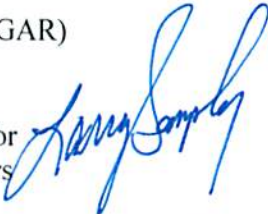




MEMORANDUM

March 28, 2014

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

FROM: Donald L. "Larry" Sampler  
Assistant to the Administrator for  
Afghanistan and Pakistan Affairs 

SUBJECT: Response to SIGAR's 14-40-SP Inquiry Letter Regarding the Kajaki  
Unit 2 Turbine Installation Project

USAID would like to thank SIGAR for the opportunity to respond to concerns about cost increases for the Kandahar Helmand Power Project (KHPP) and the related on-budget Kajaki Unit 2 Turbine Installation Project (Kajaki Unit 2 Project). We constantly scrutinize our programs and oversight mechanisms to ensure taxpayer dollars are protected in Afghanistan. This is a challenging, but essential part of the work we do in Afghanistan. Oversight provided by SIGAR, the USAID Inspector General and GAO, assists us in implementing effective programs that support our national interests.

With regard to your recent Inquiry Letter on the KHPP and Kajaki Unit 2 Project, your findings appear to reflect a misunderstanding of USAID contracting processes. SIGAR claims USAID's \$75 million on-budget obligation for Unit 2 is a 342% cost increase; however, the \$75 million estimate is aligned with USAID's 2011 cost estimate. The letter also states that USAID did not decrease the KHPP contract ceiling. In fact, USAID made a contract modification that decreased the ceiling by \$38 million.

We encourage SIGAR to request input from USAID before publishing Inquiry Letters that may be based on inaccurate information and include erroneous findings.

Finally, in assessing whether a specific project is meeting its objectives, we urge SIGAR to consider the U.S. Government's goals in implementing the project. In the case of the Kajaki Unit 2 Project, USAID's investment is not simply based on direct economic returns, but also predicated on significant security and governance objectives that the U.S. Government and the Government of the Islamic Republic of Afghanistan are working together to achieve in Afghanistan.

A more detailed response to SIGAR's assertions is included in the attachments of this memorandum.

**Attachments:**

1. **Technical Comments**
2. **Table B.4: KHPP Contract Budget Line Items**
3. **Response to SIGAR on KHPP Economic Analysis**

**cc:**

**Dr. Rajiv Shah**  
**Administrator, U.S. Agency for International Development**

**William Hammink**  
**Mission Director, U.S. Agency for International Development/Afghanistan**