

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

Hearing:

Recurring Problems in Afghan Construction

Room 216, Hart Senate Office Building, Washington, DC

9:30 a.m., Monday, January 24, 2011

[As prepared for delivery.]

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

My fellow co-chair, Christopher Shays, is in Afghanistan today with Commissioner Dov Zakheim to gather information on a matter of concern to the Commission. The other Commissioners at the dais are Clark Kent Ervin, Grant Green, Robert Henke, Katherine Schinasi, and Charles Tiefer.

We have titled today's hearing, "Recurring Problems in Afghan Construction." For most Americans, this is a matter that is quite literally out of sight and out of mind. But it's a huge issue involving almost 20 billion taxpayer dollars in just the past three years. Just as critically, construction contracts also involve support for U.S. and allied troops, the future of the battered country of Afghanistan, and America's image in the rest of the world.

Untimely, unsafe, or poor construction has impacts on users. Too often, adverse impacts are felt by American soldiers, Marines, and airmen who find themselves jammed into cramped and inadequately protected quarters. The Afghan people we are trying to help have also been ill-served by some of the U.S.-funded construction projects in their country. These

issues go beyond delays and cost overruns, and are just unacceptable. We'll be probing them today.

The construction we are talking about includes electrical power facilities, schools, hospitals and clinics, prisons, and facilities for the Afghan National Army and Police. Construction is also undertaken to support our troops and our coalition partners. These projects include barracks, headquarters facilities, airfields, clinics and dining facilities—all that is needed to sustain our forces in theater.

Most of the construction is sponsored and directed by the Department of State, the US Agency for International Development, and the Department of Defense. The DoD effort largely flows through the Army Corps of Engineers and the Air Force Center for Engineering and the Environment. The construction is mainly *performed*, however, by contractors or, for USAID, implementing partners who work under grants as well as than contracts.

We are looking at construction partly because our mandate from Congress requires that we examine contractor support for reconstruction and stabilization operations. We are also looking at construction, and doing so in this public setting, because there are definitely problems, and they have been *recurring*

problems.

Now, there are lots of talented and dedicated people working on construction projects in Afghanistan, and they do much good work. That needs to be said. But there are also many problems—problems that occur over and over, year after year, involving both government and contractor personnel. And when you have recurring problems of the same type, that's Nature's way of telling you that your structures, systems, or staff need reengineering.

The Commission on Wartime Contracting has taken a careful look at construction efforts in Afghanistan. We've concentrated on the larger projects, such as the \$300 million Kabul power plant that may be too complicated and costly for Afghans to run once American involvement there declines. But there are also numerous smaller projects that add up to billions more dollars and also need attention.

The main reason for paying attention to construction projects is their large potential for waste. Waste can result from projects that are poorly planned, overseen, and built. Waste can spring from abuse and corruption. And waste can occur when projects are culturally insensitive, unneeded, and unsustainable. The government of the United States has been guilty of causing or tolerating all of these forms of waste.

One of the challenges in diagnosing waste and proposing reforms is that it's not always clear where the money goes. An audit released in October by the Special Inspector General for Afghanistan Reconstruction found that DoD, State, and USAID were "unable to readily report on how much money they spend on contracting for reconstruction activities in Afghanistan."

The SIGAR audit said nearly \$18 billion was obligated for the three agencies for work by nearly 7,000 from fiscal years 2007 through

2009. If federal agencies can't readily account for their spending, that raises questions about their contract management and oversight as well. We look forward to hearing more about these issues when General Fields, the SIGAR, testifies today.

I will add that the Commission has developed many questions on its own. We have walked the ground to observe projects throughout Afghanistan. We have talked to federal employees and contractor representatives.

After an effort that started last spring and included two trips to Afghanistan to look specifically at construction, what have we found? In large part, disappointment. While we did see some very well run projects, there were many more examples of projects that were not going so well. Too many projects come in over budget and behind schedule, so the amount of waste in our construction efforts quickly rises to staggering proportions.

Of course, trying to build clinics, schools, and other projects in a war zone complicates an already daunting management challenge. In addition, timing is critical. The military describes a contingency mission in simple terms: secure, hold, build. If the "build" phase is launched before the "secure" phase is complete, you invite failure. You give the Taliban or other enemies a chance to sabotage projects and intimidate or kill the construction workers. That increases costs and delays, and is simply unfair to contractor employees.

Meanwhile, border politics that can block or delay shipments to landlocked Afghanistan makes matters worse.

The wartime setting presents real challenges. But we have observed problems and waste even in secure, behind-the-wire projects.

An example from my own experience fits in here. I was talking to the contracting

officer's representative who was overseeing construction of a barracks on a base in Afghanistan. This fellow was an engineer. But he freely told me that his expertise was blowing things up, not building them. He was a loyal American trying to do his assigned duty, but he was no more qualified to oversee construction of electrical, climate-control, water, or sanitation systems than I am.

This was weakness in oversight, one that invites waste—and can cause deaths, as when American soldiers were electrocuted by faulty wiring in a base shower room. Other weaknesses occur in planning, solicitation, and management. They are recurring, avoidable, and unacceptable.

The Commission is devoting a great deal of attention to construction issues, both to improve current outcomes and to identify lessons that can help in future contingencies. We have assembled three panels of expert witnesses to help us probe issues involving construction contracts and grants.

PANEL ONE is a one-witness panel.

The witness is Maj. Gen. Arnold Fields, United States Marine Corps, retired, who was appointed the Special Inspector General for Afghanistan Reconstruction, or SIGAR, in June 2008. General Fields will be leaving government service shortly after a career spanning some 40 years. On behalf of the Commission, Sir, I thank you for that long span of dedicated service to our country, and I thank you for taking the time to participate in our hearing.

PANEL TWO comprises federal officials with responsibilities for construction-contract management and oversight. They are:

* Major General Jeffrey J. Dorko, Deputy Commanding General, Military and International Operations, U.S. Army Corps of Engineers;

* William J. McGlynn, Principal Deputy Assistant Secretary, International Narcotics and Law Enforcement Affairs, U.S. Department of State;

* Colonel Wilfred T. Cassidy, USAF, Deputy Director, Air Force Center for Engineering and the Environment; and

* J. Alexander Their, Deputy Assistant Administrator, AfPak Task Force, U. S. Agency for International Development.

PANEL THREE comprises construction contractors with projects in Afghanistan. They are:

* Michael E. McKelvy, President, Government, Environmental & Nuclear Division, CH2M Hill;

* Charles Mouzannar, Executive Vice President, AMEC Earth & Environmental Inc. (AEEI);

* William Van Dyke, President, Black & Veatch Special Projects Corporation; and

* Larry D. Walker, President, The Louis Berger Group Inc.

Also appearing with this panel is Bruce McCarron, Regional Director, United Nations Office for Project Services (UNOPS). UNOPS is USAID's implementing partner for the Ghazi Boys School project. I will note that the United Nations has made Mr. McCarron available to provide information today without prejudice to the status, privileges, and immunities enjoyed by the UN and Mr. McCarron as a UN official. We appreciate his participation, and that of the witnesses I have named.

Before we start, I would remind all of us that commissions like ours are typically created to study problems and propose improvements. That inevitably leads to more focus on shortcomings and failures than on successes. But both sides of the coin are important. Our

mandate from Congress instructs us to identify lessons learned in Iraq and Afghanistan to help point the way to better outcomes now and in the future. We will be calling out good efforts, best practices, and notable successes by both government and contractors in that part of our final report in July. We don't intend to short-change anyone where credit is due—or to exempt anyone where criticism can help pave the way forward for better results.

We have asked witnesses to offer brief oral summaries of their testimony. The full text of their written statements will be entered into the hearing record and posted on the Commission's website. We ask that witnesses

submit within 15 business days responses to any questions for the record and any additional information they may offer to provide.

Now, if the witness for our first panel 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. General Fields, please begin.

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