

**Testimony of Mr. Timothy Beans  
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United States Agency for International Development  
before the  
Committee on Foreign Relations  
Subcommittee on International Economic Policy,  
Export and Trade Promotion  
United States Senate**

**February 25, 2004**

Mr. Chairman and Members of the Committee, thank you for the opportunity to provide testimony on the U.S. Agency for International Development's (USAID) contracting policies. As you have requested, my testimony will focus on USAID's contracting processes, with emphasis on programs in Afghanistan and Iraq. I will address the specific challenges, the lessons learned, and the policies and procedures that assure transparency and accountability.

USAID's purchase of goods and services are done under the authority of the Foreign Assistance Act. The Foreign Assistance Act mandates, as a rule, a preference for American firms to carry out U.S. foreign aid programs.

Under the initial Emergency War-time Supplemental in FY 2003, I am very proud to note that my office obligated approximately \$2.1 billion of the \$2.5 billion appropriated for the Iraq Relief and Reconstruction Fund in support of U.S. efforts to rebuild Iraq after the war.

During this initial period, we awarded contracts for personnel support, airports, seaports, reconstruction, education, health, local governance, economic growth and agriculture. Based on the need to act quickly following the end of active hostilities, we chose to do a limited competition for most of the initial awards. Although the vast majority of USAID's procurements are conducted using fully competitive procedures, the federal acquisition regulations grant the Administrator the authority to waive normal contracting procedures by making a written determination "that compliance with full and open competitive procedures would impair foreign assistance

objectives, and would be inconsistent with the fulfillment of foreign assistance programs."

Under the second Iraq supplemental, USAID was the first agency to make an award in support of the continuing efforts in Iraq, with a \$1.8 billion contract to Bechtel for infrastructure support utilizing full and open competition. The award was made under ideal contracting circumstances in that the highest technical scored proposal also was the lowest cost proposal submitted.

While we are very proud of our efforts in supporting U.S. goals in Iraq and Afghanistan, these efforts have not been accomplished without some difficulties. The urgency of these actions made for difficult and challenging circumstances. We have been very creative in trying to meet the shortage of personnel that would normally be needed for this large an undertaking. However, a review of the numerous audits performed by our Inspector General's (IG) Office will show that we followed federal procurement rules and regulations in the award of these contracts, with minor exceptions. The IG audit report also pointed out things we could have done better to strengthen our procurements, particularly in the area of additional documentation. Many of the suggestions have already been implemented. We have a good working relationship with the Office of Inspector General and will continue to work closely with this office to ensure compliance with all relevant regulations.

As director of the Office of Procurement, one of my major goals is to make sure we are as open and transparent as possible in our procurement process. We have made very serious efforts to be as transparent as possible by making available virtually everything we legally can on our web site. Steven I. Schooner, Associate Professor of Law at George Washington University Law School, recently wrote at a Government Contracts Year in Review conference that USAID "...has endeavored (for the most part successfully) to provide information relating to its contracting activities on its web page." He goes on to say that, "...I believe that USAID has set a new standard for transparency in public procurement."

This is exactly the kind of open and transparent agency we are striving to be. We will continue to expand our efforts to meet the very high standard we have set for ourselves.

Given the large increases in our budget with Iraq and Afghanistan and beginning in FY 2004, we have gone from an annual obligation of just over \$6 billion in 2001 to approximately \$12 billion in 2003. While we have been very successful in making the critical awards, we are also doing everything we can to assure that the taxpayers of this country are receiving value for their expenditures. This includes moving U.S. direct-hire staff to Iraq to oversee the contracts as well as hiring senior contracting talent to help administer these awards. We are also requesting support from the IG's office and audit support from the Defense Contract Audit Agency to make sure that funds are being spent appropriately and accounted for properly. As such, this is an area that we will want to monitor very closely over the coming months and years.

You will note I spoke more to the Iraq contracts than I did the Afghanistan contracts. The reason for this is that we negotiated the Iraq contracts here in Washington, and then sent them over to Iraq for administration. Afghanistan is a stand-alone mission and has its own contracting staff, so the awards in support of Afghanistan have been run from the USAID mission in Kabul. As a result, we here in Washington are much more familiar with the Iraq actions than we are the Afghanistan procurements.

Mr. Chairman, I would be pleased to answer any questions you and the Committee members may have.