

Joint Statement of
Michael Thibault and Christopher Shays, Co-Chairs
The Commission on Wartime Contracting in Iraq and Afghanistan

Hearing:
‘USAID and its Future’

Room 216, Hart Senate Office Building, Washington, DC
9:30 a.m., Friday, April 1, 2011

Good morning. I am Christopher Shays, co-chairman of the Commission on Wartime Contracting in Iraq and Afghanistan.

The other Commissioners at the dais are Clark Kent Ervin, Grant Green, Robert Henke, Katherine Schinasi, Charles Tiefer, and Dov Zakheim. Co-Chairman Michael Thibault could not attend today.

Our hearing will end at 11 a.m., so this statement is short. Our topic, “USAID and its future,” is important because the U.S. Agency for International Development’s past raises troubling questions about its role in contingency contracting.

For more than two decades, U.S. military doctrine has held that contractors are part of the “total force,” along with Guard and Reserve units and federal civilians. At USAID, contractors and grant recipients essentially are the total force. Further, as the recent Quadrennial Diplomacy and Development Review, or QDDR, issued by the Department of State said of itself and USAID, “Contracts with and grants to private entities often represent the default option to fill growing needs.”

We have seen that even an enormous organization like the Department of Defense finds managing and overseeing contracts a huge undertaking. In fact, DoD contract management has been on the Government Accountability Office’s “high-risk” list of federal programs for almost 20 years.

For a small agency like USAID, choosing effective and sustainable projects, defining requirements, selecting contractors and grantees, monitoring performance, and imposing accountability may present even greater challenges than at DoD.

Complicating USAID operations is the fact that it must not only arrange traditional foreign-assistance and economic-development missions in more than 90 countries, but also coordinate with the U.S. military on stabilization operations in combat theaters.

The Commission's concerns include:

- Whether USAID has the resources and systems needed for effective oversight of contracts and contractors;
- Whether the agency is fully and properly considering contractors' and grantees' past performance as it arranges new work;
- Whether USAID is adequately staffed and resourced to control waste, fraud, and abuse;
- Whether it gives due regard to host nations' ability to sustain projects like the Kandahar Power Initiative in Afghanistan;
- Whether the agency's Office of Transition Initiatives is adequately staffed and empowered to ensure effective interagency coordination in contingency operations;
- Whether USAID has adequate safeguards for its implementing partners' use of private security contractors, whose actions can reflect on the United States and undermine larger goals; and
- Whether the agency is effectively promoting competition and accountability, as opposed to unnecessarily making sole-source awards and treating some contractors as "too big to fail."

We are not alone in mentioning such concerns:

- The GAO has reported that USAID has not consistently applied contract-management procedures.

- USAID’s own inspector general has noted “serious management and performance challenges,” including acquisition, human capital, and information technology.
- USAID itself has told us that only 10 percent of past-performance reports on its contractors have been completed.
- And USAID Administrator Dr. Rajiv Shah has said, “For too long, USAID has taken on the bad habits of a large government bureaucracy.”

Dr. Shah is with us today to discuss these concerns and to update us on the impacts of his reform agenda, “USAID Forward,” and his expectations for the agency’s future. We also look forward to hearing his reaction to our Feb. 24, 2011, second interim report to Congress as it bears on USAID.

The Commission thanks Dr. Shah for joining us today.

Now, if the witness will rise and raise his right hand, I will swear him in:

Do you solemnly swear or affirm that the testimony
you will give in this hearing is the truth, the whole truth,
and nothing but the truth?

Thank you. Let the record show that the witness answered in the affirmative.

Dr. Shah, please begin.

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