction and non-construction projects. USAID reported to the Chief of Mission and coordinated

with IRMO and PCO. This coordination, however, was inconsistent.

Under the new regime, IRMO's responsibilities for the reconstruction program included "strategic planning, prioritizing requirements, monitoring spending, and coordinating with the military commander."[272] "The ministry advisors...essentially had the responsibility for looking at the program and prioritizing where the dollars went."[273] This was an important shift.

PMO had played a paramount role in providing program requirements, which is not typical for an executing entity. With the transition, PCO took on a more traditional program management role, executing priorities outlined by IRMO and others.[274] But the legacy of PMO resulted in some jurisdictional tension between PCO and IRMO.

PCO maintained responsibility for approximately $13.4 billion of the $18.4 billion, and the Army provided oversight of the PCO.[275] PCO also oversaw the program's financial management system used to prepare the quarterly *Section 2207 Report* (a former responsibility of PMO). But PCO did not oversee other executing agencies.[276]

Other changes included the creation of the Joint Contracting Command–Iraq (JCC-I) on November 12, 2004, through FRAGO 09-668. This office was established because of the plethora of DoD offices involved in contract administration. JCC-I aimed at streamlining contracting procedures and processes.[277] PCO and JCC-I leadership decided to have GRD perform contract administration support of awarded task orders.[278] Although this arrangement began in spring/summer 2004, GRD and JCC-I did not sign a formal MOU until July 21, 2005.[279]

One reason for this delegation was GRD's field presence. JCC-I was located principally in Baghdad, but GRD has offices in north,

central, and southern Iraq. Because of this decentralization, GRD staff members could see the results on the ground and better respond to contractor needs and questions.[280] JCC-I, GRD, and PCO created a matrix that delineated GRD and PCO's responsibilities. Before contract definitization, most contract actions were the responsibility of the PCO. After definitization, most contract actions were the responsibility of GRD.[281]

In March 2005, PCO submitted a plan to merge with GRD. Preparations for this merger continued during the remainder of 2005, and the consolidation took place on December 4, 2005. The change recognized the increased number of projects moving into phases in the USACE area of expertise—from construction management to closeout.[282] On October 14, 2006, PCO's office in Iraq closed, leaving GRD responsible for overseeing the completion of its portion of the IRRF 2 construction program (the remaining $13.4 billion).

EFFECTS OF ORGANIZATIONAL SHIFTS

These large organizational shifts were accomplished to improve interagency and intra-agency coordination. A USACE manager noted that one of the few times when the project management business process truly worked was when the program managers, field managers, and financial staff were all in the same office and could talk as issues arose.[283] Beginning in the summer of 2004, PCO and USAID directors met every morning to improve communication, assign new work to the entity that could best and most rapidly execute it, and improve the inconsistent relationship that had existed between PMO and USAID.[284]

The creation of these new offices, such as IRMO, PCO, and GRD, also created confusion about jurisdiction. Although IRMO selected projects and provided money, a former head of PCO believed that he

The **many layers of management**, including the program management contractors, **made it difficult to determine who had ultimate authority** over money, people, and projects.

was not obligated to report to the IRMO director, but rather, to three other people: the military commander, the Secretary of the Army, and the Chief of Mission. The Chief of Mission would work with IRMO to determine programs, but ultimately these programs were approved by the Chief of Mission.[285]

USACE, which managed many of the projects, did not report to IRMO, and JCC-I, which assigned many of the contracting officers, did not report to IRMO or PCO. The many layers of management, including the program management contractors, made it difficult to determine who had ultimate authority over money, people, and projects. One former IRMO advisor recognized that the complicated management structure truly increased the importance of personal relationships.[286]

An April 2005 DoS draft assessment of the electricity sector highlighted this complicated management structure:

> There are two project management organizations, the [PCO] and USAID. PCO has hired Parsons as their owner-engineer to design and manage projects. USAID uses Bechtel as both project manager and primary contractor. IRMO Electric office decides on projects to be completed and assigns them to PCO and USAID to be executed. An example of this complex relationship is the Doura Steam plant rehabilitation of units 5 and 6. The [Ministry of Electricity] is the project manager. Bechtel is the prime contractor for USAID and subcontracts to Siemens and Emerson for generator and controls work. Siemens, under a UNDP contract, is subcontracting to Babcock for boiler work. The [Ministry of Electricity] is accountable for the

> remainder of the plant work. Each contractor manages within [its] own scope but lack[s] accountability for the success of systems that cut across individual contractor scope. When one contractor at Doura was asked who is accountable for all the pieces fitting together, he said he was only accountable to doing his part. The [Ministry of Electricity] is ultimately accountable for project success, but they do not have project management skills and they do not seem to want to accept responsibility for success. A better approach is to have one experienced design and project manager over the entire job that can integrate and direct all subcontractor work.[287]

The Reconstruction Program's Realignment

When the U.S. Mission-Iraq took over from CPA, the overall Iraq reconstruction program faced the challenge of the third significant leadership change within 18 months. And with this shift came a comprehensive review of the overall reconstruction program. This review resulted in an extensive realignment of priorities, and a series of reprogrammings that entailed a greater focus on security, economic development, and democracy building.

Two other realignments took place—one in the fall of 2004 and another in the spring of 2005. These three realignments profoundly affected the shape and the execution of the reconstruction program. They also aggravated the already difficult operating environment for the reconstruction program managers, who found it difficult to implement projects in an atmosphere of continuously shifting priorities.

The first review examined the original IRRF 2 spend plan and the current status of the program, identified and pulled together the priorities and needs of the various stakeholders (including other donors), and developed a new plan based on these changing priorities.[288] One aim of this effort was to shift money from planned

These three realignments **profoundly affected the execution** of the reconstruction program... **managers found it difficult to implement projects in an atmosphere of continuously shifting priorities.**

projects (that were not scheduled to begin until mid-to-late 2005) to high-impact projects.[289]

Realigning the reconstruction program was done in partnership with all U.S. government implementing agencies and the IIG:[290]

> [The new General and Ambassador] had established a partnership before they came out there. They were in agreement that the focus of the program was going to be on security, democracy, and economic growth.
>
> In the realignment process...the MNF-I put [in]...a bid for funds and then MNSTC-I came in with their bid for funds. The senior advisors each got a vote in terms of their bid for funds. The PCO had a vote in terms of holding on to its funds....And USAID had an opportunity to bid on funds, and all of us had an opportunity to say how we thought the program ought to be running.
>
> Everybody got a chance to bid and everybody got their thoughts on the table. That was the interagency process that had essentially never taken place up until then...
>
> It gave us a chance to get in on the policy end of it. Win or lose, you got to speak your piece. You got to assist in the process of making policy, and then when the assignments were handed out, we had very clear lanes of implementation. We knew what it was we were supposed to do.

> But I think that there was a substantial change at that point and the whole process was much more transparent, and there was much better cooperation between the executing agencies.[291]

In September of 2004, the Congress approved the realignment of $3.46 billion of IRRF 2 among various sectors with a focus on "improving security, increasing Iraqi employment, and supporting the democratic transition in Iraq."[292] Funds for economic reform, private sector development, and agriculture increased by $380 million; democracy programs received $180 million; and jobs programs received $286 million. The security sector received an additional $1.8 billion, with the majority of it allocated for training and equipping Iraqi security forces.[293] Most of the money for these reallocations came from the water and electricity sectors because these sectors originally received the most funds and the majority of projects in these sectors were not scheduled to begin until mid-2005.[294] The water sector's budget was cut by nearly half.

ONGOING REALIGNMENTS

The second realignment in the fall of 2004 moved some money back into the electricity sector to support the restoration of essential services in those areas most directly affected by the insurgency.[295]

A further realignment in spring 2005 focused on sustainability and capacity development; $607 million was allocated for a "management program (including operations and maintenance for the electricity and water sectors)."[296] The April 2005 *Section 2207 Report* presented the rationale behind this shift:

> (1) the original estimate of the damage done to the basic infrastructure from decades of neglect and warfare was significantly underestimated; as a result, more time and resources are required to stand-up

and maintain systems than originally thought; and (2) the limited capacity of the Iraqi government to provide their own resources for near-term reconstruction.[297]

Between October 1, 2005, and December 31, 2005, an additional $253.3 million was realigned within and among sectors.[298] Money was moved out of several infrastructure sectors, including electricity, health care, transportation, and water, and into non-construction sectors such as the justice, public safety infrastructure, and civil society sector as well as the education, refugees, and human rights sector.[299]

The following list illustrates the types of projects that lost more than $10 million because of the realignments:

- a transmission project
- Umm Qasr to Basrah water pipeline and sewage treatment plant
- a civil aviation project
- a potable water project
- nationwide hospital and clinic improvements[300]

As of January 2006, strategy changes had resulted in more than $5 billion in realignments and reallocations: $3.46 billion in September 2004 and an additional $2.128 billion thereafter.[301] See Figure 3.

Although the realignments were consistent with evolving policy, the continuous reviews of the program caused frustration among some program managers,[302] specifically regarding the drag that reprogrammings effected upon program momentum. A PCO official observed that "there needed to come a time when we stopped talking, stopped analyzing, and just executed the program."[303] "The impact of incremental reprogramming [had] a significant detrimental effect on the momentum of program execution... (it slows the pace) and consequently [resulted] in increased overhead costs."[304]

The realignments unfolded within an environment of regular change among U.S. and Iraqi leadership. A former PCO Director of Programs noted that, although the ministries and advisors could articulate their needs at any given time, the turnover in leadership positions (three Iraqi governments in three years) made institutional progress difficult.[305]

IMPACT OF REALIGNMENTS

Funding and Project Delays

The realignment process caused funding delays that challenged program management and contracting officials. During the fourth quarter, FY 2004 (July-September 2004), all funding for the design-build program, except for the security and justice sector, was frozen, pending the completion of the Mission's review and re-prioritization of reconstruction plans.[306] These funds were not released until the end of September 2004, which delayed the issuance of task orders and prevented work from starting.[307] "We lost 60 to 90 days of construction because we didn't have the money from the fourth quarter."[308]

> It was the uncertainty of funding or [finding out] that funding will be pulled away because the strategy has changed, and suddenly there's a new priority. That's very difficult because when you've got contractors mobilized and suddenly you have no money, you've [got to] start sending them home.[309]

Delays caused during the April 2005 realignment directly affected the electricity and water sectors. Funds were withheld and then reinstated six months later, "causing delays in awarding task orders and contracts. The delay increased the burden on the program management and contracting teams in Iraq to develop project scopes of

work, to make the necessary awards, and to obligate funds before the expiration of the IRRF 2 on September 30, 2006."[310]

Effect on Ongoing Projects

The realignments also impacted ongoing projects. For example, a budget cut resulted in the cancellation of a water distribution system project that would have connected to the Erbil/Ifraz wastewater treatment plant (WTP).[311] In the public works and water sector, "lack of funding for three and a half months resulted in actual Iraqi employment lagging original projection."[312]

Effects of the reprogrammings included the cancellation of six transmission projects, eight primary healthcare centers, three large water treatment projects, and a reduction in scope of a project to renovate a water channel.[313]

Other projects received additional funds during these realignments. For instance, the rule-of-law program received an additional $53.6 million, democracy building received $38.5 million, and ministerial capacity building received $20 million.[314]

[redacted]

Significant Realignments 2004-2006

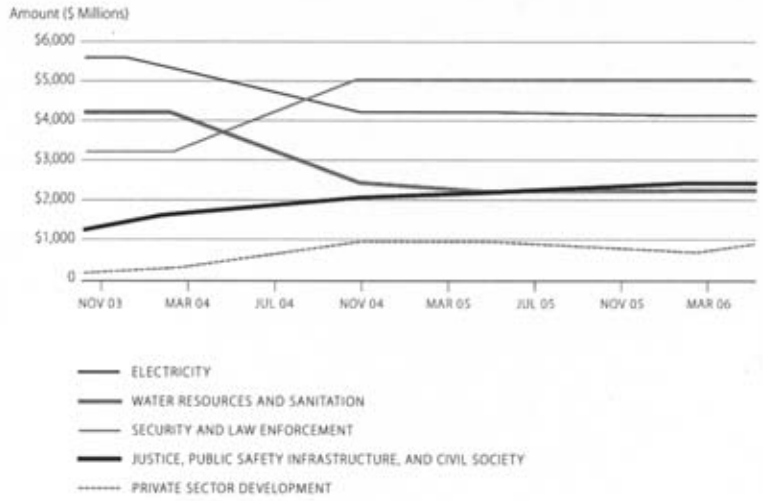


Figure 3
Sources: *Section 2207 Reports*, January 2004-July 2006 (online at: http://www.state.gov/p/nea/rls/rpt/2207/, accessed November 15, 2006).

IRRF 2 Quarterly Reallocations by Sector ($ millions)
November 2003 - July 2006

Sector	Original Allocation November 6, 2003	Allocation January 2004	Allocation April 2004	Allocation July 2004	Allocation October 2004	Allocation January 2005	Allocation April 2005	Allocation July 2005	Allocation October 2005	Allocation January 2006	Allocation April 2006	Allocation July 2006
Security and Law Enforcement	3,243	3,243	3,243	3,235	5,045	5,045	5,036	5,017.6	5,017.6	5,036	5,036	5,036
Justice, Public Safety Infrastructure, and Civil Society	1,318	1,476	1,489	1,484	1,953	1,953	2,130	2,188.5	2,242.5	2,349.8	2,354.7	2,326.9
Electricity	5,560	5,560	5,539	5,465	4,350	4,369	4,308	4,318.5	4,309.8	4,220	4,220	4,220
Oil	1,890	1,701	1,701	1,701	1,701	1,701	1,723	1,723	1,723	1,735.6	1,724.7	1,724
Water Resources and Sanitation	4,332	4,332	4,148	4,247	2,311	2,279	2,157	146	2,146.6	2,131.1	2,131	2,131
Transportation and Telecommunications	500	500	500	500	500	513	509	508.4	508.5	465.5	469.1	469.1
Roads, Bridges, and Construction	370	370	370	368	360	360	355	334	333.7	333.7	337.7	337.7
Health Care	793	793	793	786	786	786	786	786	789	739	746.3	784.5
Private Sector Development	153	184	184	183	843	843	860	840	443	453	805.3	805 3
Education, Refugees, Human Rights, and Governance	280	280	259	259	379	379	363	363	363	410	410	410

Table 3
Sources: *Section 2207 Report*, January 2004-July 2006 (online at. http://www.state.gov/p/nea/rls/rpt/2207/, accessed November 15, 2006).

Management of DFI Funds

After the transition from CPA, IIG took over the management and control of DFI funds. But IIG was not prepared to administer and manage CPA contracts.[315] Thus, on June 15, 2004, the Iraqi Ministry of Finance gave the PMO director the responsibility to manage and "facilitate disbursements for contracts signed by the former CPA, requiring payment subsequent to June 28, 2004."[316] The Minister of Finance stated that this responsibility would transfer to "the Chief of Mission of the United States Embassy and the Commander of the Multi-National Force-Iraq on June 30, 2004."[317]

But immediately after the transition, no single U.S. agency had responsibility for the administration of DFI contracts. KPMG noted that, as of December 2004, PCO, USACE, Coalition forces, DoD, DoS, and Treasury were separately "performing budgeting, project management, contract administration, legal accounting, finance, and inspector general functions" of DFI contracts.[318] JCC-I later became appointed as the responsible party for administering these DFI contracts.

As late as April 2005, U.S. agencies did not have complete accounting records of DFI contracts, nor did they have details of the procedures, policies, and controls necessary to effectively document and monitor DFI projects. This problem was cited in various audits spanning late-2004 to mid-2005. In an April 2005 audit, SIGIR noted that PCO and the Joint Area Support Group-Central (JASG-C) Comptroller could not accurately identify the current value of obligations, payments, and unpaid obligations for DFI contracts.[319] SIGIR made 40 recommendations to the JASG-C, JCC-I, and the U.S. Ambassador.

In April 2006, SIGIR found that each organization had implemented the majority of the recommendations, although some were

still in the process.[320] However, a January 2007 SIGIR audit found that the U.S. government spent $1.4 million on audit services and equipment, but "DFI accountability has only slightly improved, and seven recommendations directed to the Joint Area Support Group-Central remain open."[321]

The transfer of DFI contract administration continues to be a challenge. A KPMG audit that examined DFI funds through June 2005 stated that, although the United States had a committee to manage the handover of DFI-funded contracts,[322] it did not have a comprehensive strategy.[323] An audit conducted by Ernst and Young, which examined DFI funds from June 2005 to December 2005, reaffirmed many of KPMG's findings, stating "the U.S. agencies did not maintain a complete and accurate database of outstanding contractual commitments for contracts signed by the former CPA."[324]

Shift in Management Approach for Infrastructure Projects

In July 2004, the U.S. Mission, PCO leadership, and U.S. military commanders focused on starting construction projects. One former PCO official stated: "If we don't move projects forward, we will just churn money—whether it is right or wrong, we just need to do something."[325] At this time, the design-build contractors were in place, but only 200 construction projects had actually started.[326] Of more than $11 billion of IRRF funds that had been apportioned,[327] only $366 million had been disbursed.[328] Between August and December 2004, the pace of the program quickened: PCO construction starts grew by 91%, from 610 to 1167, and disbursements nearly doubled.[329]

Design-build contractors were hired partly because the U.S. government is not structured to have sufficient personnel to man-

age and execute large-scale infrastructure projects. The design-build contractors possessed organic management expertise and were charged with overseeing U.S., Iraqi, and third-country subcontractors. SIGIR audits have documented shortfalls in these areas by some contractors.

The design-build contractors were also rewarded for their use of Iraqi subcontractors. As a result, much of the actual construction work was completed by local and regional firms, creating multiple layers of contractors for each project.

The construction of one of Bechtel's projects, the Basrah Children's Hospital, illustrates the layered structure typical of design-build contractors in Iraq. USAID issued a job order to Bechtel, which in turn hired a consortium of three contractors to design and build the hospital. These subcontractors hired additional local subcontractors and laborers to complete the work and were responsible for providing on-site project management and supervision. In this one instance, there were at least four layers of management, and each relied on the next to provide appropriate oversight. Iraqi subcontractors performed about 75% of Bechtel's work in Iraq.[330]

The use of multiple layers of subcontractors, especially for construction projects, is not uncommon and can be quite effective.[331] However, in Iraq, managing the subcontractors proved difficult for many of the design-build contractors. Many of the Iraqi contractors did not have sophisticated management systems; some had none. Moreover, the Iraqi subcontractors had to be trained in everything from safety and procurement policies to quality assurance.[332]

One contractor waived insurance requirements for some Iraqi firms and helped others obtain operating funds.[333] Some local contractors did not understand U.S. government rules, regulations, and expectations. For example, the U.S. government expects that items

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purchased will be new, even if this is not stipulated in a contract. Some Iraqi vendors provided used items in original packaging.[334] Some of the delays for infrastructure projects were caused by the failure of Iraqi subcontractors to understand and conform to international standards.[335]

As the security situation devolved, the design-build contractors relied more heavily on local subcontractors to complete work. Bechtel and others moved many of their full-time staff to Amman, Jordan, where managers continued to provide oversight remotely.[336] In some cases, as a number of SIGIR inspections and audits have shown, this oversight proved too limited to ensure proper project completion.

IRAQI-LED CONSTRUCTION

In summer 2004, PCO and IRMO leadership decided to expand the strategy for infrastructure reconstruction beyond the prime design-build contractors. Program managers "needed any and all ways of showing progress."[337] The new plan was to hire local firms to construct smaller projects in addition to, or instead of, the design-build contractors.[338] To do this, a management team "established a portfolio of lower-risk projects to contract in the open market."[339] They decided to start with a roads project in Diyala and extend the initiative based on the results of this project.

Increasing the number of contractors involved in the IRRF 2 program posed a challenge for PCO program managers. Managers needed to assess the risks and trade-offs associated with managing more local firms. Although design-build contractors were responsible for managing their subcontractors, whether they were from Iraq, the United States, or a third country, hiring more Iraqi firms directly required the government to take "on the risk of overseeing many more contractors in terms of execution and contract administration"[340] without a fully staffed organization.

As of October 2005, upwards of 25% of the total dollar value of IRRF 2 construction projects had gone to Iraqi firms, either as direct contracts or through design-build contractors. GRD-PCO noted that it continued to increase this percentage.[341]

> ...the proportion of construction projects and dollars awarded to Iraqi firms either as direct contracts or subcontracts continued to expand. Most direct contracts—in terms of projects—were awarded in the [following sectors: facilities and transportation; communication; and electricity].[342]

Iraqi-led Management: An Example

Despite the challenges project managers faced overseeing Iraqi contractors, the shift proved to be beneficial in some areas, especially in the railway sub-sector. Local subcontractors who had experience working on railroads were hired to complete the work. PCO hired three experienced local engineers to oversee the contractors' work. And the Iraqi Republic Railway Commission (IRRC), which drove many of the priorities, had a clear understanding of the railroad system and knew what was required to complete the job. The team was able to communicate and prioritize, given a finite amount of resources, and stay focused so they could accomplish the task.[343]

There were challenges associated with executing projects in this sub-sector, including construction delays and managing costs and security risks. But PCO managers felt the team worked well together. In addition, the IRRC had a straightforward goal: fix the stations, fix the tracks, and fix the communication system. The team focused on basic, standard, railway construction. They did not attempt to use the newest technology. They looked to the simplest solution instead of the best technology to complete the job,[344] something not all teams in Iraq did.

COMMUNITY OWNERSHIP

Some contractors worked with community groups to complete smaller-scale infrastructure projects. For example, a community group applied for a USAID-funded grant and worked with an Iraqi engineer to hire a local contractor to oversee construction. After the community group accepted the work, payments were made to local contractors. Grants managers were based throughout the country to oversee the projects. Projects often took longer to complete, but the community took ownership of the process.[345]

Several USAID and DoD officials told SIGIR that it was important to engage local citizens and contractors earlier in a reconstruction effort, especially on community-based infrastructure projects.[346] However, officials also noted the importance of selecting and coordinating these efforts with larger-scale infrastructure projects. USAID noted: "It may be useful to use local firms to construct or rehabilitate small projects like water or sewer pumping stations. However, without a source of treated water from rehabilitated sewage treatment facilities, the utility of the smaller projects will not be realized."[347]

REGIONAL MANAGEMENT

PMO started out with a centralized focus as it set up its operations and initiated its projects. However, PMO planned to move project managers into the field as more projects started. As part of the transition plan, PMO put together a strategy for regional teams to work in each of the 18 governorates to gather local priorities and communicate these to the central office in Baghdad.[348] These teams would coordinate with local leaders and military commanders on construction projects. Further, these teams would take over the regional presence that CPA had established during its tenure. As part of the transition from CPA to the IIG, several regional CPA offices closed.

PMO recognized that it would be valuable to move project managers into the regions to align reconstruction efforts with regional priorities and the U.S. military. PCO, however, had limited success[349] in implementing PMO's plan. Initially, DoS did not support this proposal, primarily because of security concerns.[350] And PCO did not have enough staff to fill these slots.

One regional program manager expressed concern over the lack of human resources in the field:

> A strong and visible PCO presence at all levels of reconstruction is needed to ensure the success of IRRF. In order to fully support the interests of all Coalition members, the Iraqi people and the military ground commanders, PCO must deliver the necessary people and resources to adequately lead and manage the reconstruction effort. The greatest contributing factor to PCO's slow start and limited credibility with the MSCs, State Department, and local Iraqis has been the inadequate presence of PCO personnel in the field. Not committing qualified and capable personnel will only further exacerbate our difficulties.[351]

Regional Management: An Example

In April 2004, PMO created AIRP, funded by DFI, to initiate projects that could be "quickly implemented to improve the daily lives of the Iraqi people, by creating jobs and providing additional security."[352] These projects were to be high-impact and focus on infrastructure, including bridges and roads. Work was to be carried out in coordination with local councils, the military, and various ministries.[353] Although all of the AIRP projects had been contracted by the end of June 2004, many still had not yet begun.

After the dissolution of CPA, many of the staff responsible for implementing AIRP projects concluded their term. One program manager replaced a regional team of seven or eight people. He was tasked with the management of a $50 million AIRP program with 136 projects, ranging from $18,000 to $4 million. To assist him, he had one Iraqi engineer. Together, they faced several challenges.

First, they operated exclusively with cash. The local military commander assigned an Army captain to act as the pay agent for the reconstruction program. When cash was needed, he would fly to Baghdad, fill a duffle bag with cash, and bring it back.[354] Because of the inconsistent cash controls earlier in the effort, this team decided it was necessary to keep as much cash on hand as possible so they could pay vendors and contractors reliably. At one point, the team had $23 million in cash in storage.[355] By the spring of 2005, more stringent cash controls were put in place.

Second, the region lacked continuity in contracting and financial management staff associated with this program. Over one year, there were about five contracting officers and five finance officers.[356] The main office in Baghdad provided little support or guidance on processes and procedures.[357] The team thus created their own.

Although faced with enormous execution challenges, this AIRP program completed about 80% of its projects between May 2004 and June 2005. After July 2004, none of the projects were canceled or de-scoped. This success is directly attributable to the cooperation of Iraqi engineers, the local Iraqi government, and the U.S. military. Well-trained local engineers were hired and priority was given to local contractors—not just Iraqi, but members of the dominant tribe, which reduced security problems.

The program management team put in safeguards against corruption and established oversight processes and procedures. To reduce corruption, they put up signs in local areas to increase public awareness of the projects. Before the program manager made a payment, contractors submitted an approved invoice that included pictures (digital cameras were provided to the engineers). The engineers and the relevant ministry and/or the local council reviewed and approved each invoice. In late July 2004, the management team also created a Project Quality Review Board to give Iraqis ownership of the reconstruction efforts in their region.[358]

Controlling Progress and Performance of Projects: Measuring Performance

After the transition, IRMO, PCO, and USAID each put a concerted effort into the development of a more formal metrics framework. For example, PCO's framework, a draft of which was completed on September 30, 2004, comprised four main categories:

- output/outcome
- project and financial performance
- special contract requirements
- capacity-building metrics[359]

PCO's sector program managers were responsible for gathering and monitoring data for all projects based on this framework. This information fed into PCO's monthly reports. PCO also initiated regular review meetings to monitor high-impact, high-dollar projects in each of the main sectors. These reviews focused on three key performance indicators—scope, cost, and schedule. During these meetings, contracting officers and program managers reviewed progress and discussed concerns. The overarching goal was to identify projects that would not be delivered on budget and to develop alternatives.[360]

Although PCO's analytical framework applied to all projects, initial high-level reviews were conducted only of major task orders. A USAAA audit identified a need to monitor all projects, at all levels, regardless of size, complexity, or importance.[361]

Insufficient and ineffective management, monitoring, and communication between contractors and the U.S. government sometimes led to delayed construction, cost overruns, and an unclear understanding of projects started and completed. For example, an earlier identification of potential problems associated with the management of the primary healthcare facilities could have led to remedial actions that would have allowed for the completion of these buildings. Rather, corrective actions were not taken until July 2005, more than a year after the task orders were awarded, and, as a result, the vast majority of the clinics in the program were not completed.[362]

The late focus on metrics made it difficult to coordinate information across agencies. In particular, the lack of consistent definitions, assumptions, and common metrics across agencies working on similar projects caused "a potential for misunderstanding by USAID/Washington and other interested users."[363]

The rehabilitation of schools throughout Iraq provides an illustrative example. GRD-PCO, USAID, and USAID's contractors each used a different definition of a rehabilitated school. For reporting purposes, USAID's definition was "schools for which rehabilitation work was started but not necessarily completed." USAID's contractor, however, considered a school rehabilitated when "all the work was performed and inspected, and the final payment made."[364] This difference led to a report stating that 144 more schools had been finished than were actually completed. GRD-PCO's program aimed to "refurbish existing facilities to bring them up to an acceptable level, which would be conducive to a good learning environment."[365]

The tardy focus on metrics limited the USG's ability to assess the impact of certain projects. A July 2006 audit of USAID's Local Governance program found that it "could not determine if USAID/Iraq's local governance activities achieved their intended outputs because USAID/Iraq did not require [the contractor] to submit all reporting and monitoring documents specified in the contract."[366]

Measuring the performance, progress, and impact of Iraq reconstruction projects continues to be difficult because of limited performance data.[367] In February 2006, GAO testified before the Congress that, while broad goals have been established and some progress has been made, "limited performance data and measures make it difficult to determine and report on the progress and impact of U.S. reconstruction."[368] In February 2006, DoS was still "finalizing a set of metrics to track the impact of the reconstruction efforts."[369]

PCO, USAID, and IRMO **did not always have an appropriate grasp of the actual costs** of many of the reconstruction projects.

Controlling Progress and Performance of Projects: Cost Control

The security situation limited the ability of managers to manage cost effectively. Initial security estimates were included in the vast majority—if not all—of the contracts. Many IRRF 2 projects estimated between 7-10% for security; however, this amount increased as the security situation worsened.[370] A Congressional Research Service report found that 10-25% of reconstruction costs went to personnel protection, "draining funds from the purposes for which they were intended."[371] GAO reported that under Task Force RIO, security costs for one contractor were 18%, while costs for another contractor were 14.3%.[372] More recent reports, including a January 2007 SIGIR fact sheet, conclude that security costs for design-build contractors ranged from 7.6% to 16.7%.[373]

But the deteriorating security situation was just one reason why it was difficult to manage costs. PCO, USAID, and IRMO did not always have an appropriate grasp of the actual costs of many of the reconstruction projects. This problem persisted well into 2006, despite steps taken after the transition in June 2004 to determine cost-to-complete estimates, develop a comprehensive cost management plan, and improve the definitization process.

COST TO COMPLETE

P.L. 108-106, passed in November 2003, required CPA/OMB to report quarterly on the progress of all projects under each of the ten sectors and provide cost-to-complete estimates. (This responsibil-

ity was later transferred to DoS.) Cost-to-complete estimates are determined by:

- progress toward contract completion to date
- cost of the contract work completed to date
- reasons for variances from initial estimates[374]

Estimates are then developed based on the amount of work remaining to be completed and the cost of that work.[375]

Agencies that received funds from IRRF 2 had to track cost-to-complete information separately, and submit reports quarterly. Project and cost information was then combined and submitted to the *Section 2207 Report*. But agencies did not immediately comply with this requirement.

GRD-PCO produced its first monthly cost-to-complete report in June 2005. GRD-PCO, USAID, and the Multi-National Security Transition Command-Iraq (MNSTC-I) first submitted a cost-to-complete report to IRMO in September 2005, although the original report was due in January 2004. Reasons for the 21-month delay included the lack of unified guidance regarding the cost-to-complete method and inadequate information management systems.[376]

Unclear Guidance

A January 2006 SIGIR audit found that although GRD-PCO, USAID, and MNSTC-I started to produce cost to complete estimates during fall 2005, the estimates were burdened by errors. A significant reason for this was because the legislation did not provide adequate guidance on how to complete these estimates, and IRMO did not provide formal written guidance to these agencies.[377] The audit also found that the agencies did not have strong internal controls and processes to determine cost-to-complete estimates.

For example, in July 2005, GRD-PCO issued a summary outlining its methodology for determining cost to complete; however, it did not widely disseminate this summary across PCO's sectors, which meant that each sector developed different approaches to determining cost-to-complete estimates.[378] In December 2005, MNSTC-I developed procedures for construction projects, but not non-construction projects. This policy, however, did not include a provision for projecting future costs, which would have aided in determining the total cost of a project.[379] In February 2007, USAID presented IRMO with its formal cost-to-complete policies.[380]

Inadequate Financial Management Systems

PCO planned to develop an integrated program and financial information system, but PCO did not complete this system until the spring of 2005,[381] and it was not fully integrated and operational until the summer of 2005.[382] Integrating systems was one of PCO's greatest challenges. An October 2005 SIGIR audit made these observations:

> PCO management has experienced difficulties integrating financial and program management data across its management information systems infrastructure...The inability to share data has negatively impacted PCO's ability to link the financial information in CEFMS to program information. Consequently, it is difficult for project management to prepare cost-to-complete estimates.[383]

USAID's existing system was not set up to handle requests generated from P.L. 108-106, and it could not support requests from PMO and later IRMO. USAID normally tracks its funds by strategic objective; however, IRRF 2 legislation required USAID to track costs by the sectors and sub-sectors described in the IRRF 2 spend

plan. Initially, USAID created off-line reports by hand, which led to misunderstanding and disagreement about numbers because of different interpretations and data-entry errors. In the spring of 2005, USAID completed a web-based system to track disbursements and obligations by sector and sub-sector. This greatly facilitated reporting.[384] USAID staff recommended creating a standing set of funding categories and reporting requirements that could be used across agencies for future interagency contingency operations.[385]

PCO'S COMPREHENSIVE COST-MANAGEMENT PLAN

Recognizing the need for a more effective way to measure costs, PCO leadership developed a comprehensive cost-management plan, which received final approval in March 2005. The document emphasized managing administrative overhead costs of design-build contractors. The plan relied "on a combination of risk-management tools, contingency-management tools, and earned-value principles [to] gauge the effectiveness of individual sectors as they execute their respective programs."[386]

In April 2005, an assessment team went to Iraq to review the financial management of IRRF 2. The team found that, despite improvements made to managing costs, there was still no strategic approach for handling cost overruns.[387] It recommended that weekly reviews, "project by project," be conducted to ensure projects were executed "in a manner consistent with current time-to-complete and cost-to-complete estimates."[388]

But challenges with cost management continued. In January 2006, USAAA noted that CEFMS, the financial management system used by PCO, still lacked "written guidance describing its financial management system procedures,"[389] causing some control weaknesses. In response to the USAAA report, GRD-PCO developed a number of

standard operating procedures and issued guidance that addressed and satisfied USAAA's recommendations. The most recent version was completed in September 2006.

In July 2006, when 70% of IRRF 2 had been expended, cost management continued to be a concern of both USAID and PCO. Several projects continued to report cost overruns, while data for other projects were not adequate to conduct a proper trend analysis. In periodic reviews of the financial information in the Iraq Reconstruction Management System (IRMS), SIGIR has identified a number of data entry errors, reporting irregularities, and inconsistencies.

SIGIR's audit of the Basrah Children's Hospital illustrates the continuing challenges agencies and contractors have had in managing costs.[390] In November 2003, Congress allocated $50 million in IRRF 2 funds to build a pediatric facility in Basrah. USAID estimated that the original completion date would be December 2005. However, contracting delays and problematic program oversight pushed this date to July 2007. In its July 2006 audit, SIGIR estimated that the hospital would cost an additional $69.5-$89.5 million to construct.[391]

EARNED VALUE MANAGEMENT AND IMPROVEMENTS TO DEFINITIZATION PROCESS

PCO used earned value management[392] (EVM) as the primary metric to monitor and manage project costs.[393] EVM can allow for visibility of costs and realistic planning. However, EVM is not an effective tool until a project is definitized because the method requires an agreed-on completion cost and schedule. EVM's effectiveness was limited because of the complicated definitization process and various managers' different approaches to EVM.

Although program management contractors were required to use EVM, no standard approach was prescribed in their contracts.

KEY CONTRACTING TERMS

Indefinite Delivery/Indefinite Quantity (IDIQ) contracts "provide for an indefinite quantity, within stated maximum and minimum limits, of specific supplies or services" to be furnished within an unspecified time period. Under these contracts, task orders are issued on either a *cost-reimbursement (e.g., cost-plus)* or *fixed-price* basis.

Under **fixed-price** task orders, "payment is made to the contractor on the basis of pre-established prices."

Under **cost-reimbursement** task orders, the U.S. government reimburses the contractor for all allowable, allocable, and reasonable contract costs. Cost-reimbursement contracts are typically used in risky situations when the U.S. government is unable to provide sufficient information for offerors to accurately determine a competitive price.

Source: Ralph Nash, et al., *The Government Contracts Reference Book*, Second Edition, 1998

Therefore, the contractors in each sector used different methods.[394] This limited the ability to have a standard method across PCO sectors.

The Cost Management Plan, approved in March 2005, outlined PCO standards for EVM. It clarified responsibilities and definitions and established a procedure that could be followed across PCO:

- Design-build contractors were required to execute projects using a Work Breakdown Structure.
- Design-build contractors were required to establish a base schedule with financial information. These schedules would be incorporated into the Resident Management System.
- Actual data would be updated and analyzed at least monthly.
- Sector program managers would be responsible for performing EVM, using the Primavera software, and maintaining all data and records.[395]

The SIGIR report, *Iraq Reconstruction: Lessons in Contracting and Procurement*, discussed the problems with definitizing task orders under the design-build construction contracts—the finalization of negotiations between the government and contractors about the specific work to be done, costs, and schedules for individual projects. These challenges affected PCO's ability to effectively control the costs of specific projects and overall indefinite delivery/indefinite quantity (IDIQ) design-build contracts.

Of note, a July 2006 SIGIR audit stated that the Federal Acquisition Regulation and the Defense Federal Acquisition Regulation Supplement do not provide specific direction on the definitization of task orders under IDIQ contracts. But contracting officers in Iraq felt that they had a "fiduciary responsibility to protect the government, including the timely definitization of task orders under IDIQ contracts."[396] The U.S. Army concluded that task orders under IDIQ contracts would be considered undefinitized if the terms and conditions were not agreed on before the beginning of a project.

Definitization is extremely important to control the contractors' rate of expenditure, or burn rate. Because the design-build contracts were cost-plus, as soon as contractors mobilized they started to incur and charge costs. Definitization enabled PCO managers to establish clear expectations about the work that would be performed under individual task orders. Such information allowed managers to better inform the public and the government about the program and provide clear reasoning for adjustments to initial plans.[397]

During the summer and fall of 2004, PCO took steps to improve the definitization process, including creating a single administrative task order. This task order covered all administrative costs in IDIQ contracts, instead of including overhead as part of each individual construction task order. This gave managers a better understand-

ing of the direct and indirect costs associated with the work of the contractors. By segregating costs, PCO could also avoid paying for the same indirect costs for two different projects.

This required contractors to change their accounting and billing systems, which they did, but at a cost. This change would have been easier if the billing system had been set up this way at the beginning. Instead, it became more complex because it was done after the fact. By March 2005, administrative costs for several contracts were separated.[398]

USAID's Method

Although both USAID's and PCO's infrastructure contracts were cost-plus contracts, the two agencies used different methods for tracking costs. USAID and Bechtel negotiated a fixed fee, including overhead and indirect costs, based on the value of work anticipated to be awarded to Bechtel.[399] Estimates for each project included a proportionate share of these costs. For each job order, USAID and Bechtel negotiated a rough order of magnitude (ROM), estimating direct and indirect costs.[400]

USAID encouraged Bechtel to implement projects quickly; as a result, Bechtel sometimes began construction before the design was complete. Bechtel used many[401] fixed-price subcontracts for equipment and labor. To measure progress, USAID and Bechtel held weekly meetings and completed a trend analysis.[402]

Controlling Progress and Performance of Projects: Quality Management of Construction Projects

USACE-GRD provided construction management and quality assurance (QA) for PCO. USACE also had an interagency agreement with USAID to provide construction management of USAID's infrastructure projects. With PCO, USACE-GRD was responsible for design-build task orders with U.S. and foreign firms and direct contracts with Iraqis.[403] Once task orders were let, GRD staff took over the responsibility for the monitoring of the projects' progress as related to the specifications detailed in the contract, in particular the contractors' quality control (QC) plan.

After the June 2004 transition, a SIGIR audit found that PCO issued more than 100 standard operating procedures (SOPs). Of these, "42 were related to construction and contracting quality management."[404] Of particular significance was the procedure that required GRD's QA representative to maintain daily QA reports. SIGIR inspection teams found that, despite these SOPs, GRD's ability to perform adequate QA and construction management varied.

SIGIR inspection teams traveled to various sites throughout Iraq to review the progress and quality of construction efforts. In particular, they ensured that results aligned with the contract objectives. They determined whether designs were appropriate and whether actual construction met these standards, and they assessed the QA oversight provided by the U.S. government. These inspection teams completed 42 assessments as of April 2006 and found mixed results in terms of design, execution, and oversight. In a review of these projects, results of twelve were not consistent with the contract's original objectives, eleven were not adequately designed, and eleven did not meet the standards of the original design.

An example of a well-designed, well-constructed, and well-managed project was the Zakho Military Academy in Zakho, Iraq. A SIGIR inspection report published in April 2006 cited these reasons for the project's success:

- **The project was well designed**. The designs were accurate, properly sequenced, compatible with "existing and new facilities," and considered local materials and labor.[405]
- **Construction met design standards**. Construction was completed with a "high level of workmanship by the contractor."[406] The USACE project engineer and QA representative lived on site and were actively engaged in day-to-day activities.[407]
- **QC and QA plans and programs were detailed and effective.** The plan was detailed, and the contractor provided daily QC reports. USACE maintained daily progress reports and monitored the contractor's quality plan.[408]

USACE failed to provide adequate oversight of other construction projects. For example, at the aviation base building in Kirkuk, construction deficiencies were not "identified and corrected before sign-off and turnover to the Iraqi Air Force."[409] The oversight of the Ninewa Village Roads Segment 3 project had poorly designed plans. According to a SIGIR assessment, "there appeared to be limited coordination between the GRD-North District and PCO as to who had responsibility for design...."[410]

GRD-North was not aware that the State Commission for Roads and Bridges provided designs to the contractors. PCO, however, knew of this process.[411] On the same project, the QC plan was not adequate. "The contractor's quality control (CQC) plan submitted by the contractor consisted of five lines in an email message."[412] It was unclear whether it was approved, and the CQC reports are incomplete.[413]

In some cases, contractors who were required to submit a QC plan did so, but did not follow it. In other instances, contractors did not even submit a plan. The government's QA program can mitigate poor construction, and improvements can be made with proper oversight. However, the U.S. government did not consistently apply QA of reconstruction projects in Iraq. Instead, some border posts did not have proper security fences. A teaching hospital's roof leaked, and several police stations' renovated walls were cracked and peeling. Other common deficiencies were found in plumbing, electrical, and finishing work associated with new and renovated buildings.

Another issue that affected the quality of some construction projects was the disconnect between Iraq's standard construction procedures and internationally accepted guidelines. In the case of the Baghdad Police Academy, according to SIGIR reports, an Iraqi subcontractor used cement joints to seal wastewater pipes, a practice used by Iraqi construction companies, but not an international standard. These cement joints leaked, causing major interior damage to the police facilities. Concerns were raised about health hazards within the building, because wastewater leaked through floors, ran down walls, and filled ceiling lights. In addition, there were structural issues with the buildings themselves, including foundation cracks, and honeycombing problems in the concrete. As a result of the substantial repairs required to fix these problems, some of the planned construction for this $72.75 million project was canceled.[414]

Controlling Progress and Performance of Projects: Contract Administration and Documentation

Measuring performance and cost and providing QC are critical components of monitoring a project's progress. The information

gathered during these QC reviews often led to adjustments to scope, cost, and/or schedule, which then triggered a change to a contract. But USAID and PCO did not always make timely, responsive contract modifications, affecting the government's ability to adequately oversee and control contractors.

In USAID's health sector, an audit by the USAID Office of Inspector General (OIG) found that 60% of the activities "did not achieve their intended outputs."[415] The audit found that the contractor did not properly manage the contract and that staff in Iraq did not always respond to contractor requests in a timely fashion. The audit made a recommendation to ameliorate this problem.[416]

In response, USAID clarified the process for modifying contract SOWs and emphasized the importance of doing so "prior to implementation of changes by the contractor and within a reasonable timeframe of notification of the requirement for a change."[417] A 2004 USAID OIG audit of the economic reform program found that USAID staff in Iraq needed to improve recordkeeping procedures and revise their reporting requirements.[418] USAID/Iraq staff used "an informal recordkeeping system"[419] (e-mail correspondence, for example). Actions were taken on both of these recommendations.[420] However, a 2006 USAID OIG report found similar weaknesses, partly "because of the high turnover of the Cognizant Technical Officers (CTO)."[421]

In its infrastructure sector, USAID OIG concluded that "the mission's management controls related to the infrastructure reconstruction and rehabilitation projects are in need of improvement."[422] As a result, USAID OIG recommended that USAID establish procedures to ensure that each job order includes an environmental review, a specific plan, a process for handling excess charges, and closeout procedures.[423] A May 24, 2004 letter from the mission director to

USAID OIG noted that actions had been taken in response to these recommendations.[424]

DoS and PCO-GRD also did not always respond to contract requests in a suitable timeframe. Under PCO-GRD, the construction of the primary healthcare centers illustrates the importance of diligent contract oversight and proper documentation.[425] Poor contract administration of a DoS contract "resulted in millions of dollars put at unnecessary risk, and property that can not be accounted for that was acquired..."[426]

Contract documentation and data continued to be an issue throughout the reconstruction effort. In a review of selected projects, SIGIR found that PCO could not provide a task order worth more than $2 million and data in IRMS, which utilizes information that is stored in CEFMS and other financial and contract systems, was inaccurate for eleven projects surveyed. In another instance, GRD-PCO was unable to provide the SOW for a hospital project, and a data-entry error in IRMS misstated the project's value.[427]

Controlling Progress and Performance: Rewarding Performance

In a January 2004 presentation to potential bidders of design-build contracts, PMO described the proposed award fees. Contractors would receive monthly feedback, but would receive an award-fee determination every six months. Sixty percent would be based on technical performance, and 40% would be based on management, including the use of local subcontractors. A contractor's base fee would be 3%, but each contractor could be eligible for up to an additional 12%, based on performance.

To determine these awards, PCO established an Award Fee Evaluation Board and created policies and procedures. However, these policies and procedures were not consistently followed. Evaluation criteria were subjective, contract files were incomplete, and monthly assessments were not regularly performed. A SIGIR audit concluded that "the effect of stated evaluation criteria without established definable metrics could result in over-inflated contractor performance evaluations."[428] In response, on July 25, 2005, JCC-I published a memo outlining the Award Fee Board Policy. The policy highlights these important components of the award fee:

- The contractor earns an award fee by performing the work requirements as stated in the contract and by excelling in the areas specified in the award-fee process—not by doing what the program manager or other government personnel may want of the contractor on a particular day.
- The contractor begins each evaluation period with 0% of the available award fee. Contractors do not begin with 100% of the available fee and have deductions withdrawn to arrive at the evaluated fee.[429]

In addition, a JCC-I official told SIGIR that award-fee officials had received training, and the award-fee process was monitored more closely.[430]

Managers debated the appropriate amounts of award fees. Some argued for more "penalties for poor performance and rewards for desired performance."[431] This was especially true for completion dates. Missing agreed-on completion dates would cause additional costs.[432] Balancing the risks assumed by the contractor and the government was an additional challenge. The lack of clarity on this

issue resulted in the government having responsibility for some cost increases—not the contractor.[433]

Closing: Capacity Building and Transfer to Iraqis

Although capacity development was a component of the IRRF 2 supplemental legislation, PCO did not formally begin to address capacity development until late 2004. Two important decisions—first to transfer sovereignty to Iraqis on June 30, 2004 and second, to move responsibility for the reconstruction program from DoD to DoS—disrupted operations and delayed the integration of capacity development in the overall program management plan.[434]

In August 2004, PCO began developing the "Iraq Capacity Development PCO Management and Interface Plan," which the PCO Director formally approved in December 2004. This plan outlined a five-level approach to capacity development:

- Level One: Policy
- Level Two: Laws and Regulations
- Level Three: Inter-organizational
- Level Four: Iraqi Ministries
- Level Five: Infrastructure

PCO realized that the success of IRRF 2 infrastructure projects hinged on the support of the Iraqi government and every U.S. agency involved in Iraq reconstruction. Regulations, budgets, ministerial systems and processes, and training in operations and maintenance were each a necessary and critical component of the successful operation of any facility.

Throughout early 2005, PCO briefed agencies, think tanks, congressional staff, and contractors on its five-level framework to

improve awareness and gain support.[435] Significantly, PCO worked with other agencies to develop its capacity framework into the "Sustainability Program Transition Plan." This plan was signed in September 2006.

Within the five levels outlined in PCO's framework, capacity-building efforts in Iraq can be further categorized into three broad areas relating to program and project management:

- *Operations and Maintenance:* providing technical training and ensuring the financing needed to sustain infrastructure projects funded by the IRRF 2 and DFI
- *Management Skills:* strengthening techniques necessary to administer programs, such as financial management, contract administration, leadership, and program management
- *Vendor Base:* building the capacity of Iraqi and regional contractors to bid for and manage U.S.-funded contracts

OPERATIONS AND MAINTENANCE

USAID was the first entity to focus on providing training to Iraqis to ensure the long-term sustainability of infrastructure projects. Operations and Maintenance (O&M) was a component of every task order awarded for infrastructure work, but processes were initially *ad hoc*. By the summer of 2004, program managers recognized the need for a more formal process for training and transferring projects to Iraqis.[436] This was partially because some of the "initial Bechtel projects began to fail because the Iraqis could not operate or maintain them."[437]

In the summer of 2003, USAID issued two job orders specifically focused on O&M. One worked with the Ministry of Electricity to "provide technical, procurement, cost, and schedule assistance in planning and preparing for the winter 2003 and spring and fall 2004

major generating unit overhaul outages to restore existing installed generation to reliable operation."[438] The second O&M job order provided technical support for the "day-to-day operations and maintenance to improve plant performance."[439] A third O&M-focused job order was issued in March of 2004, and was initially assigned "to provide a program of in-plant mentoring and training at the grassroots level in the 19 existing Ministry of Electricity power plants across Iraq."[440]

As stated above, PCO formally began its capacity-development program in August 2004, when it initiated the "Iraq Capacity Development PCO Management and Interface Plan."[441] In the fall of 2004, PCO awarded a contract that specifically focused on capacity development.[442] In December 2004, the PCO director approved the PCO plan, which focused on infrastructure O&M. Throughout early 2005, PCO took additional steps to improve its capacity-development program. These included the establishment of standard operating procedures, which were approved in February 2005.[443]

By May 2005, it became clear that additional efforts would be needed to ensure that Iraqis would be able to sustain projects, especially in the electricity and water and sanitation sectors. At this time, an interagency group[444] formed to focus on these issues. The group reported that "a number of critical infrastructure facilities constructed or rehabilitated under U.S. funding have failed, will fail, or will operate in sub-optimized conditions following handover to the Iraqis."[445] To mitigate anticipated problems, the group recommended that support be provided to Iraqis for up to one year, increased from 90 days, after project transfer.[446]

Recently, DoS has developed a cost-sharing program with the Iraqi government for sustainment of U.S.-funded power plants, a portion of which will include O&M capacity building.[447] In addition,

PCO reports that since July 2005, eight additional interagency working groups, task forces, or committees have been formed to focus on capacity-development issues.[448]

In January 2006, a SIGIR audit outlined concerns about the process used to transfer assets to the Iraqis. SIGIR found that the processes in place were geared more toward transfer at the local level and "do not address the information needs of the Government of Iraq and the Iraqi ministries responsible for planning the integration and sustainment of completed projects."[449] However, two initiatives are underway to mitigate problems highlighted in the audit:

- *The Information Technology Working Group* focuses on gathering all project asset information into a single database.
- *The Asset Recognition and Transfer Team Working Group* is developing common policies and processes to facilitate the transfer of assets to the Iraqi government. (This group merged with the Sustainability Working Group and is now called the Asset Recognition, Transfer, and Sustainability Group.)

MANAGEMENT SKILLS

Initial efforts to provide O&M training to Iraqis revealed an apparently unforeseen need to develop the capacity of Iraqi staff tasked with overseeing U.S.-funded reconstruction projects. Many of these Iraqis had not been trained in budgeting, managing systems, scheduling repairs, or advanced planning. They also needed leadership, direction, and support from managers and ministry staff to ensure the sustainment of an integrated program or system of facilities. One SIGIR interviewee categorized this need as one for "operations and maintenance at the ministerial level."[450]

By March 2005, PCO recognized this need and expanded capacity-building efforts beyond O&M to include training

ministerial staff in business systems, human resources, and "other administrative functions necessary to the successful operation and sustainability of completed infrastructure facilities."[451] PCO modified the sector program management contracts to include increased emphasis on ministerial training.

In its January 2006 *Section 2207 Report*, DoS announced that it had created a new project code for "ministerial capacity" and reallocated funds to support this work. These funds would be used for "maximizing the relationship between the Mission's Senior Consultants and the Ministerial Assistance Teams and the Ministries to focus on sustainability as a core mission of the Ministry, supporting core skills development training in the areas of operations and maintenance budgeting, and focusing on Asset Recognition and Transfer (ART) capabilities."[452] At least three working groups were established to build the capacity of the ministries:

- public-sector working group
- capacity-development working group
- ministerial-assistance-team working group

VENDOR BASE

The involvement of Iraqi vendors varied at the beginning of the reconstruction effort. Although hiring local subcontractors was a priority in summer 2003, building the capacity of these firms took time.

Another issue involved women-owned companies. As of June 2005, only one women-owned Iraqi firm was involved in the reconstruction effort. To encourage greater participation of Iraqi women in the reconstruction program, PCO joined with GRD and JCC-I to develop a program of networking sessions, training, and general marketing to Iraqi businesswomen, in addition to providing incen-

tives to contractors to hire women-owned firms for subcontracting work. As of February 2006, 220 women-owned Iraqi firms were carrying out work under the IRRF 2 reconstruction program.[453]

In January 2005, PCO established the Subcontracting Excellence and Capacity Development Database, which tracks the number of subcontractors hired by the design-build contractors and the number of capacity development activities sponsored by the design-build contractors.

Provincial Reconstruction Teams

The Provincial Reconstruction Teams (PRTs) exemplify another shift in the way reconstruction projects are implemented and managed. PRTs are joint civilian-military bodies focused on coordinating reconstruction efforts—related to infrastructure and non-infrastructure—and acting as the primary interface with the U.S. government in provinces throughout Iraq. In October 2005, the U.S. Embassy-Iraq and Multi-National Force-Iraq (MNF-I) jointly issued Cable 4045 establishing the PRTs. In November 2005, PRTs were created in Mosul, Kirkuk, and Hilla. To date, ten PRTs are operating throughout Iraq.

DoS's stated goals for the PRTs are to "develop a transparent and sustained capability to govern, promoting increased security and rule of law, promoting political and economic development and providing provincial administration necessary to meet the basic needs of the population."[454] The PRTs report to the National Coordination Team, which works through the U.S. Embassy in Iraq, and receives strategy guidance through the Executive Steering Committee. PRTs are planned to have staff of up to 100 people, depending on needs in the province, who will be provided by the military, DoS, USAID, GRD-PCO, and others.[455]

Although a similar model is used in Afghanistan, "there is little formal doctrine, military or civilian, on PRTs/PRDCs or their function."[456] A recent House Committee on Appropriations report stated that:

> it will be critical for the chief of mission to provide detailed guidance on their functions in Iraq... it should be clear that PRTs—under the guidance of the chief of mission—are the agent for the management, auditing, and coordination of all U.S. government reconstruction funds available in the region, including civilian agency funds and military reconstruction funds such as the Commander's Emergency Response Program and the Commanders Humanitarian Relief and Reconstruction Program.[457]

The Committee recommended $622 million in funding for the program, of which a portion would be allocated from IRRF 2. However, before spending these funds the Committee required that DoS provide:

> (1) the formal assessment completed by the U.S. embassy and military command in Iraq of the initial performance of the first three demonstration PRT projects; (2) a complete program plan, including total cost and staffing requirements of the PRTs/PRDCs program in Iraq; (3) the official implementing guidance that incorporates the recommendations cited above in this report; and (4) a plan to transition PRTs/PRDCs in Iraq by the end of FY 2007.[458]

On October 23, 2006, DoS submitted this report to the Congress.[459]

An October 2006 SIGIR audit noted that the PRTs face several challenges, including security, inadequate resources, and unresolved roles and responsibilities, especially regarding civilian and military integration.[460]

The lessons learned while managing the Iraq reconstruction program during the last three years—including the need for sufficient oversight, clear roles and responsibilities, adequate policies and systems, and coordination—can and should be applied to this new approach for managing Iraq reconstruction.

ENDNOTES

1. For example, on June 22, 2006, the Deputy Secretary of Defense announced the formation of a Task Force to Support Improved DoD Contracting and Stability Operations in Iraq. Also, the Department of State's Office of the Coordinator for Reconstruction and Stabilization, as part of its implementation plan, is considering the development of a "civilian reserve corps."
2. SIGIR Lessons Learned Forum: Program and Project Management, Washington, D C., April 12, 2006 (transcript p. 37)
3. PMI document, "A Guide to the Project Management Body of Knowledge (PMBOK® Guide)," 2000 Edition
4. See SIGIR Lessons Learned Forum, Program and Project Management, Washington, D.C., April 12, 2006.
5. See SIGIR Lessons Learned Forum, Program and Project Management, Washington, D.C., April 12, 2006.
6. See e.g. Air War College, "Pre-war Planning for Post-war Iraq" (online at http://www.defenselink.mil/policy/sections/policy_offices/isa/nesa/postwar_iraq.html, accessed July 23, 2006); SIGIR report, *Iraq Reconstruction: Lessons in Contracting and Procurement*, July 2006.
7. Phase IV is a term used by the military to describe those activities that take place post-combat.
8. SIGIR Lessons Learned Forum: Program and Project Management, Washington, D C., April 12, 2006 (transcript pp. 202-203).
9. Senior military planning officer, interview, June 23, 2003
10. Military planners, especially those associated with Phase IV, were not consistently involved in ORHA's planning efforts. "Unfortunately, a lot of effort was being duplicated by the parallel field and Washington teams." Source. Senior USAID official, interview, November 2, 2003
11. SIGIR Lessons Learned Forum: Program and Project Management, Washington, D.C., April 12, 2006 (transcript p. 33).
12. SIGIR Lessons Learned Forum: Program and Project Management, Washington, D.C., April 12, 2006 (transcript p. 37).
13. SIGIR Lessons Learned Forum. Program and Project Management, Washington, D.C., April 12, 2006 (transcript pp. 31-33).
14. Former ORHA official, interview, February 2, 2006.
15. SIGIR Lessons Learned Forum: Program and Project Management, Washington, D.C., April 12, 2006 (transcript pp. 64-65).

16. SIGIR Lessons Learned Forum. Program and Project Management, Washington, D.C., April 12, 2006 (transcript p. 28).
17. See "The Field Operations Guide" (online at http://www.usaid gov/our_work/humanitarian_assistance/disaster_assistance/resources/pdf/fog_v4.pdf, accessed February 5, 2007).
18. USAID document, "USAID Consultations on Iraq Contingency Planning," February 24, 2003 (online at: http://pdf.dec.org/pdf_docs/PDABY342.pdf, accessed June 7, 2006).
19. OTI provides "fast, flexible short-term assistance targeted at key political transition and stabilization needs." (Source: USAID/OTI Staff, written comments to SIGIR, March 9, 2006.)
20. DART has a Response Alternative for Technical Services (RATS) program, and OTI used staff from its "bullpen," both groups can be activated quickly to respond to an urgent request.
21. At this point, USAID used mostly International Disaster Assistance (IDA) and Transition Initiatives (TI) funds.
22. USAID document, "USAID Consultations on Iraq Contingency Planning," February 24, 2003 (online at: http://pdf.dec.org/pdf_docs/PDABY342.pdf, accessed June 7, 2006).
23. SIGIR Lessons Learned Forum: Program and Project Management, Washington, D.C., April 12, 2006 (transcript p. 44).
24. Former ORHA staff, interview, February 2, 2006.
25. Sixteen service contracts were issued for subject matter experts, linguists, and in support of the Iraqi Free Media Program and Iraqi Reconstruction and Development Council. (Source: DoD IG Report, "Contracts Awarded for the Coalition Provisional Authority by the Defense Contracting Command-Washington," March 8, 2003, pp. 4-5.)
26. The Defense Contract Management Agency (DCMA) was not asked to provide contract support, including the administration of contracts, until February 27, 2003 (See. GAO report, "Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges," Report 04-605, June 2004.)
27. For more information on LOGCAP, please see SIGIR report, *Iraq Reconstruction: Lessons in Contracting and Procurement*, July 2006.
28. A GAO report found that "there were not always sufficient in-country personnel to administer the contracts or task orders when they were initially awarded or issued." (See: GAO report, "Rebuilding Iraq. Fiscal Year 2003 Contract Award Procedures and Management Challenges," Report 04-605, June 2004.)
29. DoD memo, "Contracting Support for Office of Reconstruction and Humanitarian Assistance," March 29, 2003.
30. Former ORHA official, interview, December 9, 2005; former ORHA official, interview, March 15, 2006.

31. Former senior USAID official, interview, November 2, 2005.
32. This sector was eventually dropped (Source: Former USAID official, interview, February 9, 2006.)
33. OMB document, "Testimony of OMB Director," July 29, 2003.
34. OMB document, "Testimony of OMB Director," July 29, 2003.
35 SIGIR Lessons Learned Forum: Program and Project Management, Washington, D.C., April 12, 2006 (transcript p. 33).
36. USACE official, written comments to SIGIR, July 27, 2006.
37. Department of Treasury report, "International Assistance Programs: Review of Treasury Activities for Iraq Reconstruction," OIG-06-029, March 23, 2006, pp. 2-3.
38. USAID's formal procurement process for Iraq reconstruction began in January 2003, when the NSC instructed the agency to initiate contracting related to Iraq. On January 16, 2003, the USAID Administrator responded by authorizing the use of "a less than full and open competition process" to meet the pressing needs to prepare for potentially significant relief and reconstruction efforts. Between February and May 2003, USAID awarded eight major IRRF 1-funded contracts. Although Congress did not approve IRRF 1 until mid-April 2003, USAID issued contracts in the anticipation of the eventual appropriation. For more information on USAID's contracting process, please refer to SIGIR report, *Iraq Reconstruction: Lessons in Contracting and Procurement*, July 2006.
39. Former USAID contractor, USIP interview, September 8, 2004 (online at: http://www.usip.org/library/oh/iraq.html, accessed July 23, 2006).
40 Former USAID contractor, interview, June 29, 2006.
41. See USACE document, "Frequently Asked Questions: USACE Missions—Oil Fire Suppression and Restoration of Production," updated January 20, 2004 (online at http://www hq.usace.army.mil/cepa/iraq/faq.htm, accessed May 29, 2006) and USACE official, interview, June 25, 2003.
42 This contract was signed March 8, 2003. For more information on this contracting process, please see SIGIR report, *Iraq Reconstruction: Lessons in Contracting and Procurement*, July 2006.
43. USACE official, interview, June 25, 2003
44 Former USACE official, interview, October 30, 2006
45. Former USAID official, interview, November 2, 2005; USACE official, interview, June 27, 2004.
46. USAID press release, "USAID Selects Technical Advisors for Iraq Reconstruction Programs," July 3, 2003 (online at: http://www.usaid.gov/press/releases/2003/pr030703_1.html, accessed July 24, 2006).
47. USACE official, interview, March 1, 2006.
48. USACE official, interview, March 1, 2006.
49 USACE document, "USACE and the Reconstruction of Iraq," January 12, 2004, slides 11 and 12

50 See Public Law 108-11, p. 117 (STAT 573). Until April 2003, USAID and other agencies used their own operating budgets to fund initial contracts, grants, cooperative agreements, supplies, and purchases, and to pay for other costs associated with the planning efforts.

51. See USAID document, "USAID's Vision for Post-Conflict Iraq," February 2003 (online at: http://pdf.dec.org/pdf_docs/PDABY341.pdf, accessed May 12, 2006).

52. See former senior USAID contractor, interview, January 5, 2006; former senior USAID official, interview, February 9, 2006.

53. USAID document, "USAID's Vision for Post-Conflict Iraq," February 2003 (online at: http://pdf.dec.org/pdf_docs/PDABY341.pdf, accessed May 12, 2006).

54. USAID notes that the "lack of accurate pre-war data made it difficult to establish goals based on a pre-war baseline." Source: USAID, written comments to SIGIR, February 22, 2007.

55. USAID, written comments to SIGIR, February 22, 2007.

56. Former senior USAID contractor, interview, January 5, 2006.

57. Senior USAID official, written comments to SIGIR, April 11, 2006.

58. USAID contractor, interview, February 22, 2006.

59 Delays in achieving program results were partly due to the deteriorating security situation, which became more dangerous in late 2003.

60. Former senior advisor, interview, July 18, 2003.

61. Former ORHA official, interview, March 15, 2006.

62. SIGIR Lessons Learned Forum: Program and Project Management, Washington, D.C., April 12, 2006 (transcript p. 27).

63. SIGIR Lessons Learned Forum: Program and Project Management, Washington, D.C., April 12, 2006 (transcript p. 29).

64. Former FEST member, interview, July 20, 2003

65. SIGIR Lessons Learned Forum: Program and Project Management, Washington, D.C., April 12, 2006 (transcript p 27)

66. Former CPA senior advisor, written comments to SIGIR, January 18, 2006.

67. SIGIR Lessons Learned Forum: Program and Project Management, Washington, D.C., April 12, 2006 (transcript p. 25).

68. SIGIR Lessons Learned Forum: Program and Project Management, Washington, D.C., April 12, 2006 (transcript pp. 30-31).

69 SIGIR Lessons Learned Forum. Program and Project Management, Washington, D.C., April 12, 2006 (transcript p. 25).

70. SIGIR Lessons Learned Forum· Program and Project Management, Washington, D.C., April 12, 2006 (transcript pp. 25-26)

71. See e.g USAID official, interview, January 20, 2006, former ORHA official, interview, February 2, 2006.

72. See USACE official, interview, March 1, 2006
73. Congressional Research Service document, "The Coalition Provisional Authority (CPA): Origin, Characteristics, and Institutional Authorities," updated June 5, 2005, p. 2.
74. White House letter, President to Paul Bremer, May 9, 2003.
75. DoD memo, "Designation as Administrator of the Coalition Provisional Authority," May 13, 2003.
76. DoD memo, "Authority of the Administrator of the Coalition Provisional Authority and Support Relationships," June 16, 2003.
77. *Federal Register*, Executive Order 13290—Confiscating and Vesting Certain Iraqi Property, Part IV, March 24, 2003 (online at: http://www.treas.gov/offices/enforcement/ofac/legal/eo/13290.pdf, accessed July 23, 2006)
78. Former ORHA/CPA official, interview, March 15, 2006.
79. Former ORHA/CPA official, interview, December 7, 2005.
80. Former ORHA/CPA official, interview, March 15, 2006
81. Former ORHA/CPA official, interview, December 7, 2005
82. Former ORHA/CPA official, interview, March 23, 2006.
83. Former ORHA/CPA official, interview, March 23, 2006
84. Former ORHA/CPA official, interview, March 15, 2006.
85. Former ORHA official, interview, March 15, 2006.
86. Former ORHA official, interview, March 15, 2006
87. U.S. Army/Office of CPA document, "Vested Funding Program Release Document," June 2, 2003.
88. Former ORHA/CPA official, interview, December 7, 2005.
89. Former ORHA/CPA official, interview, December 7, 2005.
90. U.S. Army/Office of CPA document, "Vested Funding Program Release Document," June 2, 2003.
91. Former Army officer, interview, December 21, 2005.
92. See USAAA report, "Commander's Emergency Response Program and Quick Response Fund," A-2005-0173-ALE, May 2, 2005; USAAA report, "Follow up Audit of the Commanders' Emergency Response Program and Quick Response Program," A-2005-0332-ALE, September 20, 2005; SIGIR Report, "Management of the Commander's Emergency Response Program for Fiscal Year 2005," SIGIR-05-025, January 23, 2006; USAAA Report, "Follow up Audit II of the Commander's Emergency Response Program and Quick Response Program," A-2006-0090-ALE, March 31, 2006.
93. See UN Security Council Resolution 1483, May 22, 2003 (online at: http://daccessdds.un.org/doc/UNDOC/GEN/N03/368/53/PDF/N0336853.pdf?OpenElement, accessed May 29, 2006).

94. UN document, UN Security Council Resolution 1483, May 22, 2003, Section 13 (online at: http://daccessdds.un.org/doc/UNDOC/GEN/N03/368/53/PDF/N0336853.pdf?OpenElement, accessed May 29, 2006).
95. SIGIR Report, "Coalition Provisional Authority Comptroller Cash Management Controls Over the Development Fund for Iraq," SIGIR 04-009, July 28, 2004, p. 1.
96. SIGIR Report, "Coalition Provisional Authority Comptroller Cash Management Controls Over the Development Fund for Iraq," SIGIR 04-009, July 28, 2004, p. 4.
97. See SIGIR Report, "Oversight of Funds Provided to Iraqi Ministries through the National Budget Process," SIGIR 05-004, January 30, 2005.
98 SIGIR Report, "Coalition Provisional Authority Comptroller Cash Management Controls Over the Development Fund for Iraq," SIGIR 04-009, July 28, 2004, p. 4.
99. See SIGIR Report, "Oversight of Funds Provided to Iraqi Ministries through the National Budget Process," SIGIR 05-004, January 30, 2005.
100. SIGIR Report, "Coalition Provisional Authority Comptroller Cash Management Controls Over the Development Fund for Iraq," SIGIR 04-009, July 28, 2004, p. 5.
101. Interagency Assessment Report, "Financial Management Internal Controls Lessons Learned—Working Draft," Pre-decisional, p. 27
102. Interagency Assessment Report, "Financial Management Internal Controls Lessons Learned—Working Draft," Pre-decisional, p 27
103. Interagency Assessment Report, "Financial Management Internal Controls Lessons Learned—Working Draft," Pre-decisional, p. 36
104. Interagency Assessment Report, "Financial Management Internal Controls Lessons Learned—Working Draft," Pre-decisional, p 2.
105. See SIGIR Report, "Oversight of Funds Provided to Iraqi Ministries through the National Budget Process," SIGIR 05-004, January 30, 2005.
106 Former ORHA contracting official, interview, November 22, 2005.
107. DoD Report, "Contracts Awarded for the Coalition Provisional Authority by the Defense Contracting Command-Washington, " D-2004-057, March 18, 2004, p 24.
108. SIGIR Report, "Administration of Iraq Relief and Reconstruction Funds," 05-007, April 30, 2005, p. 5.
109 White House document, "Executive Order Protecting the Development Fund for Iraq and Certain Other Property in Which Iraq Has An Interest," May 22, 2003 (online at: http://www.whitehouse.gov/news/releases/2003/05/20030522-15.html, accessed July 23, 2006).
110. USAID contractor, interview, February 21, 2006.
111. Former USAID official, interview, February 9, 2006
112. USAID contractor, interview, February 22, 2006; former USAID official, interview, February 9, 2006.
113. USAID official, email to SIGIR, December 2005.

114. USACE official, email to SIGIR, September 9, 2006.
115. Former ORHA/CPA official, interview, March 23, 2006
116. Former ORHA/CPA official, interview, March 23, 2006.
117. SIGIR Lessons Learned Forum: Program and Project Management, Washington, D.C., April 12, 2006 (transcript p. 58).
118. Senior USAID official, interview, November 3, 2005; former USAID official, interview, February 9, 2006.
119. See Bechtel document, "Iraq Infrastructure Reconstruction Program, Recommended Implementation Plan," June 2003 (online at. http://www.usaid.gov/iraq/contracts/pdf/nrii_rfp031002attach6.pdf, accessed March 9, 2007).
120. UN document, "United Nations/World Bank Joint Iraq Needs Assessment," October 2003, pp. x-1.
121. CPA official, interview, March 9, 2007.
122. See SIGIR Lessons Learned Forum: Program and Project Management, Washington, D.C., April 12, 2006, former USAID official, interview, February 9, 2006.
123. CPA official, interview, March 9, 2007.
124. SIGIR Lessons Learned Forum: Program and Project Management, Washington, D.C., April 12, 2006 (transcript p. 96).
125. SIGIR Lessons Learned Forum. Program and Project Management, Washington, D.C., April 12, 2006 (transcript p. 98).
126 The majority of USACE's 35,000 personnel are civilians and are not required to deploy overseas.
127. SIGIR Lessons Learned Forum: Program and Project Management, Washington, D.C., April 12, 2006 (transcript pp. 97-98).
128 SIGIR Lessons Learned Forum: Program and Project Management, Washington, D.C., April 12, 2006 (transcript p. 86).
129 Official involved felt that USAID could not manage more than $3 billion See former CPA official, interview, January 13, 2006.
130. SIGIR Lessons Learned Forum Program and Project Management, Washington, D.C., April 12, 2006 (transcript p 77).
131. Note: The CPA Administrator approved by initialing an approval box on a memo Initials dated August 15, 2003. See CPA memo, Director, CPA-OMB, "Management of Large Appropriated Construction Contracts," August 15, 2003.
132. CPA info memo, Chief of Staff to CPA Staff, "President's Supplemental—CPA Program Management Office," unclassified, September 9, 2003.
133. White House document, "Address of the President to the Nation," September 7, 2003 (online at: http://www whitehouse gov/news/releases/2003/09/20030907-1.html, accessed June 6, 2006).

134. CPA info memo, Chief of Staff to CPA Staff, "President's Supplemental—CPA Program Management Office," unclassified, September 9, 2003
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Forum Participants

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Prior to his appointment as CPA-IG, Mr. Bowen was a partner at the law firm of Patton Boggs. Before that, Mr. Bowen served as Special Assistant to the President and Associate Counsel. He also served as Deputy Assistant to the President and Deputy Staff Secretary at the White House under President George W. Bush.

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Major General Nash commanded the United States Army's 1st Armored Division from June 1995 to May 1997. In late 1995, he became the Commander of Task Force Eagle, a multinational division of 25,000 soldiers from 12 nations charged to enforce the military provisions of the Dayton Peace Accords in northeastern Bosnia-Herzegovina. He served also in Vietnam and in Operation Desert Storm.

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