Afghan National Security Forces provide security during Key Leader Engagement in Khost Province

ISAF

Silent Kingmaker

The Need for a Unified Wartime Contracting Strategy

By JONATHAN PAN

International support—financial, political, and military—is kingmaker in Afghanistan.

—Carl Forsberg, *Politics and Power in Kandahar*

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Wartime contracting in Afghanistan is broken, and the breakdown has led to a new breed of nouveau riche warlords, men who are too young to have fought the Soviets but who are more politically and economically savvy than their mujahideen predecessors. This new breed is called *commercial warlords*. In short, commercial warlordism is based on money and guns. Their money is not being reinvested into the local economy, but diverted to their Dubai slush funds; their hired guns are pointed not at the Taliban but rather at the citizenry and their political opponents. These commercial warlords have created an environment in which the North Atlantic Treaty Organization (NATO) International Security Assistance Force (ISAF) and the Quetta Shura Taliban are in a stalemate—a stalemate that these warlords want to perpetuate. If there is no more war, there is no more money.

For the Afghan populace, the revulsion against commercial warlords and greedy contractors is second only to the lack (or perceived lack) of security. For this war as well as future wars, it is time for NATO to realize that aid can be a problem and that every dollar or euro spent should be a dollar or euro leveraged. This article argues that the Alliance must create a unified wartime contracting strategy to combat commercial warlordism. This strategy must:

- limit price inflation on materials and services
- limit substandard performance through proper quality assurance and quality control by civil engineers
- increase access to contracts for local companies

- identify commercial warlords through financial forensics
- allow the Afghan National Security Forces (ANSF) to provide security instead of armed security groups
- ensure all national contracting commands are placed under the regional command
- rebalance the focus of tactical requirements versus governance goals.

Price Inflation and Substandard Performance

The Tarnak Bridge in Kandahar Province, located on Highway 4 south of Kandahar City, was completed in 2005 at a cost of $247,000. Maintaining freedom of movement on this highway is important because of the imports and exports that come and go from Pakistan through the Wesh-Chaman border crossing point, which lies at the end of the highway. Aside from trade, the highway is important for military purposes. Nearly 90 percent of nonsensitive cargo supporting U.S. forces in Afghanistan passes through Pakistan. Before April 2009, 80 percent of all traffic went through Torkham Gate at the Khyber Pass, Afghanistan's busiest port of entry, and 20 percent went through the Wesh-Chaman Gate. As of November 2009, 40 percent went through the Wesh-Chaman Gate, and 60 percent through Torkham Gate.

A suicide attack on the Tarnak Bridge in February 2010 downgraded civilian, economic, and military traffic to one-way travel. Repairs on the bridge amounted to $527,000—more than double the cost of the original bridge. Part of the reason for this inflated price is the development and construction boom in Afghanistan that has companies charging from $33 to over $100 per cubic meter of gravel, with some contracting officials paying the higher end of this spectrum. Another reason is that the bridge was not properly constructed in the first place. The topping slab, which distributes the weight of the girders, was never placed on the bridge. This severely increased the wear and tear as certain girders received all the weight. Nevertheless, a letter dated January 9, 2006, from the United Nations Office for Project Services (UNOPS) says that the company "constructed this project to the satisfaction of UNOPS/PRT [Provincial Reconstruction Team] with the workmanship over the whole project being to a very high standard." A common problem among projects is the lack of engineers who can assess workmanship.

To prevent possible future degradation of freedom of movement, a causeway will be built around the bridge for $1.16 million because suicide attacks cannot be prevented unless every vehicle is searched at a checkpoint away from the bridge. However, this option is not feasible due to the volume of commercial, civilian, and military traffic. Without having a viable Afghan government solution, commercial warlords have an incentive to target projects just to have them repaired at a premium price. The Kandahar Department of Public Works, which is responsible for road maintenance, will not work outside a 10-kilometer radius of Kandahar City.

The solution to the price inflation is to create—and strictly adhere to—a price index of common construction materials or services. To prevent substandard performance, qualified engineers who can properly conduct quality assurance and quality control of projects must serve as project managers.

Subcontracting Due to Lack of Access

The Tarnak Bridge project illustrates the large sums of money entering the Afghan economy. ISAF knows little about where the money is going.

Research of open source contract records and company profiles revealed that the company that built the Tarnak Bridge was Bilal Noori Construction Company (BNCC), which started out as Afghanistan Social Action Program (ASAP) in 1997. The Tarnak Bridge was completed as a joint venture between ASAP and the Attar Group of Construction and Trading Company. The owner of the Attar Group also owns the Afghanistan Rehabilitation Construction Company. At some point in time, Attar's owner was part of ASAP (he signed a contract on behalf of ASAP with the Kandahar Airfield Contracting Office on November 4, 2003). Afghan companies often change names and business owners frequently own multiple companies. Therefore, if a contracting office were to blacklist BNCC, the office probably would not know the names of the other companies the BNCC owner holds.

When companies do not have the capacity to do a whole project by themselves, they enter into a joint venture, such as BNCC and the Attar Group did for the Tarnak Bridge. On the other hand, subcontracting usually entails one company that has access to contracts subcontracting the whole project to another that did not. For example, there was a $40,000 per month service contract in a Kandahar district that was awarded to Revival Company, which is owned by a former subcommander of Ahmad Shah Massoud, the so-called Lion of Panjshir. A Kandahar company performed as a subcontractor for $35,000 per month. Basically, the contracting office paid a 12.5 percent markup only because the subcontrac-

Joint Task Force Afghanistan (Matthew McGregor)

Canadian engineers repair bridge damaged by suicide car bomb in Kandahar, Afghanistan

tor did not have access to the contracting office in Kandahar. While $5,000 might seem insignificant to NATO, the idea that a company from Kabul or the Panjshir Valley is winning contracts in Pashtun-majority Kandahar is hard for many contractors as well as ordinary citizens to accept. Of more than 100 companies whose representatives met with or were interviewed by the author, every single one was said to have received a subcontract for a project in Kandahar from a company in Kabul. It is not only the Kabul and Panjshir Valley companies that subcontract to Kandahar companies—some Kandahar companies profit from their access as well.

In July 2009, BNCC signed a $3.1 million contract for asphalt road construction and repair that the company had no capacity to do. Instead of entering into a joint venture with another company, BNCC subcontracted all the construction work to two companies: Esmat Arman Construction Road and Supplying Company (EACC) and Hafez Construction and Road Building Company (HCRC). When these companies were asked why they did not bid for the project themselves, their reply was that they did not know about it. Only the politically connected companies have access to NATO installations and therefore their respective contracting offices. For instance, many companies not owned by the Pashtun Popalzai and Barakzai tribes have informed me that they have had difficulty getting access to Kandahar Airfield.

Financial Forensics

Researching projects costing over $200,000 and the companies that perform them inevitably results in the identification of commercial warlords. The Highway 4 project was supposed to be completed no later than October 21, 2009. The road was completed 16 weeks late with no penalty to the contractor. Part of the delay was caused when the provincial governor of Kandahar, Tooryalai Wesa, stopped the project for an unknown duration. Rumors generally diverge into two paths; the first was that the governor stopped the project because BNCC was a company from Herat that subcontracted the construction work; the second was that the governor wanted to award this contract to his own select group of companies. Although BNCC has an office in Herat, it appears to have its main headquarters in Kandahar. It is unknown how the governor actually stopped the project, and it is unknown what BNCC had to do to continue.

While a civilian official has a reason to be involved in development projects, the involvement of an ANSF commander in development projects beyond security is dubious. There are allegations that Colonel Abdul Razziq, an Afghan Border Police commander, placed the BNCC's owner in jail due to the delay of the project. The subcontractors believed that this happened because Razziq attended the Spin Boldak shura and promised that the road would be completed regardless of any difficulties. Razziq was also recommending contractors to NATO forces as well as threatening contractors that NATO would not pay them if they did not meet his demands.

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This threat was applied to EACC/HCRC when Razziq demanded what the company thought were modifications on the contract. Technically, this was all stipulated in the 40-page statement of work, but the company strongly believes that they made modifications out of their own pockets that totaled $586,000. This situation partly stems from the fact that contracts and statements of work are so technical that even native English speakers find them difficult. That makes it almost impossible for local Afghan contractors to comply, unless they choose the ones with Western consultants, which fuels the rage of the Afghan population.

The owner of BNCC alleges that Razziq and contracting officials promised him the second phase of the project, which was to pave the final 2.2 kilometers of Highway 4 to the Pakistan border. Due to financial forensics, BNCC was not sent solicitations for the second phase because it was assessed by the unit on the ground as well as the provincial government as doing a poor job. Also, the financial forensics process revealed a new layer of information that was previously unavailable to NATO forces.

Private Security, Public Cost

According to the subcontractors, security costs amounted to 9 percent ($280,000) of the contract price. Instead of using private security, EACC/HCRC used local subcommanders. EACC claims that Razziq normally charges an overall fee for operating in the Spin Boldak district. However, due to the high visibility of this project, he waived this fee but continued to allow his subcommanders to provide laborers and security from the two dominant tribes in the district, the Noorzai and the Achekzai.

Some argue that ANSF commanders, usually the police, should not be involved in the private security business. Some contend that paying the police is the same as bribery. Counterintuitively, using the police as security for construction companies actually forces them to get outside instead of hunkering down in their checkpoints. The alternative to ANSF providing security is unacceptable:

Forty members of a Karzai-affiliated unit, the Kandahar Strike Force, entered the office of the Kandahar City prosecutor and demanded the release of an associate being held for car theft and forgery. . . . The Kandahar City prosecutor refused to hand over the suspect, leading to an exchange of gunfire during which Kandahar Province Police Chief Matiullah Qateh was killed.[1]

Furthermore, in the volatile south, new police recruits earn $240 a month while their rival armed security groups make upward of $600 a month, not including food and transportation to the work site. The private security company that EACC frequently uses is Asia Security Group, which is owned by Hashmat Karzai, cousin of President Hamid Karzai.

If NATO were to promote the usage of ANSF as security, perhaps recruitment and retention might increase. Although distasteful by Western standards, NATO's unified wartime contracting strategy should allow companies to utilize ANSF as security for the cost benefit as well as undermining the private security racket.

Refocusing

Do substandard performances, extended delays, and usage of ANSF as security warrant a blacklist, a warning to the company, or just a warning to the contracting offices? If one nation's contracting office does one of the above, will its other NATO partners comply as well? These questions cannot be resolved until all national contracting commands answer to the regional commands. The regional

U.S. Army (Kristina Gupton)

Afghan contractors mix concrete for soldier housing at Contingency Operating Base Pushtaysark, Parwan

command cannot tell the national contracting commands what to spend money on, but it should be able to tell them who not to use based on historical data and evidence.

The lack of a standard contracting policy requires a joint NATO effort rather than individual national efforts. For the United States, the National Defense Authorization Act (P.L. 110–181) established the Special Inspector General for Afghanistan Reconstruction (SIGAR) in 2008 with the mission to "enhance oversight of programs for the reconstruction of Afghanistan . . . and [to keep] the Congress, as well as the Secretaries of State and Defense, currently informed of reconstruction progress and weaknesses."[2] The SIGAR produces quarterly reports to Congress, which include audit results. Usually, these results are bleak: "SIGAR—through its audits, inspections, investigations, and observations on the ground in Afghanistan—has identified four major oversight concerns: lack of accountability, insufficient attention to capacity building and sustainment, inadequate integration of projects, and corruption."[3]

There are usually remedial measures taken in the form of corrective training for contracting officials. However, the issue is the system, not the lack of training.

Contracting officials are judged on the speed and quality at which they fulfill requirements for the warfighter. Counterintuitively, choosing the lowest bidder can sometimes promote corruption; there are reasons why some contractors keep winning contracts. Furthermore, while contracting officials have some face-to-face interaction with prime contractors, the subcontractors doing the work at the district level are usually unknown at both the tactical warfighter level and the contracting official level.

To fix the system, it is time to establish a unified contracting command under NATO that is transparent, accountable, and responsive to both tactical and governance requirements. A unified wartime contracting strategy should establish varying levels of importance between fulfilling tactical requirements and limiting negative effects on governance, reconstruction, and development. The upcoming Kandahar operation is primarily focused on governance, and therefore the contracting strategy should accurately reflect that. For example, if one contractor has historically been the best for building checkpoints or repairing craters at the lowest price, but he does so through corruption, should contracting officials choose him? That depends on whether senior decisionmakers think that enhancing governance comes from the checkpoint itself or from making the rich richer. **JFQ**

NOTES

[1] Carl Forsberg, *Politics and Power in Kandahar,* Afghanistan Report 5 (Washington, DC: The Institute for the Study of War, April 2010), available at <www.understandingwar.org/files/Politics_and_Power_in_Kandahar.pdf>.

[2] Public Law 110–181, "The National Defense Authorization Act for Fiscal Year 2008," January 28, 2008.

[3] Special Inspector General for Afghanistan Reconstruction (SIGAR), *Quarterly Report to the United States Congress* (Washington, DC: Office of the SIGAR, October 30, 2009), available at <www.sigar.mil/pdf/quarterlyreports/Oct09/pdf/SIGAROct2009Web.pdf>.