




MEMORANDUM

January 17, 2015

TO: John F. Sopko
Special Inspector General for
Afghanistan Reconstruction (SIGAR)

FROM: William Hammink, Mission Director 

SUBJECT: Draft SIGAR Report entitled "Lack of Electricity and Water Have Left This \$7.7 Million U.S.-funded Industrial Park Underutilized by Afghan Businesses" (SIGAR Inspection 15-X-IP)

REF: SIGAR Transmittal email dated 12/23/2014

Thank you for providing USAID with the opportunity to review the SIGAR draft Inspection Report titled, "Lack of Electricity and Water Have Left This \$7.7 Million U.S.-funded Industrial Park Underutilized by Afghan Businesses." USAID expresses appreciation to SIGAR for working collaboratively and cooperatively with USAID personnel. Discussed below are our comments on the findings and recommendations in the report.

COMMENTS ON SIGAR's FINDINGS

When USAID arrived in Afghanistan in 2002, one of the first priorities after responding to the humanitarian crisis was to identify ways to jump-start the economy. The lack of public infrastructure was a key impediment to economic growth by Afghan and international businesses. Within just two years after USAID operations began in Afghanistan, the Agency initiated a program to establish industrial parks that could become centers for job creation in key areas around the country. The goal was to develop centers that would include basic infrastructure such as reliable, affordable power, access to sewage and potable water systems, and clear title to land. These services would be especially important for Afghan businesses to attract partnerships with international business partners.

Within four years after initiating the project, in 2008, USAID had successfully established four industrial parks in full working order – one outside each of the country’s four major cities; Kabul, Kandahar, Mazaar-e-Sharif, and Jalalabad. In keeping with established sustainable development practice, USAID turned the management of parks over to the Afghans.

After careful evaluation, USAID chose to implement an industrial/business park model appropriate for Afghanistan in cooperation with the Afghanistan Investment Support Agency (AISA). Under this model, USAID would fund the development of the park’s infrastructure. After completion of the infrastructure component, AISA would assume full responsibility and become empowered to manage the park, including the authority to set and collect fees from resident businesses that would then pay for management salaries, as well as repair, maintenance, and upgrades within the park. AISA’s staff was also provided training for the management and operation of the park.

AISA had the responsibility to market the park, lease the plots to qualified business applicants, collect the lease fees, as well as other fees based upon park services used, from resident businesses. Specific to the Gorimar Industrial Park, USAID was overly optimistic on AISA’s ability to effectively and economically manage and operate the park. USAID did not fully appreciate AISA’s inability to manage projects at the provincial level outside of Kabul. As such, the assurance AISA provided USAID of their ability to manage the parks was overly optimistic, especially as the security environment began to deteriorate beginning in 2007-2008.

AISA has greatly matured as an organization since USAID completed the project and handed the parks over to them in July 2008, and is now fully capable of taking on the responsibility of revitalizing the Gorimar Industrial Park. After 12 years of helping build the operational and managerial capabilities of numerous Afghan organizations, to include AISA, USAID, in conjunction with the international donor community, must now place our Afghan partners in the lead as problem solvers. USAID cannot remain the owner and management entity for every project that is implemented in Afghanistan in perpetuity. In this case, the project was turned over for the Afghans to manage in 2008, and USAID is no longer the responsible entity for this or the other three industrial parks.

However, USAID has continued to work with AISA and on several occasions we have reached out to them to express concern about the high prices being charged for the Gorimar Park. While we have expressed our concern, AISA has sole decision making power regarding the park's management.

COMMENTS ON SIGAR'S RECOMMENDATIONS

1. Determine the current status of AISA's effort to connect Gorimar Industrial Park to the local power grid, and, if necessary, identify appropriate steps to help complete the project.

USAID Comments: USAID does not concur with this recommendation. After construction activities and technical assistance ended and USAID handed the park over to AISA in July 2008, maintenance of the Gorimar Industrial Park became the sole responsibility of the receiving agency. This project did not include open ended commitments for USAID to provide additional support or technical assistance following handover over six years after completion. A mechanism for sustainment was in place at the time of handover in which AISA would earn revenue and generate user fees by leasing plots within the park to cover the cost of ongoing expenses, repairs, and maintenance.

Furthermore, AISA and Da Afghanistan Breshna Sherkat (DABS), the national electric utility, have already collaborated to connect the park to the local power grid. Construction of the 20 kilovolt overhead transmission line from Neribabad Substation to Gorimar Industrial Park is approximately 80 percent complete and, according to AISA, the park should receive external power by the end of February 2015 (see appendix 1: Balkh Gorimar Industrial Park Transmission Line Progress Report Dec-30-2014).

As AISA not USAID is responsible for management and provision of electricity at the Park, USAID requests SIGAR to eliminate this recommendation. If SIGAR retains the recommendation, based on the information on status, we request closure of this recommendation.

2. Determine, in consultation with AISA, the feasibility of establishing the park's generators as a backup source of electrical power.

USAID Comments: USAID does not concur with this recommendation. As described in the response to recommendation one, maintenance and utilization of the industrial park's generators are the responsibility of

AISA since handover in July 2008. Consultation regarding the use of generators at the Gorimar Industrial Park should be between AISA and DABS. Accordingly, USAID requests elimination or closure of this recommendation.

3. Determine why contract files for Gorimar Industrial Park were missing and ensure that contract files for all future projects contain critical project design, planning, construction, quality assurance, and related documents required by Federal Acquisition Regulation Subpart 4.8, "Government Contract Files," within 90 days.

USAID Comments: USAID concurs with this recommendation. While not all the files related to the Gorimar Industrial Park project were readily available, it would be impossible to determine with complete certainty the circumstances of their unavailability, as the period of records for this activity covers nearly a decade beginning in 2004. In order to ensure that the contract files retain critical project documents, USAID has supported a compliant records management program by establishing the Communications and Records section under the Office of Management in 2004. This office monitors records retention practices and provides training and advisory services to each office's file custodians, who are designated by the respective office director. As per policy, temporary contract documents are destroyed after cross-referencing with the Records Disposition Schedules that specifically authorize the destruction. USAID is committed to being in full compliance with the Records Management retention policies as applicable to USAID and, therefore, requests closure of this recommendation.

Attachments:

Appendix 1: Balkh Gorimar Industrial Park Transmission Line Progress Report Dec-30-2014

Cc: DMD: SKeyvanshad
 OEGI: RScott
 OAA: BEnroth
 OEGI: ADix
 OFM: RLapp
 OFM: ALevenson