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ANNEX D

AN ASSESSMENT  
OF THE  
COMMODITY EXPORT PROGRAM (AFGHANISTAN)  
FINAL REPORT

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May 1988

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ASSESSMENT OF COMMODITY EXPORT PROGRAM

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## FOREWORD

Indefinite Quantity Contract Delivery Order No. 27 of March 29, 1988 tasked Development Associates, Inc. of Arlington, Virginia to send a four-person team to Islamabad, Pakistan to assess the on-going implementation of the Commodity Export Program (Afghanistan), Project No. 306-0205, in the context of its original design. Based on that assessment, the team was to prepare a revision of the Activity Approval Memorandum (AAM) to respond to improvements or changes identified and to provide for future project operations in appropriate directions and magnitudes of AID support.

The detailed statement of work for the assessment study is appended as Annex A. The composition of the assessment team is listed in Annex B.

The team carried out its work in Islamabad and Peshawar, reading appropriate documentation and interviewing personnel of the Office of the AID Representative, a Government of Pakistan liaison officer, personnel from the projects which utilize the services of the procurement contractor hired to implement the Commodity Export Program (CEP), the personnel of the CEP contractor, representatives of the United Nations High Commissioner for Refugees (UNHCR) and the World Food Program (WFP), Pakistani railroad officials, and others interested in or carrying out humanitarian assistance activities in Afghanistan.

Preliminary findings were presented orally to the AID Representative on April 19, 1988. The draft final report, reflecting the AID Representative's comments and AID/REP staff's review of preliminary drafts, was submitted May 5, 1988.

## I. THE SETTING

An assessment of the Commodity Export Program (CEP) cannot be made or understood without some discussion of the setting in which it was designed and is being implemented. There are nine aspects or elements critical to an assessment of and appreciation for what has been accomplished by the CEP to date: (1) the war; (2) political; (3) legislative; (4) organizational (bureaucracy); (5) overall program of AID's Cross-Border Humanitarian Assistance (CBHA); (6) relationships; (7) staffing and workloads; (8) uncertainty; and (9) U.S. policy.

1. The War: A war has been going on in Afghanistan since 1979. This is a reality that impacts on every aspect of the CBHA program, including the CEP. It had a major bearing on the CEP design and how it is being implemented. No documents available to the Evaluation Team ever defined "humanitarian assistance" but those responsible for the program have defined the term in the broadest sense, and the Office of the AID Representative for Afghan Affairs (AID/REP) is unaware of any criticism by, among others, the Regional Legal Advisor, General Accounting Office, a recent Mission Management Assessment Team and the Regional Inspector General, all of whom have reviewed the operations of CBHA. In this type of non-conventional war, the line between civilian and warrior is blurred. Most males are both civilians and warriors, depending on the time and place. A wounded person needs medical help; a hungry person wants food; a cold person needs clothing and shoes. The war is no respecter of person. In this conflict, the entire population (male/female, young/old) which supports the resistance consider themselves involved in a Jihad (holy war) and thus Mujahideen (holy warriors). Therefore, no distinction between civilian and military is considered practical. The only distinction of importance for this program has been between lethal and non-lethal support.

2. Political: In the summer of 1984, the U.S. Government, at the instigation of the U.S. Congress, made a policy decision to provide humanitarian assistance to the Afghan people inside Afghanistan who were resisting the Soviet armed forces and/or having their welfare adversely affected by the war. The Administration used the emergency assistance authority of the Foreign Assistance Act (Section 451) to reprogram \$8 million for use in FY 1985 and FY 1986. Prior to this time, the U.S. Government provided no humanitarian assistance to these people, although help to the refugees in Pakistan (now estimated at about three million) has been given for years. The CBHA, the CEP, and this assessment concern only people within Afghanistan, even though implementation begins in Pakistan. Political decisions started the CBHA and they have a far more direct bearing on both the design and implementation of CEP than on any conventional AID project.

3. Legislative: As noted above, Congress urged the Administration to use emergency assistance reprogramming authorities to initiate humanitarian aid to Afghanistan. For FY 1986, Congress earmarked \$15 million specifically for Afghanistan, and enacted the "notwithstanding" clause which plays a major role in its implementation: (Section 904: "The President may make available funds...for the provision of food, medicine, or other humanitarian assistance

to the Afghan people, notwithstanding any other provision of law.") Congress gave approval to use PL-480 commodities for the CBHA. It passed the McCollum Amendment to the Department of Defense (DOD) appropriations bill to provide funds to fly: (a) DOD surplus commodities of a non-lethal nature and PVO-donated items to Pakistan for distribution to the Afghan people; and (b) Afghan wounded to Europe and the United States.

4. Organizational (bureaucracy): The USAID/Afghanistan mission was closed in 1979. After the 1984 political decision regarding Afghanistan was made, the CBHA was initiated by a series of AID/W grants to PVOs, both American and European. After a few months it was decided to establish the Office of the AID Representative for Afghanistan Affairs (AID/REP) to be located in Islamabad. The August 13, 1985 Action Memorandum to the Assistant Administrator for the Asia and Near East Bureau described a unique process of approving activities for the CBHA and the delegations of authority needed to execute and implement activities ("projects"). These were approved on August 26, 1985 and have guided the AID/REP Office. AID/REP has been operating in unchartered waters from the standpoint of not having time-tested, established operating rules, procedures, and documentation for both design and implementation. The Evaluation Team kept this in mind during its work.

5. Overall Program: During the spring and summer of 1986, the AID/REP Office designed five new projects, in addition to implementing a number of on-going grants to PVOs which were either operating in Afghanistan or helping Afghans prepare for humanitarian operations in Afghanistan. At that time it had a staff of four professionals. Some \$30.8 million of funds were obligated in FY 86 for projects and PVO grants (\$18.9 million), the PL-480 grant of wheat (\$8.9 million), and DOD McCollum Amendment transportation costs \$3.0 million). FY 1987 was the effective startup of implementation of four of the five activities--the PVO program was inherited in full operation. Obligations increased to \$42.4 million, up 38 percent over FY 1986. The FY 1988 level is estimated at \$67 million.

6. Relationships: The CBHA program to Afghanistan is unique in another way which has critical implications for implementation: there is no host or cooperating government to be involved in design and implementation. Instead, there are:

(a) the seven Afghan political parties who are fighting the war (most of the three million refugees in Pakistan are associated with these parties);

(b) the Islamic Unity of the Afghan Mujahideen (IUAM), or Alliance, an umbrella organization of the seven parties which has had little staff or organization of its own; and

(c) the Government of Pakistan (GOP), which has been providing a safe haven and assistance to the refugees since the beginning of the war.

Since the GOP was running a risk of conflict with the Soviet Union by providing a safe haven, it was concerned about the additional risk that might be involved in a CBHA program run by the U.S. Government. It permitted the

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program, therefore, on the conditions that the GOP would maintain tight surveillance over it and there would be no publicity of the program in Pakistan. This restriction on openness has created misunderstandings about the program and resulted in extraordinary oversight efforts. The GOP generally serves as representative for the interests of the Afghans in the CEP.

As one recent AID/W review describes it: "The uniqueness of this program not only derives from its cross-border nature but also from its inherent tensions. The AID/REP and his staff must delicately balance operational relationships (AID/ANE, USAID/Pakistan, and PVOs) with political relationships (GOP's "existing mechanism", the 7-party Alliance, Embassy/Islamabad, other embassies, and the U.S. Congress) just as they must balance short term, war-related humanitarian objectives with long term, developmental concerns. Throughout all, they must weigh expediency against responsible resource management in facing the sometimes equally compelling priorities of war casualties and accountability audits."

7. Staffing and Workloads: The new AID/REP Office, which was set up to carry out the unusual and bold mandate from Congress, consisted only of the AID Representative and his secretary in September 1985. Subsequently two professionals arrived in January 1986 and a third in March; a small secretarial staff was added. This small group undertook to design five unique projects for an unusual program within a few months while it was going through the usual organizational startup pains.

In addition to that workload, the small staff had to contend with (a) beginning a PL-480 wheat program which had its first shipment of some 20,000 tons by the end of 1986, and (b) the DOD-sponsored "McCullum flights" (47 USAF flights to date, plus six by charter for airlifting Tennessee mules) which involved DOD-donated non-lethal surplus and PVO-donated commodities and movement of Afghan wounded to Europe and the U.S. for medical treatment. The McCullum flights were particularly time consuming for the few members of the AID/REP staff because of the varied nature of their cargoes, extensive involvement and coordination with the GOP and the DOD, and arrivals always being at night with a short two to four-hour turnaround time.

8. Uncertainty: War, by its very nature, is a time of constant change and uncertainty. Urgency and expediency often determine and influence actions; crisis management is the norm rather than the exception.

The signing by Pakistan and Afghanistan of peace accords concerning the withdrawal of Soviet troops from Afghanistan came during this project evaluation. Anticipation of the possibility of peace has substantially altered the framework in which the CEP has been being implemented. Decisions made under previous assumptions can now look out of place.

The evaluation of the CEP and the design of a follow-on project based on this evaluation contended with such unusual uncertainties as: pace and locations of reduction in fighting; evolution of the seven resistance parties into a more effective alliance and the continuing movement toward an interim government; time needed for the existing Afghan regime to be superseded by a new

representative government; level and conditions of economic assistance the USSR may provide in the future; the rate with which the refugees return to their country; and the postwar conditions of the economy and environment of Afghanistan. These conditions have manifested themselves in the CEP project by the need for flexible and evolving implementation mechanisms and constant policy review.

9. U.S. Policy: U.S. Government policy prohibits U.S. direct hires and U.S. nationals who are employees of U.S.-funded contractors or grantees from venturing into Afghanistan. This has obvious implications for AID/REP's ability to monitor the end use or impact of resources delivered to Afghanistan.

## II. THE PROJECT

### A. Purpose

The Activity Approval Memorandum (AAM) for the Commodity Export Program (CEP) listed the immediate project goal as: "to establish a CEP that substantially increases and expedites the provision of humanitarian commodities to the general population in Free Afghanistan. The CEP is designed to have a quick political and development impact." Other purposes mentioned include "providing the means for Afghans to remain in Afghanistan and to encourage Afghanistan refugees in Pakistan to return to their homeland," "strengthen the institutional fabric of the Alliance" and "supplement and be supportive of discrete AID project activities in the education and health sectors."

The Action Memorandum for the Assistant Administrator of the Asia and Near East Bureau (ANE) which requested authorization of the CEP stated the purpose of the CEP as simply "to develop an organized supply system for humanitarian goods to help support the Afghan people in free areas of Afghanistan." In the Summary Statement of the Memorandum, it is stated that an institutional development effort with the Alliance is not envisaged. Presumably this overrode a statement on the following page of the memorandum that "Developing institutions and Afghan management capability is one of the program's key objectives."

The Activity Authorization of August 8, 1986 which approved the CEP project states that the activity will provide "for all aspects of the procurement and distribution of needed humanitarian commodities to the free Afghan people remaining in Afghanistan and for technical assistance in connection therewith."

The AID Representative told the Assessment Team that the purpose of the CEP was to show political support for the Alliance and to assist the Mujahideen take care of the people in their areas in free Afghanistan. There was no expectation of institution building or of obtaining a development impact.

B. Project Elements

The project has two elements:

(1) the selection and delivery of humanitarian assistance commodities to the Alliance parties for onward shipment into free Afghanistan; and

(2) a contract with a private firm for procurement and delivery services.

The Action Memorandum requesting authorization of the CEP states that a wide range of basic humanitarian goods would be eligible, such as "food, agricultural commodities, medical supplies, transport items, clothing, shelter and animals." An extensive positive list was included in the AAM as Annex 5.

The Action Memorandum cites the following responsibilities for the contractor, American Manufacturers' Export Group (AMEG):

a) procure and arrange for the delivery to the Alliance parties of the commodities financed under the project;

b) procure commodities for the health, agriculture and education projects; and

c) assist the AID Representative in monitoring distribution of goods supplied from the U.S. on the Department of Defense (DOD) flights financed by McCollum Amendment funds in the DOD budget.

The AMEG contract and its amendments have added the following responsibilities:

1) Monitor the delivery of PL-480 Title II commodities;

2) Establish a capacity to perform surveillance and monitoring, as well as accounting, of commodities to the degree feasible; and

3) Establish a pack animal holding operation in Peshawar.

III. PROJECT ACCOMPLISHMENTS

The status of project funding as of March 31, 1988 is as follows (in \$ 1,000):

	<u>Obliga- tions</u>	<u>Commit- ments</u>	<u>Expendi- tures</u>
CEP Commodities	21,523	15,600	11,177
Program Operations	785	610	542
AMEG Contract	4,932	3,000	2,620
AMEG Logistic Support	<u>891</u>	<u>700</u>	<u>623</u>
Totals	28,131*	19,910	14,962

\* Includes \$1,071 from DOD Afghan Humanitarian funds (McCollum Amendment).

A. Commodity Support

The status of commodity procurement as of March 31, 1988 follows (values in \$ 1,000):

<u>Item</u>	<u>Purchased</u>			<u>Quantity Delivered</u>
	<u>Qty</u>	<u>Value</u>	<u>%</u>	
<u>Transport equipment</u> .....	—	<u>11,224</u>	<u>75</u>	—
Cargo trucks .....	268	7,281	49	163
3/4-ton pickups .....	224	1,687	11	204
Earthmoving equipment .....	10	883	6	—
Mules .....	1,090	959	6	940
Other .....	—	414	3	—
<u>Clothing and blankets</u> .....	—	<u>582</u>	<u>4</u>	—
Blankets .....	22,400	142	1	22,400
Boots (pr) .....	48,920	310	2	39,400
Shalwar Kameez (traditional dress) .....	23,728	130	1	23,728
<u>Food</u> .....	—	<u>3,024</u>	<u>20</u>	—
Tea, black & green (Kg.) .....	95,642	176	1	95,642
Sugar (Kg.) .....	102,456	173	1	102,456
Ghee (cooking oil—tins/2.5 Kg)	87,800	181	1	87,800
Food packs (4 persons/1 week)	199,817	2,250	15	145,617
Food packs (one day) .....	125,000	244	2	—
<u>Other</u> .....	—	<u>87</u>	<u>1</u>	—
TOTALS .....	—	14,917	100	—

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The quantity of commodities procured and delivered during the 18 months the project has been active far surpasses the normal start-up of a new activity. It is especially impressive given that the chassis of the trucks had to be procured offshore and then special bodies had to be added in Pakistan. This was to keep the trucks from becoming targets once they entered Afghanistan. Considerable time and effort were devoted to the design of the food packs. Concurrent with the procurement for this project, the contractor (AMEG) also had to initiate procurement for the agriculture, education, and health projects. The latter was particularly complicated and time consuming.

The foregoing commodities were supplemented by PL 480 Title II wheat (43,300 tons delivered by March 31, 1988) and DOD surplus items. The quantities procured under CEP are greater than would ordinarily be possible because the McCollum Amendment DOD funds have been used to pay transportation costs for the mule shipments from the U.S. and one shipment of trucks. It also has been used to purchase some trucks.

#### B. Contractor (AMEG) Achievements

The start up of AMEG operations was extremely rapid and smooth in spite of not having an office for the first three months and having to cancel plans to use a local contractor to supply all local staff and place all national employees on personal services contracts. Four of the five initially approved U.S. contract personnel arrived in Islamabad within two months of contract signing. The first major procurement started less than a month later.

AMEG has been able to place orders about as fast as CEP funds have been obligated. AMEG has also provided local procurement services for three other AID contractors—over \$1.67 million in over 300 purchase orders or contracts. The procurement of medical supplies for Management Services for Health has been complicated and time-consuming. The contractors implementing the health, agriculture, and education projects were generally satisfied with the service they had received from AMEG.

In addition to procurement, AMEG arranges for receipt of CEP commodities and their distribution to the Pakistani counterpart or the representatives of the Alliance parties. It also assists the AID Representative in handling the DOD McCollum flights and monitoring PL-480 distribution.

AMEG not only purchases mules in Pakistan and the U.S. for use as pack animals in Afghanistan, it also trains the mules and mule handlers from the parties. Nearly 900 mules have been trained and issued to the parties and over 700 mule handlers have been trained at AMEG'S Animal Holding Facility near Peshawar.

AMEG quickly set up a good document and action system for commodity procurement and delivery. It was a little slow in setting up a complete financial system, but that has now been accomplished. AMEG'S records for both finances and procurement seem well arranged and complete.

AMEG is tasked with certain commodity monitoring responsibilities, including some checking within Afghanistan. The first monitoring across the Afghan border recently began; previously, monitoring was limited to: a) following

trucks to the border and observing their unloading; and b) surveying markets in border towns in Pakistan to ensure that commodities were not coming back across the border. On a couple of occasions, a video camera-equipped Afghan followed commodities across the border. It appears that very few of the commodities have found their way back to Pakistan.

For a detailed assessment of AMEG's operations, see Annex C. Some issues arising from the assessment are discussed in Section IV below.

To write the AAM, AID chose AMEG, under an 8(a) set-aside approved by AA/ANE on August 21, 1985, with the idea of using the firm to implement the activity. AMEG's people had extensive overseas commodity import program experience. The design of this unusual project to meet a unique situation was carried out rapidly and competently and it was approved expeditiously--once GOP approval was given to move forward with the design.

The AID Representative on August 8, 1986 signed a determination that AMEG should be awarded the contract for implementation without competition under the "notwithstanding" clause rather than as an 8(a) set-aside to avoid the delays of going through the U.S. Small Business Administration. The resulting contract was signed on August 14 and the first AMEG person arrived about six weeks later. The ability of the AMEG team to have achieved so much in a relatively short period of time reflects favorably not only on the AMEG team but on the AID Representative and his staff.

Due to the "notwithstanding" legislative clause (Section 541 of the Foreign Assistance Act), AID has unusual flexibility to implement the CEP project; it has used it sparingly, but when necessary. The implementation of this project is outstanding in many ways as a result of the intelligent and imaginative use of this flexibility.

#### IV. ISSUES, CONCLUSIONS, AND RECOMMENDATIONS

##### A. Achievement of Project Purpose

The Activity Approval Memorandum (AAM) included statements in the purpose statement (II above) which normally would be reviewed in assessing the success of the project; however, these statements were not carried forward in the Action Memorandum to the Assistant Administrator which recommended approval of the project or in the authorization document. The latter states simply that the project is to provide "for all aspects of the procurement and distribution of needed humanitarian commodities to the free Afghan people remaining in Afghanistan and for technical assistance in connection therewith." In our discussion of the statements in the AAM with the AID Representative, we were told that the primary purpose of the project was to show political support for the Alliance and to assist the Mujahideen take care of the people in their areas in free Afghanistan.

Thus, in its simplest terms, the project can be said to have been successful if needed humanitarian commodities were distributed to Afghan people in Mujahideen areas, and the assistance under the CEP provided political support

for the free Afghan leadership. Because monitoring of the distribution of CEP commodities in Afghanistan is just beginning, there are no data available to identify or quantify the direct beneficiaries of the humanitarian goods provided under the project. Pakistani authorities who monitor the program state that the goods go into Afghanistan. The monitoring by AMEG personnel up to the border and in markets in Pakistan close to the border also supports the conclusion that the bulk of the goods go into Afghanistan consigned to local commanders. We conclude, therefore, that the commodities are being distributed to the Afghan people in the Mujahideen-controlled areas inside Afghanistan.

The assessment team did not meet with the Logistics Committee or other officials of the Alliance. Afghans associated with other AID projects, while differing on some specifics, seemed convinced of the general utility of the CEP commodities. Through the Alliance technical committees set up to administer their projects, the CEP and the projects for which it procures have helped create and strengthen the operational capacity of the Alliance in the provision of social services. A Pakistani counterpart has informed AID/REP, and members of the Logistics Committee have confirmed that, thanks to the additional support from CEP and other sources, they were able to continue activities in Afghanistan during the winter this year for the first time. There are other indicators of growing strength and success by the Alliance in political and military terms, but clear linkages to this project cannot be shown. Nevertheless, the team feels there is sufficient information to conclude that the CEP activities have supported the political objectives of the free Afghan leadership.

## B. Commodity Selection

### 1. Selection Process

Initially the commodity selection process directly involved the Alliance parties through their Logistics Committee--one representative from each party. The Committee members were given a list of commodities from which they were to choose within an allocation of \$250,000 per party. After they had prepared their lists and discussed them with AMEG and AID, the GOP counterpart and AID/REP decided to use the first tranche of funds for vehicles. Logistics Committee members were then given the opportunity to establish the mix of vehicles (heavy cargo trucks vs. pick-ups).

Because of the difficulty of convening the Committee--the members are also responsible for military logistics and travel a lot--and the large amount of time spent trying to get consensus, the GOP counterpart and AID/REP generally have decided, since the first meetings, which commodities will be supplied to the parties. The subsequent meetings of the Committee have been used to focus on operational details--misuse of vehicles, requirements for truck bodies, composition of the food pack, etc.--and to try to confirm that the commodities procured responded to the priorities of the Committee.

The initial experience with the Committee provided a lesson that will be useful when the large scale repatriation and rehabilitation efforts begin, and is a useful "lessons learned" for any Mission operating an emergency type

program. The initial list presented to the Committee was quite extensive, with the result that the lists received from the parties ranged from 5 to 30 items, with the consolidated list totalling 60 items.

This was clearly unmanageable and AID/REP decided to dispense with the concept of a "positive list." The Logistics Committee had agreed that food and transport assets were their highest priorities, so AID/REP and the GOP decided on procurement within those priorities. The parties' lists were used as general guidelines of the parties' interests. The short list that evolved with experience included: transport equipment (heavy cargo trucks, pick-ups, and mules); food (tea, sugar, cooking oil, and food packs used in concert with PL-480 wheat), clothing (boots, traditional dress and blankets), and construction equipment (rock drills for making shelter caves and road clearing equipment).

An alternative, which might have helped get the process off on a better basis, would have been to ask the Committee members for their three highest priorities within a few general categories, then prepare a short list (with prices) and discuss with them individually how they would like to spend the funds available for the next tranche.

For emergency type programs, it is essential to restrict the number of commodities that will be furnished. Otherwise, it takes too long to get procurement started and it takes a much more complicated commodity delivery system. Although the current commodity list will likely change in the up-coming rehabilitation period, there probably will continue to be a big need for vehicles, possibly mules, and for equipment to rehabilitate roads. The supply of food may be largely taken care of by the international relief effort. The principal new requirements may include building materials, communications equipment, furniture and supplies for newly established offices, and equipment for rebuilding small private sector activities which support the agricultural effort.

The likely categories of commodities to be required are discussed in the Activity Approval Memorandum (AAM) for the follow-on project. To prepare for the potential rush in procurement activity that could come with the start of repatriation/rehabilitation, AMEG could begin, as time permits, to assess the procurement implications of the probable additions to the procurement list. Based on their assessment, they could prepare for unusual or difficult procurement actions; they might even suggest that certain commodities should not be put on the positive list for AID financing.

## 2. Vehicles

In the scope of work for this assessment, we were asked specifically to review/assess the appropriateness of the concentration on transport and related support.

Over 60 percent of CEP commodity procurement has been for vehicles and ancillary equipment and 6 percent each for pack animals and earthmoving equipment. Twenty-five percent of the commodity funds has been used for food,

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clothing, or shelter needs. It should be noted, however, that the transport assets provided under the CEP also deliver PL-480 wheat, DOD surplus items, and commodities sent into Afghanistan by the other AID/REP projects.

In the first meeting of the Logistics Committee, the need for transportation assets was voiced. All six of the commodity lists turned in after the first meeting of the Committee included vehicles; four of them also included mules. Thus, it was clear at the outset that supplying vehicles and pack animals was essential to having a humanitarian assistance program.

Since deciding how to apportion their first allocation of funds for vehicles, the Committee members have not participated directly in the decisions on how to allocate funds between transport assets (vehicles and mules) and other CEP commodities or on what the mix should be between different kinds of vehicles. Initially, it was safe to assume that whatever could be provided under the project was a "drop in the bucket" in relation to needs. However, some of the parties complained at the outset about the roughly equal distribution of vehicles between the parties, claiming that some were already much better endowed than others. (The issue of resource allocations was covered in pp. 02-15 of the AAM which recommended initial allocations should be on an equal basis.) In a later allocation some party representatives are reported to have been disappointed to receive so many pick-ups; they would have preferred the larger cargo trucks. Thus, it is not clear that the "drop in the bucket" statement is still accurate--at least for some parties and some specific items.

Because of AID/REP's concern about how to determine the number of trucks and mules that should be procured in relation to the amount of other humanitarian goods being supplied, AMEG attempted an analysis of the carrying capacity of the fleet being procured in relation to the amount of CEP humanitarian goods to be transported. The latest version of the study, which takes into account the vehicle order in process, concludes that there is approximate equilibrium between the carrying capacity and the cargo to be carried. The 60 percent down time assumed in the calculations seems high, but this may be offset by the need of the parties to use the fleet provided under this project to carry other humanitarian goods they purchase with funds provided by other donors.

The difficulty of deciding how many vehicles are needed by whom has been further complicated by the signing of the Geneva Accords, which suggests the possibility of the repatriation of some three to five million refugees in a relatively short period of time--once repatriation starts--and the creation of a free Afghan government structure. The GOP counterpart is recommending the procurement of a substantial quantity of additional vehicles to be turned over to a new Afghan logistics organization. This organization would carry out the free Afghan leadership's responsibilities for, inter alia, the welfare of the repatriated refugees and displaced persons, as well as needy Afghans who have remained in their villages. The assessment team concurs in having an Afghan capability along the lines suggested and has recommended more detailed study of just how this capability might be supported in the CEP follow-on project.

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It is anticipated that no additional vehicles will be turned over to the parties unless some critical requirement is identified; rather, any new purchase of vehicles would be for the new free Afghan government and its logistical services unit. It is important to begin soonest to identify the individuals who are likely to be the cadre of the new organization, and to develop the commodity and technical assistance needs that will be necessary to make this organization effective in what is likely to be an unprecedented movement of people back to Afghanistan as soon as reasonable security conditions permit. The Team suggests that AID/REP seek to identify and recruit an Afghan who could participate and assist in the planning for this activity and serve as AID/REP's liaison with the Afghan logistical unit when established.

The principal vehicle purchases to date have been from Japan. Given security considerations, purchase of U.S. make vehicles was not appropriate. Given both price factors and the urgent need, purchase from Japan was justified. Understandably, the parties subsequently wanted to standardize with the same type and make of vehicle that was initially purchased. With the likelihood of improved security, AID/REP is intending to buy subsequent vehicle and heavy equipment from the U.S. If there should appear to be a continuing need for non-U.S. make vehicles for security reasons, it may be appropriate for AID/W to ask the Japanese or German governments to finance some vehicles under assistance they may in the future provide to a free Afghan government. Such an approach might receive a more sympathetic hearing now that the Geneva Accords have been signed.

No spares were ordered with the vehicles because the GOP counterpart told the CEP project officer that spares were available in country. Later it turned out that this information was not totally accurate--spares were available for the Toyota pick-ups, but not for the drive-train/suspension systems of the 4-wheel drive Hino trucks. These parts have limited availability and can be very expensive.

After AID/REP was informed that some of the trucks were developing problems that could not be handled locally, particularly with the 4-wheel drive transmission, AMEG was tasked to do a survey of repair/maintenance facilities available locally and a study of the feasibility of establishing a central maintenance facility for Alliance-owned trucks. The AMEG study, which was presented to AID/REP in December 1987, concluded that:

a) Alliance trucks are wearing faster than they would under normal operating conditions because of the rough terrain they are used in, unskilled drivers, lack of preventive maintenance, paucity of spare parts, and the lack of a properly equipped maintenance facility. If these problems could be overcome, a truck's productive life could be increased by 35 percent, i.e., 10 extra work days per month of road time.

b) Needed spare parts cannot be obtained in new, used, rebuilt, or re-manufactured quantities to maintain their fleets. Local maintenance facilities are inadequate, expensive, and insecure.

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c) AID/REP should: 1) import a two to three-year supply of critical spares immediately; 2) lease or construct a maintenance facility and warehousing for the spare parts; and 3) provide training in vehicle preventive maintenance. In short, AID/REP should establish a vehicle maintenance and training facility in Peshawar to support the fleets provided to the Alliance parties under the CEP program. Subsequently, another facility might be set up in Quetta.

AID/REP was prepared to accept the recommendation to set up the facility, but AID/W turned it down. In the meantime, AID/REP has had to procure some spares for distribution to the parties to meet urgent needs. While the recent turn of events in Afghanistan suggests it may no longer be appropriate to set up a repair maintenance facility in Peshawar, the need for spares will be continuing and can be met without establishing a full-blown center.

The assessment team believes that steps should be taken now to set up a spare parts inventory, servicing the Alliance fleets plus any additional units that may be established by the free Afghan government authorities to handle the repatriation/rehabilitation stage. The inventory should be considerably more limited than that proposed in the Anderson report, focussing on expensive and critical items generally not available in country. The team recommends that AMEG be tasked to do this. AMEG already has responsibility for procurement and warehousing of many CEP commodities; it is natural that it maintain the procurement function for the spares during the hectic repatriation and rehabilitation period at least. At an appropriate time, the function could be passed to an appropriate organization, including possibly the private sector. The issue raised by AID/W about putting too many eggs in the AMEG basket is dealt with in IV. D. below.

RECOMMENDATION: (1) That AID/REP task AMEG to prepare a specific proposal for a limited spare parts inventory to be set up in Peshawar or Islamabad and that AID/W approve the concept and related procurement.

### 3. Earthmoving Equipment

On October 27, 1987 AMEG placed an order with a local firm for the procurement of three Komatsu GD 611A Graders, three Komatsu D85A bulldozers, and four Komatsu D40A bulldozers with standard equipment at a price of \$883,000. This was a rush order passed on by the Pakistani counterpart who, for security reasons, insisted on non-U.S. manufactured equipment.

The assessment team reviewed the internal correspondence relating to the justification for non-U.S. purchase, but there was no documentation spelling out the need to be met with the specific items of equipment, the organization which was to receive the equipment or its technical and financial capability to use the equipment, etc.

The project officer told the team that the equipment was requested by the GOP counterpart on a rush basis to meet urgent operational needs. At the time, movement into Afghanistan by the usual routes was being interdicted, and it was intended to use the equipment to open new routes through the mountains. Since the order was placed, the breakthrough occurred on the Geneva Accords, and the on-the-ground situation has changed dramatically. The mission to be performed with the equipment no longer exists.

The assessment team in one of its first working papers suggested that rehabilitating roads would be an urgent activity in the repatriation/rehabilitation period. Because of the special circumstance with the heavy equipment, the project officer already had a committee working on a plan for the use of the equipment. The April 20, 1988 version of the plan recommends the creation of an Afghan Construction Team (ACT) as an instrument of the Alliance. It is proposed to set up either two or three units that could operate relatively independently.

The assessment team supports the plan of the project officer to bring in a TDY expert to develop the committee's work further. The current plan would require the expenditure of an additional \$1.3 million for equipment for the two-unit operation and \$1.9 million for the three-unit operation. This does not include materials for bridge reconstruction or repair of asphalt roads which surely would be needed also for the plan to be effective. The operating costs of the units have not yet been established.

The plan recommends an extensive mission for the equipment, including repair or construction of irrigation infrastructure, as well as road rehabilitation. The team recommends that the mission initially be confined to road rehabilitation, air field repair or lengthening, or other activities which are clearly high priority for meeting repatriation, relief, and immediate needs. Most irrigation infrastructure repair will require primarily hand labor and hand tools with some help from smaller equipment. The team suggests that the TDY assistance include at least two persons. One would focus primarily on the definition of the mission of the unit and the preparation of a plan of operations, while the second would establish the needs for the maintenance and repair of the equipment.

#### 4. Mules

Some 1,090 mules have been procured under the CEP project, of which some 670 have been purchased in the U.S. and transported to Pakistan by DOD-funded charter flights. With the completion of the present cycle of trainees, over 770 Afghan mule handlers will have been trained. The mule program is well designed and well run.

Mules were initially purchased in Pakistan. As the number being purchased rose, the prices began to rise, and the Pakistani counterpart became concerned about the impact of continued purchases. AMEG checked out the possibility of purchasing mules in China, Thailand, and Turkey with no success. They learned that a substantial number of mules were available from the U.S., so procurement was initiated there. The U.S. mules are reported to be superior to local mules—stronger and more easily trained. The costs, however, including the cost of transport (which is paid from DCD McCollum funds), is about four times that of the locally procured mules.

The mules are sent into Afghanistan from the border camps of the Alliance parties and then, in most cases, they return to the camps for a period of rest before going on the next trek. The parties have requested feed be provided for the mules during this rest period. Up to now, AID/REP has been reluctant to do so since this would, in essence, be providing operating costs and there would be little chance of monitoring the use of the feed.

Recently, the parties and the GOP counterpart have agreed to regular visits to the camps by a representative of the Animal Holding Facility to check out the mules and provide veterinary services as needed. The need for the feed has been verified. With regular visits, it will be possible to monitor the use of any feed supplied—or at least monitor the condition of the mules and thereby ascertain if they are being properly fed. Given the situation discussed below, it is desirable to obtain more information about the mules' condition and how they are being used; providing food could help do that.

**RECOMMENDATION:** (2) Mule feed be provided to the parties at their border holding facilities for a four-month trial period—and continued if justified.

Purchases of mules in the U.S. have been suspended, and local purchases will be resumed if it appears justified. With the signing of the Geneva Accords and the likelihood of reduced conflict along the Pakistan-Afghanistan border, it is possible that the need for the mules will be reduced. There is evidence that one party has allowed a limited number of mules to return to Pakistan and be offered for sale. This issue is being taken up with the Logistics Committee and party involved. AID/REP will also be meeting with the Logistics Committee and the GOP counterpart to review the future need for mules, and then determine whether to continue the mule program.

With the uncertainty about the future of the mule program, attention has been given to the eventual use of AMEG's Animal Holding Facility. Proposals for its use include:

- a) Bringing in American jacks to start a program to up-grade local breeds.
- b) Starting a pilot project to train and use the mules as draft animals to help compensate for the decimation of the bullock herds in Afghanistan and the impossibility of injecting into the country in a relatively short time either sufficient tractors or bullocks to make up the shortage.
- c) Serving as a holding facility in which bullocks purchased for transfer to Afghanistan would be checked by veterinarians to ensure that diseased animals are not being sent across the border.

All of the foregoing are worth considering, but additional information should be gathered about the probable need for mules in postwar Afghanistan, the strength of any cultural bias that might exist against using mules as draft animals, the magnitude of the bullock program that might be anticipated in the next year or two, etc. The assessment team suggests that AMEG and VITA be jointly tasked to prepare an options paper which could serve as the basis for an AID/REP decision or, if time permits, for review by the Agriculture Sector Support project assessment team. The options paper should also address the pros and cons of the Animal Holding Facility continuing as a part of the CEP project vs. being placed under the Agriculture Sector Support project, with the personnel being shifted from AMEG to VITA. The latter would seem desirable if the role of the Facility shifts away from its present mission.

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## 5. Food Packs

AMEG has devoted a lot of effort to developing the food pack, including consultations with members of the Logistics Committee and nutritionists in Karachi. Besides all the research that went into developing the packs, there have been difficulties with the firms producing the packs. In the first major purchase, 92,000 were produced and distributed to the parties. The Logistics Committee members indicated that they were well received, but made some suggestions for changes that have been incorporated in the second large procurement just effected.

The concept behind the food pack was that PL-480 wheat was being distributed to the more accessible areas and the food packs were designed to go by mule caravan to the more remote areas or to areas where trucks would not go for security reasons. As security improves, there will probably be less need for the food packs. However, they might still be needed for remote villages during the first year of the rehabilitation phase.

If the intended beneficiary should be an Afghan villager who might have stayed in Afghanistan, a cheaper food pack probably could be designed which would still be in accord with the basic Afghan diet: wheat flour, lentils, ghee (cooking oil), tea, and sugar. The expensive rice could be eliminated, only one type of an inexpensive tea and one inexpensive lentil included. Assuming the same size pack, this would permit the wheat flour ration to be increased; in Afghanistan, malnutrition is more likely to be the result of a calorie deficiency than a protein deficiency. The cheaper and more nutritious local brown sugar should be supplied in place of the refined white sugar. The spices appear to be more to Pakistani taste than to Afghan diets.

In a mass feeding program of the type that can be expected during the first year of the repatriation of the refugees and displaced persons, food packs will only be cost effective in meeting special circumstances. The mass programs will need to focus on one or two commodities, which for Afghanistan probably should be wheat and tea.

### C. Project Monitoring

AMEG has established an excellent paper trail for funds utilization and for commodities up to the border. It also has been checking markets near the border to determine if AID-supplied commodities were coming back from the border and being sold in Pakistan. Except for a limited number of DOD surplus items, this appears to have been insignificant.

AMEG monitors have reviewed some of the border warehouse records and onward shipping documents. It appears that most, if not all, of the parties do keep some records on their shipments. AID/REP has been unable to get reports on the movements of CEP goods beyond the border.

The AMEG contract tasks AMEG to establish end-use monitoring (task 13) and "to develop and implement, to the maximum degree possible, systems to account for the appropriate disposition of resources once they leave his hands, whether in Pakistan or Afghanistan. To the degree feasible, the monitoring system developed by the contractor should reflect upon the program impact of the provision of commodities." (task 18)

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On December 19, 1986, the AMEG Team Leader wrote the AID/REP for permission to set up Surveillance and Monitoring Units in Peshawar and Quetta. The units' sole function "will entail monitoring the delivery and impact of CEP commodities in Afghanistan. These units will pursue the trail of commodities from point of issue to end-user (when feasible). Among other tasks, the units would collect data concerning end-use of commodities from individuals returning from Afghanistan." Amendment No. 4 (February 1, 1987) of AMEG's contract authorized "activity by non-American contract employees in Afghanistan as well as Pakistan."

On March 4, 1987, the AID/REP Evaluation and Monitoring Officer transmitted to AMEG a very comprehensive "Data Collection, Monitoring and Evaluation Plan" for CEP, Afghan Humanitarian Relief Commodities (DOD excess), and PL-480 commodities. As indicated in the memorandum, the Chief of Party had participated in the development of the plan. Future quarterly progress reports were to report on progress toward answering the questions listed in the monitoring plan, using the indicators for each question.

The quarterly report was to contain an analysis of the information needed for answering the questions. It was recognized that the extent of information would vary between reports, but each quarterly report was to treat each question, either substantively or on the status of data collection.

It was not until December 23, 1987 that the AMEG Team Leader submitted a program for carrying out cross-border monitoring. He said that cross-border monitoring would begin in early January. The first trip under this program was made in April 1988.

AMEG submits a monthly report on CEP monitoring to the CEP Project Officer and one on PL-480 to the Program Officer, who is also responsible for the Title II program. AMEG's quarterly reports contain copies of the monthly reports previously submitted, without summaries or analysis. No reports appear to have been submitted which respond specifically to the March 1987 Monitoring Plan.

A meeting was held in October 1987 with participation of AMEG and the contractors of the other three projects located in Peshawar to explore the possibility of developing a short list of information needs to which each group's monitors could be alert during their cross-border visits. Discussions were held regarding the sharing of cross-border monitoring information. A follow-up meeting at which each party would submit its short lists has not yet been held. AID/REP's CEP Project Officer said that other priorities had prevented him from following up on the meeting and more forcefully insisting that AMEG comply with the March 1987 plan and AMEG's announced intentions at the end of 1986. He also pointed out the difficulties inherent in doing cross-border monitoring in this project compared to the projects administered by other contractors, e.g., the greater dispersion of the commodities and the fact that the commodities have been distributed to commanders who have no direct relationship to CEP project personnel. The GOP has also been more reluctant to permit border surveillance, let alone cross-border surveillance, for this project than for the others.

AID/REP is establishing a special monitoring unit to facilitate the integration and analysis of monitoring information being collected by the contractors' monitoring programs, to expand the information being received, and to advise the contractors on their monitoring programs. Recruitment is in process for a personal services contractor to serve as monitoring and data collection specialist for cross-border humanitarian assistance. He/she would be stationed in Peshawar and would report to AID/REP's Regional Affairs Officer/A.

RECOMMENDATION: (3) AID/REP instruct AMEG to discontinue the practice of including copies of previously submitted monthly reports in their quarterly reports and to include instead: a summary report of its monitoring, citing the findings of note and action taken thereon; and a response to the questions in the March 1987 Monitoring Plan or some indication of how AMEG intends to respond to them.

#### D. Contractor Services

A summary of AMEG's achievements is provided in II. B. above, and a more detailed assessment of the contractor's performance is included in Annex C. This section focuses on an issue raised recently by AID/Washington. Is AID Representative running the danger of overloading the contractor? AMEG is an 8a firm, relatively new, and this is its first major contract.

We found that the AMEG team arrived quickly, was immediately thrust into action, and generally has performed well under the conditions prevailing. Its staff has developed an expertise in local procurement and commodity management in Pakistan to supplement the experience in these fields that they brought to their jobs. On the other hand, the firm has no experience in running a major technical assistance operation such as is being considered for the Afghan logistical unit and the heavy equipment unit in the follow-on project. The team does not think it would be prudent to give AMEG responsibility for these activities.

We have also looked at the trends in procurement and estimated the impact of the repatriation and rehabilitation phases on AMEG's work load. We anticipate a considerable increase in procurement in the follow-on project. In addition, procurement for the Agricultural Sector Support project is increasing and can be expected to balloon when repatriation starts. The Education Sector Support project may pick up some with repatriation. When security conditions permit relocation efforts to begin, there will be a need to quickly set up a logistical system within Afghanistan for U.S.-donated commodities to be provided under the AID/REP's program; AMEG would be the logical choice to manage it.

We looked at the Health Sector Support project and found that its procurement workload was expanding the fastest. It can be expected to increase geometrically even without repatriation. The latter can expand requirements dramatically. We concluded, therefore, that there might well be serious overload of the contractor and that steps should be taken to reduce some of the functions it performs. We concluded that it would be desirable to shift the in-country procurement for the Health Sector Support project to another contractor and to drop one of the functions--the procurement service agency

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functions for U.S. and third country procurement. With regard to these PSA functions, there are many potential contractors who can perform this service well without having special knowledge of Pakistan and Afghanistan--in contrast to local procurement for which country-specific knowledge is especially valuable. AMEG does not have a great deal of experience with this function and does not have a large home office staff to perform it.

Health project procurement is already responsible for about 50 percent of the AMEG procurement workload and is the activity likely to expand the greatest in the future. Furthermore, health logistics systems are traditionally separated from other logistics systems because of their highly specialized nature. We believe, therefore, that the health procurement function should be shifted from AMEG soon--before the big crunch comes with repatriation. We leave to the health project assessment team (to begin June 1, 1988) to recommend whether the procurement should be taken over by MSH or some other organization.

RECOMMENDATION: (4) AMEG be relieved of the requirement to procure for the Health Sector Support project as soon as alternative arrangements can be made and put into effect.

RECOMMENDATION: (5) AID/REP do a competitive contract for PSA services for U.S. and third country procurement under the follow-on project; AMEG would continue to provide such services until the new contract was operational.

While we are recommending that AMEG be relieved of some of its workload because of the anticipated expansion of procurement and commodity management duties that will be needed during the repatriation and rehabilitation periods, we are impressed with how well they have performed in a very high pressure environment, and the expertise developed in local procurement and commodity management. There are good operating reasons for having only one incountry logistical system (other than for health). AMEG should continue this operation and prepare to extend its operations into Afghanistan as soon as conditions permit. AMEG should also begin training Afghans in logistical operations.

RECOMMENDATION: (6) AID/REP continue to contract with AMEG under the new project for the continuation of the services now being provided--less those mentioned in recommendations 4 and 5--plus training.

#### E. Follow-On Project

The CEP project has been dealing with a special emergency type situation since its inception. The needs have been great and project commitments have already exceeded the original life of project funding. The need for cross-border assistance continues, but this could change--to another type of emergency situation.

With the signing of the Geneva Accords April 14, 1988, there may be improved security in parts of Afghanistan following the departure of the Soviet troops. This could lead to the repatriation of over three million refugees from Pakistan and possibly two million from Iran. It is conceivable that large numbers could begin to move this summer. Steps should be taken now to begin to organize for the nearly overwhelming needs that would be generated by such a mass movement of people—potentially the largest experienced in modern times.

Even on the assumption that the UN family will take the lead on repatriation and other donors will also contribute substantially to the resettlement and rehabilitation effort, there will still be a substantial need for U.S. assistance on a bilateral basis. Furthermore, since the AID Representative has a contractor already in place who is experienced in procurement and commodity management in Pakistan, AID will be in position to meet emergency needs that are sure to arise.

The follow-on project to the CEP, therefore, needs to provide for a continuation of CEP-type activity for at least a year, probably longer in some areas. At the same time, there is need to get ready for the return of the refugees and be in a position to make a major contribution to the rehabilitation phase.

In looking at likely scenarios for the repatriation and the tentative plans of some of the UN participants, it appears that the biggest bottleneck is likely to be in the movement of commodities, and possibly refugees, from the UN-organized distribution points in Afghanistan to districts—and villages in some cases. An urgent need, therefore, is to assist free Afghanistan officials to plan for and organize logistical services to prevent such a bottleneck from occurring in the areas under their administration. Additional commodity support and technical assistance are likely to be needed by the new free Afghanistan authorities to meet the challenge of rehabilitation and planning for longer term reconstruction.

In view of the new challenge, it is proposed that the follow-on project be titled Afghan Rehabilitation Support (AFSUP). It would have three main purposes:

- 1) continue cross-border humanitarian commodity assistance to war-affected areas;
- 2) supplement multilateral resettlement assistance; and
- 3) plan for, and help the free Afghan authorities undertake, a massive repatriation and rehabilitation activity.

The project would have the following components:

- 1) General Commodity Support — cross-border humanitarian assistance until security improves, then rehabilitation help to the repatriated refugees and internally displaced persons;
  - 2) Procurement and Delivery System -- continuation of AMEG contract in support of commodity assistance;
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3) Afghan Road Works and Logistics -- commodities, technical assistance, and possibly some operating costs to permit the free Afghan authorities to organize for and support the forthcoming large scale repatriation and rehabilitation. Further study is needed to establish requirements.

4) Studies and Surveys -- concerning the expansion and increased effectiveness of (a) the supply and demand aspects of commodities; (b) the logistical system which delivers the commodities; (c) the physical transport infrastructure which supports the logistical system; and (d) macro-economic issues, e.g., trade.

The foregoing will be elaborated in the AAM being prepared concurrently with this assessment report.

The upcoming period is likely to be more trying and difficult than the unique circumstances of the recent past. It is imperative, therefore, to maintain maximum flexibility to be able to respond to changing circumstances (read potential disasters). The "notwithstanding" circumstances will continue to prevail.

Given the possibility that a million refugees could conceivably start returning in a few months to the Kandahar area, it is important to authorize and fund this project this fiscal year so that the expanded activity can be initiated soonest.

SCOPE OF WORK FOR THE ASSESSMENT

Article III - Statement of Work:

The team will review/assess the operations, and progress to date, of the CEP, with the objective of identifying possible improvements given current institutional and political constraints. This will include a review/assessment of the following:

- a. commodity procurement, management, control, and accounting procedures in use by the contract team;
- b. timeliness and effectiveness of technical assistance provided by the contract team;
- c. the organizational and management structure of the contract team in light of geographical and institutional relationships which exist;
- d. the monitoring and accountability efforts of the project;
- e. the criteria used to select commodities supplied under the CEP;
- f. the utility or impact of these commodities;
- g. the degree to which the concentration on transport and related support (e.g. pack animals, spare parts, maintenance, training) is appropriate.

The team will also prepare a revised Activity Approval Memorandum (AAM), the Afghan program equivalent of a project paper, which incorporates the appropriate changes and suggestions derived from the review/assessment described above. In addition, the revised AAM will incorporate consideration of the following:

- h. the appropriateness of an extension/expansion of the CEP in light of possible changes in the political/economic situation;
- i. optional funding levels for the CEP with upper limits appropriate for existing and potential circumstances;
- j. a new life of project and project completion date;
- k. broad policy parameters which would permit the A.I.D. Representative to alter operations in light of changed circumstances;
- l. alternative logistic mechanisms and arrangements which might be used in light of dramatically changed political conditions;
- m. waivers necessary in the execution of an amended activity.

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COMPOSITION OF ASSESSMENT TEAM

James L. Roush, Team Leader

Former AID foreign service officer, 25 years service, programming and economic analysis, systems, Mission Director. Consulting since 1979, including a number of evaluations and management assessments, the most recent being of the Andean Disaster Reconstruction program in Bolivia, Peru, and Ecuador.

Robert B. Pooley, food relief specialist

Recently retired from AID. His last post was Chief, Office of Voluntary and Humanitarian Programs in USAID Indonesia. He also has worked in AID as a refugee officer and as Deputy Chief of the PL 480 Title II Division in AID/W. He also has had extensive service with the World Food Program.

Michael J. Prehn, Transportation Specialist

Currently serving as Director of the General Motors Reload Project, developing rail shipping patterns. Extensive experience with Conrail and other railroads. Has done consulting for the World Bank in Korea and Brazil.

Ralph M. Singleton, Project Development Officer

Served 22 years with AID, 18 years overseas in six countries. Extensive experience in project design and in project implementation. Has had three years of consulting experience since retirement from AID.

ASSESSMENT OF CONTRACTOR'S PERFORMANCE

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## ASSESSMENT OF CONTRACTOR'S PERFORMANCE

I. GENERAL ADMINISTRATIONA. Meeting Initial Schedule:

Accomplishments: The initial schedule of events as laid out in the AAM and the actual completion of the actions are below. AMEG met or exceeded the schedule on those activities within its control, but AID had some minor slippage on its actions. These slippages within AID, however, are normal and were not significant in getting the project implementation started.

	<u>Action Responsibility</u>	<u>AAM Planned</u>	<u>Actual</u>
AAM to AID/W	AID/REP	6/25/86	
Project Authorized	AID/W	7/15	8/8/86
PIO/T to Contract Off.	AID/REP	7/25	8/13
AAM O.K. by Alliance/GOP	AID/REP	8/15	
Memo of Understanding discussed with Alliance	AID/REP	8/30	
TA Contract Signed	AID/REP-AMEG	8/30	8/14
TA Team in Pakistan	AMEG	10/15	9/25
Team meets 1st McCullow	AMEG	10/21	9/27
Financing mechanism estab.	AID/REP-AMEG	10/30	10/5
First procurement begins	AMEG	11/30	11/21
Deliver first commodities	AMEG	12/30	12/10

Difficulties: No major difficulties were encountered.

Evaluation Comments: These actions were completed in a remarkably short time compared to a normal project where one to two years might pass between completion of a project paper and arrival of contractor personnel or beginning of project implementation. For these actions to be completed in only a few months for an unusual project in a unique setting reflect very favorably on the AID bureaucracy and all individuals involved in both AID and AMEG.

B. Staffing Levels:

Accomplishments: The AAM anticipated a total of seven American personnel provided by AMEG, with six to arrive at project startup and the seventh when the Quetta warehouse became operational. The contract reduced this to six, with five to arrive initially and the 6th (warehouse) in the second year. Contract amendment No. 8 (11/10/87) increased the total to seven by adding two new positions (commodity management specialist and procurement specialist). Contract amendment No. 9 (12/2/87) added an eighth position (transport/warehouse).

<u>Name</u>	<u>Position</u>	<u>Date Arrived in Pakistan</u>
Bazos	Finance/Adm.	9/25/86
Freed	Procurement	9/27/86
Lawrence	ACMO/Peshawar	9/29/86
Barnes*	AHF Manager - Vet	9/29/86
Manz	CMO/Team Leader	10/09/86
Ottenberg	AHF Manager - Vet	2/22/87
Peterson	Transport/Warehouse	08/07/87
Thieme	ACMO/Quetta	12/01/87
Hatsukano	Procurement	1/13/88

\*Barnes was medi-evaced in January 1987 and replaced by Ottenberg.

Regarding the local support staff, the AAM anticipated a total staff of 50 people. The contract documents do not specify the size of local staff. By April 1988, the local staff had grown to a total of 94.

Difficulties: The magnitude of local procurement with a number of unanticipated problems (quality control, identification of acceptable suppliers, capacity of suppliers to fill orders, etc.) resulted in the need for a much larger local staff than anticipated in the AAM. AMEG reported little difficulty in finding qualified local personnel although it experienced a false start in that it initially planned to have some local staff provided by a local firm under an umbrella contract (per USAID recommendation). Before contracting for this service, however, AMEG's investigation of the contractor showed that this would be unsatisfactory. Therefore, AMEG hired all personnel under personal services contracts (PSC). This meant, however, that AMEG had to set up a complete personnel system during the first months -- a major task for the Finance/Administrative Officer that was not anticipated.

Evaluation Comments: AMEG did not seem to have difficulty in locating and hiring qualified American personnel. AMEG had to submit to AID/REP three candidates for each position with the AID/REP deciding on the most suitable candidate. The American personnel all seem to be well qualified for their positions. The lack of any changes in personnel during the first 18 months, except for the replacement of one who had to leave for medical reasons, along with the desire of all to return for second tours, indicates good selection initially with good morale being maintained in difficult working and living conditions. Credit for the first must be given to AMEG home office in recruitment and AID/REP in its selections, while much credit for the second must be given to the team leader and USAID/GSO for its logistical support to the team.

The team leader should not be expected to also fulfill a specialist function as required in the existing contract (both commodity management officer functions as well as team leader); being team leader for this project is a full time job.

The Finance/Administrative Officer has a strong administrative background, but very limited experience in finance and accounting. He unfortunately received no guidance from company headquarters, which did yet have a complete

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corporate accounting system and no field accounting manual. This resulted in some weaknesses in the accounting system (discussed in accountability section) which have been largely resolved. AMEG should have anticipated this problem and provided short term accounting skills during the first months to set up the financial system. This Officer recognized his weakness in this area, but apparently did not request the needed assistance (see Accountability Section for discussion). He is otherwise well qualified for his position and seems to be doing an outstanding job.

All other Americans have extensive experience in their fields, much of it overseas. Several retired AID people on the team had worked together previously. All seem to have considerable respect for each other and seem to be working well together as a team. No evidence of friction, internal conflict, etc. was observed. All are hardworking and dedicated. The Americans have provided help to two local employees who encountered damages during the April ammo dump explosion. Procurement Officer Freed has been particularly aggressive in obtaining lowest prices in procurement negotiations.

Observations of AMEG's local staff during casual visits to AMEG offices as well as extensive time spent there going through files indicate that the local staff know their jobs and are productively engaged in work. There was no idle social gathering and chatter observed. Requests for documents were met promptly and in effective manner. Their work seems to be well organized. Reports and memos written by local staff about monitoring and inspection activities were informative and well written. The files are maintained in excellent condition. USAIDs could take some lessons from AMEG files maintenance.

### C. Budget:

Accomplishments: The budget for the two major components (AMEG operations and commodity procurement) is as follows:

<u>Component</u>	<u>AAM</u>	<u>Original Contract</u>	<u>Contract thru Amend. No. 12</u>
	(US\$ 000)		
AMEG Costs	5,900	5,350	5,823
Commodities	41,600	18,610	21,237
Afghan Humanitarian Relief*	---	---	<u>1,071</u>
Total	47,500	23,960	28,131

\*These are McCollum funds which are authorized under project 306-0206, but put in the AMEG contract for implementation. Although McCollum Amendment activities were included in the AAM and original contract, no funding was provided to AMEG for this purpose until contract amendment no. 7, June 23, 1987.

Difficulties: No major difficulties appear here although the tranche funding approach to the AMEG contract resulted in constraints in their internal budget planning and additional work in preparing budget tables for allocation of each tranche of funds. The costs of logistical support provided by USAID/GSO were overlooked in the initial contract and had to be included in amendment 1 (September 25, 1986) by reducing the amount of funds available for commodities. This was not a major action.

Evaluation Comments: The AMEG budget is surprisingly close to the AAM estimate although AMEG has one additional American which adds about \$200,000 per year to the budget. The budget for commodities reflects funds availability rather than specific, targeted needs. Although AMEG has authority to shift up to 15% of funds among line items for its own operating expenses, it would seem more realistic to also include a contingency amount as a contract line item. The AMEG F/AO informally keeps a contingency in his planning. Estimating line item costs to the dollar is an exercise in exactness that does not reflect realities of operations. Line item estimates to the nearest \$1,000 in future budget preparation would reduce time spent in budget revisions and indicate that these are estimates rather than precise amounts. Estimating to the nearest \$5,000 or \$10,000 would be even better.

#### D. Obligations, Commitments, Expenditures:

Accomplishments: Unlike nearly all AID projects overseas, funds are not obligated through agreements with cooperating or host governments but through the AMEG contract because there is no cooperating government to be a party to a project agreement. Commitments, in the context of CEP, are the purchase orders or purchase contracts that AMEG executes. Expenditures reflect either (a) the reimbursement from AID for AMEG expenses or (b) disbursements by AMEG for commodity procurement using funds advanced by AID for this purpose.

Evaluation Comments: The uncertain timing and amounts of obligations is a limiting factor in the placement of procurement orders and planning. AMEG seems to be able to quickly place orders whenever it receives additional obligated funds so the pace of obligations determines the pace of commodity procurement. The infrequent large levels of commitments and expenditures reflect large vehicle orders.

#### E. Startup of Operations:

Accomplishments: Some information regarding the fast startup of implementation is provided in A above (Schedule). The USAID GSO had permanent housing ready for each team member upon his arrival. The AID/REP provided office space and warehouse facilities in Peshawar which had been used for many years by USAID/Afghanistan programs so it was available immediately and operations began there in October 1986. The warehouse center in Quetta began operations in May 1987. The latter was not planned to be set up in the first year of operations. AMEG began procurement within weeks of arrival. In fact, the first AMEG person to arrive (Bazos) had to meet a McCollum flight only two days after his arrival in country.

<u>Month</u>	<u>Obligations</u>	<u>Commitments*</u>	<u>Expenditures</u>
		(\$ 000)	
Aug. 1986	3,760	-	-
Sept.	-	-	-
Oct.	-	20	185
Nov.	-	2,000	124
Dec.	-	2,080	323
Jan. 1987	-	100	159
Feb.	3,400	2,300	131
Mar.	6,700	200	217
Apr.	-	2,000	287
May	-	300	311
June	1,071**	1,600	2,175
July	-	200	593
Aug.	-	200	2,715
Sept.	-	200	696
Oct.	-	1,100	741
Nov.	5,000	300	629
Dec.	-	600	606
Jan., 1988	-	3,200	183
Feb.	-	1,500	378
Mar.	8,200	200	1,797
	28,131	18,100	12,250

\* Commitments are for project commodities only and does not include costs of AMEG operations. Obligations and expenditures include AMEG costs also: \$5.8 million of obligations are for AMEG costs and \$3.3 millions of expenditures are for AMEG costs. At the end of March 1988, \$4.2 million of obligations for commodities remained uncommitted.

\*\* This amount is McCollum funds included in the AMEG contract and not CEP funds. The McCollum funds were allocated: \$105,000 for equipment, \$851,000 for vehicles and pack animals, and \$115,000 for in-Pakistan transportation cost of vehicles.

Difficulties: The commitment rate (e.g., commodity procurement purchase orders and contracts) is linked to funds available through the obligating actions and not to the project needs.

Difficulties: One startup difficulty was the false start in obtaining local employees through a local company. This delayed initial operations somewhat and placed a major, unanticipated burden on the Financial/Administrative Officer who had to quickly establish a personnel system and hire a large number of local employees. The team had to work out of the home of one member for three months until they found a suitable building (large, two-story house) for its Islamabad office which GSO leased on behalf of AMEG.

Evaluation Comments: The startup of this project was remarkably fast and reflects both the skills and the feeling of urgency by all concerned. It demonstrates that startup of implementation does not have to require many months if not years. AMEG recovered nicely from its early local hiring problem.

## II. PROCUREMENT:

### Accomplishments:

A. CEP: The procurement record through March 1988, on a disbursement basis, is \$11.2 million. In addition, AMEG has commitments for some \$4.4 million in purchase orders and contracts outstanding for which bills have not yet been submitted or paid; about \$5.9 million was uncommitted at the end of March.

The procurement was carried out through 60 purchase orders and 22 purchase contracts.

B. Other AID Programs: AMEG also serves as procurement agent for three other AID projects for Afghanistan: Health Sector Assistance (0203), Education Sector Assistance (0202) and Agriculture Sector Support (0204). Almost all the procurement has been from Pakistani sources. Funds are transferred from the other projects to AMEG to pay for this procurement. AMEG charges no fees to the other projects.

<u>Client</u>	<u>3rd Qtr 87</u>		<u>4th Qtr 87</u>		<u>1st Qtr 88</u>		<u>Total</u>	
	<u>Costs</u>	<u>P.O.</u>	<u>Costs</u>	<u>P.O.</u>	<u>Costs</u>	<u>P.O.</u>	<u>Costs</u>	<u>P.O.</u>
MSH	738	81	751	18	108	98	1,597	192
UNO	3	2	0	0	0	0	3	2
VITA	<u>1</u>	<u>3</u>	<u>54</u>	<u>2</u>	<u>12</u>	<u>2</u>	<u>67</u>	<u>7</u>
Totals	742	86	805	20	120	100	1,667	201

MSH = Management Sciences for Health; UNO = University of Nebraska/Omaha; VITA = Volunteers for International Technical Assistance; P.O. = Purchase Orders.

In the above table, P.O. represents purchase orders issued by AMEG. A purchase order may be for one or more separate line items. The supplier may deliver all commodities at one time or in separate deliveries. The amount of work involved for one purchase order is about the same regardless of its value. Thus, while the value of AMEG's procurement for MSH in the first quarter of CY 1988 decreased considerably, the number of purchase orders processed by AMEG increased about fourfold.

In addition to the purchase orders, AMEG issued for MSH five purchase contracts in the first four months of 1988 for a total of \$250,000. A purchase contract rather than purchase order is used for procurement from a single supplier for more than \$25,000. The five contracts involved informal, competitive procurement (request for price quotations sent to those Pakistani firms previously identified as making the commodities to be bought) for 50 different line items. Price quotations from several different firms were received for most of the procurement actions. A procurement for one line item totalled \$60,000, while another contract for 23 line items totalled only \$34,000.

C. Source of Procurement: About two thirds of the procurement to date has been from Japan (vehicles and heavy equipment) and most of the balance from Pakistan. The only substantive procurement from the U.S. has been the 674 mules.

It is doubtful that pipeline data for recent orders would change the source distribution very much. As the transport fleets become adequately equipped with trucks, the procurement from Japan should decrease substantially. However, as long as the main commodities provided for relief remain food and clothing, procurement from the U.S. is not likely to increase.

Difficulties: AMEG encountered some minor difficulties in its first purchases of vehicles from Japan. AMEG used the USG's regional procurement office (RPO) in Tokyo for the first order based on the guidance provided by USAID/Pakistan. Upon learning of the RPO fee, however, AMEG negotiated directly with the Japanese supplier for subsequent orders, thereby saving not only the RPO 2% service fee but locked in most favorable exchange rates by using a different financing mechanism and obtained lower prices. Although not calculated, the total savings probably were substantial.

AMEG initially bought mules in Pakistan, but its volume soon drove up prices and created some shortages. After researching several other countries as a source of mules, AMEG ended up buying mules from middle Tennessee. As of the end of April, six McCollum-financed chartered flights (747s) had airlifted about 684 mules. AMEG had to have a special ramp made locally for the unloading of the mules.

AMEG encountered many problems with quality control, adequate supplies, etc. with local purchases of food and medicines. AMEG had to do considerable market research for local suppliers with the assistance of a pharmacist expert from the U.S. provided by MSH to inspect about one half of the local pharmaceutical manufacturers. The remaining half are being inspected by a second MSH pharmacist. AMEG also had to do many other market surveys to prepare short lists of eligible local suppliers for its limited competition actions.

Evaluation Comments: The procurement operation has been far more labor intensive than anticipated. Extensive market research was needed for all except the vehicles. The many actions necessary before the first food packs were ready for delivery to the Afghans took much AMEG staff time. They had to first determine the contents of the food packs based on Afghan tastes, product availability, nutritional values, costs, durability and ease of transport, and local availability throughout the year in desired quantities without disturbing the local markets. Research about local suppliers had to include quality control testing. Even after the initial contract was awarded, frequent plant inspection was needed to insure desired quality control. Some food packs had to be returned to the supplier due to poor quality.

AMEG faced some difficult challenges in its initial procurement actions. Few procurements seemed to be routine, normal or carried out without encountering problems. The three outside clients (MSH, VITA, and UNO) seemed to be satisfied with AMEG's services although some minor problems and communications mixups occurred during the first procurements. The volume of procurement for MSH, together with MSH's general procurement experience, might make it desirable in the near future for MSH to set up its own local procurement capability, especially if MSH's commodity needs should increase by several fold as is expected. Another factor concerning possibility of MSH operating its own local procurement system is the fact that the specialized nature of medical supplies often require a separate and special logistical system anyway. VITA's commodity needs, while small to date, are expected to increase many times in the near future. UNO's commodity needs have been very minor to date as a significant portion of its needs are for special printing services.

AMEG has about topped out on the learning curve for the product items it has been buying to date; i.e., vehicles from Japan, local foods, food packs, local medical supplies. Therefore, unless new products are required, AMEG should be able to handle a large increase in the level of commodity procurement with only a little local staff increase.

### III. TRANSPORTATION/STORAGE/DISTRIBUTION

#### Accomplishments:

A. Transportation: AMEG arranges or coordinates a variety of transportation services depending on the product and source of funding. AMEG does not have its own fleet of trucks. Commercial transport services, US Department of Defense aircraft and charters, and GOP and Afghan trucking equipment are all used at various times to move goods from the supplier through either AMEG or GOP warehouses to the border warehouses of the seven Alliance parties. The CEP-financed goods move on commercial carriers, arranged by the suppliers usually on a CIF - Peshawar basis. The two shipments of PL-480 (total of 43,300 tons of wheat) moved by ship to Karachi, then rail to GOP warehouses in Peshawar and Quetta. Alliance trucks picked up the wheat from those warehouses and from the flour mill in Quetta for movement into Afghanistan.

Surplus U.S. military property of a non-weapons nature have moved to Pakistan on some 47 flights by U.S. Air Force C-5 and C-121 aircraft. The mules from the U.S. were air-lifted on six chartered flights arranged by DOD. AMEG American personnel have met all DOD flights beginning with number 9 on September 27, 1986 to verify the manifest contents. Tonnage figures are not available as cargo manifests are expressed in boxes (various sizes and weights) and pallets. AMEG's role is limited to (a) meeting the flights to verify the cargo that is unloaded directly onto GOP trucks for movement to GOP warehouses where it is eventually delivered to Afghan party warehouses; (b) reconciling the GOP warehouse inventory (provided a few days after commodity arrival) with the USAF manifests; (c) for those commodities destined to U.S. PVOs or other contractors such as MSH, taking physical possession and moving the commodities to AMEG warehouse in Islamabad to await eventual delivery to the designated PVO or contractor; and (d) for any CEP-financed commodities (only mules to date), taking delivery into the AMEG system as soon as released by GOP.

**B. Storage:** The bulk of the CEP-financed commodities (vehicles excepted) are delivered by the suppliers directly to the AMEG warehouses in Peshawar and Quetta. The mules, however, go to the AMEG Animal Holding Facility (AHF) in Peshawar for training. The PL-480 wheat is stored in GOP warehouses in Peshawar and Quetta. The surplus DOD-donated equipment goes directly to GOP warehouses. The local commodities bought for other projects (except MSH) go into the AMEG warehouse in Islamabad; medical supplies are delivered by suppliers to MSH's warehouse in Peshawar.

**C. Distribution:** The CEP-financed commodities and PL-480 wheat (flour in Quetta) are delivered to the warehouses of the seven parties on the border near Peshawar and Quetta for the parties to transport over the border into Afghanistan. AMEG's responsibilities end when delivered to the parties' trucks at the GOP or AMEG warehouses, although AMEG inspectors accompany some convoys to the border. AMEG has no delivery responsibilities for the DOD surplus commodities after loading on GOP trucks at the airport. AMEG arranges for delivery of project commodities to MSH, VITA or UNO storage facilities where those contractors take responsibility for delivery to the end users.

**Difficulties:** AMEG obtained written approval on February 22, 1987 to have a transportation officer (Faistenhammer) on 5-month TDY to fill this position which was budgetted in contract amendment 4 (Feb. 1, 1987). The position was expected to be filled on a long term basis by Mr. Gus Ganiko, but that did not materialize and Mr. Peterson arrived in August 1987 on long term assignment as transportation officer. However, due to oversight and lack of contracting capability in AID/REP, the contract was not actually amended to provide this position until December 2, 1987 (amendment 9). Given the magnitude and variety of transportation facilities used, the lack of a long term, permanent transportation officer might have hindered early operations. Since AMEG picks up responsibility for the transport of commodities at different stages in the physical movement depending on product, source of funding, etc., and has little to no operational control over some modes of transport (e.g., the USAF flights), AMEG sometimes encounters difficulties that would not have occurred under normal procurement circumstances.

AMEG does not have control or responsibility for most of the storage facilities used in the CEP and other activities. AMEG personnel are rarely permitted in the GOP or Alliance warehouses.

**Evaluation Comments:** AMEG appears to have fulfilled its responsibilities in these areas in a satisfactory manner, especially considering its limited control of facilities and the urgent nature of such procurement. The Transportation Officer has almost completed the computer programming to place all inventories and transport information on AMEG's computer data base. He already has a fully functioning computer-base tracking system. The AID/REP and AMEG have done a commendable job in making the maximum use of all transport facilities available to them from other funding sources.

#### IV. TECHNICAL ASSISTANCE (including training):

**Accomplishments:** In spite of the frequent reference to technical assistance in the AAM and the authorization documents, AMEG does not provide TA except to a limited extent in the mule program. None other is called for in the AMEG contract. The only training provided (not counting any on-the-job

training for AMEG local employees as part of their becoming proficient in their jobs) is to the Afghan mule handlers and this was not anticipated in the AAM planning. Some 770 Afghans have been trained in two-week courses in the care and handling of the mules.

Difficulties: There seems to have been no special or unusual difficulties encountered by this activity.

Evaluation Comments: Although the TA/training activity has been very little and of a nature not anticipated in the AAM, it would seem that AID/REP is missing a good opportunity to use a valuable resource (the experience and competency of the Americans in AMEG) to improve and increase the skills of Afghans in logistical operations. Now would be a good time to begin training Afghans who might become a trained cadre for the core of an Afghan transport or logistical unit when one becomes operational in Afghanistan. The TA/training involved in the mule program is being carried out in a professional and highly competent fashion.

#### V. ACCOUNTABILITY

Accomplishments: Regarding the physical security and accounting for commodities bought for the project, AMEG quickly established a set of forms and controls that provides a "paper trail" for all procurement.

Each procurement action begins with a "procurement request" (PR) prepared by AMEG and initialed by either AID/REP or by the requesting AID contractor. Rules and forms concerning competition (open, limited or sole source), price analysis, award of contract (over \$25,000) or purchase order (under \$25,000), receipt of commodities (Receipt and Inspection Report), and issuance to AMEG's client (issuance form) were prepared and used from the first days. AMEG has prepared a written set of instructions ("Purchasing System") which has not yet been issued, although AMEG apparently has been following those procedures from the first.

AMEG maintains a separate file folder for each procurement action (some 347 separate purchase orders and 22 purchase contracts to date) with these documents in each folder documenting the transaction from initial request through delivery or release to its client. AMEG personnel witness the arrival and release of all commodities (for DOD-donated surplus property release is to the GOP trucks at the airport upon commodity arrival). An April 1987 report by consultant Harold Gill (see below) stated: "The commodity procurement, storage and issuance system appears to provide adequate control. AMEG personnel have a lot of logistics experience and are familiar with AID's procurement rules and requirements."

The situation regarding financial controls and the accounting system was somewhat different. In March 1987, Harold Gill, a retired AID auditor, came to Islamabad on the first of several trips under a short term PSC with AID/REP to review the financial records and procedures of all American contractors working in Pakistan for the Afghan program. His April 10, 1987 report on AMEG's accountability and control procedures indicated that the AMEG office did not have an accounting system as such, although "currently, there is

little risk that AID has paid ineligible costs or that AID has not received what it has paid for." At the time, the Financial/Administrative Officer had a completely documented voucher back-up record system which rapidly would have become unwieldy. Gill concluded that AMEG needed a simple but complete set of books. He observed that while the Financial/Administrative Officer needed (but hadn't yet received) guidance from AMEG's Houston office, he had on his own initiative established some procedures and had obtained a copy of the MSH field accounting manual. AID later learned that this new 8(a) company did not have a corporate accounting system fully installed until the fall of 1987.

At the time of Gill's visit, AMEG had not yet begun to buy commodities locally for the project other than for its own operating needs. AMEG had placed two large (over \$1,000,000 each) orders in Japan for vehicles. Thus it did not have too many transactions to record as the payments to Japan were handled by the AMEG Houston office as were the dollar expenditures for AMEG operating costs. Although the Finance/Administrative Officer began to introduce some of the needed financial records, he needed outside professional accounting help. A few months later, the AID/REP disapproved an informal request by the AMEG Vice-President for AMEG to bring out a financial expert to help install a complete financial system. It was turned down on the grounds that this was a corporate responsibility and an overhead expense.

Mr. Gill reviewed AMEG's financial system again during a September 1987 trip. His September 30, 1987 followup report concluded: "All-in-all, there have been substantial accounting and reporting improvements since the last report was issued in April 1987. Most of the accounting recommendations made in the prior report have been implemented and there is good control over AID resources. The logistics process appears to be working well. However, an operation the size of AMEG should have a double entry set of books...It is not clear from information available in Pakistan whether or not Houston has a complete set of books. If they do, the reporting from Islamabad provides adequate information for Houston to account for the AID/REP contract. However there has been little feedback from headquarters in terms of financial statements or instructions for accounting and reporting."

Mr. Gill visited the AMEG's home office in January 1988. He reported that AMEG's fiscal year 1987 accounts had been audited by a CPA and given a clean opinion. AID's Inspector General's auditors in January 1988 reviewed AMEG's home office records to determine the final overhead rate for the previous year and provisional overhead rate to use for 1988. The home office had some weaknesses in its financial system in 1987, but it had taken considerable corrective action. Mr. Gill made some recommendations for some minor additional actions and concluded: "The new accounting system (Houston) is adequate to AMEG's needs. Once the above corrective actions are taken, AMEG should be in good shape--barring any negative discoveries during the IG audit."

Apparently, Mr. Gill was satisfied with the progress made by the AMEG office in Islamabad because his March 10, 1988 report covered only the concerns of the AMEG Financial/Administrative Officer about line item budget control. Mr. Gill concluded that "The program support element of the AMEG contract is not out of control...the areas of concern...are normal operational conditions."

Difficulties: The AMEG field staff had many immediate operating concerns placed on it (first order for commodities placed within two months which was for about \$2 million of vehicles, working out of one member's residence for three months, setting up and handling the first PL-480 shipment of wheat which arrived only one month after the team, meeting two DOD flights per month, etc.). Understandably, some things received less attention than others. Early establishment of a complete field accounting system adequate for the task facing AMEG was one of them. The lack of a complete, computerized accounting system in the AMEG Houston Office also handicapped the AMEG Islamabad team.

Evaluation Comments: The AMEG headquarters were negligent in not providing sufficient short term help in the first months to set up an adequate financial system, especially since the Finance/Administrative Officer had limited accounting background. The review and constructive advice of Mr. Gill was well received by the AMEG people and helped them resolve these problems.

The financial system now seems to be adequate and working well. The documents supporting each monthly voucher are well organized and presented in an orderly manner. However, it might be timely to have an audit made of the AMEG field records. The Evaluation Team understands that the IG audit was limited to overhead justification (a copy is not yet available in Islamabad for review) while the CPA audit of the 1987 books was concerned with the Houston books only.

Nothing more needs to be added to Mr. Gill's conclusions regarding logistical controls ("The logistics process appears to be working well.")

## VI. MONITORING

Accomplishments: This task is difficult to evaluate as there is such a contradiction between intent stated in various documents and the reality of border crossing and travel in Afghanistan. The AAM (page 28) states: "...will carry out commodity accounting end-use monitoring functions. This may involve employing Afghan nationals to periodically conduct test-checks of border staging areas, and may even involve accompanying convoys and reporting on receipt and end-use of commodities at final destinations in Afghanistan."

The AMEG contract tasks AMEG to establish end-use monitoring (task 13) and "to develop and implement, to the maximum degree possible, systems to account for the appropriate disposition of resources once they leave his hands, whether in Pakistan or Afghanistan. To the degree feasible the monitoring system developed by the contractor should reflect upon the program impact of the provision of commodities." (task 18).

On December 29, 1986, AMEG Team Leader wrote the AID/REP for permission to set up Surveillance and Monitoring Units in Peshawar and Quetta. The units' sole function "will entail monitoring the delivery and impact of CEP commodities in Afghanistan. These units will pursue the trail of commodities from point of issue to end-user (when feasible)." Among other tasks, the units would collect data concerning end-use of commodities from individuals returning from Afghanistan.

Amendment No. 4 (Feb. 1, 1987) added the following (task 20): "Establish a capacity to perform surveillance and monitoring, as well as accounting, of commodities to the degree feasible. This capacity may include the ability to generate audio-visual evidence of commodity utilization as well as the impacts of other programs operated by the Office of AID/Representative. This effort may include activity by non-American contract employees in Afghanistan as well as Pakistan."

On March 4, 1987, the AID/REP Evaluation Officer (John Gunning) wrote the AMEG Chief of Party transmitting the "Data Collection, Monitoring and Evaluation Plan" for CEP, Afghan Humanitarian Relief Commodities, and the PL-480 commodities. "You (Manz) participated in the development of this plan which now has been approved as the official monitoring plan for the above three activities. Your quarterly progress reports in the future should report on progress toward answering the questions listed in the monitoring plan, using the indicators for each question." Question H concerned the extent the trucks and mules are used to take commodities to the end users while Question J concerned the extent CEP responds to actual humanitarian needs of the general Afghan population. The plan recognized that "The full realization of such a monitoring and evaluation (M&E) plan may be affected and perhaps impeded to some extent by some of the constraints surrounding the implementation of this project and the unusual arena within which it operates."

On December 23, 1987, the AMEG Chief of Party wrote the AID/REP to describe its monitoring program. The memo stated that AMEG would commence cross-border monitoring in Afghanistan in January 1988.

AMEG personnel have been monitoring the arrival into Pakistan of commodities from the very first week. They monitor at every stage up to delivery to the Alliance trucks (to GOP warehouses in case of DOD-donated surplus commodities) where the trail ends except for accompanying some convoys to the Afghan border. In mid-April 1988, AMEG sent a team of two Afghans (one a cameraman) into Afghanistan to monitor the end use of commodities. A second team is in the process of being recruited.

AMEG has 8 Afghans and Pakistanis in Peshawar and Quetta to monitor movement of commodities and conduct market surveys to see if any commodities are being diverted into the Pakistan market. Their periodic reports are included in the AMEG quarterly progress reports.

Difficulties: With a war going on in Afghanistan that has ill-defined and constantly changing front lines, normal end use monitoring is impossible. Although these difficulties are somewhat recognized in the documents quoted above, the documents do call for end use monitoring. Another difficulty, separate from but related to the security conditions in Afghanistan, is the role of the GOP in the movement of commodities within Pakistan. The GOP has been reluctant to permit AMEG monitors to operate within their warehouses or witness some of their loading of commodities. The GOP has not been fully cooperative about allowing the monitors to even accompany the Afghan convoys to the border.

Evaluation Comments: If sending monitoring teams into Afghanistan has been impossible in the past, the key project documents should have reflected this rather than tasking AMEG with end use monitoring. At least two other AID contractors are carrying out regular monitoring within Afghanistan, although those projects more easily lend themselves to this monitoring (a limited number of known project-type sites). Since AMEG has finally sent its first monitoring team into Afghanistan, the Evaluation Team can only urge that this effort be increased to the maximum extent feasible. AMEG quarterly reports should respond to the questions in the March 1987 memo cited above or explain why it is not feasible to do so and recommend a revised plan.

## VII. COMPLIANCE WITH CONTRACT TERMS

Accomplishments: The four general tasks assigned to AMEG are so vague and general as to render it impossible to state whether they have been met.

The 20 specific tasks (18 in the original contract plus 2 added by amendment) are more definitive, but some duplication or overlap exists among them. The 20 tasks as written in the contract are being carried out with the following exceptions:

Task 8 to establish a positive list and update as needed: A long positive list was included in the AAM. The complete list was never used as such in making procurement decisions and has never been changed. AMEG responds to requests from AID/REP and the Alliance by way of the GOP liaison officer for a very limited number of items so the positive list has never played an important implementing role.

Task 9 to collaborate with the Alliance on allocation of CEP: In practice AMEG takes instructions from AID/REP and the GOP liaison officer on what to procure and how to allocate commodities to the different parties. AMEG has limited contact with the Alliance and that is through the GOP liaison officer.

Task 10 to determine the humanitarian nature of commodities, etc.: This decision is made by others and passed on to AMEG although AMEG does make market surveys to determine availability.

Task 18 to (among other actions) monitor the impact of commodities to extent possible: Monitoring difficulties are discussed in Section VI above.

Task 20 to carry out surveillance and monitoring: This seems to be a duplication of task 18. The comments above regarding task 18 apply here.

In addition to the specific tasks, AMEG also was to take four other actions:

1. Prepare initial 6-month logistic plan; furnish incremental 6-month plans for AID/REP approval: This was never done and apparently the AID/REP has never requested it. It seems that events have been moving too fast and all involved parties have faced too many uncertainties to make a logistic plan a useful operating and planning document.

2. Prepare quarterly reports: AMEG has been doing this, with its first report covering about the first nine months. The reports, however, do not contain much statistical data, cumulative data, problems, etc.

3. Meet weekly with the AID project officer: Although the AMEG chief of party meets often with the AID project officer and talks to him regularly on the telephone, the location of the COP in Peshawar reduces the frequency of meetings. Other Americans on the AMEG staff who are stationed in Islamabad are in frequent contact with the AID/REP.

4. Develop relationship with the Alliance: Very early it became apparent that the GOP liaison officer for the Alliance would be the spokesman for the Afghans and direct contacts between AMEG and Afghan party officials have been discouraged or prevented except at the few meetings of the Afghan Logistics Committee. AMEG had no control over the nature of its relationship with the Alliance.

Difficulties: The working environment in which AMEG found itself was somewhat different from that anticipated in the AAM. The relationships with the Afghans and the GOP as well as the way in which procurement decisions were made evolved in an unanticipated manner. Some tasks have been beyond the control of AMEG while operating realities changed the need for other contractual tasks. For example, the positive list played no useful role in procurement decisions so updating it became unnecessary.

Evaluation Comments: Overall, AMEG has complied with its contract in a satisfactory and acceptable manner. AMEG did not fully carry out several of its contractual responsibilities due to operating constraints and factors beyond AMEG's control. Shortcomings in monitoring are discussed in Section VI. When the contract is amended again, the general and specific tasks sections as well as the other assigned actions should be rewritten to reflect the changing circumstances and existing realities.

#### VIII. OVERALL MANAGEMENT ASSESSMENT

Accomplishments: Throughout this assessment are comments which indicate that the contractor has performed in an admirable fashion and that the AID/REP guidance has been fast and constructive. Both have responded constructively to a rapidly changing environment. Both have kept the objectives of the CEP in mind rather than concentrating on following procedures.

The size and composition of the AMEG staff seem appropriate for the job at hand. The American personnel are well qualified, hard working and dedicated to the program. They have been aggressive in obtaining the best prices, maintaining quality control, and meeting delivery deadlines. Their background of AID and military experience (especially in Indo-China) make them uniquely qualified to implement the CEP. They have recruited a competent staff of locals, although the ratio of Afghans to Pakistanis should be improved.

Their internal procedures, records, files, etc., are well organized, complete and satisfactory. AMEG's procurement practices were established quickly although its financial system was delayed in being put in place. This was a reflection on the AMEG home office inexperience as this was its first exposure to supporting a field operation.

The location of the AMEG chief of party in Peshawar has been questioned. Although Peshawar has been the center of action regarding relationships with the GOP liaison officer and the Alliance as well as the bulk of distribution of commodities to the parties, the AID/REP approvals and guidance came from Islamabad. Now the Peshawar operation is established and running smoothly; however, improved reporting, long range planning, and closer coordination with the AID/REP Office are becoming more important. Therefore, serious consideration should be given to moving the COP to Islamabad.

Difficulties: AMEG and the AID/REP have been implementing a project that is unique in AID's history. A new set of documents had to be created; more waivers were needed than normal; the special "notwithstanding" clause was used to respond quickly. Crisis management was the norm due to circumstances beyond the control of AMEG or the AID/REP. The AMEG (and AID/REP) had a tremendous workload throughout the life of CFP. The extensive local procurement placed special demands on AMEG as even USAID/Pakistan had not procured locally in a manner that would have provided helpful experience.

Evaluation Comments: AMEG needs to give more attention to its reporting and to longer range planning to the extent that circumstances permit. The AMEG home office should be assigned these tasks and requested to explain how it will fulfill these responsibilities.

The AMEG workload and staffing (both Americans and locals) should be monitored regularly so adjustments in staffing can be made quickly to reflect changes in operations such as: (a) removal of procurement for MSH from AMEG; (b) switch in U.S./third country procurement to a PSA; (c) increase in procurement for the agriculture, education and other projects; and (d) establishment of operations in Afghanistan as and when security permits.

The evaluation team did not obtain any evidence to indicate that AMEG might be unable for financial or managerial reasons to continue to fulfill its contract. (Note: the GAO report and the AID/W audit of overhead were not available to the team.) On the contrary, AMEG should be stronger in every way now than when it was first awarded its contract. With the changes recommended in this assessment, AMEG should be able to continue to provide satisfactory service. A mission always has a degree of dependency on a single contractor when that contractor is charged with providing all project inputs. In this regard, AID/REP does not face an unusual situation. Recommended changes will reduce this dependency. It does not make sense at this time to establish a second in-country procurement/delivery system, except for the health project. However, the AID/REP should expect improved reporting, annual audits of AMEG/Islamabad books, and more formal structured meetings as aids to its project monitoring and as early warning mechanisms of possible weaknesses or problems.

## ANNEX E

### AMERICAN MANUFACTURERS EXPORT GROUP COMMODITY EXPORT PROGRAM PURCHASING SYSTEM

#### Introduction:

AMEG Contract 306-0205-C-00-6011 requires that AMEG provide Procurement Services for the CEP and for other contractors of the O/AID/REP. All procurements over a limited dollar value, set by the FAR, require transactional pre-approval by the USAID Contracting Officer. In lieu of transactional approval the USAID Contracting Officer may approve a "Purchasing System". Since the CEP requires frequent "crisis" procurement action it is considered appropriate to operate under an approved "Purchasing System".

The intent of the following Purchasing System is to assure that competitive pricing is acquired as often as possible without interfering with the goals of O/AID/REP. As stated in FAR 52.244-5 entitled "Competition in Sub-Contracting", "The Contractor (AMEG) shall select suppliers on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the contract".

#### General Policy:

The Purchasing System is an attempt to conform to A.I.D. policy and regulations regarding contracting for project goods and services as set forth in the assistance instrument (Activity Approval Memorandum) and the Federal Acquisition Regulations (FAR). The Purchasing System is designed to apply to the extent practical, the provisions of the FAR and/or the supplemental A.I.D. Acquisition Regulations (AIDAR) to the A.I.D. Commodity Export Program (CEP) to Afghanistan. This system sets out policies and procedures that implement and compliment the FAR, support the program as authorized by the Foreign Assistance Act (FAA), and the assistance instrument (Activity Approval Memorandum), to facilitate sub-contracting in the foreign assistance field in general and the A.I.D. program to Afghanistan in particular. The Purchasing System describes the policies and procedures for procurement actions, including competitive, non-competitive and special situations.

It is AMEG's policy to obtain competition in procurement to the maximum practical extent.

AMEG will utilize Fixed-Price type contracts except when authorized in advance in writing by the USAID Contracting Officer.

A. INITIAL DOCUMENTATION REQUIRED TO COMMENCE PROCUREMENT:

With the exception of Small Value Procurements under \$50 (Petty Cash Procurements defined in paragraph D-5-d) all purchases made by AMEG are initiated ONLY by the receipt of a Procurement Request Form (PR).

1. Procurement Requests (PR) from the following Programs are the only PR's acted upon by the AMEG Procurement Office:

AMEG Commodity Export Program (Program and Project Support Commodities).

VITA Agric. Sector Program (Program Commodities)

MSH Health Sector Program (Program Commodities)

UNO Education Sector Program (Program Commodities)

2. Completion of the Procurement Request Form (PR)

The initiating Person/Program must provide the following information and clearances before it will be accepted by the AMEG Procurement Office:

Information:

Date of Request  
Name of Initiating Person and Program  
Quantity of commodity  
Commodity Specifications  
Estimated Unit Pricing  
Requested Delivery Schedule  
Shipping Address

Clearances: (signatures of)

PR Initiator  
Program Team Leader\*  
O/AID/REP Project Officer\*\*

NOTE: The Team Leader of the PR initiating Program will insure, prior to his clearance of the PR, that the procurement requested does not exceed the funds budgeted for the commodity to be purchased (Exception-\$1,000 or less procurements approved by AMEG Procurement Officers or AMEG Area Commodity Managers).

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- \* AMEG initiated Procurement Requests REQUIRE the approval of the AMEG Team Leader when:

... the procurement is for Project Support Commodities (expendable and non-expendable) valued at more than \$1000. (Small Value Procurement Limit).

NOTE: Approval for procurement \$1000 and under can be given by the AMEG Procurement Officer. (When procurement is made by AMEG Procurement Office). When procurement is made by an AMEG Field Office, approval for procurements of expendables \$1000 and under can be given by the Area Commodity Management Officers in Quetta and Peshawar and the AHF Manager in Pabbi.

... the procurement is for Program Commodities

- \* VITA, MSH and UNO initiated Procurement Requests ALWAYS REQUIRE approval of the VITA, MSH or UNO Team Leader regardless of commodity type or cost.
- \*\* VITA, MSH and UNO initiated Procurement Requests ALWAYS REQUIRE approval of the Special Projects Officer O/AID/REP.
- \*\* AMEG initiated Procurement Requests REQUIRE the clearance of the Special Projects Officer of the O/AID/REP when:
  - ... the procurement is for Project Support Commodities (non-expendable) valued at more than \$1000.
  - ... the procurement is for Program Commodities.

3. MSH, VITA and UNO must inform their home offices of the initiation of a Procurement Request on same day the PR is sent to the Project Officer O/AID/REP for clearance.

B. EXCEPTIONS TO FAR PROCUREMENT PROCEDURES:

Reference:

FAR Part 52 Paragraph 52.244-2 Subcontracts Under Cost-Reimbursement and Labor Contracts.

Activity Approval Memorandum (AAM), Commodity Export Program Project No. 306-0205, Part VI, Section E.

Contract 306-0205-C-00-6011 Part I Section A and Part II Section C paragraph 1.

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1. Source and Origin:

With the exception of those commodities listed on the Positive List in the appendices of the AAM (i.e., food products) AMEG will not procure any of the following goods or services without the prior written approval of the Contracting Officer:

- a. Agricultural Commodities
- b. Motor vehicles \*
- c. Pharmaceuticals \*
- d. Pesticides
- e. Plasticizers
- f. Used Equipment
- g. U.S. Government owned excess property
- h. Fertilizer

\* Motor Vehicle and Pharmaceutical procurements are a significant part of AMEG's procurement activity. Sections "J" and "I" respectively, present CEP procurement procedures for purchase of Motor Vehicles and Pharmaceuticals.

NOTE: As per AID Handbook 14 - 752.7004 Paragraph (d) "Ineligible goods and services" as listed below will NOT be procured:

- a. Military Equipment
- b. Surveillance Equipment
- c. Commodities and services for support or police or other law enforcement activities
- d. Abortion Equipment and Services
- e. Luxury goods and gambling Equipment
- f. Weather modification equipment

With the exception of restricted items listed above, AMEG, MSH and UNO have the authority to procure commodities from 935 source/origin countries including Afghanistan, while VITA must acquire source/origin waivers when purchasing from countries other than the United States, Pakistan and Afghanistan. The first priority of procurements made by AMEG for the CEP, MSH, VITA and UNO will be to make every effort to buy from the United States when the commodity required is responsive to commodity specification, priced competitively and can be shipped within the time-frame required by the CEP, VITA, MSH and UNO programs.

2. When soliciting offers from suppliers, without the aid of advertising, IFB's and RFQ's, it is necessary to use alternative resources. AMEG/Pakistan will use Pakistan sourced business directories, Telephone Business Directories, Industry Handbooks and responses from a general advertisement published in four Pakistan newspapers with the approval of the O/AID/REP. AMEG/Houston will use similar journals and directories (Dunn and Bradstreet - Thomas Register) to source United States manufactured products. For 935 procurement, other than Pakistan, offers will be solicited through trading companies representing manufacturers in those countries and directly from manufacturers and suppliers found in International Trade and Industry Directories.

C. METHODS OF PROCUREMENT, APPROVALS AND REQUIRED DOCUMENTATION TO THE FILE:

The procurement approvals and required documentations vary with the type of procurement procedures used.

Each procurement procedure, not to include Petty Cash Procurements, has the following approvals and documentation requirements in common:

Each procurement must have an individual file folder opened on receipt of the Procurement Request Form. When the file is opened the PR is placed in the file and a Table of Contents (Sample Table found in Appendix A) must be stapled to inside left of the folder. The assigned Procurement Agent has responsibility to verify that each action appropriate for the type of procurement procedure used, has been accomplished.

Each procurement requires the completion of a fully approved Procurement Request.

Generally, solicitation of at least three sources may be considered to promote competition to the maximum extent practicable. (FAR 13.106 Paragraph (b-5) Requests for Quotation (Sample form found in Appendix C) are sent for procurements estimated to exceed \$10,000 while verbal inquiries are acceptable for solicitations under \$10,000.

Each procurement requires the Procurement Agent to complete a Quotation Analysis Form to evaluate the responsiveness of each offer.

The procurement procedures vary and are categorized as follows:

Non-Competitive Negotiated Procurement; Competitive Negotiated Procurement (over \$25,000) and Small Value Procurement (\$25,000 and under).

Note: Purchase requirements may not be fragmented to avoid competition requirements.

A "Negotiated" procurement is defined as any contract awarded without using sealed bidding procedures. (Ref. FAR 15.101)

Each negotiated procurement (over \$1000) requires the completion of a Negotiation Memorandum insuring that the required procurement actions have been taken.

1. Non-Competitive Negotiated Procurement

When non-competitive negotiated procedures are used, AMEG will require the supplier to provide Cost or Pricing Data detailing all of the costs for material, labor, overhead, transportation and profit margin that, in total, equal the final negotiated price. AMEG will then complete a Cost or Pricing Analysis to determine whether the "final negotiated price" is appropriate. If the AMEG Procurement Officer approves the final negotiated price he will write an Action Memorandum providing justification for other than full and open competition and forward it with the Purchasing Contract Draft to the O/AID/Rep Special Projects Officer for approval if under \$100,000 or to both the Special Projects Officer O/AID/Rep and the AID/Rep Contracting Officer for approval is over \$100,000. Once the Contract is approved the supplier will sign the Purchasing Contract and a Certificate of Current Cost or Pricing Data confirming the accuracy of his Cost or Pricing Data and confirming that the final negotiated price is his most competitive.

2. Competitive Negotiated Procurement: (procurements over \$25,000)

All procurements that are competitively negotiated for an invoice value exceeding \$25,000 must be supported by a Certificate of Current Cost or Pricing Data signed by the supplier that states he has provided his most competitive pricing.

3. Small Value Procurements: (\$25,000 and Under)

Small Value Procurements are procurements in the amount of \$25,000 or less. Procurement Procedures vary with the value of each Small Value Procurement as follows:

- a. Petty Cash Procurements under \$50: (For AMEG Project Support Procurements Only)

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A Petty Cash procurement is the purchase of Project Support commodities not exceeding \$50 per transaction.

Petty Cash procurements do not require the use of a Procurement Request, Request for Quotations (written or verbal), Quotation Analysis, Purchasing Contracts or other procurement forms discussed in the Purchasing System. The control of Petty Cash Funds, however must be under daily control of a U.S. hire at each AMEG location.

b. Small Value Procurements to \$1000

The Procurement Officer, Area Commodity Management Officers or AHF Manager may make purchases for \$1000 or less without obtaining competitive quotations as long as they deem the price reasonable. Repetitive purchases must be distributed equitably among qualified suppliers.

NOTE: These small value purchases up to \$1000 can only be made when the Approved Facility Budget for these supplies/services is not exceeded.

c. Small Value Procurements between \$1000 and \$10,000:

Oral quotations are to be requested from a minimum of three sources. Oral quotations are to be noted on the AMEG Telephone Quotation Form, giving names, telephone numbers, product description, price and availability. Construction Contracts require written quotations for contracts over \$2,000. The Purchasing Contract is issued to the lowest responsive offeror unless the Procurement Officer determines that the lowest responsive bidder does not conform to the specifications requested and/or the delivery schedule does not meet program requirements.

d. Small Value Procurements between \$10,000 and \$25,000:

Written quotations are to be requested from a minimum of three sources using the AMEG Request for Quotation Form. Upon receipt of the completed RFQ's, a Quotation Analysis Form is completed. The lowest responsive offeror must be given the award unless the Procurement Officer determines that the product does not conform to the specifications stated in the RFQ and/or does not meet the delivery requirements of the RFQ.

D. STEPS TO BE TAKEN SPECIFIC TO THE AMEG/PAKISTAN PROCUREMENT OFFICE FROM THE RECEIPT OF THE PROCUREMENT REQUEST TO THE POINT DETERMINATION IS MADE FROM WHICH COUNTRY TO SOURCE:

(For procurement of MSH, VITA, UNO, and CEP commodities)

1. The AMEG/P Procurement Specialist records receipt of the PR and assigns a PR number in the PR log book on the day it is received.
2. The Procurement Specialist reviews the PR for accuracy and appropriate clearances. If information is inaccurate, incomplete or if appropriate clearances are not provided, he will return the PR to the initiating person for correction and re-submission. Return of PR is noted on the PR log book. (AMEG PR number is then reserved for re-submission after clearances and/or corrections are made and returned - if the PR is not returned the number is voided and NOT re-assigned)
3. If the PR calls for the product to be sourced from Pakistan, the Procurement Specialist acquires the AMEG/P Procurement Officer's clearance evidenced by his signature. He then assigns an AMEG Procurement Agent to accomplish the procurement. (See Section "Pakistan (935) Sourced Commodities")
4. If the PR is accurate and properly cleared and is to be sourced in the United States or 935 countries other than Pakistan the AMEG/P Procurement Specialist presents it to the Procurement Officer for his clearance. The Procurement Specialist is then responsible to acquire the clearance of the AMEG Fiscal Officer to insure funding is available to AMEG/Houston. (Clearance evidenced by signature of Fiscal Officer on lower left-hand corner of PR). Once both clearances are received, the Procurement Specialist communicates the PR by telex to the AMEG/Houston Procurement Officer. A copy of the PR is to be forwarded to AMEG/Houston as documentation for their files. The telex serves as confirmation for the AMEG/Houston Office to procure. No procurement action is to be requested of AMEG/H without the establishment of an approved PR by AMEG/P.

E. STEPS TO BE TAKEN FOR U.S. SOURCED (000) COMMODITIES UP TO THE POINT COMMODITIES ARE SHIPPED TO PAKISTAN:

1. When AMEG/P advises AMEG/H that procurement action must be taken, the AMEG/H Procurement Officer will research the market for pricing and availability of commodities requested for procurement, i.e., verbal or written Requests for Quotation with the exception of purchases under \$1000.

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2. When VITA, MSH or UNO procurement is requested AMEG/H will call the U.S. offices of these organizations and inform them of the receipt of the procurement request and confirm that the VITA, MSH or UNO Pakistan has contacted them about the PR.
3. Procurement Officer/AMEG/H will complete a Quotation Analysis to determine price competitiveness and responsiveness to specifications and delivery schedule requirements. Three different quotations are normally required unless extenuating circumstances prevent it.
4. In the case of VITA, MSH or UNO procurement, an invoice for the full cost of the procurement including purchase price, inland transport, inland insurance, special packing, storage, air/ocean freight etc. will be sent to the stateside office. This invoice must be paid to AMEG/H prior to AMEG/H issuing a Purchasing Contract.

NOTE: According to the Funding Agreement between AMEG and VITA/MSH/UNO and according to AID Regulations, no payment to the Supplier will be made until written documentation evidences shipment of commodities.

5. A Purchasing Contract will be issued.
  6. AMEG/Pakistan Procurement Specialist will be informed by telex that the purchase has been made and advised on shipping information, i.e., name of transport and expected date of arrival in Pakistan.
  7. AMEG/H Procurement Officer will send Purchase Contract to AMEG/P to insure they arrive prior to the arrival of the commodities in Pakistan. Each purchase Contract number will note the name of the organization initiating the procurement request, i.e., VITA, MSH, or UNO. CEP procurements have no such notation.
- F. STEPS TO BE TAKEN ONCE IT HAS BEEN DECIDED TO PROCURE COMMODITIES FROM 935 COUNTRIES OTHER THAN PAKISTAN TO THE POINT COMMODITIES ARE SHIPPED TO PAKISTAN:

1. When it is determined to use 935 source/origin countries for procuring commodities, the AMEG/Pakistan Procurement Office will notify the AMEG/H CEP Project Officer of the determination by telex. The AMEG CEP Project Officer will decide whether the procurement is most economically and efficiently handled from the AMEG/Houston or AMEG/P Procurement Office. In all cases the financing for a procurement from the United States or 935 countries will come from AMEG/Houston.
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2. Within three (3) days of the telex requesting assignment of the procurement office responsible, AMEG/Houston will advise AMEG/Pakistan (via telex) of the decision.
  3. If AMEG/Houston is responsible, the Procurement Office (AMEG/Houston) will proceed with its market research, acquiring completed Requests for Quotations and then advise AMEG/Pakistan when a Purchasing Contract is issued with supporting information. (Documentation of competitive pricing is to be evidenced by completion of Quotation Analysis Form and attached completed Requests for Quotations or Supplier proformas). The AMEG/H Procurement Office will forward a copy of the Purchasing Contract to AMEG/P to insure its receipt prior to delivery of commodities. It is the responsibility of AMEG/H to monitor all procurement activity from market research through receipt of product in Pakistan.
  4. If AMEG/Houston CEP Project Office assigns the AMEG/Pakistan Procurement Office the responsibility to procure from 935 source code countries, AMEG/P will acquire competitive pricing through use of Requests for Quotations, evidencing this by completion of a Quotations Analysis Form with attached completed Requests for Quotation or Supplier proformas. When the supplier is selected, AMEG/P will advise AMEG/H (via telex) to issue a Confirmed Irrevocable Letter of Credit to the supplier. AMEG/H will immediately advise AMEG/P (via telex) the date of issuance. It is AMEG/P responsibility to monitor 100% of the procurement activity.
- G. STEPS TO BE TAKEN ONCE IT HAS BEEN DECIDED TO PROCURE COMMODITIES FROM PAKISTAN TO THE POINT COMMODITIES HAVE BEEN SHIPPED TO PAKISTAN "SHIP TO" ADDRESS:
1. Once the Procurement Agent has been assigned to a specific Procurement request (PR) he must research the Pakistan markets for the commodities requested.
  2. A minimum number of three quotations should be solicited for each line item (exception: purchases under \$1000). These solicitations must be evidenced to file with a completed Request for Quotation (for purchases over \$10,000) or AMEG Telephone Quotation Form (for purchases under \$10,000). To save on procurement time the proformas for any one line item need not be acquired more than once in three months unless unusual circumstances develop within the three-month period that would affect pricing. These written proformas must be summarized on a Quotation Analysis Form. During this time, prior to a purchase contract being issued, the file will be kept in suspense

under the PR number. Since pricing is not the only factor affecting the decision from where to purchase a commodity, the promised shipping dated and origin of the commodities may be noted.

3. Given the special instructions of the initiating organization noted on the PR, the Team Leader of the initiating organization will determine whether waivers are required for either restricted commodities, source and origin and/or sole-source/proprietary procurement. If so, the Team Leader will have the responsibility to insure all required waivers are acquired and submitted with the PR to the AMEG Procurement Office. Any PR's received by AMEG requiring waiver action but without waivers attached will be returned to the PR initiating organization's Team Leader. AMEG Project Support and Program Commodity waiver requests are the responsibility of the AMEG Procurement Officer.
  4. Purchasing Contract is issued. The signatures of the AMEG Procurement Officer, AMEG Fiscal Officer and the supplier are required. The signature of the AMEG Fiscal Officer certifies that funds are available and obligated for the purchase of the stated commodities.
  5. The AMEG/P Procurement Officer insures that the Procurement Agent in charge of host country procurements monitors his purchase from market research through receipt at warehouse of the PR initiating organization. In the case of 935 (non-Pakistan) and 000 source code procurements the AMEG/P Procurement Specialist will monitor procurement and shipping progress.
- H. ONCE THE PURCHASED COMMODITIES HAVE BEEN SHIPPED FROM THE UNITED STATES, 935 SOURCE COUNTRIES OR PAKISTAN, THE FOLLOWING STEPS MUST BE TAKEN FROM RECEIPT OF THE COMMODITIES TO WHEN THE COMMODITIES ARE ISSUED TO THE BENEFICIARIES: (Either the Parties of the Alliance, MSH, UNO, VITA, or CEP).
1. Upon receipt of the commodities ordered (via McCollum flight, international ocean/air carrier or host country transport) a Receiving and Inspection Report (RIR) is completed by the receiving organization (i.e., organization that initiated the Procurement Request). The RIR is to be returned complete with discrepancies and damages noted to the AMEG Procurement Office within one week from receipt of goods. If any AMEG facility initially receives the commodities order by AMEG/H or AMEG/P the AMEG Facility Manager will insure that an RIR is completed and a corresponding Issuance Report (IR) provided when transferred to the PR initiating Program.

NOTE: For all CEP initiated PR's - the Receiving Clerk from either AMEG/Peshawar, AMEG/AHF, AMEG/Islamabad or AMEG/Quetta, will issue an RIR upon receipt of commodities.

2. At the time when CEP commodities are turned over to the Parties an Issuance Report (IR) is completed and signed by the Party Logistics Representative or his alternate. The Procurement copy of this completed IR must be forwarded to the AMEG/P Procurement Office within three (3) days of issuance date.

EXCEPTIONS: Due to special program considerations involving security, political sensitivity etc., the CEP may be restricted from having direct contact with Representatives of the Afghan Alliance. On these occasions when no representative is available, a receipt without letterhead is received with the signature of the host country representative and a Party representative (not the approved Logistics Rep). This paper will serve as an "interim" receipt. The acquisition of the signature of the approved Party Logistics Representative will be tasked to the host country representative. The signature of the appointed Party Logistics Representative on the IR must be provided to the AMEG Area Commodity Management Officer within one month of the issuance of commodities.

NOTE: All activity on a given procurement will be documented by an entry into the Procurement Data Base. Therefore receipt of the Procurement Request opens the file and subsequent issuance of the Purchase Order(s), Receiving and Inspection Report (RIR) and Issuance Report (IR) keep an up-to-date status on each procurement. The sum total of commodities issued (evidenced by the IR) must equal the amount purchased. Any discrepancies and reasons for the discrepancies must be noted to the Purchase Order file.

3. When MSH, UNO, VITA or CEP Support commodities are received at the shipping address, the recipient organization issues a Receiving and Inspection Report (RIR). Within one week of the receipt of commodities the RIR Procurement Copy must be sent to the AMEG Procurement Office.
4. The AMEG Area Commodity Management Officer at Quetta and Peshawar (in the case of the CEP only) will provide a monthly activity report to the Procurement Office (for submission to the O/AID/REP) by the tenth of each month. This summary will provide information on RIR's issued and what IR's have been issued against them. This should reflect the balance of commodities in inventory and also indicate an aging of the

inventory. This information will give the O/AID/REP ability to intercede with the host country or the Alliance to expedite pick-up of commodities.

5. All activity on a given PR or PO/Contract will be noted by entering the data into the Procurement Data Base. Entries will be made by the Procurement Office up to the issuance of the PO/Contract. After the PO/Contract has been issued all entries will be made by the Trans/Monitoring Office.

I. VEHICLE PROCUREMENT:

1. When Transport assets are purchased for the AID/REP programs right-hand drive vehicles are sometimes required. Since right-hand vehicles are not manufactured in the U.S. we, by necessity, purchase elsewhere. To facilitate the waiver process and AID Worldwide waiver for right-hand drive vehicles 11,000 lbs Gross vehicle weight is used as source/origin authority. Vehicles over 11,000 lbs require special approval from M/SER/OP/COMS. Each transaction for vehicles requires USAID Contracting Office approval since vehicles are classified as "Restricted" commodities.

The unit dollar value of vehicles is so great that the Procurement Office will be responsible for insuring a Vehicle Accountability File is maintained with individual receipts for each vehicle issued. Further the AMEG Procurement Office will insure that proper registration of the vehicle is completed for the various Parties and/or committees of the Alliance. Each unit will have an individual Official Receipt signed by the Party Representative or is alternate signifying his receipt of the vehicle and the registration documents.

NOTE: Prior to issuance of the vehicle a Grant Letter will be drafted by the AMEG Procurement Office to be signed by the AID Representative with clearances from the Contract Officer and the O/AID/REP Special Projects Officer for the CEP.

J. PHARMACEUTICAL PROCUREMENT:

1. Pharmaceuticals may be procured in Pakistan but ONLY from MSH approved sources. MSH, will take reasonable steps to insure the efficacy and quality of production by having these suppliers inspected and pre-approved by an Industrial Pharmaceutical Consultant. The short-listed group of suppliers will be the only sources from which AMEG will procure.

2. MSH will provide AMEG a forecast of the pharmaceutical, surgical and expendable supplies and equipment they need for six months. This list (pharmaceuticals by generic name) will be sourced by requesting suppliers to provide a written quote (Request for Quotation) to the AMEG Procurement Agent. The AMEG Procurement Agent will acquire MSH line item approval for each item he was requested to purchase. MSH's signature beside the line item on the Quotation Analysis signifies they approve of the purchases and have taken reasonable steps to insure efficacy and quality of production, verified source and origin and shelf-life.
3. All pharmaceuticals will adhere to AID rules on expiration dates as stated in the A.I.D. Commodity Eligibility Listing - Page 113 (TM 15:83 January 1, 1983) Paragraph IA Special Requirements "Expiration Dates". Further per the above mentioned manual AMEG will require that invoices of the supplier state clearly the active ingredients and expiration date.
4. A Memorandum of Agreement has been drafted by AMEG for MSH approval. A draft of that agreement is found in Appendix J.

K. SPECIALLY APPROVED PROCUREMENT PROCEDURES FOR PURCHASING OF ANIMAL HOLDING FACILITY PROJECT SUPPORT AND PROGRAM COMMODITIES:

Several items purchased to date by the AHF should continue to be purchased by them. These items are Mules, Fodder for the mules and saddlery. These items in units and in cost for the total quantity purchased will always fall within the requirement for a Purchase Order or Contract, however, it is not reasonable or feasible to use these methods by the AHF. The AMEG Animal Holding Facility Manager will request the approval of a standing or blanket Procurement Request approved by the AMEG Team Leader and the Special Projects Officer. This Blanket PR will authorize the AHF Manager to purchase mules, fodder and saddlery as needed with the proviso that for fodder and saddlery a minimum of three competitive prices in the form of written quotations be acquired every three months. These quotations must be kept on file at the AHF. Any increase in price from the lowest responsive offeror requires another market survey yielding at least three competitive written quotations. The competitive pricing for mules is tested each time a mule is purchased therefore no written quotation is required but a memo outlining the standard method used to insure competitive pricing must be placed in the AHF procurement file. This memo must be approved/signed by the Special Project Officer. Procurement of all other Project Support expendable and non-expendables over \$1000 must follow the standard procurement procedures using an approved Procurement Request discussed earlier in this Purchasing System.

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NOTE: No procurement of \$1000 or less can be completed without verification from the AHF Manager that the Approved Facility budget has NOT been exceeded for that budget.

L. REPORTING REQUIRED FROM AMEG/HOUSTON AND AMEG/PAKISTAN PROCUREMENT OFFICES:

AMEG/Houston and AMEG/Pakistan will provide a monthly activity summary of procurements in process. This report will provide information on commodity type, quantity, ship date, name of organization for which it is procured and comments on progress. This report should be sent from AMEG/Houston to AMEG/Pakistan to be consolidated for O/AID/REP by the last day of each month. AMEG/Pakistan must provide a consolidated copy to the AMEG/Houston CEP Project Officer, AMEG/Pakistan Team Leader and Project Officer O/AID/REP by the 10th of each month.

M. MATRIX CLAUSES REQUIRED ON AND FIXED PRICE CONTRACTS:

Each Purchasing Contract issued by AMEG will have a Special Conditions sheet attached clearly stating the FAR and AIDAR clauses incorporated by reference.

N. OTHER SPECIAL CONDITIONS INCLUDED FIXED PRICE CONTRACTS:

Normally AMEG will state that liquidated damages at the rate of 1% per day up to ten days (10%) will be reduced against payments due the supplier for late delivery of the commodities ordered.

AMEG will also place a "Stop Work Order" or "Termination Order" on a Purchasing Contract because of late delivery; because commodities delivered do not meet the specifications; because evidence is made available that questions the supplier's ability to perform.

O. IMPROPER BUSINESS PRACTICES AND PERSONAL CONFLICTS OF INTEREST:

AMEG procurement shall be conducted in a manner above reproach, with complete impartiality, and with preferential treatment for none. Transactions relating to the expenditures of A.I.D. Funds require the highest degree of public trust and an impeccable standard of conduct, the employee is to strictly avoid any conflict of interest or even the appearance of a conflict of interest in AMEG-contractors relationships. the official conduct of AMEG personnel must be such that they would have no reluctance to make a full public disclosure of their actions.

1. Solicitation and Acceptance of Gratuities by AMEG Personnel

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No AMEG employee may solicit or accept, directly or indirectly, any gratuity, gift, favor, entertainment, loan or anything of monetary value from anyone who:

- (a) has or is seeking to obtain AMEG business
- (b) has interest that may affect the performance or non-performance of the AMEG employee's official duties.

2. Reports Suspected Violations

AMEG personnel shall report any suspected improper business practices, personnel conflicts, and/or solicitation and/or acceptance of gratuities by AMEG personnel to their immediate U.S. supervisor.

The supervisor shall report suspected violations to the AMEG Team Leader.

The Team Leader will immediately provide a written report to the Contracting Officer. A copy will be sent to the Special Projects Officer or the O/AID/REP.

3. Treatment of Violations

Before taking any action against a suspected violator, the AMEG Team Leader will initiate an investigation to determine whether:

- (a) An AMEG employee has solicited or has taken a gratuity.
- (b) A contractor has offered or given a gratuity to an AMEG employee.
- (c) The gift or entertainment was such as to indicate an intent to obtain a contractor favorable treatment in relation to official AMEG business.

Q. INVENTORY OF PROGRAM AND PROJECT SUPPORT COMMODITIES FOR THE CEP:

All AMEG CEP procured Program Commodities are received and kept in inventory at AMEG Warehouse facilities in Quetta and Peshawar. A stock Card System of inventory management is used.

All AMEG CEP procured Project Support Non-Expendable commodities which have a unit value of \$50 or more are to be added to AMEG's Site and Master Inventories. The Site Inventory will list entries by date, Purchase Order/Contract number and purchase price. The Master Inventory

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will provide this information and additionally designate location as follows:

- AMEG Islamabad Office
- AMEG Islamabad Warehouse
- AMEG Peshawar Office/Warehouse
- AMEG Peshawar Annex
- AMEG Animal Holding Facility
- AMEG Quetta Office/Warehouse

Each location "Manager" will insure that these Project Support Non-Expendable commodities are placed on their Site Inventory at the same time they receive the commodity and issue the Receiving and Inspection Report or in some cases the AMEG Payment Transaction Form (used for satellite AMEG facility procurements authorized by AHF Manager, Area Commodity Management Officers or the Procurement Officer for purchases \$50 to \$1000.

The property is added to the Master Inventory by the AMEG Administrative/Fiscal Office at the time it receives a Receiving and Inspection Report or a AMEG Payment Transaction Form (with accompanying invoice) certifying the item has been received.

The Site and Master Inventories are certified by the location Managers and AMEG Admin/Fiscal Office annually.

\* Re-saleable items such as clocks that are less than \$50 in unit value are also kept on the Site and Master Inventories.

APPENDIX A

Table of Contents

Procurement Agent Assigned: \_\_\_\_\_

Procurement Request Number: \_\_\_\_\_

Purchase Order/Contract Number: \_\_\_\_\_

INSTRUCTIONS: Procurement Agent will verify that action has been taken as stated by initialing and dating each entry.

<u>Action to be Taken</u>	<u>Date Action Taken</u>
1. Received Fully Approved Procurement Request Form	_____
2. Requests for Quotation sent to prospective Suppliers (copies enclosed of those sent)	_____
3. Quotation Analysis Form completed (copies of returned RFQ's and Quotation Analysis enclosed)	_____
4. Negotiation Memorandum (if applicable) Completed and Enclosed	_____
5. Purchase Order/Contract Issued	_____
6. Supplier's Acknowledgement Received	_____
7. Receiving and Inspection Report Received	_____
8. Supplier's Invoice Received	_____
9. Order for payment given to AMEG Fiscal Office	_____