



Statement for the Record

United States Agency for International Development

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Before the Commission on Wartime Contracting

“Recurring Problems in Afghanistan Construction”

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Distinguished members of the Commission, my name is J Alexander Thier, Assistant to the Administrator and Director of the United States Agency for International Development’s (USAID) Office of Afghanistan and Pakistan Affairs (OAPA) which has responsibility for managing USAID’s development activities in those countries. As requested, I will provide brief opening remarks but would ask that my full written statement be entered into the hearing record:

First I want to compliment you on the critical work of this Commission. I began working in Afghanistan in 1993, during a time when our country was ignoring the plight of Afghanistan, to its peril. I have spent much of the last 18 years working on that country, and have been intensively engaged in implementing as well as assessing our effort to stabilize Afghanistan since the fall of the Taliban.

I have written and testified extensively about the critical and largely positive effort the United States has undertaken in Afghanistan since 2001. It has been and remains, for strong reasons, central to U.S. national security. I have also repeatedly raised concerns about the corrosive effects of corruption, waste, and failed expectations in our efforts. Indeed, these are not only issues of fiscal importance, but of national security itself. I have long argued that the insurgency is strengthened by corruption, by lack of accountability, by weak governance.

One of the very reasons I took this job as Director of our Afghanistan and Pakistan Office with USAID some five months ago was to improve our performance and our accountability. We owe it to both the American and Afghan people. The Commission's efforts are an essential element in this process.

I am pleased to say that in the short time I've been at the Agency thus far, we have created and advanced numerous key initiatives aimed at these objectives.

OVERSIGHT AND ACCOUNTABILITY

Central to all of our efforts in Afghanistan is an emphasis on oversight and accountability. This is an area on which USAID's leadership, including Administrator Shah and myself, has focused intensively, as it represents a key part of our Agency's reform agenda and our team's approach in Afghanistan. Accountability in the provision of development assistance is among USAID's highest priorities in Afghanistan. Let me give you examples of key initiatives we have put into place this year:

USAID has created a Working Group on Reform of the Construction Sector (WG RoCS) to find solutions to problems plaguing the construction sector, such as corruption and lack of indigenous capacity.

USAID has developed the Afghan Accountable Assistance initiative (A³) to ensure that proper procedures are in place to help protect assistance dollars from waste, fraud, or otherwise being diverted from their development purpose. This includes investigating as yet unsubstantiated reports that a portion of USAID's development funds in Afghanistan are being extorted by the Taliban. As a result, USAID is enhancing its safeguards for development assistance in the following five categories:

- Award Mechanisms – Utilize assistance awards that provide the most visibility on projects costs, such as cost-reimbursable contracts, and limited layers of subcontracts, and increase competition in the bidding process.
- Partner Vetting – Conduct background investigations on Afghan companies and personnel working on USAID projects.

- Financial Controls – Enhance controls on project funds, such as electronic funds transfers and audits of locally incurred costs.
- Project Oversight – Perform additional project oversight in high-risk areas, utilizing multiple monitoring techniques and delegating more oversight authority to USAID field staff.
- Auditing- Utilizing the full arsenal of USG auditing mechanisms to ensure the greatest possible protection of the public funds.

Concurrent to these efforts, we are addressing oversight and accountability through our ongoing efforts to increase our civilian footprint and to revise our contracting practices. Over the last eighteen months, USAID has increased our staffing footprint throughout Afghanistan to approximately 305 Americans and 170 Afghans as of December 2010. Of that number, approximately 60 percent of our American staff are located outside of Kabul, as are many of our Foreign Service National personnel, who represent the backbone of USAID's mission.

Our field staff serve on Provincial Reconstruction Teams (PRTs), District Support Teams (DSTs), and in Regional Platforms, bringing with them a wide variety of skills, including backgrounds in law, financial management, auditing, and contracting. Despite high-levels of insecurity, we are also taking steps to ensure that our staff gets out frequently to assess performance against a set of established targets. Being placed in the field allows these personnel to monitor and oversee USAID interventions in their regions and keep activities aligned with the priorities put forth by the Afghan people. I am grateful for the Congress' support in appropriating the resources necessary to increase our presence on the ground to ensure better oversight and accountability.

Consistent with the Agency's broader procurement reform agenda, we are working to decrease our reliance on large, multi-year agreements and are instead shifting to implement an increased number of smaller and more flexible agreements that are often shorter in length. In many instances, these smaller agreements are managed outside of Kabul by our field-based staff who are closer to the actual implementation and provide a higher degree of monitoring and oversight to the project progress as well as the use of those funds.

In an effort to make projects more manageable and to improve program oversight, in some cases, we have moved from larger contracts to smaller contracts, which are more focused

programmatically as well as regionally based. For example, one five-year IQC signed in 2006 with a ceiling of \$1.4 billion for infrastructure covered roads, power, and vertical structures. This has now been broken into 3 separate programmatic areas (energy/water, transportation, and vertical structures) with up to twelve (12) possible IQC award holders. Another example is the Stabilization in Key Areas (SIKA) project under which there will be four separate regional awards. Finally, I think it is important to note that through issuance of a Mission Order in September 2010, USAID/Afghanistan has re-delegated programmatic and administrative authorities to the field. This enables USAID to improve its oversight capacity and place project managers closer to where projects operate.

CONSTRUCTION PROGRAMS

To advance US national security objectives, USAID is helping to strengthen Afghan capacity to design, build, and maintain roads; increase the supply of reliable electricity; expand access to potable water; and, design and construct clinics, hospitals and schools.

Yet I cannot underemphasize the challenges involved in undertaking these efforts as the Afghans, the US and other international partners combat a vicious insurgency and terrorist threat. Security concerns on construction projects are paramount: in 2010 attacks on civilian efforts rose dramatically. Managing the safety of U.S., international and Afghan personnel, as well as the associated costs, is a central undertaking for us. Geography – remote, rough and mountainous terrain – also presents huge challenges, as does the relative lack of specialized expertise in Afghanistan to undertake complex construction efforts. Finally, managing infrastructure programs is particularly complicated because corruption is encountered at all levels of Afghan society.

While the focus of today's discussion is on the implementation of construction projects in Afghanistan -- which clearly is a concern and where constant improvements are needed -- it is important not to lose sight of the positive impact these investments have made toward achievement of our national security strategy and for the future of Afghanistan.

Since Fiscal Year 2006, USAID has delivered \$9.38 billion of assistance to Afghanistan, and of that approximately \$2.1 billion has been devoted to infrastructure activities in Afghanistan. These funds have been devoted to a wide array of projects that provide critical development services (access to schools, clinics, and justice facilities) to a population dealing with thirty years

of sustained conflict and in need of sustained economic growth. Energy and transportation have been our main priorities, working closely with international partners.

ENERGY

Surveys indicate that increased electricity supply is a top priority for Afghans; USAID has focused heavily on the power sector over the past nine years, resulting in noticeable increases in access to electricity in key population centers. Short-term projects have boosted generation, and longer-term efforts provide access to cheaper and sustainable power, such as the coordination of the multi-donor effort of the North East Power System (NEPS) and USAID's rehabilitation of southern Afghanistan's indigenous source of power – the Kajaki Hydroelectric Power Plant.

Sustainability of our investments is essential, therefore, a key component of our work is building Afghan capacity in the power sector and supporting power sector reform. In 2009, the U.S. and other donor agencies achieved a major milestone: the official launch of the Da Afghanistan Breshna Sherkat (DABS), a new commercialized Afghan electrical utility. With our assistance over the last years, revenues doubled, and DABS is positioned to grow into a strong and viable commercial entity that can reduce electricity losses, increase revenue flow, and improve service delivery to millions of consumers.

ROADS

USAID has focused on road construction in key urban zones, and more recently on increasing connections between district centers and provincial capitals. Our efforts to date have yielded over 1,800 kilometers of roads, and we are working closely with the government and private sector to maintain approximately 1,700 km of roads nationwide. USAID trains government staff on road design, conducts performance-based contracting for road maintenance, and is working to establish an independent National Roads Authority and Fund that will contract with the private sector to maintain the country's transport infrastructure.

The impact of road construction is illustrated by a study we conducted after the recently completed national highway in the north (Kishim to Fayazabad). The number of new businesses, such as fuel stations and markets, more than doubled, passenger bus activity increased, and market prices have declined along the road's path. Similar impacts were documented from our reconstruction of the Kabul to Kandahar road – freight costs were reduced by 60% and travel times reduced by 50%.

CONCLUSION

This concludes my statement for the record. As you well understand, we work in a challenging security and political environment, often charged with uncertainty. As did USAID Administrator Shah in his discussions with you last week, I want to assure you of my commitment to ensuring USAID learns from past errors, builds on successes, changes our practices and programs accordingly, and seeks innovative ways to improving our oversight of programs.