

# BUSINESS

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## Experience, Not Bid, Wins Iraq Contract

### *USAID Picks Firms With Track Records*

By JACKIE SPINNER  
*Washington Post Staff Writer*

United Nations inspectors were still combing Iraq for banned weapons, and the U.S. invasion was 55 days off, when Cynthia Pflugh's telephone rang Jan. 23 at the Connecticut Avenue headquarters of consulting firm International Resources Group.

The U.S. Agency for International Development was calling to invite IRG, a 25-year veteran of global development issues and a longtime government contractor, to bid on a contract to provide personnel services for the reconstruction of Iraq.

The firm already had a contract with the agency that required it to be able to mobilize specialists to go anywhere in the world within 72 hours. Thus IRG officials said they had anticipated the call and began planning in December as tension between Iraq and the United States escalated.

On Feb. 25, USAID announced that IRG had won the renewable three-month, \$7.9 million



BY SUSAN BIDDLE—THE WASHINGTON POST

**International Resources Group chief executive Asif M. Shaikh and Cynthia Pflugh, managing director of business development, in their Washington office.**

contract. No other firms had been invited to bid.

The speed -- and lack of competitive bidding -- with which the State Department agency awarded six of its eight initial Iraqi reconstruction contracts drew criticism from Congress and attention to companies that, like IRG, had been little known outside the international development community.

When a subsidiary of Halliburton Co., once headed by Dick Cheney, won a U.S. Army Corps of Engineers emergency contract to extinguish oil-well fires in Iraq, Democratic House members demanded an investigation and senators introduced a bill to require agencies to justify publicly why only select firms were asked to bid.

The agency is awarding the contracts under a rule that allows it to bypass the normal competitive bidding when it would impair a foreign aid program. Agency officials have said that a shorter bidding process is necessary to get aid moving quickly.

USAID officials said they called IRG in January because even a shortened procurement process takes at least two months. "We were reluctant to start too early because we didn't want to preclude what was going on on the ground," said agency spokesman Luke Zahner. "But we needed to at least get the ball rolling to make contingency plans."

Because of the public attention on Iraq, people all of a sudden

wanted to know all about International Resources Group. "Everyone was calling looking for a smoking gun," something to indicate that the firm had received special treatment, said Pflugh, a vice president and managing director of business development at IRG, which has 270 employees and annual revenue of about \$40 million.

Company officials felt they had built a solid business as a government contractor, promoting hydroelectric power in Nepal, analyzing legal and regulatory institutions in Armenia and managing a food-assistance program in Afghanistan. The firm has been awarded more than 600 contracts over the years, with more than half -- 327 worth a combined \$420 million -- from USAID.

Asif M. Shaikh, IRG's president and chief executive, said the firm has worked with USAID for many years. Shaikh is an economist by training, with a specialty in natural resources. He has led IRG since 1991. The firm has worked in more than 100 countries, primarily in such areas as natural resources management, environmental policy and energy.

"We, as a company, have been driven by the development issue," he said. "That's what we do. You fix problems. Your goal is no different in Indonesia than it is in any other place."

The Jan. 23 call began a hectic period for the company. USAID gave the firm less than a week to put in a bid, so the staff worked double-time to prepare a lengthy proposal with cost estimates, detailed response plans and

descriptions of the positions it expected to fill.

"We believed we were one of a few preselected firms," Pflugh said. "After our submission, we continued to respond to USAID, negotiating questions and requests over about a month-long period. USAID was terribly responsive, urgent and demanding, and our deadlines for responding to their inquiries were regularly within 24 hours."

USAID officials defended their use of the limited competition and argued that the companies that are chosen still must go through a rigorous bidding process that takes into account costs and ability to do the work.

"IRG has done over 20 years of work with the U.S. government," said Ellen M. Yount, a USAID spokeswoman. "They have a record here. The reason you go to sole-source is you determine that only one firm can do the job."

USAID is required to consider the past performance of a firm when awarding a contract. The agency declined to release contract evaluations for the companies that have been awarded reconstruction contracts.

"These firms are very, very careful about their reputations because past performance is evaluated," said William W. Goodrich Jr., a contracts lawyer at Arent Fox Kintner Plotkin & Kahn PLLC in Washington. "If you do a lousy job, you aren't going to get another contract."

The agency has had problems with its evaluations in the past, however.

In 1999, USAID's inspector general found that USAID's

process for evaluating contractor performance was not effective, reporting that "USAID had no assurance that superior contracts were selected and that poor contractors were avoided."

A follow-up report released on Jan. 29 of this year found that USAID had taken steps to reduce the problems reported four years earlier. But it said performance evaluations are still not completed in a timely manner and recommended improvements to the database that tracks evaluations.

M. Charito Kruvant, president and chief executive of Creative Associates International Inc., a Washington consulting firm awarded a school reconstruction contract worth as much as \$62 million, said government contractors are used to scrutiny.

"The issue of transparency is part of our life," Kruvant said. "I usually say quite comfortably that people know my shoe size."