

Administrator Rajiv Shah

Testimony before the Commission on Wartime Contracting in Iraq and Afghanistan

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Thank you, Chairman Shays, Chairman Thibault, and members of the Commission. I appreciate the opportunity to appear before you. I had the pleasure of meeting with you earlier in January and sincerely enjoyed our discussion and the opportunity to respond to the concerns and issues you raised.

The Commission has taken on some of the most challenging issues we face in our ongoing efforts in Afghanistan and Iraq. I appreciate your thoughtful work in exploring contracting practices, reconstruction, and the security and support of our military efforts. The Commission's goals have been helpful for USAID as we seek to find better efficiencies and achieve greater oversight in our programs in these countries. I wish to personally thank you for the work of your staff in following up with USAID to understand our Agency's mission. We appreciate the time they have spent with us in briefings to better understand the development work we deliver in country.

USAID staff conducts their work in areas of conflict and crisis throughout the world. In Iraq and Afghanistan, we have had more than 800 of our USAID staff serve on the frontlines of these engagements to build schools, strengthen economies and provide critical humanitarian assistance in extremely challenging conditions. We often do our work under a constant threat of attack, with direct-hires and implementing partners alike suffering casualties.

In the most volatile regions of Afghanistan, USAID works side-by-side with the military, playing a critical role in stabilizing districts, building responsive local governance, improving the lives of ordinary Afghans, and—ultimately—helping to pave the way for American troops to return home.

For example, we are helping to improve agricultural yields in the Arghandab Valley. As a result, farmers shipped the first agricultural exports out of Kandahar in 40 years. We have also helped rebuild the civil service in the southeast and assisted farmers in developing alternatives to growing poppy.

In Iraq, as our military draws down, our mission has shifted from counter-insurgency and stabilization programs to a focus on economic growth, strengthening governance and resettling Iraqi refugees and internally displaced persons.

The work we perform in these zones of active conflict is dangerous and challenging, but we pursue it for one very clear reason: we believe the American people deserve accountable and transparent civilian leadership, in partnership with our military.

Since the early years of conflict in both Iraq and Afghanistan, we have learned the importance of strong civilian-military cooperation. By tightly integrating our efforts, we can boost stabilization efforts—bringing our troops home sooner—and ensure clear lines of accountability. As Secretary of Defense Robert Gates has said, “...without development we will not be successful in either Iraq or Afghanistan. And so in the fights that we’re in, the civilian component is absolutely critical to success.” We feel this responsibility every day that we work to ensure the civilian-military strategy moves forward.

We have also learned hard lessons related to management, oversight, transparency, and accountability. Because this work is so critical, it is crucial that we perform it better.

The Commission's interim report offered a number of recommendations that we feel are helpful for improving contingency operations. Indeed, several of these recommendations dovetail with a set of reforms I have initiated, and that we call USAID Forward.

By implementing these reforms, we are changing the way we are working with partners in Afghanistan, Iraq, and elsewhere, rigorously evaluating the effectiveness of our work; increasing accountability and vigilantly fighting fraud, waste and abuse; and working more closely with local entities.

Accountability

To ensure our assistance is effective, we are taking monitoring, evaluation and transparency seriously. In 1994, USAID conducted nearly 500 independent evaluations. By the time I arrived, only 170 evaluations were submitted to Washington, despite a threefold increase in programs managed. In many instances, these evaluations were commissioned by the same organizations that ran the programs.

To end this practice, we introduced a new evaluation policy that is quickly setting a new standard in our field. This policy will provide performance evaluations for every major project, conducted by independent third parties, not by the implementing party themselves. And we will release the results of all of our evaluations within three months of their completion, whether they tell a story of success or failure.

We are fighting vigorously to prevent and respond to fraud, waste and abuse, and to ensure a culture of vigilant oversight.

As you are aware, I recently stood up a division within our procurement office dedicated to tracking contractor performance and compliance with U.S. federal requirements. We are aggressively tackling these issues to be more proactive in regards to suspensions, debarments, or corporate administration agreements, as necessary.

We are also working closely with our Inspector General to be more proactive in finding cases and seeking other sources of information, urging our partners to come to us as soon as they realize there is a potential issue or concern.

In addition to this permanent unit, I have created a new suspension and debarment task force led by our Deputy Administrator and staffed with talent across our Agency. This task force will provide a coordinated effort to closely monitor, investigate and respond to suspicious activity.

We will hold all our implementing partners to strict account, regardless of their size. For USAID, too big to fail does not exist.

Procurement Reform

Fundamentally, all of the reforms I have outlined are designed to achieve the same result: to create the conditions where our assistance is no longer necessary. USAID must do its work in a way that allows our efforts to be replaced over time by efficient local governments, thriving civil societies and vibrant private sectors. But that will only occur if we can effectively manage our implementing partners.

Every enterprise relies on contractors and depends on them to succeed. USAID is no different.

But I want to make it clear: we do not work for our contractors, our contractors work for us.

That is why we have launched the most aggressive procurement and contracting reforms our agency has ever seen. Instead of continuing to sign large contracts with large contractors, we are accelerating our funding to local partners who have the cultural knowledge and in-country expertise to deliver lasting, durable growth.

These reforms are crucial to delivering assistance in a much more effective and evidence-based way, generating real results faster, more sustainably and at lower cost so more people can benefit, and they've already delivered outcomes on the ground.

Afghanistan

In Afghanistan, USAID has dramatically altered the way we deliver assistance through changes in our acquisition strategy, devolution of authority to the field, and the provision of on-budget assistance to the Government of the Islamic Republic of Afghanistan. Specifically, we are:

- replacing large multi-year international contracts with one-year or 18 month contracts with options;
- replacing national-scale contracts and grants with regionally focused awards, to reduce their size and increase their manageability;
- placing small grant authority in the hands of qualified and trained field staff; and

- tripling the number of contracting officers at post, and adding 13 additional Contracting Officer Technical Representatives.

In Afghanistan, specifically, we have established the Accountable Assistance for Afghanistan (A³) initiative to ensure assistance dollars are not being diverted from their purpose by extortion or corruption. Through A³, USAID is enhancing its safeguards for development assistance in the following four ways:

- We are utilizing award mechanisms that provide maximum visibility on projects costs, such as cost-reimbursable contracts, and limited layers of subcontract.
- We are conducting background investigations on Afghan and third-country companies and individuals working on USAID projects to thoroughly vet our partners.
- We are enhancing financial controls on project funds, increasingly using electronic funds transfers and performing audits of locally incurred costs.
- And we are performing additional project oversight in high-risk areas, utilizing multiple monitoring techniques and delegating more oversight authority to USAID field staff.

Iraq

In Iraq, as safety conditions have improved, we also have taken active measures to improve our management on the ground to be able to

perform more effective oversight of our programs. Specifically, we have improved and increased site visits by USAID staff; and increased the number of Contracting Officer's Technical Representatives;

These reforms have and will continue to allow us to move forward with greater efficiency, improving our systems and our results.

But still there is more work to be done. We can only continue these vital reforms if we can bring in the contracting officers, controllers and technical advisors who can provide accountability and oversight over our contracts and grants and safeguard taxpayer funds.

In the past, USAID suffered from a shrinking pool of qualified personnel, including contracting officers and controllers. Our program budgets grew, but our human resources, systems and training did not keep pace. For the first time in over a decade, we are now outpacing attrition through the Development Leadership Initiative, begun under President Bush. It is crucial that this initiative continue to receive bipartisan support.

USAID personnel also must have a greater ability to move and operate outside capital cities to become more operational, to oversee programs and to build new partnerships. Yet, very real threats to our people over the years have resulted in the necessary security requirements that limit the movements of our personnel.

And we must make sure the reforms outlined in the Quadrennial Diplomacy and Development Review—such as granting USAID Schedule-B hiring authority and potentially adopting a 1% working capital fund to manage programs—are implemented swiftly.

The reforms we have undertaken at USAID were designed to make our assistance more efficient, more effective and more transparent. They represent the personal obligation USAID feels on behalf of the American taxpayer and the beneficiaries of our programs.

They also represent the solemn duty we have to honor the nearly 1,000 USAID staff and partners who have suffered casualties in both Iraq and Afghanistan, and the hundreds who currently put their lives at risk to carry out our development mission and make our country safer.

I thank you for the opportunity to appear before the Commission today, to discuss these reforms, and to continue a dialogue about how we can continue to improve our work.

Thank you.