

RELEASE IN
PART B5,B6

From: Sullivan, Jacob J <SullivanJJ@state.gov>
Sent: Wednesday, January 19, 2011 12:17 PM
To: H
Subject: FW: Lavrov
Attachments: FW: Russian contractor for Salang Tunnel (778 KB); FW: Russian contractor for Salang Tunnel (778 KB)

FYI

From: Feldman, Daniel F
Sent: Wednesday, January 19, 2011 12:16 PM
To: Sullivan, Jacob J
Subject: FW: Lavrov

Fyi, in following up on the issue the Russians raised with S in Astana – there is a Russian bidder now on the Salang Tunnel.

From: Smith, Gerald (Kabul/OAA)
Sent: Wednesday, January 19, 2011 5:21 AM
To: Gramaglia, Thomas R; Blanc, Jarrett N; Bateman, Kate E; Misko, Sean A; Feldman, Daniel F
Cc: Kessler, Jonathan S; Chapman, Todd C; Plucknett, Roy
Subject: RE: Lavrov

All:

Following up on the Salang Tunnel issue. Zarubezhtransstroj was invited to bid on the final emergency repair subcontract. See attached.

Regards,
Jerry

Gerald Smith
Contracting Officer
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B6

SBU
This email is UNCLASSIFIED.

From: Gramaglia, Thomas R
Sent: Monday, December 06, 2010 11:20 PM
To: Smith, Gerald (Kabul/OAA); Blanc, Jarrett N; Bateman, Kate E; Misko, Sean A; Feldman, Daniel F

Cc: Kessler, Jonathan S; Chapman, Todd C; Plucknett, Roy

Subject: RE: Lavrov

Colleagues-

Attached is cable Moscow 297 (February 2010, attached) regarding USAID Moscow's presentation to the GoR about contracting opportunities (I have the USAID presentation in Russian, if anyone wants it). I note that the Russian company Zarubezhtransstroj, the original builder of the Salang Tunnel in 1964, did indeed participate in this USAID briefing in Moscow and bid on (but lost) the recent contracts for the emergency repair work. Thus, it does not appear that Russian firms were "kept from bidding," as Lavrov apparently said to Secretary Clinton.

In addition, it seems that the USAID contracting officer gave some good information and advice during the February presentation in Moscow, although Zarubezhtransstroj apparently did not partner with a local firm on its bid:

"Participants were given a list of anticipated USAID competitive contracting opportunities in Afghanistan for FY2010, and names and contact information for USAID's implementing partners in Afghanistan. The presenters also described Embassy Kabul's and U.S. Forces Afghanistan's "Afghan First" policy, which encourages local procurement of Afghan goods and services to benefit and improve the well-being of the Afghan people."

....

"The Contracting Officer ...did point out the potential benefits of sub-contracting with companies who were currently working in Afghanistan. She also remarked that forming consortium companies was not prohibited."

[Redacted]

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[Redacted]

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For Kabul colleagues, please note that the MoPW already held a donors conference on March 30 to discuss the Salang Tunnel, and your predecessors submitted the following comment in Kabul 1130 (April 1, attached):

8. (SBU) Comment: We will consult with the Russian Embassy about this issue before the next donors meeting on April 6. Additionally, we continue to work internally to think of other ways we can be involve Russian firms in this project short of promising a sole source contract. We will also think through means to build broader donor support for this project. End comment.

On the issue of whether the GIRoA would welcome a Russian firm, I refer you to Kabul 747 (March 1, attached), in which Minister Zakhilwal stated the following:

3. (SBU) When asked about Afghan public perceptions on Russian involvement in Afghanistan, Finance Minister Zakhilwal responded: "we welcome it." ... He also said that projects such as the Salang tunnel could be interesting for qualified Russian firms. Zakhilwal said that the President shared his views on Russian engagement."

Many thanks for your efforts on this project, and for your sensitivity to Russian concerns that have been raised by President Medvedev and other Russian officials. As long as the playing field is level and Russian firms are given an equal

opportunity to succeed, then I believe we will fulfill our commitments the Russian government (and our obligations to the American taxpayer).

Regards,
Tom

SBU
This email is UNCLASSIFIED.

From: Smith, Gerald (Kabul/OAA)
Sent: Sunday, December 05, 2010 7:15 AM
To: Blanc, Jarrett N; Bateman, Kate E; Misko, Sean A; Gramaglia, Thomas R; Feldman, Daniel F
Cc: Kessler, Jonathan S; Chapman, Todd C; Plucknett, Roy
Subject: RE: Lavrov

No problem. For those who are interested the link below contains a wealth of information on opportunities to do business in Afghanistan with the USG, USAID, and its implementing partners. This is a USG site maintained by the DoD's Business Transformation Agency.

<http://www.afghanfirst.org/resources>

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B6

SBU
This email is UNCLASSIFIED.

From: Blanc, Jarrett N
Sent: Saturday, December 04, 2010 4:37 PM
To: Smith, Gerald (Kabul/OAA); Bateman, Kate E; Misko, Sean A; Gramaglia, Thomas R; Feldman, Daniel F
Cc: Kessler, Jonathan S; Chapman, Todd C; Plucknett, Roy
Subject: Re: Lavrov

B5

Thanks so much for your attention to this issue. I appreciate that it may seem a little academic for the reasons Jerry lays

out in his e-mail to Kate, but it is actually quite important to a complex bilateral relationship.

JB

From: Smith, Gerald (Kabul/OAA)
To: Bateman, Kate E; Misko, Sean A; Gramaglia, Thomas R; Feldman, Daniel F; Blanc, Jarrett N
Cc: Kessler, Jonathan S; Chapman, Todd C; Plucknett, Roy
Sent: Sat Dec 04 04:53:48 2010
Subject: RE: Lavrov

All:
Attached is the bidders list for the Salang Tunnel Emergency repair. Please treat this information as procurement sensitive and not forward it to anyone outside of State/USAID.

A Russian firm, as well as a Turkey and Korean, bid on the project.

Regards,
Jerry

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B6

SBU
This email is UNCLASSIFIED.

From: Bateman, Kate E
Sent: Saturday, December 04, 2010 9:29 AM
To: Misko, Sean A; Gramaglia, Thomas R; Feldman, Daniel F; Blanc, Jarrett N
Cc: Kessler, Jonathan S; Chapman, Todd C; Smith, Gerald (Kabul/OAA)
Subject: RE: Lavrov

All,
Please see below and attached for further information from Jerry Smith, the USAID contracting officer for Salang Tunnel. The attached document includes the names of the Afghan subcontractors: Engineering, Construction & Highway Construction Organization (ECHCO) and Erector Construction & Road Building Company-Golden City Construction Company (ECRC-GCC JV). Many thanks to Jerry for his response to your questions:

"I was completely unaware of the discussions with the Russians. I suspect that LBGBV was not aware of it either. Even if they were, they have to follow their procurement policies and procedures which require a fair opportunity to all interested parties to bid. As a matter of USAID policy we strongly encourage LBGBV, to the maximum extent possible, make awards to local Afghan firms. LBGBV posts their procurement opportunities on various web sites and local newspapers. They will also invite contractors who have previously done work (successfully) with them to bid on the projects as well. The Russian companies who are interested in opportunities in Afghanistan must understand the market

and know where to find these opportunities. It would be contrary to the USAID and "Afghan First" policy to actively recruit companies from Russia to do work which local Afghan firms are fully qualified to do.

For this project, 4 subcontracts were contemplated. Two Afghan firms were awarded subcontracts. One of these firms received two of the four subcontracts. The 4th subcontract was to an Uzbekistan company. I rejected this company because its mobilization costs were way too high for the work to be done and the subcontractor could not justify these costs. LBGBV was instructed to rebid this subcontract. Total cost for the work is \$5M. Total value for each subcontract is \$1M each. The remaining costs are LBGBV's security, program management and OH costs.

I will have to ask LBGBV to provide me with the bidders list in order to determine if any Russian firms submitted a bid. It is clear that companies outside of Afghanistan were aware of the offer to bid as an Uzbekistan company submitted a bid.

As an aside, the MoPW is a partner in making the repairs to the tunnel and the galleys. How would the Afghan Government react if a Russian firm showed up on the job site? If the Russian firm desires to import workers it would be difficult for them to obtain work visas from the Afghan government.

Unfortunately I am getting on a flight to Jalalabad in a few minutes and will not have the information from LBGBV until I return on Saturday.

See attached for additional information on the Salang tunnel project."

It seems to me our next step is for Jerry or I to get back to you when we have information from LBG on whether any Russian firms submitted a bid. If Russia did submit a bid, their complaint is not legit. If Russia did not submit a bid, the failure might have been on our end, i.e. for State to have communicated with AID, and via AID with LBG, to ensure the Russians were aware of how to submit a bid on this particular project. As Jerry suggests, however, that communication should have stopped short of active recruitment. (But if USAID gave a presentation in Moscow as Tom describes, it looks like we covered this base?)

Hope this answers some questions.

Best,
Kate

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This email is UNCLASSIFIED.

From: Misko, Sean A
Sent: Wednesday, December 01, 2010 9:02 PM
To: Gramaglia, Thomas R; Feldman, Daniel F; Bateman, Kate E; Blanc, Jarrett N
Subject: RE: Lavrov

I agree with Tom's comments below.

Salang was raised at the POTUS-Medvedev level.

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From: Gramaglia, Thomas R
Sent: Wednesday, December 01, 2010 11:15 AM
To: Feldman, Daniel F; Bateman, Kate E; Blanc, Jarrett N; Misko, Sean A
Subject: Re: Lavrov

Kate is right about Embassy efforts to educate the Russians about USG contracting. In fact, there are cables about discussions in Kabul with the Russians (including one that I attended with Ambassador Wayne to visit the Russian Ambassador to Afghanistan). USAID even gave a presentation in Moscow to the Russians on how to bid on USAID contracts.

Nobody (except the Russians) has suggested at any time that a Russian firm be given a sole source contract. But I can say that the USG has repeatedly led the GOR to believe that Russian firms would have a fair opportunity to bid. [REDACTED]

From: Feldman, Daniel F
To: Bateman, Kate E; Blanc, Jarrett N; Misko, Sean A; Gramaglia, Thomas R
Sent: Wed Dec 01 10:34:24 2010
Subject: Re: Lavrov

Thanks Kate. Very helpful and timely.

From: Bateman, Kate E
To: Blanc, Jarrett N; Feldman, Daniel F; Misko, Sean A; Gramaglia, Thomas R
Sent: Wed Dec 01 10:20:52 2010
Subject: RE: Lavrov

Based on information from three Embassy and AID people involved here (including the contracting officer at AID), the bottom line is that no, the Russians were not kept from bidding. Dan's exactly right that they (repeatedly) requested a sole source contract, and we repeatedly said no. Moreover, Amb. Todd's deputy and our Ambassadors (I don't know which) repeatedly told the Russians that they were able to bid.

More context:

The AID contracting officer, Gerry Smith, reports that there are three stages of work to be done:

- **Salang Tunnel Emergency Repair (Task Order 14):** To make the tunnel safer by tunnel repair, galleys repair, and electrical work. Louis Berger Group is the prime contractor. The bidding process was on an accelerated timeline because Louis Berger said the work needed to get done before winter, but Louis Berger doesn't restrict bids. It was a closed (anonymous) bidding process that lasted about 30 days, and the Russians were in no way denied the ability to bid. The contract has been awarded, and work is underway.
- **Bypass Road (Bamiyan to Dushi Rd):** This road must be built before long-term repair work can be done. The road will take 3 years. This contract is not/not yet awarded. Louis Berger submitted the Request For Proposals, and collected bids. Bidding closed 2-3 weeks ago. We then told them, do not/not open the bid packages...because we decided this project will go on-budget, i.e. through the GIRoA in some mechanism (maybe ARTF, maybe not). Therefore no one yet knows who bid on the project.

- **Long-term repair work:** We have not gotten to this stage yet; it's entirely conceptual. No design work done. All discussion. Because the road will take 3 years to build, we have 3 years to design this third stage.

Just let me know if you need further details, like who won the bid, etc., or more on timelines.

All best,
Kate

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B6

SBU
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From: Blanc, Jarrett N
Sent: Wednesday, December 01, 2010 2:58 PM
To: Feldman, Daniel F; Misko, Sean A; Gramaglia, Thomas R; Bateman, Kate E
Subject: RE: Lavrov

Looping in Tom and Kate. I don't know the details of the bidding, but Post did make pretty heroic efforts to help Russian firms to understand and participate in the process.

From: Feldman, Daniel F
Sent: Wed 12/1/2010 5:21 AM
To: Blanc, Jarrett N; Misko, Sean A
Subject: Lavrov

I wasn't in the mtg, but Jake said that Lavrov claimed Russian firms were kept from bidding on the first round of Salang Tunnel bidding, and S said we would seek to remedy that in the next round. But is that accurate? I thought the Russians were looking for a sole source contract, and we said no. What's happened on this the past few months?