



CPA Strategy & USAID Iraq Infrastructure Reconstruction Program

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Overview



- CPA Strategy
- USAID Infrastructure Program
- USAID Implementation Plan
- Common Issues
- Iraq Infrastructure Reconstruction Contract #2



CPA Strategy and USAID Program Objectives



- CPA Strategy: “Essential services – restoring basic services to an acceptable standard”
- USAID Objective 1: Rebuild priority infrastructure, public facilities and services in post-war Iraq.
 - Communications
 - Power
 - Water & Sanitation
 - Umm Qasr Seaport
 - Airports
 - Buildings (schools, clinics & municipal buildings)
 - Surface Transportation (bridges, rail & roads)
- USAID Objective 2: Provide institutional capacity building to better operate and maintain infrastructure and public services.



USAID Infrastructure Programs



<u>Contract</u>	<u>Company</u>	<u>Value</u>
Iraq Infrastructure Reconstruction	Bechtel	\$ 1.03 B
Iraq Infrastructure Reconstruction 2	Bechtel	\$ 1.80 B
Airport Operations Contract	Skylink - USA	\$27.0 M
Seaport Operations Contract	SSA Marine	\$14.5 M
Logistics Contract	AFCAP	\$75.0 M



Bechtel Contract



- Bechtel awarded Iraq Infrastructure Reconstruction Contract in April 2003.
 - Contract amount is \$1 Billion thru December 2004
 - Phase I (May – July) – Emergency work in electricity sector, port of Umm Qasr, and Baghdad airport.
 - Phase II (May – July) – Conduct assessments and prepare Implementation Plan for CPA approval
 - Phase III (August – December 2004) - Undertake and complete projects of Implementation Plan
 - Job Order Contract – CPA/USAID instruct contractor to undertake specific projects
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Implementation Plan



■ CPA Priorities

- Communications
- Power
- Water & Sanitation

■ Criteria for Projects

- Urgency of need – immediate and significant social/economic impacts
- Time-frame – projects that can be completed by end of 2004
- Number of beneficiaries – high impact per capita
- Geographic distribution – specific regional needs: clean drinking water in the south and electricity in Baghdad



Implementation Plan



Sector Funding

(\$ millions)

■ Communications:	\$ 52
■ Power:	\$ 570
■ Water & Sanitation	\$ 232
■ Port:	\$ 63
■ Airports:	\$ 49
■ Buildings:	\$ 70
■ Surface transport:	\$ 29



Lessons Learned



- Security
- Cooperation with Iraqi Ministries
- Iraqi Subcontracting



Security – Impact on Projects



- Off-limit areas for expatriate travel – North (Mosul, Tikrit) , Moussayib, certain telecom sites.
- Stand-downs or limitations on travel to work sites
- Convoy protocol (minimum 2 cars + 4 guards)
- Recruitment of personnel – family pressures
- Some international companies' refusing to enter Iraq
- Delayed shipment of supplies and equipment
- Dependence on Ministries for perimeter security



Security – Workarounds



- Purchase of armored vehicles
- “Iraqification” of site engineers
- Recruiting Arab project managers from subsidiary companies
- Base administrative, financial, some procurement and design functions in Jordan or Kuwait



Security – Cost Burden



- Cost burden
 - Security personnel may be 30% of total
 - Higher life support costs: multiple camps; more personnel
 - Higher vehicle and fuel costs: armored vs. thin-skin
 - Estimate cost of security at 6-8% of contract
 - Estimate camp costs at 4-6% of contract



Cooperation with Iraqi Ministries



- Greater importance, especially as sovereignty nears.

- Selection of Projects: Baghdad Ministries vs. Governates
 - Tensions & different priorities, especially Basra & Kurdish area.
 - Enabling local government vs reinforcing central control.
 - Some sectors like water & sanitation, schools & clinics need local input.



Cooperation with Iraqi Ministries

(continued)



- Execution of Projects
 - Importance of local Iraqi manager: Involve local staff in decisions, esp. defining scope of work
 - Quality Assurance and Ministry Acceptance
 - Integration of Ministry engineers into acceptance team and process: schools & clinics specifications, QA visits
 - More important over time
 - Integrated Job Orders between USAID contractor and Ministries
 - Strengths of ministries: good engineering skills, available labor force
 - Weaknesses of ministries: project management, capital spending, off-shore procurement
 - How to use 'value added' of International Contractor: PMO, off-shore procurement, technical assistance



“Leveraging” Value Added of International Contractors (continued)



- Examples:
 - Baghdad sewage: USAID \$30 million and CPA Baghdad Sewage Authority \$70 million
 - Rehabilitation of Bayji Thermal Plant: USAID \$20 million and CPA Ministry of Electricity \$30 million
 - Scheduled Power Plant Maintenance Program: USAID \$12 million and CPA Ministry of Electricity \$50 million
 - Railroad repair: USAID \$18 million and CPA IRR \$12 million



Subcontracting to Iraqi Firms



- CPA priority and subject of new USAID contract

- Highest number and dollar value of subcontracts:
 - Iraq -- 130 of 187 contracts
 - Iraq -- \$124.8 million of \$440 million



Subcontracting to Iraqi Firms

(Continued)



- Challenge: Working Capital
 - Undercapitalized firms
 - Cash advances
- Challenge: Insurance
 - No local insurance market
 - Contractor umbrella policy
- Challenge: Payment Mechanism
 - Cash economy
 - Emerging bank operations
- Challenge: Quality Assurance Plans



Iraq Infrastructure Reconstruction Contract # 2



- Contract Award -- January 6 to Bechtel
- Amount: \$1.8 Billion
- Full & Open Competition
- Cost plus Fixed Fee Contract
- Job Order Contract – CPA/USAID instruct contractor to undertake specific projects



IIR Contract # 2

(continued)



- **Scope of Work**
 - Rehabilitate, restore, and construct critical infrastructure:
 - 80% of contract
 - Electrical System
 - Potable Water Treatment Facilities
 - Sewage Treatment Facilities
 - Rehabilitate, restore, and construct:
 - Surface transportation
 - Public Buildings
 - Ports, waterways, and airports
 - Institutional Strengthening



IIR Contract # 2 – “The Bridge”



- Bridge the Gap between Bechtel/RIE projects and PMO contractors.
- Contract scope gives flexibility to CPA.
- Critical work in power and water projects can continue until full force of PMO contracts arrive.
- CPA/PMO now defining \$500 million of initial projects.