



November 13, 2003

MEMORANDUM

TO: James A. Bever, Director, USAID/Afghanistan

FROM: Bruce N. Boyer, RIG/Manila /s/

SUBJECT: Review of the Road Project Financed by
USAID/Afghanistan's Rehabilitation of Economic
Facilities and Services (REFS) Program (RIG/M
Memorandum 04-002)

This memorandum transmits our information report on the subject review. We considered USAID's comments on the draft report and have revised the memorandum accordingly. However, based on those comments, a management decision has not been reached on the recommendation on page eight. I appreciate the cooperation and courtesy extended to my staff during the review.

SUMMARY

As of November 1, 2003, contractor reports showed that 222 of the 389 kilometers of the Kabul-Kandahar highway had been paved with at least a 10-centimeter layer of new asphalt. According to USAID officials, the current plan calls for paving 321 kilometers of road with new asphalt to a depth of 10 centimeters by December 31, 2003, and repairing 68 kilometers of road where existing asphalt only needs to be repaired.

The current plan represents an acceleration of the original planned completion date of December 2005. Under the original plan, the U.S government was responsible for only 195 of the 389 kilometers. In April 2003 when additional funding was provided, USAID was tasked to accelerate this original plan. In response, USAID assumed responsibility for all 389 kilometers and planned to complete at least a single layer of asphalt over the entire length of the road by December 31, 2003—with completion of longer-term specifications by October 2004. These specifications consisted of (1) a seven-meter wide driving surface covered with four layers of asphalt totaling 31

centimeters thick; and (2) surface-treated shoulders with a gravel and stone base.

But in September 2003, USAID officials commented that paving activities were about four weeks behind the revised April 2003 plan, in part due to security interruptions of demining work. Subsequently, in October 2003, USAID agreed with the contractor to revise the schedule again to the current goal (per management comments) of 10 centimeters of new asphalt for 321 kilometers and the repair of 68 kilometers of existing pavement by December 31, 2003. USAID officials stated that they plan to achieve this goal.

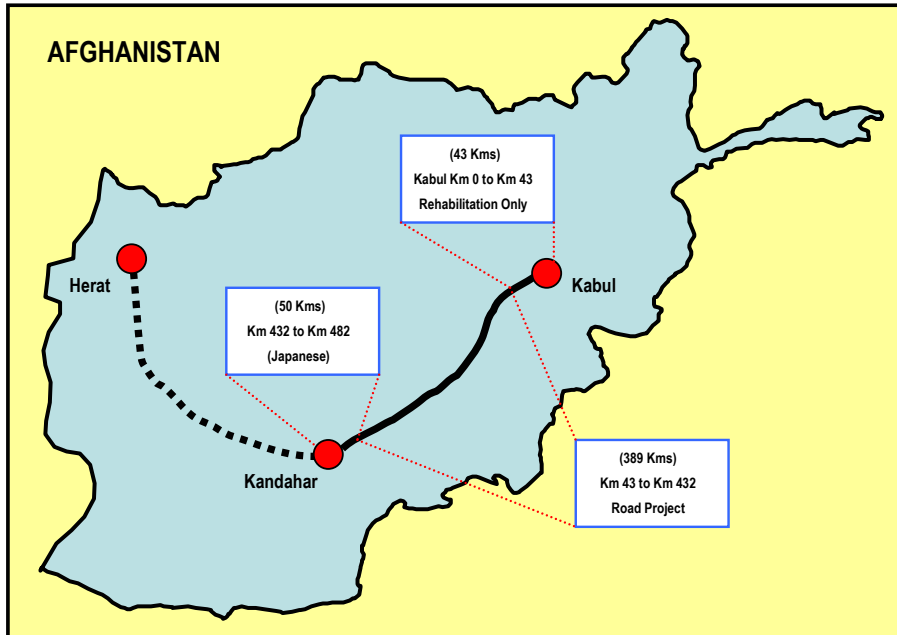
The contractor for the road, however, does need to update its implementation plan to reflect changes made to the schedule through December 2003 and beyond—and to reflect changes in project goals.

BACKGROUND

The Rehabilitation of Economic Facilities and Services (REFS) program is the largest and most visible activity being implemented by USAID/Afghanistan. Its purpose is to promote economic recovery and political stability by repairing infrastructure. In September 2002, the Louis Berger Group, Inc. (LBGI) was awarded a \$143 million contract to implement the REFS program, including road reconstruction, with the contract base period ending December 31, 2005. Reconstruction of the Kabul-Kandahar segment (Road Project) of Afghanistan's major east-west highway is the program's largest activity. The highway runs from Kabul to Herat and is approximately 1,207 kilometers long.

In April 2003 when additional funding was provided, the U.S. government assumed responsibility for 389 kilometers of the Road Project starting 43 kilometers outside of Kabul and ending 50 kilometers before Kandahar. The first 43 kilometers are already paved, and the last 50 kilometers are intended to be completed with Japanese resources.

East-West Highway



A map of Afghanistan illustrating the east-west highway. Road Project reconstruction activities start 43 kilometers west of Kabul and run to within 50 kilometers of Kandahar.

After assuming responsibility, the U.S. government tasked USAID with accelerating reconstruction of the 389 kilometers. In response, LBGI developed and USAID approved a two-phased strategy to accelerate the reconstruction. The strategy set a first-phase goal of completing a nine-meter wide road (including two one-meter wide shoulders) that had at least one layer of asphalt 15 centimeters thick on the driving surface for all 389 kilometers by December 31, 2003. The second phase would widen the road to 12 meters (including two 2.5-meter wide shoulders) and add the remaining three layers of asphalt on the driving surface by October 2004. Because of the accelerated reconstruction schedule, the estimated cost to complete all phases of the Kabul-Kandahar highway reconstruction has risen to nearly \$284 million (including, according to the Mission, \$40 million for contingencies).

To report on the progress of the Road Project, the OIG traveled to Afghanistan in August and October 2003. We reviewed documentation from the Mission and LBGI, interviewed officials, and visited reconstruction sites.

REVIEW RESULTS

Despite the complexity of the Road Project, LBGI and USAID/Afghanistan have been successful in:

- Hiring four subcontractors from India and Turkey in less than one month after USAID ordered the accelerated reconstruction.
- Mobilizing heavy equipment, rock crushing plants, and asphalt mixing plants brought in by air or overland.
- Deploying security teams to patrol construction zones and camps, including more than 50 vehicles and over 900 personnel.
- Locating, importing, and processing supplies of suitable gravel, stone, and other materials to be used in the road base and in asphalt paving mixes.
- Collaborating with the United Nations to speed up the clearing of mines and unexploded ordinance along the highway.



A photograph showing one of nine asphalt mixing plants being used on the Road Project. This photograph was taken in August 2003 about 390 kilometers west of Kabul, Afghanistan.

Nevertheless, as discussed below, in September 2003 USAID officials said that asphalt paving activities were about four weeks behind the schedule set in April 2003, due in part to demining security incidents. As of November 1, 2003, LBGI reports show that 222 kilometers of road had been paved to a 10-centimeter depth. Barring unforeseen problems, USAID officials stated that they planned to have the 389 kilometers paved to

this depth by the end of December 2003, excluding 68 kilometers of existing pavement which USAID in its management comments stated only needed repair.

USAID's Goal of Paving the Road Project by End of December 2003

In April 2003, LBGI's job order to accelerate its reconstruction called for a goal of a nine-meter wide (including shoulders), 389 kilometer highway with 15 centimeters of asphalt by December 31, 2003. LBGI had already hired a subcontractor to complete the first 49 kilometers.¹ The remaining 340 kilometers were to be done by four additional subcontractors.

In early September 2003, LBGI altered the design of the Road Project in an attempt to have at least a 10-centimeter layer of asphalt for 389 kilometers by December 31, 2003. This was done primarily because testing indicated that 10 centimeters would provide an acceptable interim paved surface that would withstand winter/spring weather conditions.

In an attempt to pave the entire 389 kilometers with an initial layer of asphalt by year end, LBGI developed a schedule in October 2003 for completing the first layer of asphalt 10 centimeters thick by December 31, 2003, except for 68 kilometers where old asphalt could be repaired. LBGI's schedule included (1) reallocating the reconstruction workload from less productive subcontractors to more productive ones, (2) instituting night shifts for paving crews, and (3) adding more security personnel along the highway during night shifts.

As of November 1, 2003, LBGI progress reports showed that the following Road Project outputs had been achieved.

Road Project Achievements as of November 1, 2003

| Reconstruction Outputs | Kilometers | |
|---|------------|------------|
| | Planned | Completed |
| Paved with at least 10 centimeters of asphalt | 321 | 222 |
| Existing asphalt repaired | 68 | 50 |
| Totals | 389 | 272 |

¹ The first 49-kilometer section of the Road Project remained as originally designed: a gravel and stone base (also called aggregate base) approximately 20 centimeters deep, covered with asphalt approximately 13 centimeters deep.

As the chart shows, 222 kilometers of the 389 kilometer Road Project have been paved with a new layer of asphalt at least 10 centimeters thick. According to USAID officials, they plan to have 389 kilometers of road asphalted to a depth of 10 centimeters by the end of December 2003, except for the 68 kilometers of existing asphalt.

As noted earlier, a number of problems have delayed project progress, and these problems may continue to affect LBGI's ability to achieve the accelerated goal:

- Security incidents are increasing. In September, several Afghan Ministry of Interior security personnel were killed in an attack. In August, a demining camp was attacked. As a result, several workers were beaten and two vehicles were damaged. A similar incident in May 2003 halted demining work for about six weeks.
- Demining is also delaying some progress. Deminers, who work for the United Nations Mine Action Center for Afghanistan, must inspect the road before subcontractors can work on it. The deminers also must inspect the land near the road where traffic is detoured.
- Almost none of the equipment and materials needed to construct a road are available locally. As a result, paving machines, compactors, bulldozers, graders, cranes, asphalt mixing plants, and rock crushers must be imported.
- Some equipment and materials being brought into the country have been detained by neighboring country customs authorities.

In addition, LBGI officials stated that the onset of colder and wet weather might affect their ability to achieve the accelerated goals.



A photograph of a RIG/Manila auditor observing a subcontractor applying asphalt. This photograph was taken in August 2003 about 50 kilometers west of Kabul, Afghanistan.

Road Project Implementation Plan is Needed

According to its contract, LBGI was to prepare an implementation plan within 30 days of arrival in Afghanistan and updated plans by the end of every January to assure that all REFS activities—including the Road Project—would be completed on time and within budget. The contract required that the plan be flexible to respond to changes in the number, type, and location of REFS activities. LBGI prepared an initial plan in December 2002. However, LBGI did not update its December 2002 implementation plan to reflect changes made to the road reconstruction schedule through December 2003 or beyond.

LBGI officials offered various explanations for not having a detailed, updated road construction plan. For example, LBGI officials stated they were awaiting additional subcontractor input. They also noted that the schedule for completing the Road Project had changed numerous times. Mission officials pointed out that the LBGI office in Kabul has had chronic staffing problems. For example, the Deputy Chief of Party arrived only in August 2003. Before his arrival, the LBGI Project Manager had to deal not only with the technical aspects of the Road Project, but with the administrative aspects as

well. These staffing problems forced LBGI to focus primarily on actual road reconstruction, to the detriment of providing other contract deliverables, such as the implementation plan.²

According to Mission officials, despite the absence of a regularly updated plan, LBGI produced weekly reports on the progress of the road reconstruction. These reports provided USAID with indicators of progress in the areas of demining, materials production, grading, paving, and road and security contractor mobilization. Even though the weekly reports provided certain indications of progress, they did not include many of the contractual requirements that USAID would require to monitor performance. Furthermore, the Mission agreed that LBGI must be held accountable for contractual deliverables.

Without a regularly updated plan, monitoring progress is difficult, especially in an environment where goals have been accelerated, interim design specifications are being introduced, and security and other problems are causing delays. Without such a plan, USAID/Afghanistan could not compare planned kilometers to be paved to actual kilometers paved at a given point in time. Nor could it monitor other key highway outputs such as rough grading and expanding the road width. The Mission needs an implementation plan from LBGI in order to (1) monitor the Road Project, (2) determine whether the project is on track, and (3) hold LBGI accountable for project outputs.

Therefore, we recommend that USAID/Afghanistan:

- Require the Louis Berger Group, Inc. to maintain a detailed, updated implementation plan for its REFS activities—including the Road Project.

Management Comments and Our Evaluation

The main thrust of management's comments to this report was that USAID now does not plan to lay 10 centimeters of new asphalt before year end on the 68 kilometers of the Kabul-Kandahar road where existing asphalt only needs to be repaired. This appears to be a relatively new development as both USAID's original job order in April 2003 and subsequent LBGI subcontracts both required putting down a layer of new asphalt

²The first concurrent financial audit of the REFS project indicates that numerous other contract deliverables, such as developing databases to track unit costs and inventories, are also not being done. The audit report will be issued in December 2003.

by December 31, 2003 on all 389 kilometers of the Kabul-Kandahar road. This requirement was confirmed in discussions with mission and project staff during our visits in both August and October 2003. Nevertheless, we have modified this memorandum per management's comments to reflect that 68 kilometers would now be merely repaired by year end, with subsequent asphaltting to take place sometime in 2004.

Further, we continue to believe that Louis Berger is not in compliance with contract requirements for maintaining an updated implementation plan. While management comments indicating that "schedules were revised/updated in late April 03" and again at the "end [of] Sept. 03" may be true, it is not the same thing as a plan that includes "critical completion milestones" and "technical standards," two of numerous elements that are to be included in an implementation plan. In a fluid environment where schedules are being accelerated and design specifications are being changed, the Mission must have a mutually agreed upon plan against which to monitor contractor performance.