

USAID Iraq Infrastructure Reconstruction Program

Basrah Contractor-Supplier Conference

Program Overview

In April 2003, USAID awarded Bechtel a contract for the emergency infrastructure repair and rehabilitation work in Iraq. Restoration of the country's key infrastructure is a priority of the U.S. government's effort to strengthen Iraq's economy and ensure delivery of essential public services to the Iraqi population.

Bechtel's Role

Bechtel's contract calls for the repair, rehabilitation or reconstruction of vital elements of Iraq's infrastructure. This includes assessment and repair of power generation facilities, electrical grids, municipal water systems and sewage systems. There is also a provision in the contract for the rehabilitation or repair of airport facilities, and the dredging, repair and upgrading of the Umm Qasr seaport, in close cooperation with other USAID contractors working in those sectors. The contract also involves the repair and reconstruction of schools, clinics, selected ministry buildings and major irrigation structures, as well as restoration of essential transportation links.

Priority Medium-Term Objective

Bechtel intends to subcontract 90% of this work, and is working to maximize the participation of Iraqis.



An Iraqi equipment operator

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Engineering

Bechtel's engineering group assesses reconstruction requirements and develops designs. We perform detailed assessments on each priority work area and define the scope of work required, including estimates of how many hours each job will take.

Once assessments are complete and job orders are approved by USAID, Bechtel plans to contract with local engineering contractors to the maximum practical extent.

Tools and Methods

For all the work completed on this project, Bechtel's standard engineering procedures and design guidelines will apply. An important purpose of these procedures and guidelines is to establish consistent quality and performance standards.

Additionally, all design documents must undergo an approval process, and must be produced in English, along with the equipment name plates.

Codes and Standards

All engineering designs and construction must comply with internationally recognized building and safety codes, ordinances, and standards, such as:

- European Union (EU) standards
- DIN standards
- U.S. codes and standards
- Iraqi codes and standards under review



Bechtel team reviews survey of Al Basrah airport

Procurement

Overview

Bechtel's Procurement Group takes the Engineering design and approved Job Orders and translates those into tenders for competitive bidding of purchase orders and subcontracts with others for supply of those goods/materials and services/work.

Today, we will briefly describe, outline our tendering process, and then discuss the special considerations for Iraqis, along with the applicable U.S. Government rules.

It starts with Safety.

That is, Bechtel will only conduct business with other companies that apply "Zero-accidents" principles and commitment. Those principles and that commitment are present throughout Bechtel procurement documents from prequalification through purchase order/subcontract awards, like a thread woven into the fabric of a garment we wear.

Competition and Current Status – 90 days view

Safety is also one of the keys for one company to set itself apart from the competition, and this is a highly competitive market. For example, the first subcontract award to an Iraqi company occurred 30 May. Today, not only are the majority of the subcontract awards to Iraqi companies, but also ... less than 6 weeks after the first award to an Iraqi company, Iraq has the most number of subcontractors among the 45 subcontracts awarded to date; more than US companies, more than UK companies, more than any other country. That will be how we will continue to do our work for USAID, that is, mostly through Iraqis.

But we can only award subcontracts and purchase orders to those we have information about. That is one reason we place so much importance on the Questionnaire that has been handed out at this conference.

Prequalification

The Procurement process begins even before a specific request for a purchase (a requisition) is submitted. That is, it begins with a general collection of information about companies seeking to do business with Bechtel. We collect that information through various tools, including written Questionnaires such as those distributed in this conference.

Procurement (Cont'd)

That general information is sorted into key categories and a data base built from which Bechtel can select companies to compete in a specific tender. Attachment-1 is an example of the database outline. We have already received hundreds of completed questionnaires from interested Iraqi companies, and we expect the overall database to ultimately include more than a thousand interested Iraqi companies.

It is therefore crucial for each company to be clear about its capabilities and make an effort to distinguish itself from the intense competition. As noted, one way to do that is to emphasize Safety, others include particular expertise in one of the industry sectors Terry described, i.e., Power, Water, Transportation, Airports, Buildings, etc. Bechtel cannot do that for any company. It must be done by the company itself. Given the critical situation, the limited time available, and the intense competition from hundreds, if not thousands of Iraqi companies, the fairest and most impartial way to do that is through the Questionnaire process.

Questionnaires may be submitted at our Marbad Hotel office, where there are Bechtel representatives available to help with completing the questionnaire and answering questions.

Tendering Process

The tendering process (also summarized schematically in the Attachment-2 diagram), which will be carried out in Basrah, will include the following steps:

- Qualification of potential bidders
- Bidder selection
- Solicitation
- Evaluation and award



Contractor-Supplier Conference in Baghdad

Only responsive bids and responsible bidders will be considered. Responsive bids are those that are submitted on time and comply with the terms and conditions of the tender. Responsible bidders are those who have directly related experience and the resources and financial strength to perform and warrant the work.

Offers are evaluated on the criteria set forth in the tender documents, and include safety, quality, schedule, and price. In some cases, a subcontract may be awarded

Procurement (Cont'd)

without further discussion; in cases where a clarification is necessary, bidders may be asked to provide additional information.

Insurance

There are also specific requirements for insurance. The specific requirements apply mostly to non-Iraqi citizens, but this does not lessen the importance of standard general liability insurance for all companies. For Iraqi companies, Bechtel is working to place a special Commercial General Liability Wrap-up insurance. That is, if we are successful in our discussions with the Insurance brokers, Iraqi companies will be provided some insurance coverage through Bechtel while working on the USAID program.

Compliance with U.S. Government Rules

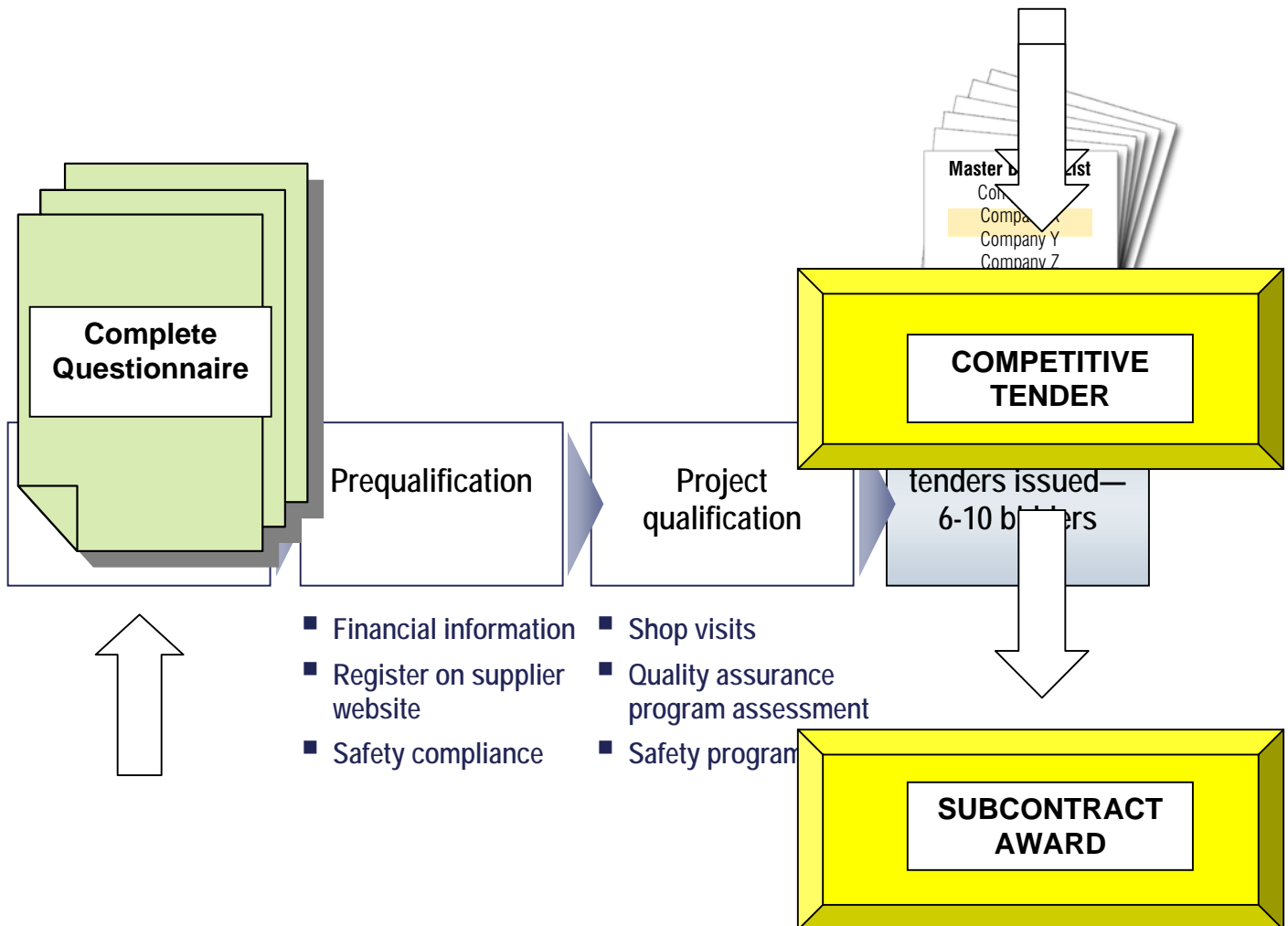
Subcontractors must comply with U.S. and applicable international laws, and the procurement regulations of the U.S. For example, special licenses are required for shipment of high technology equipment into Iraq under the USAID contract.

Those regulations found in Bechtel's contract must be included in subcontracts. They require more administrative controls and in some cases Bechtel will therefore require that subcontractors include an Administration Manager in its staff for that specific subcontract.

Procurement Summary

- Our goal is to subcontract 90% of the USAID work we manage. Of that 90% we plan to award the majority to Iraqi companies
- We plan to structure the tenders, divide them, so all categories of Iraqi companies can participate, large – medium – small.
- For cases where international companies must be involved, e.g., for engineered equipment that cannot be obtained today in Iraq, we have collected registrations from over 8,000 international companies and we are making that contact information available to all Iraqis, at no charge, at each of our offices. Our goal is for Iraqi companies to joint venture with those international companies to enable us to contract through the Iraqi rather than international entity. We have already done this at Baghdad International Airport for one tender.
- We will continue to post lists of awarded work in each of our offices and the company contact information so all can offer services to them.

ATTACHMENT - 2 : BECHTEL TENDERING PROCESS



Safety

At Bechtel, safety is our number one priority. We pride ourselves on our excellent safety record, and require that all subcontractors comply with our safety requirements. Bechtel has a zero-accidents philosophy: we don't want anyone hurt.

Bechtel will work with subcontractors to help develop a safety plan. However, contractors must provide personal protective equipment to their employees, all and all work tasks must have risk assessments.

Additionally, all employees must be trained in safety practices and procedures, and contractors must designate a qualified on-site safety representative. Contractors will also be required to submit safety policies and project-specific plans, which must be approved by Bechtel.

Construction

Bechtel has high quality standards with all its work, and we require that same standard from our subcontractors. Today we will discuss a quality plan and explain those quality standards. We will also discuss the training requirements for both engineering and craft workers (equipment operators, carpenters, plumbers, etc.), and walk you through the basic construction contractor functions.

The basic construction contractor functions are:

- Material receipt
- Field inspection
- Test equipment and calibration
- Survey, excavation, and backfill
- Crane operators and riggers
- Safety

Additionally, our project completion requirements include as-built drawings, punchlists and final inspection, as well as turnover requirements. We will discuss this in detail and are happy to answer any of your questions.



Cleaning trash collected on dredge intake,
Port of Umm Qasr

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Construction (Cont'd)

For the past month Bechtel has performed evaluations on various facilities in the South. These include Power and Substations, Electrical Grid, Water and Wastewater Treatment Plants, Railroads, Bridges, various Schools and Clinics, the Umm Qasr Port and the Basrah Airport.

The priority for these projects will be determined by the CPA and USAID. Bechtel's responsibility will be to manage the engineering, procurement and construction activities related to these projects.

Contractors will be awarded work in these sectors based on price and our understanding of the ability of contractors to perform work in a safe manner, to the required quality, and in accordance with an agreed upon schedule.

Those contractors who prove to be capable performers will continue to be used for future work. Those contractors who are unable or unwilling to comply to our requirements or execute work in accordance with our subcontract agreements will not be considered further.

Safety will be our most important measurement in evaluating a contractor's ability to perform. As stated previously, *"we don't want anyone hurt"*. Contractors will be continuously monitored in their Safety performance as well as in the quality of work they perform and timely completion.

The Bechtel Construction Organization will be divided in to 5 different areas focusing on each of the primary sectors, Buildings and Infrastructure, Airport, Power, Water/Wastewater and Rail. These different groups will be responsible, on a daily basis, for managing the successful contractors in executing these activities. Our organization will be staffed with Construction professionals highly skilled at executing these types of projects and will have the ability to evaluate contractors' performance on an ongoing basis.