



Highlights of [GAO-07-357](#), a report to congressional committees

Why GAO Did This Study

In December 2004, an earthquake caused a tsunami that devastated several countries in the Indian Ocean region. In May 2005, Congress appropriated \$908 million in aid, of which the U.S. Agency for International Development (USAID) is implementing \$482 million in recovery projects in many affected countries, including Indonesia and Sri Lanka. This report examines (1) the progress of USAID's program; (2) USAID's financial and technical oversight of its efforts, and risks it faces; and (3) actions taken by the Secretary of State in response to an April 2006 GAO recommendation. Specifically, GAO recommended that State, in its required reports to Congress, provide updated cost estimates and schedules and show the need for additional funding sources, if necessary. GAO examined USAID's signature projects in both countries; reviewed project documents and periodic reports, interviewed USAID officials, and visited project sites in August and October 2006.

What GAO Recommends

To show progress, potential future risks, and enhance Congress's oversight, GAO recommends that the Secretary of State include, in State's reports to Congress, (1) the amount of funds obligated (in USAID's terms, "subobligated") in implementing agreements and (2) risk information and mitigation strategies.

www.gao.gov/cgi-bin/getrpt?GAO-07-357.

To view the full product, including the scope and methodology, click on the link above. For more information, contact David Gootnick at (202) 512-3149 or gootnickd@gao.gov.

FOREIGN ASSISTANCE

USAID Signature Tsunami Reconstruction Efforts in Indonesia and Sri Lanka Exceed Initial Cost and Schedule Estimates, and Face Further Risks

What GAO Found

Although both of its signature projects—one in Indonesia and one in Sri Lanka—are under way, USAID has increased initial cost estimates, reduced or canceled some project activities, and may extend completion dates. As of December 31, 2006, USAID had obligated \$140 million (46 percent) and expended \$20 million (7 percent) of the \$302 million it budgeted for the two signature projects, which consist of the construction of a major road in Indonesia and construction of a bridge and other infrastructure in Sri Lanka. In Indonesia, based on GAO's analysis, estimated construction cost per mile increased by 75 percent—from \$1.6 million to \$2.7 million; USAID reduced the length of road to be built by over one third—from 150 miles to 91 miles; and the agency may extend the planned completion date to February 2010—5 months later than initially planned. As of January 2007, construction had begun to build 26 miles of road, but USAID had not awarded a contract for construction of the remainder of the road and the government of Indonesia had acquired less than one-fourth of the nearly 3,700 parcels of land needed. In Sri Lanka, USAID increased the estimated costs for its signature project by nearly 40 percent—from \$35 million to \$48 million. USAID has taken steps to address some difficulties in both countries but continues to face risks that it may not complete the signature projects within cost and schedule estimates, and without reducing the projects' scope, as planned.

USAID is carrying out measures that it previously established for financial oversight of reconstruction in Indonesia and Sri Lanka and has taken steps to enhance its technical oversight capacity. For example, USAID is conducting additional concurrent audits of its signature road construction project in Aceh Province, Indonesia, to address concerns about corruption, potential misuse of funds, and completing projects on schedule. To ensure technical oversight, USAID added experienced staff in both countries and acquired additional engineering services through the U.S. Army Corps of Engineers. However, when it began its tsunami assistance programs in early 2005, USAID lacked disaster recovery guidance, including lessons learned from prior disaster reconstruction efforts. These lessons include setting appropriate time frames, conducting thorough cost assessments, and understanding local land tenure systems. USAID continues to face several risks, such as rising costs and delays in land acquisition, that could affect its successful completion of signature projects in Indonesia and Sri Lanka as planned.

In response to GAO's April 2006 recommendation, the Secretary of State agreed to provide updated cost estimates and schedules in its required semiannual report. However, State's two reports submitted since GAO made its recommendation show USAID obligations to recipient countries rather than amounts obligated to organizations implementing project activities (in USAID's terminology, "subobligations"). The current reported obligations do not clearly reflect USAID's progress and the reports do not include some risk information and a mitigation strategy for addressing the risks.