

# United States Senate

WASHINGTON, DC 20510

July 10, 2003

The Honorable Andrew S. Natsios  
Administrator  
U.S. Agency for International Development  
1300 Pennsylvania Avenue, NW  
Washington, DC 20523

Dear Administrator Natsios:

Almost every day, press reports raise new questions about the circumstances under which the U.S. Agency for International Development (USAID) awarded contracts for reconstruction of Iraq. The USAID's own Inspector General has even raised questions about the propriety of the agency's award of a contract for education services in Iraq, suggesting that the process used may have given one bidder a competitive advantage. In light of the controversy surrounding the process used by USAID to award these contracts, we are requesting that you make public all documents related to USAID's decision to exempt contracts for reconstruction of Iraq from full and open competition.

There are two primary reasons American taxpayers deserve additional details about what has been up until now a closed bid processes. First, there is a lot of money on the line – a projected \$100 billion in taxpayer funds for rebuilding. Second, the U.S. General Accounting Office (GAO) has reported that sole-source or limited-source contracts usually are not the best value for the taxpayers.

Yet, sole-source and limited-source contracts seem to be the rule, not the exception, for rebuilding Iraq. Here are just a few examples: On April 11, the day after we introduced the Sunshine in Iraq Reconstruction Contracting Act along with Senators Collins, Byrd and Lieberman, one firm secured a \$2 million schools contract for Iraq through an invitation-only process. On April 18, USAID awarded the biggest contract yet. Through an invitation-only bid process, Bechtel Corporation won a \$680 million contract to rebuild Iraq's infrastructure. On April 19, a \$50 million policing contract was awarded through a closed bidding process. On the same day, it was reported that a renewable \$7.9 million contract for personnel services in Iraqi reconstruction had been awarded on February 25, nearly a month before the war began, with a single company invited to bid for the job.

The U.S. Agency for International Development had announced that it would limit competition to companies with demonstrated technical ability, proven accounting mechanisms, ability to field a qualified technical team on short notice, and authority to handle classified national security material. But when it came time to actually award these contracts, USAID ignored or circumvented the agency's own publicly stated criteria for limiting the pool of applicants.

For example, as one of its reasons for limiting competition, USAID originally said that only companies with security clearances could be invited to apply – an argument that fell apart when USAID’s own Inspector General revealed that USAID waived the security clearance requirement when one bid was awarded. It turned out that the winner of a \$4 million ports contract did not have the security clearance that was supposedly essential when invitations to bid went out. In effect, USAID eliminated the very criterion it used to limit bidders on a project.

We understand that in some cases, contracts needed to be awarded quickly. However, we believe that if the need for speed can adequately justify these closed-bid processes that may expose American taxpayers to additional expenditures, then there should be full disclosure about the decisions and processes used to award these contracts.


Unfortunately, we have serious doubts whether the need to move quickly justifies the way contracts were awarded in all cases. As noted above, the USAID’s own Inspector General released a report on June 6 that an employee of Creative Associates International (CAI) participated in a November 2002 roundtable discussion with USAID officials that covered a number of the issues subsequently included in the agency’s request for proposals (RFP) for providing educational services in Iraq. The IG concluded that by holding this meeting less than four months before the RFP was issued, USAID officials did not adhere to Federal requirements to avoid conflict of interest. The IG also said it couldn’t rule out that the bidder had gained a competitive advantage from participating in the meeting.

Questions have also been raised as to how MCI – a company that does no wireless service in the U.S. and never has – could end up winning the contract awarded by the Defense Department to set up a wireless telecom network in Iraq? The need to move quickly would not seem to be a valid justification for ignoring experience as a criterion for awarding contracts.

We believe the only way to answer the many questions and concerns that have been raised about the process USAID used to award Iraq reconstruction contracts is for the agency to make public all documents related to USAID’s decision to exempt Iraq reconstruction contracts from full and open competition. We would appreciate a reply to this letter within 30 days letting me know how USAID intends to respond to my request.

Thank you for your prompt attention to this important taxpayer issue.

Sincerely,

  
RON WYDEN  
United States Senator

  
HILLARY RODHAM CLINTON  
United States Senator