



SIGAR

Special Inspector General for Afghanistan Reconstruction

Testimony

Before the Committee on Armed Services
Subcommittee on Oversight and Investigations

U.S. House of Representatives

DOD Task Force for Business
and Stability Operations in
Afghanistan: Review of Selected
Expenditures Highlights Serious
Management and Oversight
Problems

Statement of John F. Sopko,
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April 15, 2016

Chairwoman Hartzler, Ranking Member Speier, and Members of the Subcommittee,

I am pleased to be here today to discuss SIGAR's work examining the Department of Defense's Task Force for Business and Stability Operations (TFBSO or Task Force) in Afghanistan. The nearly \$800 million Task Force was DOD's principal vehicle for stimulating private sector growth and investment in Afghanistan's war-torn economy.¹

Over the past two years, SIGAR has received more complaints of waste, fraud, and abuse relating to TFBSO activities than for any other organization operating in Afghanistan. Since SIGAR began investigating TFBSO activities, we have conducted more than 50 interviews with former TFBSO officials and contractors, and several dozen more with other U.S. and Afghan government officials with knowledge of TFBSO activities. In addition, SIGAR obtained documents and records related to TFBSO activities from DOD and the Task Force before it ceased operations, as well as from contractors, in part through subpoenas.

As a result of this work, SIGAR has issued several reports and initiated a number of active criminal investigations.² Appendix I contains detailed descriptions and associated outcomes of TFBSO projects examined by SIGAR, and Appendix II contains a complete list of TFBSO activities and associated outcomes.

TFBSO's goals were to "reduce violence, enhance stability, and support economic normalcy" in Afghanistan.³ TFBSO was intended to contribute to U.S. government objectives in Afghanistan by bolstering a very weak Afghan economy. The Task Force produced some modest achievements, primarily related to its work in the extractives industries, about which SIGAR recently reported.⁴

Unfortunately, SIGAR's cumulative work to date has shown that TFBSO's nearly \$800 million investment in Afghanistan has generally not delivered on its stated goals. The compressed natural gas (CNG) filling station and a cashmere goats project are glaring examples of

¹ Our reviews to date have shown that TFBSO was authorized \$822 million and reportedly obligated \$759 million. SIGAR has not yet performed a comprehensive financial audit of TFBSO or its activities, but is completing financial audits of TFBSO contracts.

² See *Afghanistan's Oil, Gas, and Minerals Industries: \$488 Million in U.S. Efforts Show Limited Progress Overall, and Challenges Prevent Further Investment and Growth*, SIGAR 16-11-AR, January 2016; *DOD's Compressed Natural Gas Filling Station in Afghanistan: An Ill-Conceived \$43 Million Project*, SIGAR-16-2-SP, October 22, 2015; *Afghanistan's Mineral, Oil, and Gas Industries: Unless U.S. Agencies Act Soon to Sustain Investments Made, \$488 Million in Funding is at Risk*, SIGAR 15-55-AR, April 24, 2015; *Alert Letter, TFBSO Pipeline Project*, SIGAR 15-15-AL, December 11, 2014; and, *Gereshk Cold and Dry Storage Facility: Quality of Construction Appears To Be Good, but the Facility Has Not Been Used to Date*, SIGAR 14-82-IP, July 16, 2014.

³ *Ike Skelton National Defense Authorization Act for Fiscal Year 2011*, Pub. L. No. 111-383, §1535(a)(1), 124 Stat.4426, January 7, 2011. In addition to TFBSO efforts, the Commander's Emergency Response Program, Afghanistan Infrastructure Fund programs, and the Afghan First policy included efforts to stimulate economic activity and fight unemployment.

⁴ SIGAR, *Afghanistan's Oil, Gas, and Minerals Industries: \$488 Million in U.S. Efforts Show Limited Progress Overall, and Challenges Prevent Further Investment and Growth*, SIGAR 16-11-AR, January 2016.

TFBSO activities SIGAR has examined that were ill-conceived, poorly planned, or left unfinished. Further, it appears that TFBSO's activities in Afghanistan were stymied by several avoidable problems and repeated mistakes from its Iraq experience that hindered Task Force operations and outcomes.

My testimony today will broadly discuss TFBSO's challenges with project development, execution, and oversight, and, at the request of the Chairwoman, will focus on three TFBSO expenditures that illustrate these challenges: (1) nearly \$150 million for private housing and private security guards for TFBSO personnel in Afghanistan; (2) \$43 million for a CNG filling station; and (3) \$6 million on a project to bolster Afghanistan's cashmere industry.

Background: Started in Iraq Then Migrated to Afghanistan

TFBSO was originally created in 2006 by the Deputy Secretary of Defense to help revive the post-invasion economy of Iraq. The Task Force reported to the Office of the Secretary of Defense. At its inception, TFBSO was not envisioned to execute projects and programs, but rather to advise DOD entities on ways to improve contracting processes and procedures. The memorandum establishing the Task Force stated,

“The Task Force will not be responsible for contracting, but will advise existing DoD contracting offices on improved contracting processes and associated systems solutions consistent with applicable statutory and regulatory requirements as a means to create economic opportunity.”⁵

Over time, TFBSO evolved to take a larger role in identifying economic development needs in Iraq and directly executed programs and projects in response to those needs. In 2009, the Secretary of Defense formalized a new TFBSO mission and called on the Task Force to leverage economic development in Iraq as a strategic and operational tool.⁶ Later in 2009, TFBSO was redirected to Afghanistan, and it began operations there in early 2010.⁷

In Afghanistan, TFBSO documents state that it administered initiatives to assist the Commander of U.S. Forces–Afghanistan and the U.S. Ambassador to Afghanistan in support of U.S. security interests by pursuing three broad objectives: (1) restoring productive capacity in the Afghan economy wherever possible, across all industrial sectors; (2) stimulating economic growth; and (3) serving as a catalyst for private investment in

⁵ Memorandum from Deputy Secretary of Defense Gordon England to the Secretaries of the Military Departments, et al., June 22, 2006.

⁶ Memorandum from Secretary of Defense Robert Gates to the Secretaries of the Military Departments, et al., March 11, 2009.

⁷ See, Robert M. Gates, Secretary of Defense, *Continuation of Task Force for Business and Stability Operations*, March 25, 2010; GAO, *DOD Task Force for Business and Stability Operations: Actions Needed to Establish Project Management Guidelines and Enhance Information Sharing*, GAO-11-715, July 29, 2011.

Afghanistan by linking the international business community with Afghan business leaders and government officials.

As of September 30, 2015, more than \$822.85 million had been appropriated for TFBSO since fiscal year 2009 for operations in Afghanistan. Of this amount, \$758.79 million was obligated and \$638.54 million disbursed.⁸ TFBSO ended its programs in Afghanistan on December 31, 2014, and ceased all operations on March 31, 2015.

TFBSO Activities in Afghanistan Stymied by a Lack of Strategy, Leadership, and Coordination

Based on our work to date examining TFBSO's activities in Afghanistan, SIGAR has identified several factors that appear to have stymied Task Force outcomes. Several of the issues with project development and execution, stemming from reviews of TFBSO successes and failures in Iraq, were reported to DOD and TFBSO in the very early stages of its operations in Afghanistan.⁹ Addressing its failures in Iraq should have served as the starting point for any similar DOD efforts in Afghanistan. If TFBSO had acted on those observations as it shifted its activities to Afghanistan, the Task Force might have avoided making many of the same mistakes it made in Iraq.

However, TFBSO failed to implement changes based on observations from Iraq into its operations in Afghanistan. We have identified three key issues that marred the TFBSO experience in Afghanistan: (1) the absence of a clear strategy; (2) a lack of focused and consistent management and leadership; and (3) a failure to coordinate efforts with other U.S. government agencies.

Lack of a Strategy

In Afghanistan, TFBSO and its counterparts (including the State Department and U.S. Agency for International Development) failed to develop a common strategy for considering and implementing projects and programs in critical sectors of the economy. For example, SIGAR found that there was no overarching, government-wide strategy for the development of Afghanistan's extractive industries—even though developing this sector constituted 36

⁸ For its operations in Iraq, the Task Force received \$175 million in appropriations, of which \$86 million was obligated and \$65 million disbursed (see Special Inspector General for Iraq Reconstruction, *Learning from Iraq*, March 2013, p. 56).

⁹ See, Center for Strategic and International Studies, *Final Report on Lessons Learned Department of Defense Task Force for Business and Stability Operations*, June 2010; GAO, *DOD Task Force for Business and Stability Operations: Actions Needed to Establish Project Management Guidelines and Enhance Information Sharing*, GAO-11-715, July 29, 2011; and, RAND National Defense Research Institute, *From Insurgency to Stability Volume I: Key Capabilities and Practices*, 2011.

percent of TFBSO's total contract obligations and had been identified as vital to Afghanistan's long-term economic development and viability.¹⁰

A senior official from the U.S. Embassy in Kabul told SIGAR that the U.S. government's approach to Afghanistan's extractive industries is articulated in U.S. development strategies, such as the *Afghanistan and Pakistan Regional Stabilization Strategy* and the *U.S. Civil-Military Strategic Framework for Afghanistan*.¹¹ However, while these two documents discuss the U.S. government's broader development goals for Afghanistan's extractive industries, they do not describe how the U.S. government will work to achieve these goals and the State Department (State) has not otherwise developed a unified strategy specific to Afghanistan's extractive industries. In the absence of a government-wide strategy to guide project development, TFBSO and the U.S. Agency for International Development (USAID) pursued differing approaches and implemented sometimes competing projects and programs aimed at the development of Afghanistan's extractive industries. This lack of a clear strategy also led to problems with project planning and approval.

Planning Hindered by Uncertainty

TFBSO's operations and initiatives in Afghanistan were poorly planned and hindered by perpetual uncertainty. SIGAR's April 2015 audit of Afghanistan's extractive industries found that the organization's long-term planning efforts were thwarted because the Task Force received annual (one-year) authorizations and appropriations and the Task Force did not know how long it would be operating in Afghanistan.¹² For example, according to Paul Brinkley, the Task Force's director when it began operations in Afghanistan, TFBSO initially operated in the country under an 18-month plan approved by the Secretary of Defense. Mr. Brinkley stated that during that initial period, TFBSO attempted to conduct quick, targeted projects that could have an immediate impact on Afghanistan's economy while also laying the groundwork for additional development and demonstrating how further progress could be achieved.

¹⁰ The World Bank has stated that the development of Afghanistan's natural resources could underpin future economic growth in the face of declining external aid (see, World Bank, *Afghanistan Economic Update*, April 2015, p. 22). Similarly, President Ghani listed mining as one of the country's most important economic assets in his recent interview with SIGAR (see, SIGAR, *Quarterly Report to Congress*, October 30, 2015).

¹¹ The *U.S. Civil-Military Strategic Framework* was originally issued in October 2012 and focused on ensuring that civilian and military efforts were fully integrated and complimentary. The updated version, issued in August 2013, includes the addition of a stand-alone section on transition, greater emphasis on preserving gains, and further clarity on the Transformation Decade (see, *U.S. Civil-Military Strategic Framework for Afghanistan*, August 2013). State's *Afghanistan and Pakistan Regional Stabilization Strategy* includes broad development objectives applicable to the extractive industries but not concrete strategies for achieving them (see, State, *Afghanistan and Pakistan Regional Stabilization Strategy*, February 2010).

¹² SIGAR, *Afghanistan's Mineral, Oil, and Gas Industries: Unless U.S. Agencies Act Soon to Sustain Investments Made, \$488 Million in Funding is at Risk*, SIGAR 15-55-AR, April 24, 2015.

SIGAR found that TFBSO did not develop multi-year plans or strategies for its programs to develop Afghanistan’s extractive industries, nor did it establish written guidance documenting project selection criteria, requirements for metrics and project documentation, or project monitoring and evaluation processes.¹³

TFBSO Project Approval Process Lacked In-Depth Analysis

TFBSO’s project approval process also suffered from serious deficiencies. SIGAR’s April 2015, audit of TFBSO’s support to Afghanistan’s extractive industries found that TFBSO lacked a systematic way—such as a requirement to conduct in-depth cost benefit analyses prior to project approval—to evaluate program ideas.¹⁴

Other SIGAR products have made similar findings. For example, neither SIGAR nor DOD were able to find any evidence that TFBSO conducted any cost-benefit analysis prior to its decision to rent private housing and hire private security guards for TFBSO personnel in Afghanistan, rather than live in established U.S. government facilities. Similarly, neither SIGAR nor DOD were able to find evidence that TFBSO considered the many potential obstacles to the CNG filling station project’s success before initiating that project. Likewise, SIGAR’s preliminary review of TFBSO’s cashmere goat project has identified inadequate planning and a lack of understanding of Afghanistan’s cashmere industry.

SIGAR’s findings related to TFBSO’s flawed project approval process echoed a 2011 U.S. Government Accountability Office (GAO) report that identified the lack of documentation for program planning and oversight as internal control weaknesses.¹⁵ In that report, GAO recommended that the Secretary of Defense direct TFBSO to develop written guidance that documented its management processes and practices, including elements such as criteria for project selection, requirements for establishing metrics and project documentation, and project monitoring and evaluation processes. DOD partially concurred with GAO’s recommendation and stated that TFBSO would review its program management practices and consider how to implement the recommendation to the extent practicable. Although an October 2013 assessment by the Boston Consulting Group (BCG) noted improvements in TFBSO’s strategic-level analysis, project evaluation, and planning activities, a separate BCG

¹³ This was not the first time that TFBSO’s project planning had been criticized, as GAO previously identified the lack of documentation of program planning and oversight guidance as weaknesses of TFBSO (see SIGAR, *Afghanistan’s Mineral, Oil, and Gas Industries: Unless U.S. Agencies Act Soon to Sustain Investments Made, \$488 Million in Funding is at Risk*, SIGAR 15-55-AR, April 24, 2015, and GAO, *DOD Task Force for Business and Stability Operations: Actions Needed to Establish Project Management Guidelines and Enhance Information Sharing*, GAO-11-715, July 29, 2011).

¹⁴ SIGAR, *Afghanistan’s Mineral, Oil, and Gas Industries: Unless U.S. Agencies Act Soon to Sustain Investments Made, \$488 Million in Funding is at Risk*, SIGAR 15-55-AR, April 24, 2015.

¹⁵ GAO, *DOD Task Force for Business and Stability Operations: Actions Needed to Establish Project Management Guidelines and Enhance Information Sharing*, GAO-11-715, July 29, 2011.

study released in the same month concluded that TFBSO's temporary mandate and the limited historical record of its activities continued to limit its effectiveness.¹⁶

Lack of Focused and Consistent Management and Leadership

SIGAR's April 2015 report examining TFBSO investments in Afghanistan's extractives industries found that senior TFBSO officials claimed that the uncertainty around TFBSO's annual budget and high turnover among its leadership led to frequent shifts in TFBSO's organizational direction. For example, TFBSO senior officials stated that while the organization's overall goals for developing Afghanistan's extractive industries did not change, the various TFBSO directors' "rearticulations" of the roadmap for achieving these goals resulted in little documentation because of the fluid nature of the plans.¹⁷

One such example of these "rearticulations" of the TFBSO roadmap came after the Afghan government used the TFBSO-developed tenders and initial exploratory data to award a hydrocarbons exploration and production sharing contract for three oil blocks in the Amu Darya Basin to a Chinese company, CNPC. Following that award, Paul Brinkley (TFBSO's first director) told us that he issued a directive stating that TFBSO would not conduct seismic testing for oil and gas deposits in Northern Afghanistan because the successful bidder should pay for the exploration.¹⁸ Nevertheless, following Mr. Brinkley's departure, the Task Force spent more than \$35 million conducting seismic testing in Northern Afghanistan. When we asked Dr. Joseph Catalino (TFBSO's last director) why the prohibition on seismic testing was overturned, he responded that he was unaware of any directive prohibiting the use of TFBSO funds for seismic testing.¹⁹

During TFBSO's five years in Afghanistan, it had five different directors—three of whom served in an acting capacity while DOD searched for a more permanent replacement—and experienced persistent fluctuations within other senior positions. For example, a year after the start of TFBSO operations in Afghanistan, much of the Task Force's senior staff resigned, including founding director Paul Brinkley. According to Mr. Brinkley, 9 of his 11 most senior leaders resigned within 60 days following the passage of the National Defense Authorization Act for fiscal year 2011, which effectively shut down operations in Iraq and required the Task Force to prepare to transition its activities to USAID.²⁰

¹⁶ See Boston Consulting Group, *TFBSO Operations Playbook*, October 2013, and *TFBSO Summary Report: Private Sector Operations as Stability and Security Tool*, October 2013.

¹⁷ SIGAR, *Afghanistan's Mineral, Oil, and Gas Industries: Unless U.S. Agencies Act Soon to Sustain Investments Made, \$488 Million in Funding is at Risk*, SIGAR Audit 15-55-AR, April 24, 2015, p.10.

¹⁸ Paul Brinkley, interview by SIGAR, December 17, 2015.

¹⁹ Dr. Joseph Catalino, interview by SIGAR, January 6, 2016.

²⁰ Paul Brinkley, interview by SIGAR, December 17, 2015. According to RAND's 2016 report and a SIGAR interview with Paul Brinkley in December 2015, the provisions of the fiscal year 2011 National Defense

Mr. Brinkley also told SIGAR that without experienced, senior level people making decisions, young and inexperienced managers made decisions that put lives in danger.²¹ On June 3, 2011, Mr. Brinkley sent a memorandum to the Secretary of Defense stating that TFBSO had insufficient managerial capacity to support its operations beyond the end of that month, and Mr. Brinkley called for a reduction in Task Force activities.²² Mr. Brinkley's June 3, 2011, memorandum stated,

“The lack of sufficient managerial leadership has caused a continual realignment of program responsibilities and priorities in an effort to maintain program momentum. Even with this ongoing realignment, there is insufficient managerial leadership to support current operations beyond June 30, 2011, especially given further anticipated departure of personnel later this summer.”²³

Despite this warning, TFBSO continued operations and spending peaked in fiscal year 2012.²⁴

Equally troubling was a candid assessment sent to TFBSO leadership by a senior TFBSO official in July 2014, regarding overall contract management within the Task Force. That assessment stated,

“Although CORs went through the required training to assume COR duties, this training was not in depth or comprehensive. Most CORs had little to no experience overseeing contracts of any size. The TFBSO contracting team provided the minimal oversight required but this oversight did not include additional training and only required inspections on an infrequent basis. Because COR is an additional duty, not a primary duty, COR workload was overseen by individuals who may or may not have had any contracting experience. As a result, COR performance was inconsistent across the Task Force. Not all CORs kept adequate records or managed purchase invoices well. There was no standard for record keeping or file management. When a COR departed records would be lost unless he or she passed the records on to their replacement. Determining the history of contracts was very difficult. Most former

Authorization Act came after a spring 2010 decision by DOD's Office of General Counsel that stated that the TFBSO mission violated DOD's legal authorities because it was a foreign assistance mission, rather than a military mission.

²¹ Paul Brinkley, interview by SIGAR, December 17, 2015.

²² Paul A. Brinkley, Deputy Under Secretary of Defense and Director, *"Proposed Succession Plan," TFBSO Memorandum to Secretary of Defense, Robert M. Gates, U.S. Department of Defense, June 3, 2011.*

²³ *Id.*

²⁴ Ultimately, on December 16, 2014, President Obama signed the Consolidated and Further Continuing Appropriations Act, 2015, which cut off TFBSO funding; the Task Force shut down a few months later.

CORs who were no longer with the Task Force, no longer had any of the records from their time as a COR.”²⁵

This lack of prudent program management and consistent strategic direction had direct, negative implications for TFBSO efforts to achieve its overarching goals, and those issues were identified even as TFBSO transitioned from Iraq to Afghanistan. As the Center for Strategic and International Studies (CSIS) warned in 2010,

“There has been no coordinated way to integrate the private sector (whether U.S. or foreign) into economic operations in conflict zones. Both the government of Iraq and the Task Force have sought to attract foreign direct investment since 2006. As with the other policy issues, CSIS was unable to find this issue being addressed in an organized manner within the U.S. government.”²⁶

Additionally, in 2011, GAO found that there was no written guidance for TFBSO personnel managing Task Force projects in Afghanistan.²⁷ Specifically, GAO found that while senior leadership provided broad goals, an operating philosophy, and management practices, there were no established project selection criteria, requirements to establish project metrics, monitoring and evaluation processes, or requirements for the type of project information to be collected and documented.²⁸

To date, our work has shown that TFBSO does not appear to have applied these lessons from its Iraq experience or from its early experiences in Afghanistan. This lack of strategic direction and inconsistent management resulted in a scattershot approach to economic development, in which the Task Force invested in everything from importing rare blond Italian goats to bolster the cashmere industry in Herat, to landmine removal, to biofuel research, to funding large-scale projects to support the development of extractives industries (see appendix II for a list of all TFBSO programs and their status). This inconsistent, unfocused approach has done little to spur economic growth in Afghanistan.²⁹

²⁵ Michael J. Philbin, *After Action Review Discussion Points*, July 08, 2014.

²⁶ Center for Strategic and International Studies, *Final Report on Lessons Learned Department of Defense Task Force for Business and Stability Operations*, June 2010, p.3.

²⁷ GAO, *DOD Task Force for Business and Stability Operations: Actions Needed to Establish Project Management Guidelines and Enhance Information Sharing*, GAO-11-715, July 29, 2011, p.9.

²⁸ Although an October 2013 assessment by Boston Consulting Group noted improvements in TFBSO’s strategic-level analysis, project evaluation, and planning activities, a separate Boston Consulting Group study released the same month concluded that TFBSO’s temporary mandate and the limited historical record of its activities continued to be limitations to its effectiveness. (See Boston Consulting Group, *TFBSO Operations Playbook, October 2013* and *TFBSO Summary Report: Private Sector Operations as Stability and Security Tool*, October 2013.)

²⁹ As envisioned by the economic impact assessment, TFBSO programs would have resulted in an additional \$1.28 billion growth in GDP in 2015. No such growth has occurred; in fact, the International Monetary Fund estimated a decline in Afghanistan’s GDP from approximately \$20.4 billion in 2014 to \$19.7 billion in 2015

Lack of Coordination

Strategic and project-based coordination between government departments and agencies, as well as with host government structures, other donors, and the local populace, is critical to executing a whole-of-government approach and achieving U.S. government objectives in Afghanistan. As we previously reported, TFBSO and its counterparts in Afghanistan, including State and USAID, failed to coordinate their activities in several critical sectors, such as extractives.³⁰

Failures in coordination were identified as an issue in Iraq, as well, and those same challenges might have been mitigated in Afghanistan had DOD and TFBSO leadership learned from its Iraq experience. For example, in 2011, RAND noted that many TFBSO projects in Iraq “were designed and implemented without U.S. civilian agency input or coordination.”³¹ Similarly, the Special Inspector General for Iraq Reconstruction found that, “Defense’s Task Force for Business and Stability Operations was not sufficiently coordinated with local, provincial, or regional initiatives” and “it failed to integrate its ambitious initiatives into the ongoing work [of other organizations].”³² Former TFBSO director Brinkley told us that TFBSO and State had a contentious relationship in Iraq and there was a perception that the Task Force had been non-collaborative.³³

A statement from the 2010 CSIS lessons learned report on the TFBSO experience in Iraq warned, “Successful economic operations will need better communication and coordination within the U.S. government and across the multilateral and NGO communities.”³⁴ Unfortunately, former TFBSO director James Bullion told SIGAR that, from the beginning of operations in Afghanistan, the Task Force did not establish effective relationships with either USAID or State.³⁵

In Afghanistan, this lack of coordination manifested itself in hundreds of millions of dollars’ worth of unfinished projects that failed to deliver intended outcomes. In April 2015, we found that nearly all of TFBSO’s large extractive projects remained incomplete when TFBSO concluded activities in Afghanistan and not one TFBSO initiative in the extractives sector

and 2016. See, Vestige Consulting, LLC and Acertas, LLC, 2014, p.15, and IMF, *World Economic Outlook Database*, October 2015.

³⁰ *Afghanistan’s Mineral, Oil, and Gas Industries: Unless U.S. Agencies Act Soon to Sustain Investments Made, \$488 Million in Funding is at Risk*, SIGAR Audit 15-55-AR, April 24, 2015.

³¹ RAND National Defense Research Institute, *From Insurgency to Stability Volume I: Key Capabilities and Practices*, 2011, p. 46.

³² Special Inspector General for Iraq Reconstruction, *Learning from Iraq*, March 2013, p.27.

³³ Paul Brinkley, interview by SIGAR, December 17, 2015.

³⁴ Center for Strategic and International Studies, *Final Report on Lessons Learned Department of Defense Task Force for Business and Stability Operations*, June 2010, p.4.

³⁵ James Bullion, interview by SIGAR, January 23, 2015.

was transferred to State or USAID.³⁶ For example, none of the mineral or cement tenders supported by the Task Force resulted in a signed contract and two hydrocarbon tenders were incomplete.³⁷

When SIGAR asked USAID and State officials why their agencies would not continue any TFBSO initiatives, they stated that it was because their leaderships were not interested. In fact, USAID and State considered some TFBSO initiatives, such as the Sheberghan-Mazar pipeline, to be liabilities due to safety concerns, lack of sustainability, and other problems.³⁸

TFBSO's last director, Dr. Joseph Catalino, confirmed this, telling SIGAR that during planning meetings with USAID and State in the summer of 2013, it became clear that neither State nor USAID had any interest in continuing TFBSO programs. Dr. Catalino also told SIGAR that the word "transition" was overused when referring to the conclusion of TFBSO and its programs.³⁹ According to Dr. Catalino, the word "transition" was only used because it was specifically referenced in the National Defense Authorization Act for fiscal year 2011 and that the Task Force was really working to close out the projects by shutting them down or transitioning them to private sector interests or the Afghan government.⁴⁰

Equally troubling is the apparent lack of coordination between the Task Force and the military commanders it was intended to support. CSIS reported in June 2010 that in Iraq, TFBSO "added value and met its charter by supporting theater commanders' goals for reconstruction and economic development."⁴¹ However, RAND found that in Afghanistan, TFBSO was a tool that should have benefited the military effort, but that "it 'stayed out on an island' rather than becoming a team player."⁴²

Three TFBSO Activities Highlight TFBSO Challenges

As requested by the Subcommittee, what follows is a discussion of three TFBSO activities that highlight TFBSO's challenges with project development, execution, and oversight, and TFBSO management issues: (1) nearly \$150 million for private housing and private security

³⁶ SIGAR, *Afghanistan's Mineral, Oil, and Gas Industries: Unless U.S. Agencies Act Soon to Sustain Investments Made, \$488 Million in Funding is at Risk*, SIGAR Audit 15-55-AR, April 24, 2015.

³⁷ *Ibid.*, p.14.

³⁸ SIGAR, *Alert Letter, TFBSO Pipeline Project*, SIGAR 15-15-AL, December 11, 2014.

³⁹ Dr. Joseph Catalino, interview by SIGAR, January 6, 2016.

⁴⁰ *Ibid.*

⁴¹ Center for Strategic and International Studies, *Final Report on Lessons Learned Department of Defense Task Force for Business and Stability Operations*, June 2010, p. 4.

⁴² RAND National Defense Research Institute, *Task Force for Business and Stability Operations – Lessons from Afghanistan*, RAND Corp. Prepared for the Office of the Secretary of Defense 2016, p.50.

guards for TFBSO personnel in Afghanistan; (2) \$43 million for a CNG filling station; and (3) \$6 million on a project to bolster Afghanistan's cashmere industry.

TFBSO Spent Nearly \$150 Million to Live Apart from Established U.S. Government Facilities in Afghanistan

On November 25, 2015, SIGAR sent a letter to the Secretary of Defense requesting information concerning TFBSO's decision to spend nearly \$150 million, nearly 20 percent of its budget, to rent private housing and hire private security guards for its U.S. government employees in Afghanistan.⁴³

SIGAR's preliminary review indicated that TFBSO leadership rented specially furnished, privately owned "villas" and hired contractors to provide 24-hour building security, food services, and bodyguards for TFBSO staff and visitors traveling in country.⁴⁴ The contractors also lived in the TFBSO-rented facilities, arranged transportation, and provided security details when TFBSO personnel traveled outside their compounds.⁴⁵

TFBSO contracts describe in detail the services provided by TFBSO's contractors.⁴⁶ These services include:

- TFBSO paid over \$57 million from 2010 to 2014 to Triple Canopy for armed support. Services provided by Triple Canopy included "combat life saver qualified personnel for all security movements," and "20 security teams to support operations in all areas of Afghanistan and secure movement of Task Force staff, senior businessmen, and guests . . ."⁴⁷ The statement of work also required the Contractor to provide life support services for "TFBSO personnel and/or VIP/Industry professionals who are guests of TFBSO."⁴⁸
- Defense Group Incorporated (DGI) received \$51 million from TFBSO between 2009 and 2011 for extensive security and other services. For example, DGI provided

⁴³ SIGAR, *TFBSO Security Inquiry Letter*, SIGAR 16-05-SP, November 25, 2015.

⁴⁴ The term "villas" was used by TFBSO employees and in TFBSO contracting documents to refer to the residences that TFBSO rented in Afghanistan and, therefore, is the term used here.

⁴⁵ TFBSO's main compound was in Kabul, but TFBSO also rented smaller villas in Herat, Mazar-i-Sharif, and, for a short period, Jalalabad. Former TFBSO officials told SIGAR that the \$150 million TFBSO spent on its accommodations in Afghanistan supported "only a handful" and "no more than 5 to 10" TFBSO staff the majority of the time.

⁴⁶ SIGAR has not evaluated the quality of the services provided by these contractors and is not aware of any complaints that the contracts were not performed as required.

⁴⁷ DOD, Statement of Work, contract number GS-07F-5499R, awarded to Triple Canopy, p. 7.

⁴⁸ DOD, "Turnkey Housing Facility for Task Force for Business and Stability Operations (TFBSO) Afghanistan," contract number D12PS00025, awarded to Triple Canopy/Edinburgh International, Dec. 23, 2011, p. 2 (verified by the Dept. of the Interior, Acquisition Services Directorate, Sep. 16, 2015).

“secured [accommodations] 24 hours a day, 7 days a week by armed guards and [a] CCTV monitoring system which can view the entire perimeter and surrounding area.”⁴⁹ The security provided at this facility included “cameras monitored on a 24 hour basis from a central operations room” and required DGI to have “a security reaction team that [can] respond in less than five minutes to an emergency or potential threat of incursion of the perimeter by unauthorized personnel.”⁵⁰

- TFBSO paid the Muscogee Nation Business Enterprise (MNBE) over \$40 million from 2009 to 2014 to provide “transportation and personal protection from terrorist or criminal attack to [TFBSO] personnel visiting/traveling to and from project worksites.”⁵¹ MNBE also monitored the entrance to all TFBSO accommodations to ensure the safety and security of TFBSO personnel and guests.
- TFBSO “made arrangements” with its “neighbors to share information about activity in the area and to provide immediate support if problems occurred.”⁵² This arrangement was supplemented by a security contractor who gathered and processed “all requisite intelligence/threat information to safeguard TFBSO personnel and guests.”⁵³

In addition to security services, these private contractors provided support services at TFBSO facilities. For example, Triple Canopy provided TFBSO personnel with queen size beds in certain rooms, a flat screen TV in each room that was 27 inches or larger, a DVD player in each room, a mini refrigerator in each room, and an “investor villa” that had “upgraded furniture” and “western-style hotel accommodations.”⁵⁴ In terms of food, Triple Canopy was required to provide service that was “at least 3 stars,” with each meal containing at least two entrée choices and three side order choices, as well as three course meals for “Special Events.”⁵⁵

Similarly, over this period, MNBE provided,

“TFBSO Government staff, Contractor staff and guests with full life support services while in country, to include but not be limited to, secure accommodations (outfitted

⁴⁹ DOD, Performance Work Statement, contract number FA7014-09-F-A148, awarded to DGI, September. 14, 2009, p. 20.

⁵⁰ Ibid.

⁵¹ DOD, Statement of Work Task Force for Business and Stability Operations (TFBSO) Afghanistan, Life Support in Herat, contract number HQ0034-13-C-0101, awarded to MNBE, Aug. 1, 2013, p. 8.

⁵² Brinkley, *War Front to Store Front*, p. 270.

⁵³ DOD, Statement of Work, contract number GS-07F-5499R, p. 8.

⁵⁴ DOD, Statement of Work, contract number D12PS00025, *supra*, p. 2.

⁵⁵ Ibid, p. 7.

at a 3-star equivalent level or better), secure low profile transportation . . . VOIP [Voice Over Internet Protocol] communications capabilities, on-site laundry service, on-site food & meal service (with light snacks and water/tea/coffee/sodas available 24 hrs.), business office space to include all equipment necessary to conduct business operations (computers, printers, phones, scanners, desks and chairs), housekeeping, maintenance, grounds and cultural advisors and translators.”⁵⁶

TFBSO did not Complete a Cost-Benefit Analysis

SIGAR has been unable to find any evidence that TFBSO or anyone else at DOD conducted a cost-benefit analysis of TFBSO staff living in privately owned villas in Afghanistan, rather than at U.S. government facilities. In response to SIGAR’s inquiry letter, the Principal Deputy Under Secretary of Defense for Policy stated that DOD couldn’t either: “we are unable to find a document that specifically analyzed the costs and benefits of using private accommodations compared to using U.S. government facilities and military support.”⁵⁷

If TFBSO employees had instead lived at DOD facilities in Afghanistan, where housing, security, and food service are routinely provided at little or no extra charge to DOD organizations, it appears the taxpayers would have saved tens of millions of dollars.⁵⁸

The initial rationale supporting the decision not to house TFBSO personnel on U.S. military bases appears to have been made by Mr. Paul A. Brinkley, Deputy Under Secretary of Defense and TFBSO’s first director. Mr. Brinkley has explained that:

“Our goal was to get businesses running and to encourage private investors and corporations from outside of Afghanistan to engage in the country either as trading partners or as investors. Wherever possible, we avoided depending on the military. We were part of their mission . . . but we avoided living on military bases whenever possible. The goal was to show private companies that they could set up operations in Afghanistan themselves without needing military support.”⁵⁹

Outside consultants, in a presentation prepared at the request of TFBSO, hailed the “freedom of movement” enjoyed by TFBSO. For example, BCG noted that TFBSO was “not

⁵⁶ Adam K. Marshall, Barrow & Grimm, P.C., attorneys at law for MNBE, response to SIGAR questions, June 16, 2015.

⁵⁷ Brian P. McKeon, Principal Deputy Under Secretary of Defense for Policy, *Letter to The Honorable John F. Sopko*, February 5, 2016.

⁵⁸ Similarly, if TFBSO employees had lived at the U.S. Embassy, TFBSO would have been charged only a pro rata share of housing, security, food service, and other administrative costs under the State Department’s International Cooperative Administrative Support Services (ICASS) system. While it is not possible to determine precisely what this might have cost, in FY 2014, TFBSO’s last full year of operation, the average ICASS cost per person at the U.S. Embassy was approximately \$181,000. Therefore, SIGAR estimates that for FY 2014 a TFBSO staff of 10 would have paid approximately \$1.8 million to live at the Embassy.

⁵⁹ Paul A. Brinkley, *War Front to Store Front: Americans Rebuilding Trust and Hope in Nations Under Fire* (New York, NY: Turner Publishing Company/Wiley General Trade, 2014), p. 272.

constrained by chief-of-mission requirements”, had “no excessive red tape internally in securing travel arrangements”, and that personal security details were “critical for mobility in hostile and uncertain environments.”⁶⁰ In another presentation, BCG explained that TFBSO’s “freedom of movement” meant that TFBSO personnel “can meet with local [private sector] leaders, officials, and investors in the field, not on base” and that this “enables execution of innovative and high-potential-impact projects requiring in-the-field oversight and management.”⁶¹

However, other than those (and similar) broad assertions pertaining to the need for, and effect of, TFBSO’s freedom of movement, SIGAR has not yet seen evidence that the decision to live outside of established U.S. government facilities actually resulted in any direct investment or enhanced project execution or oversight capability. In fact, DOD’s February 5, 2016, response to SIGAR stated that the Department had only been able to identify documentation for one TFBSO-sponsored investor trip,⁶² had no list “cataloguing potential private investors”, and “the task force did not maintain a list of Afghan investors who decided to invest in Afghanistan as a result of TFBSO’s work.”⁶³

In addition to a lack of evidence showing any investments or enhanced project execution resulting from the TFBSO decision to live apart from established U.S. installations, a report on TFBSO prepared by the RAND Corporation noted that TFBSO’s “freedom of movement created significant friction with the Chief of Mission and other partner U.S. civilian development organizations. Overall, there was a general feeling that coordination with other similar organizations was not well managed by the Task Force and that this freedom of movement likely exacerbated the friction.”⁶⁴

TFBSO Director’s Order to Move Out of the Villas Was Apparently Ignored

Despite Deputy Under Secretary of Defense and TFBSO Director Paul Brinkley’s initial enthusiasm for living in private villas protected by private security guards, by June 2011 he had evidently decided that this arrangement was no longer necessary. In a memorandum to TFBSO senior leadership dated June 30, 2011, his last day at DOD, Mr. Brinkley directed all TFBSO personnel in Afghanistan to move back to U.S. military bases by August 1, 2011.

⁶⁰ Boston Consulting Group, *TFBSO Operations Playbook*, Oct. 2013, p. 33.

⁶¹ Boston Consulting Group, *TFBSO Summary Report – Private Sector Operations as Stability and Security Tool*, Oct. 2013, p. 16.

⁶² The one documented trip was coordinated by McKinsey & Company and occurred from June 22-24, 2013. That trip reportedly included representatives from global investment trading firms, banks, construction, infrastructure, and energy and mining companies.

⁶³ Brian P. McKeon, Principal Deputy Under Secretary of Defense for Policy, *Letter to The Honorable John F. Sopko*, February 5, 2016.

⁶⁴ S. R. Zimmerman, D. Egel, and I. Blum, *Task Force for Business and Stability Operations – Lessons from Afghanistan*, RAND Corp. Prepared for the Office of the Secretary of Defense, 2016, p. 99.

Mr. Brinkley's memorandum notes the deteriorating security situation and the recent departure of TFBSO senior managers, explains why he believed the move was necessary, and indicates that his view was shared by other DOD senior leaders:

“. . . we must take responsible action in response to these significant developments to ensure the safety and security of our personnel while balancing the need for freedom of movement to carry out the mission. Towards this end, I, in consultation with the Under Secretary of Defense for Policy, Michele A. Flournoy, and BG H.R. McMaster, CDR, CJIATF-Shafafiyat, ISAF, have determined that all forward-deployed and transient personnel will be living on forward operating bases (FOBs), effective 1 August.”⁶⁵

Our preliminary review of TFBSO records shows that in June 2011, TFBSO had begun taking steps to implement Mr. Brinkley's decision by de-scoping life support contracts and moving TFBSO personnel.⁶⁶

Ultimately, despite Mr. Brinkley's memorandum, and the purported approval of Under Secretary Fluornoy and Brigadier General McMaster to carry it out, TFBSO staff continued living in the villas. It remains unclear, to both the Principal Deputy Under Secretary of Defense for Policy and SIGAR, why Mr. Brinkley's directive was apparently either countermanded or ignored, and TFBSO continued spending tens of millions of dollars to live in private villas.⁶⁷ Our review of TFBSO documents shows that between September and November 2011, just 3-5 months after Mr. Brinkley issued his directive, other senior officials in DOD and the military command recommended and approved approximately \$33.2 million to sustain the TFBSO villas and provide security for TFBSO personnel housed there.

As stated in DOD's February 5, 2016, letter, the merits of TFBSO's approach to housing its employees should be examined, and we strongly encourage DOD to do so prior to engaging in any similar economic development activities in the future. In addition, as part of our ongoing performance audit of TFBSO activities, SIGAR intends to interview current and former government officials and seek additional documentation related to the decision to house TFBSO personnel apart from established U.S. government facilities.

⁶⁵ Paul A Brinkley, Deputy Under Secretary of Defense and Director of TFBSO, Memorandum for: Senior Leadership, *Guidance on Life Support and Movement in Afghanistan*, June 30, 2011.

⁶⁶ TFBSO, *Life Support Overview*, June 2011.

⁶⁷ Mr. Brinkley told SIGAR in an interview on December 17, 2015, that he left the Task Force on June 30, 2011, the same day that he issued the memorandum instructing TFBSO personnel to return to bases controlled by the International Security Assistance Force. See also, Brian P. McKeon, Principal Deputy Under Secretary of Defense for Policy, *Letter to The Honorable John F. Sopko*, February 5, 2016.

CNG Filling Station: An Ill-Conceived \$43 Million Project

In October 2015, SIGAR issued a review of the TFBSO Downstream Gas Utilization Project (the formal name of the CNG filling station project).⁶⁸ This project was intended to take advantage of Afghanistan's natural gas reserves and reduce the country's reliance on expensive imported gasoline. The project consisted of the construction and initial operation of a CNG automobile filling station in the city of Sheberghan, near Afghanistan's natural gas fields.⁶⁹

TFBSO initiated the CNG filling station project, the first of its kind in Afghanistan, to demonstrate that compressed natural gas is commercially viable as an automobile fuel in Afghanistan and to promote its wider use in the country. According to TFBSO documents, the overall goals of the project were to:

- Build the first ever CNG complex in Afghanistan, consisting of a fully-functional fueling station with two dispensers/four hoses, one CNG trailer filling point, a car conversion center, an administrative office building, and gas compression and processing equipment;
- Prove that there was an interest on the part of the Afghan government in CNG, thereby reducing the risk to the investor through government support;
- Provide subject matter experts and legal support to the CNG office in the Ministry of Mines and Petroleum in tendering the TFBSO built CNG station;
- Create a market value for a CNG station;
- Expand the CNG industry to Mazar-e-Sharif, the second-largest city in Afghanistan (sic), with a market of 100,000 cars;
- Provide subject matter expert support to the CNG station to increase the size of the CNG market; and
- Increase the value of CNG investments in Afghanistan, reduce the risk to investment, and increase the domestic consumption of natural gas.⁷⁰

In August 2011, TFBSO awarded a construction contract to Central Asian Engineering to build the station on land belonging to the Afghan Ministry of Mines and Petroleum

⁶⁸ SIGAR, *DOD's Compressed Natural Gas Filling Station in Afghanistan: An Ill-Conceived \$43 Million Project*, SIGAR 16-2-SP, October 22, 2015.

⁶⁹ Vestige Consulting, LLC; Acertas, LLC, *Economic Impact Assessment, Task Force for Business & Stability Operations (TFBSO) in Afghanistan*, December 29, 2014, p. 96.

⁷⁰ TFBSO, *Energy Program Management Report*, November 10, 2014, p. 36.

(MOMP).⁷¹ The CNG station became operational in May 2012. TFBSO personnel worked with MOMP and the Ministry of Commerce and Industry to develop the tender and licensing procedures for the station, and Qashqari Oil and Gas Services took over operation of the station in May 2014.

The Total Cost of the Project was Nearly \$43 Million

The contract awarded to Central Asian Engineering to construct the station was for just under \$3 million. SIGAR identified approximately \$2.1 million more in contract costs directly associated with the CNG filling station project, bringing the total contract costs to \$5.1 million, plus an additional \$7.3 million in subject matter expert (SME) labor. However, the total cost was evidently much higher.

Near the end of its operations in Afghanistan, TFBSO commissioned Vestige Consulting, LLC/Acertas, LLC (referred to as “Vestige”) to perform an economic impact assessment of the contributions that TFBSO programs made to the Afghan economy.⁷² TFBSO paid Vestige approximately \$2 million for the assessment. TFBSO provided program cost data to Vestige to complete the assessment and, throughout 2014, senior Task Force officials and program managers reviewed multiple iterations of the assessment.

In December 2014, Vestige completed its final assessment. According to the assessment and SIGAR interviews, including with Vestige’s Chief Executive Officer, the total cost associated with the CNG filling station project was approximately \$43 million. Specifically, the assessment found:

“The Task Force spent \$42,718,739 between 2011 and 2014 to fund the construction and to supervise the initial operation of the CNG station (approximately \$12.3 [million] in direct costs and \$30.0 [million] in overhead costs).”⁷³

SIGAR’s analysis of e-mail correspondence and drafts of the assessment show that, over the course of multiple reviews, TFBSO officials never questioned the reported cost of the CNG filling station project.⁷⁴

Furthermore, on May 18, 2015, SIGAR sent an inquiry letter to DOD requesting information concerning the cost of the CNG filling station project.⁷⁵ In response, DOD did not provide any

⁷¹ DOD, Contract awarded to Central Asian Engineering Construction Company, Awarded August 14, 2011; contract modification number P0008, March 12, 2012.

⁷² Vestige Consulting, LLC, and Acertas, LLC, *Economic Impact Assessment, Task Force for Business & Stability Operations (TFBSO) in Afghanistan*, Dec. 29, 2014.

⁷³ Vestige Consulting, LLC; Acertas, LLC, 2014, p. 98.

⁷⁴ In an August 2014, draft of the assessment provided to TFBSO senior leaders for review, TFBSO’s program manager for its Energy Program highlighted the incorrect inclusion of a Micro-Hydro project as part of the Downstream Gas Utilization project (the CNG filling station project), which put the cost of the project at \$53 million but did not question the other costs, including SME labor costs or overhead allocations.

explanations or contest the reported cost of the project, and instead stated that the Department no longer possessed the personnel expertise to address our questions. Similarly, on September 24, 2015, SIGAR submitted a draft of the CNG report to DOD for review and comment prior to publishing the final report. DOD's comments (included with the report) did not dispute any of the facts in the report, or the \$43 million cost figure.

Nevertheless, in a hearing on January 20, 2016, before the Senate Armed Services Subcommittee on Readiness and Management Support, chaired by Senator Ayotte, Principal Deputy Under Secretary of Defense for Policy, Brian McKeon, raised questions about this cost figure.⁷⁶ Mr. McKeon's *Statement for the Record* at that hearing stated:

"We believe the methodology used by EIA, and relied on by SIGAR, is flawed, and that the costs of the station are far lower. I believe the consulting firm has also reviewed its work and engaged the Committee staff, and we have received a copy of their memo to one of your staff that indicates that the total costs of the station are likely 'well under \$10 million.'"⁷⁷

Mr. McKeon's statement references a memorandum completed by "the consulting firm" that was sent to staff of the Senate Armed Services Committee, which he used as a basis for questioning the previously reported total cost of the project. While SIGAR cannot be sure what memorandum Mr. McKeon is referencing in his statement, we obtained a memorandum from the CEO of Vestige Consulting to the Senate Armed Services Committee dated January 12, 2016, and believe this may be the referenced document (appendix III contains the January 12, 2016, memorandum).⁷⁸ The Vestige memorandum breaks down the \$42,296,220 project cost, including overhead costs of \$30,011,706 and Subject Matter Expert (SME) labor of \$7,285,776 and then states:

"It has become apparent to all that the CNG Gas Station construction project involved a significantly lower level of SME [subject matter expert] effort and corresponding overhead than other energy projects (ie: four large tender support projects). A more accurate allocation is closer to 2%-4% versus 20%. This would put the total CNG station costs at well under \$10M." (Emphasis added)

Since the January 2016 hearing, SIGAR has conducted additional interviews (including two interviews of Robert Schraven, the CEO of Vestige who sent the January 12, 2016

⁷⁵ SIGAR, *Inquiry Letter: Downstream Gas Utilization Project*, SIGAR-15-60-SP, May 18, 2015.

⁷⁶ In a January 2016, letter to the Senate Armed Services Committee, Vestige cites the total project cost for the project at \$42,296,220, rather than \$42,718,739 (as stated in its December 29, 2014, *Economic Impact Assessment*).

⁷⁷ Brian P. McKeon, Principal Deputy Under Secretary of Defense for Policy, *Statement for the Record*, Senate Armed Services Subcommittee on Readiness and Management Support, January 20, 2016.

⁷⁸ Robert Schraven, Memorandum to Senate Armed Services Committee, *Compressed Natural Gas (CNG) Cost Breakdown*, January 12, 2016.

memorandum), issued multiple document subpoenas, and conducted a more thorough review of a hard drive containing over 100,000 TFBSO-related files that DOD provided to SIGAR on January 14, 2016.

Using this information to supplement data already collected, SIGAR has concluded that the best supported total project cost is still approximately \$43 million and there has been no other supportable total cost figure for the project presented by DOD, Vestige, or any other party.

In fact, in a February 10, 2016 interview, Mr. Schraven told SIGAR that he strongly disagreed with Mr. McKeon's claim that the calculations in the EIA were flawed. He maintains that the figures presented in the *Economic Impact Assessment* are accurate and that the cost of the CNG filling station project, “depends on how you look at it.” Specifically, he stated that when overhead is included, the project cost \$43 million—apparently contradicting his own memo to the Senate Armed Services Committee from just a month earlier.

In another interview with SIGAR on March 14, 2016, Mr. Schraven reiterated that the total cost for the CNG Filling Station Project was approximately \$43 million and he stood by the December 2014 *Economic Impact Assessment*.⁷⁹ Mr. Schraven also stated that he did not author the paragraph quoted above from the January 12, 2016 Vestige memorandum to the Senate Armed Services Committee or re-calculate the allocation of SME effort and corresponding overhead.⁸⁰ He stated that the language contained in his January 2016 memorandum was “speculative.”

Ultimately any recalculations of overhead costs appear unsupported and do not seem either plausible or possible because, as the Comptroller for the Defense Security Cooperation Agency (responsible for reviewing project cost data at the request of the DOD Principal Deputy Under Secretary of Defense for Policy) told SIGAR in an interview on February 19, 2016, there was a “lack of oversight” regarding records management at TFBSO and existing TFBSO records are wholly insufficient to support any new analysis that would allow one to arrive at a more accurate allocation of overhead for the CNG filling station project, or any other project.⁸¹ Although the Comptroller could not verify the overhead costs, or the rationale

⁷⁹ During the March 14, 2016, Mr. Schraven was accompanied by his legal counsel from Redgrave, LLP.

⁸⁰ E-mail correspondence obtained by SIGAR shows that Mr. Schraven collaborated with a former TFBSO official in composing the January 12, 2016 memorandum. In an April 1, 2016, interview with that former TFBSO official, who did not participate in preparing the EIA and left the Task Force in 2012, he told SIGAR that he had conversations with Mr. Schraven, but that he did not know how any information he provided may have been used and that he did not review the final memorandum before Mr. Schraven submitted it to the Senate Armed Services Committee.

⁸¹ SIGAR had previously interviewed the Comptroller for the Defense Security Cooperation Agency on January 19, 2016. During that meeting, he stated that the methodology used for allocating overhead was “lazy” and that while he thought the overhead allocation could be lower, it was not possible to arrive at a more accurate estimate because the available records were so poor.

used by TFBSO for assigning it to various projects, he believed that the overhead could have been much higher or much lower than \$30 million, but he was unable to determine which with any confidence because the TFBSO records were so poor.

The final \$43 million total cost of the CNG filling station project far exceeds the estimated cost of CNG stations elsewhere. According to a 2010 publication of the International Energy Association, “the range of investment for a public [CNG] station serving an economically feasible amount of vehicles varies from \$200,000 to \$500,000. Costs in non-OECD [Organization for Economic Co-operation and Development] countries are likely to be in the lower end of this range.”⁸² Consistent with that finding, a 2005 CNG station feasibility study conducted by Pakistan’s Small and Medium Enterprise Development Authority concluded that the total cost of building a CNG station in Pakistan would be approximately \$306,000 at current exchange rates.⁸³ In short, at \$43 million, the TFBSO filling station in Afghanistan cost 140 times as much as a CNG station in Pakistan.

It Appears TFBSO Never Examined the Feasibility of its CNG Filling Station Project Prior to Committing Millions of Dollars to Construction

SIGAR was unable to find any evidence that TFBSO considered the many potential obstacles to the CNG filling station’s success before initiating the project. On May 18, 2015, SIGAR sent an inquiry letter to DOD requesting information concerning the CNG filling station. Part of that request included a request for copies of any feasibility study conducted prior to building the CNG station. In response, DOD did not provide any such document and instead stated that the Department no longer possessed the personnel expertise to address our questions.⁸⁴

If TFBSO had conducted a feasibility study of the project, the Task Force might have noted that Afghanistan lacks the natural gas transmission and local distribution infrastructure necessary to support a viable market for CNG vehicles. According to the World Bank, “[t]he cost of distribution of natural gas to a large number of small consumers can be expensive. The development of such markets often depends on the proximity of gas transmission pipelines which have been financed already through major gas supply projects to the power and industrial sectors.”⁸⁵ Similarly, an International Energy Agency analysis found that

⁸² Michiel Nijboer, International Energy Agency, *The Contribution of Natural Gas Vehicles to Sustainable Transport*, 2010, p.22.

⁸³ Small and Medium Enterprise Development Authority, Government of Pakistan, *Pre-Feasibility Study CNG Filling Station*, May 2005, p. 7.

⁸⁴ SIGAR, *Inquiry Letter: Downstream Gas Utilization Project*, SIGAR-15-60-SP, May 18, 2015.

⁸⁵ John Homer, The World Bank, *Natural Gas in Developing Countries, Evaluating the Benefits to the Environment*, January 1993, p. 19.

natural gas was not competitive with gasoline in markets that lacked “well-developed” transmission and distribution infrastructure.⁸⁶

Furthermore, TFBSO believed that the private operator who took over the Sheberghan station would build a second station in Mazar-e-Sharif (Afghanistan’s fourth largest city, which is approximately 120 kilometers from Sheberghan). TFBSO documents state “[r]eliable gas availability at the site of the potential [Mazar-e-Sharif] CNG Station” as essential for expansion of CNG use by automobiles in that city.⁸⁷

However, Mazar-e-Sharif has only a limited supply of natural gas, via a Soviet-built pipeline from Sheberghan to a single industrial user in Mazar-e-Sharif. As we previously reported, the pipeline has limited excess capacity and is apparently unsafe to operate at high pressure, which is necessary to increase output and CNG availability in Mazar-e-Sharif, despite a recent partial refurbishment funded by TFBSO.⁸⁸ Nevertheless, even if Mazar-e-Sharif were to obtain a reliable supply of natural gas, there is no way to deliver it to small consumers, such as filling stations, because the city’s local distribution network is currently defunct and a USAID study estimates that it would cost \$50 million to rehabilitate it.⁸⁹

Finally, it appears that the cost of converting a gasoline-powered car to run on CNG may be prohibitive for the average Afghan. TFBSO’s contractor states that conversion to CNG costs \$700 per car; other sources estimate that it costs up to \$800. According to the World Bank, the average annual income in Afghanistan is \$690. This may explain why the U.S. government paid for the conversion of over 120 Afghan vehicles to CNG so that they could use the filling station because ordinary Afghans simply couldn’t afford to do it. Not surprisingly, SIGAR found no evidence that any other vehicles were converted to CNG during the course of our review and investigation.

CNG Filling Station Was Found to be a “Net Loss” of \$31 Million

Ironically, TFBSO’s own *Economic Impact Assessment* found that the CNG filling station would have “little-to-no” impact on Afghanistan’s gross domestic product (GDP) through 2018 and that the project was generally a failure, in economic terms.⁹⁰ The assessment

⁸⁶ Michiel Nijboer, International Energy Agency, 2010, p.37.

⁸⁷ TFBSO, Energy Program Management Report, November 10, 2014, p. 36.

⁸⁸ SIGAR, *TFBSO Pipeline Project*, SIGAR 15-15-AL, December 11, 2014.

⁸⁹ TFBSO’s January 2015 report to Congress stated that Qashqari Oil and Gas Services, the firm that purportedly was licensed to operate the Sheberghan CNG filling station, “indicated that it will start construction of a sister station in Mazar-e-Sharif.” However, SIGAR was unable to find support for this statement in TFBSO documents and Afghan government documents obtained by SIGAR indicate that the business license of Qashqari Oil and Gas Services expired in November 2014—only six months after Qashqari purportedly began operating the filling station.

⁹⁰ Vestige Consulting, LLC and Acertas, LLC, 2014, p. 98. The report refers to the CNG Station by its formal name, the Downstream Gas Utilization Project.

went on to state that the project produced no discernable macroeconomic gains and resulted in a discounted net loss of \$31 million.⁹¹

TFBSO's Project to Bolster the Cashmere Goat Industry in Afghanistan Appears to have Failed to Meet Its Objectives

On January 25, 2013, TFBSO awarded a grant worth approximately \$1.5 million to Colorado State University (CSU) to implement the Task Force's cashmere goat project in Afghanistan.⁹² Between February 2013 and December 2014, the grant was modified five times. Those modifications extended the period of performance through June 30, 2015, (six months after TFBSO concluded its operations in Afghanistan) and increased the value of the grant by \$805,844, placing the total value of the grant at approximately \$2.3 million.⁹³

CSU implemented the project primarily in Herat, Afghanistan.⁹⁴ TFBSO project documents state, "The purpose of the cashmere project is to identify gaps in the Afghan cashmere supply chain, and then fill those gaps with business opportunities. The relationships created are intended to better the industry in Afghanistan and create profitable long-term business for the companies involved."⁹⁵

TFBSO Rationale for Implementing the Project

Afghanistan is the third largest producer (approximately 7 percent) of raw (greasy) cashmere in the world, after China (approximately 72 percent) and Mongolia (approximately 18 percent).⁹⁶ Despite Afghanistan being the world's third largest producer of raw cashmere, only 30 percent of the nine million cashmere-producing goats in Afghanistan are harvested for cashmere production.⁹⁷ Moreover, Afghanistan's indigenous cashmere is composed of 80 percent dark, 18 percent light, and only 2 percent white hair, and there is a significant need to develop lighter and white haired feedstock for the commercial fashion industry, which is the primary end user for cashmere.⁹⁸ When the project began, Afghanistan

⁹¹ Ibid., pp. 98-101.

⁹² Washington Headquarters Service, Acquisition Directorate, Grant to Colorado State University to implement a Cashmere Farm and Certification Business, HQ0034-13-1-0001, January 25, 2013.

⁹³ When overhead is included (to calculate the total project cost), the Task Force reportedly spent \$6.1 million to implement its cashmere goat project (see, Vestige Consulting, LLC and Acertas, LLC, 2014, p. 107).

⁹⁴ Both the farm and lab were located in Herat, Afghanistan, but some activities such as trade show attendance and Afghan government engagement took place elsewhere.

⁹⁵ TFBSO Metrics Team, *Indigenous Industries Program Management Report v.0.8*, June 2, 2014, p.29.

⁹⁶ Frauke de Weijer, Cashmere Value Chain Development Consultant, USAID/Accelerating Sustainable Agriculture Program (ASAP), *Cashmere Value Chain Analysis Afghanistan*, produced for review by USAID, p. i.

⁹⁷ Vestige Consulting, LLC and Acertas, LLC, 2014, p. 109.

⁹⁸ TFBSO Metrics Team, *Indigenous Industries Program Management Report v.0.8*, June 2, 2014, p. ix.

exported almost all of its cashmere in its raw form and most of the value of the Afghan cashmere was captured outside Afghanistan.⁹⁹

TFBSO's cashmere goat efforts focused on supporting the development of a value chain that could produce high-end cashmere for export.¹⁰⁰ TFBSO decided to implement the primary components of the project (establishing the farm and certification laboratory) in Herat, Afghanistan. Cashmere is harvested only in limited areas of Afghanistan, most notably in the western provinces of Herat, Farah, Ghor and Badghis, and the main trade center is Herat.¹⁰¹

TFBSO's Cashmere Project did not Achieve Intended Outcomes

Although the rationale for TFBSO's cashmere project in Afghanistan might appear reasonable, SIGAR's preliminary review of the project shows that it did not achieve the outcomes TFBSO intended. The grant required CSU to develop a cashmere farm business and a cashmere certification business. Specifically, the grant called for CSU to:

1. Develop a cashmere farm business, "which produces lighter/whiter cashmere. The farm should have multiple revenue streams from activities such as sales of products and outsourcing of goats and semen. The recipient is expected to develop a lucrative and realistic business to transition over to a private entity in Afghanistan."¹⁰² The farm was expected to contain an estimated 2,000 goats, and 1,000 females were to be bred no later than November 30, 2013.¹⁰³ Upon completion of the grant period of performance, the farm was to be turned over to the Afghan Ministry of Agriculture, Irrigation and Livestock to tender the farm to a private entity that would expand the model throughout Afghanistan.¹⁰⁴
2. Develop and operate a cashmere certification business that will, "generate revenue from the certifying process either from the seller of the cashmere, the buyer of the cashmere or a combination of both. The process shall have a mechanism in place to ensure certified cashmere matches the certificate produced; preferably a website."¹⁰⁵ Upon completion of the grant period of performance, the lab was to be

⁹⁹ Frauke de Weijer, p. i.

¹⁰⁰ S. R. Zimmerman, D. Egel, and I. Blum, *Task Force for Business and Stability Operations – Lessons from Afghanistan*, RAND Corp. Prepared for the Office of the Secretary of Defense, 2016, p.38.

¹⁰¹ Frauke de Weijer, p. i.

¹⁰² Washington Headquarters Service, Acquisition Directorate, Grant to Colorado State University to implement a Cashmere Farm and Certification Business, HQ0034-13-1-0001, January 25, 2013, p. 8.

¹⁰³ Ibid.

¹⁰⁴ TFBSO Metrics Team, *Indigenous Industries Program Management Report v.0.8*, June 2, 2014, p. ix.

¹⁰⁵ Washington Headquarters Service, Acquisition Directorate, Grant to Colorado State University to implement a Cashmere Farm and Certification Business, HQ0034-13-1-0001, January 25, 2013, p. 8.

handed over to the Ministry of Agriculture, Irrigation & Livestock to tender off to a credible certification company.¹⁰⁶

The TFBSO program failed to achieve either outcome. In fact, according to the Contracting Officer's Representative, deliverables were often months late or not accomplished.

With regard to the cashmere farm business, while CSU established the farm, it was only large enough to sustain a maximum of 400 goats, rather than the 2,000 required by the grant. To populate the farm, CSU brought in 270 female goats (does) and 19 males (bucks)—nine from Italy at the beginning of the grant and ten from Tajikstan in early 2015.¹⁰⁷ In addition, the grant called for 1,000 females to be bred no later than November 30, 2013; however, when CSU submitted its final report to the Washington Headquarters Service (the contracting service used by TFBSO) in June 2015, it reported that only 116 females were bred in 2013 and 236 in 2014.¹⁰⁸ Similarly, while CSU established a laboratory for the certification business, the laboratory had not been certified to officially label cashmere for international markets by the time the grant ended.¹⁰⁹

In addition, neither the cashmere farm nor the certification business (which was not accredited to certify) were taken over by a private business. Rather, on March 24, 2015, CSU hired Noor Agro Group to assume direct operation and management of the farm and laboratory.¹¹⁰ SIGAR has not yet been able to confirm the current operational status of the farm or the laboratory. This project will be included in SIGAR's ongoing performance audit of TFBSO activities in Afghanistan.

Poor Planning and Weak Oversight Contributed to Failures

As previously stated, the farm on which TFBSO and CSU implemented the cashmere project was far too small to achieve the required outcomes. In addition to being too small to sustain 2,000 goats (as required), the farm also lacked a grazing area sufficient to support even the approximately 300 goats initially brought in to stock the farm. As reported by CSU in June 2015, "Though it would be optimal for the goats to graze on pasture and to produce all feed on the farm, there is insufficient land to produce enough fodder for the entire herd for

¹⁰⁶ TFBSO Metrics Team, *Indigenous Industries Program Management Report v.0.8*, June 2, 2014, p. x

¹⁰⁷ Colorado State University, *Development of Cashmere Enterprise and Supply Chain in Afghanistan Final Report Funding Opportunity Number HQ0034-13-1-0001*, June 2015, p. 21.

¹⁰⁸ *Ibid.*, p. 16. In addition, SIGAR's preliminary review showed that CSU staff traveled to Mongolia from April 13-17, 2014, as part of an effort to procure Mongolian cashmere goat semen to use for artificial insemination on the Afghan farm.

¹⁰⁹ SIGAR has not yet been able to confirm the current certification status of the laboratory, and this will be included as part of SIGAR's ongoing performance audit of TFBSO activities in Afghanistan.

¹¹⁰ Colorado State University, *Development of Cashmere Enterprise and Supply Chain in Afghanistan Final Report Funding Opportunity Number HQ0034-13-1-0001*, June 2015, p. 43.

grazing. Therefore most of the feed supply is purchased from local suppliers and the goats graze the small pasture on the farm for supplemental nutrition.”¹¹¹

Purchasing feed from suppliers is far more expensive than sustainable grazing, and this additional expenditure directly affected the commercial viability of the farm and the willingness of private companies to assume operations. For example, one company, Afghanistan Cashmere Manufacturing Association (ACMA), which had submitted a tender offer to take over the farm, later found that the annual feed procurement necessary for operations is more than \$50,000 per year—a cost the company deemed unsustainable. The company ultimately withdrew its tender offer for the farm.

In addition to problems with the farm, there were also significant issues with the goats used to stock it. Specifically, health records for many of the goats brought onto the farm were not available and TFBSO did not require CSU to test the goats for disease before bringing them onto the farm. It appears that at least a portion of the goats used to stock the farm were infected with Johne’s disease (paratuberculosis), which is a transmittable, fatal gastrointestinal disease that has the potential to wipe out an entire herd.¹¹² When the goats were finally tested for disease in 2014, several tested positive for Johne’s disease and 37 male kids suspected of infection were culled (slaughtered) in January 2015.¹¹³ When withdrawing its tender offer via e-mail on November 5, 2014, the responsible ACMA official stated that things at the farm had “gone from bad to worse” and that it had become “a bit of a poison chalice.” The situation did not seem to improve in the months to follow and, in its June 2015 final report, CSU recommended, based on the “reported fiber results and the assumption that the information is accurate,” that four of the nine the Italian Cashmere bucks be culled, three were listed as marginal, and only two were worth keeping and continuing to breed.¹¹⁴

Another operational challenge with both the farm and the certification lab, which could have been addressed in advance with better planning, was the lack of reliably available electricity and water. The original grant document stated that the Afghan government had agreed to

¹¹¹ Colorado State University, *Development of Cashmere Enterprise and Supply Chain in Afghanistan Final Report Funding Opportunity Number HQ0034-13-1-0001*, June 2015, p. 27.

¹¹² According to the University of Wisconsin-Madison School of Veterinary Medicine, Johne's disease typically enters a herd when an infected, but healthy-looking, goat is introduced. The infected goat then sheds the organism onto the premises – perhaps onto pasture or into shared water sources (<http://www.johnes.org/goats/faqs.html>, March 9, 2016).

¹¹³ In a serious breeding program, one should expect an average cull percentage of 30 percent, so there is ample production of secondary products while improving fiber, without interfering with the individual goat’s production by expecting it to fill too many roles. This is under normal circumstances and farm operation. (see, Kravis, et.al., *Fact Sheet No. 1*, January 2014; Colorado State University (CSU), *Development of Cashmere Enterprise and Supply Chain in Afghanistan Final Report Funding Opportunity Number HQ0034-13-1-0001*, June 2015, p. 44.)

¹¹⁴ Colorado State University, *Development of Cashmere Enterprise and Supply Chain in Afghanistan Final Report Funding Opportunity Number HQ0034-13-1-0001*, June 2015, p. 47.

provide electricity and water. However, CSU quickly found that neither was reliably available and that new generators were needed to provide a steady source of power—which was also needed to operate a newly installed water pump. The third modification to the grant, on August 14, 2013, provided \$258,227 for “generating electricity and purchasing upgraded laboratory equipment.”¹¹⁵ After several delays, the generators were finally installed at the farm more than a year later, in September 2014.

All these examples point to a failure by both TFBSO and CSU in planning and overseeing the cashmere project in Afghanistan. The project appears to have been overly ambitious, poorly staffed, and mismanaged by TFBSO. As a leading expert in the field of cashmere goat genetics who worked on the project for TFBSO told SIGAR, the expectations of the project were unrealistic, TFBSO’s mismanagement put the entire effort at risk, there was no way to accomplish the goals of the project in two years, and it was likely a twenty year project rather than a two year project. That expert also stated that Task Force personnel had no idea what they were doing and CSU staff determined what the project should cost, despite no one at CSU having any experience with cashmere.

Finally, as CSU wrote in its project close-out report, there was “a critical lack of direct oversight.”¹¹⁶ Similarly, the Contracting Officer’s Representative stated, “51% of CSU’s set milestones were accomplished 6 months past the original due date, or not completed at all.” Ultimately, TFBSO’s *Economic Impact Assessment* found that the cashmere project would lead to little-to-no GDP impact and “negligible” positive macroeconomic impacts.¹¹⁷

Conclusion

After 14 years, hundreds of billions of dollars spent to support U.S. military operations, and more than \$113 billion appropriated for the largest reconstruction effort in U.S. history, the United States has shown an enduring commitment to the mission in Afghanistan.¹¹⁸ Although many U.S. troops have come home and Congress has reduced annual appropriations for Afghanistan reconstruction, there was still approximately \$12 billion left to be spent for reconstruction as of December 31, 2015.¹¹⁹ Further, the U.S. government has committed to providing tens of billions of dollars more in reconstruction aid over the course of Afghanistan’s “Transformation Decade” and recently committed to an extended

¹¹⁵ Washington Headquarters Service, Acquisition Directorate, Grant to Colorado State University to implement a Cashmere Farm and Certification Business, HQ0034-13-1-0001 Modification P00003, August 14, 2013, p. 1.

¹¹⁶ Colorado State University, *Development of Cashmere Enterprise and Supply Chain in Afghanistan Final Report Funding Opportunity Number HQ0034-13-1-0001*, June 2015, p. 41.

¹¹⁷ Vestige Consulting, LLC; Acertas, LLC, 2014, pp. 106-109.

¹¹⁸ SIGAR, *Quarterly Report to Congress*, January 30, 2016, p. 50.

¹¹⁹ SIGAR, *Quarterly Report to Congress*, January 30, 2016, p. 52.

military presence to support the Afghan government until it is able to sustain itself and independently secure itself from insurgent threats.¹²⁰

Despite those commitments, managing and overseeing this massive, ongoing effort is being left to a decreasing number of U.S. military and civilian personnel in Afghanistan. The reduction in resources means that oversight and learning from the U.S. government's experience in Afghanistan and Iraq are more important than ever. Together with Congress, we must ensure that every dollar is spent as effectively and efficiently as possible and used as intended. In that same vein, we must seek to understand where we, as a nation, did not accomplish our goals, learn from those mistakes, and take meaningful corrective action as we move forward in Afghanistan's reconstruction. Failing to do so reduces the likelihood that Afghanistan will become a secure and stable nation, thus risking all the United States, the Afghan government, and our allies have invested.

Although TFBSO is now shut down, this nearly \$800 million program was DOD's principal vehicle for stimulating private sector investment in Afghanistan in order to reduce violence, enhance stability, and stimulate the economy. An understanding of the successes and failures of TFBSO activities is critical for Congress and future administrations when considering economic development activities in future contingency operations.

To date, SIGAR has not been able to find credible evidence showing that TFBSO's activities in Afghanistan produced the intended economic growth or stabilization outcomes that justified its creation. On the contrary, TFBSO's legacy in Afghanistan is marred by unfinished, poorly planned, and ill-conceived projects.

Finally, it does not appear that DOD or Task Force leadership applied the lessons identified early in its Afghanistan operations. Specifically, TFBSO operations in Afghanistan lacked: (1) a comprehensive strategy; (2) focused and consistent processes and leadership, and (3) coordination with other U.S. and Afghan government stakeholders, as well as with other donors and local populations. DOD and the Task Force's failure to respond and implement changes based on prior lessons appears to have contributed to the unfulfilled expectations for TFBSO activities in Afghanistan.

The accompanying House Armed Services Committee Report for the National Defense Authorization Act for Fiscal Year 2012 noted that "the function of private sector business development falls outside the core competency of the Department of Defense."¹²¹

¹²⁰ In August 2013, the Departments of Defense and State released the most recent revision of the *U.S. Civil-Military Strategic Framework for Afghanistan*. The framework provides strategic guidance for all American civilian and military personnel serving in Afghanistan and outlines U.S. priorities through what the framework calls the "Transformation Decade" of 2015- 2024.

¹²¹ U.S. House of Representatives, *National Defense Authorization Act for Fiscal Year 2012, Committee Report (to Accompany H.R. 1540)*, 2011, Section 1533.

That cautionary statement now seems quite prescient in light of our findings to date of TFBSO activities. Specifically, our analysis has shown that the Task Force did not achieve most of its goals, both in the short-term and, it would appear, in the long-term. In addition, SIGAR's ongoing review of TFBSO activities in Afghanistan raises several key questions that remain unanswered and should be considered by Congress and any Administration contemplating similar programs in the future. For example:

- Should DOD be leading these types of economic development activities in future contingency operations?
- What impediments inhibited TFBSO, State, and USAID coordination and ultimately led to duplicative and sometimes competing activities and how can they be addressed in the future?
- How much private sector direct investment did TFBSO's \$800 million appropriation yield and how does that compare to traditional reconstruction models using USAID and the Department of State?
- What impact did TFBSO projects and programs have on stabilizing Afghanistan, including at the local level, and can any of its successes be sustained?
- Were there systemic problems with DOD's management and oversight of TFBSO activities in Afghanistan that need to be addressed?

DOD's apparent final word on TFBSO, a January 2016 RAND report, does not sufficiently answer these questions and declares lessons learned without making an attempt to determine if TFBSO was effective in advancing its congressionally mandated goals.¹²² While we appreciate that RAND has left the questions of TFBSO effectiveness—either at the level of an individual project or the overall effort—to SIGAR, it is troubling that DOD has yet to provide any evidence that the nearly \$800 million appropriated by Congress for TFBSO was successful in reducing violence or increasing stability in Afghanistan.

Due to the substantial, unanswered questions about TFBSO activities, and at the request of Senators Ayotte and Grassley, SIGAR has begun a comprehensive performance audit of TFBSO and a full financial audit. SIGAR remains committed to uncovering the successes and stumbles of the Task Force in Afghanistan to inform Congress, the Administration, and the American people.

Thank you for the opportunity to testify today. I look forward to answering your questions.

¹²² RAND National Defense Research Institute, *Task Force for Business and Stability Operations Lessons from Afghanistan*, 2016, p. xi.

Appendix I - Summary of Select Task Force for Business and Stability Operations Projects Reviewed by SIGAR

SIGAR has published reports on many Task Force for Business and Stability Operations (TFBSO or Task Force) projects and examined available documentation and conducted interviews related to several others. In addition to SIGAR's work related to the TFBSO compressed natural gas filling station, SIGAR's work has found the following:

- SIGAR-16-11-AR, *Afghanistan's Oil, Gas, and Minerals Industries: \$488 Million in U.S. Efforts Show Limited Progress Overall, and Challenges Prevent Further Investment and Growth*, is the second of two SIGAR reports focused on the U.S. efforts to develop Afghanistan's extractive industries. Related to TFBSO projects, SIGAR found that Task Force assistance to Afghanistan's extractive industries has been directed toward developing capacity at the Afghan Ministry of Mines and Petroleum (MOMP) and its component organizations, and toward making regulatory reforms to attract private sector investment. TFBSO generally pursued short-term projects seeking immediate results and its 11 initiatives aimed at developing Afghanistan's extractive industries produced mixed results, with three of those projects showing little to no achievement of their project objectives, five partially met project objectives, and the final three generally met project objectives.
- SIGAR-16-2-SP, *TFBSO Security Inquiry Letter*, sought answers to questions related to the costly decision by TFBSO leadership to protect, house, and feed its personnel primarily on facilities that were not operated by the U.S. government at a cost of nearly \$150 million.
- SIGAR 15-55-AR, *Afghanistan's Mineral, Oil, and Gas Industries: Unless U.S. Agencies Act Soon to Sustain Investments Made, \$488 Million in Funding is at Risk*, found TFBSO and USAID have been the two U.S. government entities that provided assistance in direct support of Afghanistan's extractive industries. TFBSO documents state that it administered 11 initiatives aimed at developing Afghanistan's extractive industries by pursuing three broad objectives: (1) restoring productive capacity in the Afghan economy wherever possible, across all industrial sectors, (2) stimulating economic growth, and (3) serving as a catalyst for private investment in Afghanistan by linking the international business community with Afghan business leaders and government officials. In addition to minerals and hydrocarbons development, TFBSO activities included projects to facilitate private investment, industrial development, and other projects that the Secretary of Defense, with the concurrence of the Secretary of State, determined would strengthen stability or provide strategic support to the counterinsurgency campaign in Afghanistan. TFBSO implemented these efforts through contracts, purchase orders, and interagency agreements totaling \$282

million. SIGAR also found that there was no overall U.S. government strategy for the development of Afghanistan's extractives industries, poor interagency coordination, and a lack of planning.

- SIGAR 14-82-IP, *Gereshk Cold and Dry Storage Facility: Quality of Construction Appears To Be Good, but the Facility Has Not Been Used to Date*, found that TFBSO spent nearly \$3 million to build a facility intended to improve the ability of local Afghan farmers to preserve fruits and vegetables for sale to national and international markets, which could generate revenues far greater than selling their produce locally. The facility appeared well-built and ready for productive use. However, TFBSO contracted for and built the facility without buy-in and formal commitment from a private investor and the facility remains unused, resulting in a nearly \$3 million waste.
- Herat Business Incubator: TFBSO funded the \$46.8 million¹²³ Herat Incubator Project to "create an environment with necessary network and computing resources that fostered a creative atmosphere and begin linking the international IT industry to this center" and established what was intended to be a "true Silicon Valley-style start-up incubator" in Herat.¹²⁴ According to Paul Brinkley, he had the idea for the incubator following the revelation that there were "long-haired" Silicon Valley-type Afghans already operating businesses in the city that could benefit from TFBSO assistance.¹²⁵ Additionally, Herat was appealing because the city was generally stable with a relatively high quality of human capital, stable electricity, and airport access.¹²⁶

However, neither the incubator model nor the businesses it sought to develop appear to have been sustainable. In an interview with SIGAR, one former TFBSO employee told us, "In fact, nothing was sustainable."¹²⁷ Similarly, a former TFBSO director, James Bullion, told SIGAR that the contractor implementing the project, "did nothing" and that contractor staff were rarely on site in Herat.¹²⁸ Ultimately, Mr. Bullion stated

¹²³ In June 2015, in response to SIGAR questions, counsel for the TFBSO contractor implementing the incubator project stated the company had received \$46,832,494.64. According to TFBSO's Economic Impact Assessment report issued in December 2014, the project cost \$42,352,992.20. Here, SIGAR is using the \$46.8 million figure since it is more recent.

¹²⁴ Paul A. Brinkley, *War Front to Store Front: Americans Rebuilding Trust and Hope in Nations Under Fire* (New York, NY: Turner Publishing Company/Wiley General Trade, 2014), p. 291.

¹²⁵ Paul Brinkley, interview by SIGAR, December 17, 2015.

¹²⁶ RAND National Defense Research Institute, 2016, p. 32.

¹²⁷ By 2012, analysis of lessons identified from the incubator led to a gradual shift of the model to one that became called an "accelerator," which focused on taking local companies with track records of success across a range of sectors and helping them grow.

¹²⁸ James Bullion, interview by SIGAR, January 23, 2015.

that he refused to renew the contract for the incubator project because it appeared to him it “did nothing.” SIGAR is still investigating this program.

- **Village Stability Operations:** TFBSO’s Village Stability Operations initiative is perhaps the Task Force program most explicitly tied to TFBSO’s mandated stabilization mission. This \$14.4 million program was intended to support a bottom-up counterinsurgency strategy that was supposed to expand security while connecting local governance to district government, and district governance to the national government.¹²⁹ Of these funds, TFBSO obligated \$14.3 million to identify potential small-scale mineral development opportunities in strategic villages and develop a plan for training local partners in proper artisanal mining methods. From these plans, TFBSO undertook only one \$55,000 activity for purchases of chromite-processing equipment.

The cost difference between developing plans and actual programming was not the most egregious aspect of this program. The one activity TFBSO actually executed was for the purchase and delivery of chromite-processing equipment that would allow a commander and deputy commander of the Afghan Local Police to begin chromite processing. When TFBSO officials later consulted with Afghan legal experts, they learned that their chromite facility violated the Afghan Minerals Law, which prohibits the granting of mining licenses to, among other Afghan officials, employees of the Ministry of Interior. Fortunately, once TFBSO learned of this violation, they contacted the Minister of Mines and Petroleum (MOMP) to explain the violation, and the project was later cancelled at the minister’s behest. TFBSO’s ignorance of the minerals law, despite significant investments in planning this activity, is particularly concerning because TFBSO provided the MOMP with legal advice to help Afghanistan meet worldwide standards for transparency and social responsibility in mineral exploitation.¹³⁰

- **Amu Darya Oil Basin:** TFBSO’s \$73 million efforts to assist the MOMP and the Afghanistan Petroleum Authority in initiating and managing contract tenders for the development of Afghanistan’s oil and natural gas reserves focused primarily on the Amu Darya and Afghan-Tajik Basins in northern Afghanistan.¹³¹ Building from TFBSO’s work in December 2011, the Afghan government approved a hydrocarbons exploration and production sharing contract with the China National Petroleum Corporation (CNPC) and its Afghan partner, Watan Oil and Gas, for three oil blocks in

¹²⁹ SIGAR, *Quarterly Report to the U.S. Congress*, January 30, 2014, p. 121.

¹³⁰ Vestige Consulting, LLC and Acertas, LLC, 2014, pp. 66–69.

¹³¹ The total costs included support for multiple hydrocarbon tenders and seismic testing at Amu Darya and Afghan-Tajik Basins; the discrete costs associated with TFBSO work supporting the Amu Darya Oil Basin could not be disaggregated from the total expenditures with available documentation.

the Amu Darya Basin.¹³² The CNPC award prompted the Senate Armed Services Committee to include the following language in its Committee Report accompanying the fiscal year 2014 National Defense Authorization Act:

The TFBSO has contributed to the stability of Afghanistan's economy, particularly the development of its mining sector. However, the committee strongly believes that TFBSO funds for the development of Afghanistan's mining should not go towards subsidizing the ability of foreign companies, in particular the Chinese mineral extraction industry, to exploit the estimated \$1.0 trillion worth of Afghanistan resources. The committee believes that companies who mine Afghanistan's rare earth minerals should be the ones investing in the mining infrastructure of Afghanistan.¹³³

In August 2015, Tolo News reported that an Afghan government investigation found that CNPC had violated the terms of its 2011 contract to extract oil from three blocks in the Amu Darya Basin.¹³⁴ The Afghan government accused CNPC of owing the government \$68 million for not developing land surrounding their operations as stipulated, and of improper extractions leading to corruption.¹³⁵

¹³² Also in the Amu Darya Basin, TFBSO experts worked with MOMP to rehabilitate and reopen an additional four oil wells. To reduce the security risk for international oil companies to enter the Amu Darya region, TFBSO also funded the clearance of 41,200 square meters of landmines.

¹³³ Committee on Armed Services, United States Senate, *Report 113-44 to Accompany S.1197*, June 20, 2013.

¹³⁴ Tolo News, "Ministry Looks to Enforce Contract Signed with Chinese Firm for Amu River Oil Fields," August 6, 2015.

¹³⁵ While TFBSO provided technical assistance to the MOMP for this award, USAID, which funds the only U.S. government extractives assistance program in Afghanistan, is not involved and could provide further information.

Appendix II - Summary of Task Force for Business and Stability Operations Projects

This summary utilizes Task Force for Business and Stability Operations (TFBSO) cost and expenditure data from the Economic Impact Assessment (denoted by “*” next to the project name) and cost and expenditure data from project contracts reviewed by SIGAR (denoted by “**” next to the project name).¹³⁶

Project	Project Cost	Dates Active	Purpose	Outcome
Hydrocarbon Tender Development				
\$104,375,666.04				
First Hydrocarbon Tender**	\$1,900,000.00	2009-2010	The purpose of this program was the provision of promotion and advisory services for TFBSO's first hydrocarbon tender round, as well as a follow-up hydrocarbon tender.	This program failed to garner significant interest or tender offers from the international business community, and resulted in the failure of TFBSO's first hydrocarbon promotion efforts.
Subsequent Hydrocarbon Tender Support**	\$60,077,029.04	2010-2014	This program was dedicated to providing the MOMP, and the Afghan Petroleum Authority (APA), with support in tendering exploration and production sharing contracts for Afghanistan's hydrocarbon resources.	TFBSO's hydrocarbon tender development efforts resulted in three finalized hydrocarbons contracts. Additionally, TFBSO officials stated that they had another two contract tenders “well underway,” and the Afghan government had received several bids for one of these contracts. However, the MOMP did not complete the tender process for these two projects before TFBSO departed Afghanistan in December 2014.

¹³⁶ This list and associated costs may not be exhaustive and we have not verified all data. However, the list contains the best available information as of January 13, 2016.

Project	Project Cost	Dates Active	Purpose	Outcome
				TFBSO officials stated that it was also instrumental in helping to establish the APA as the Ministry's central authority for hydrocarbons. However, the contractor for USAID's SGGA program reported that the new central government did not approve continued funding for the salaries of the "vast majority of APA staff members"; 72 APA employees were laid off in December 2014, leaving only approximately 35.
Afghan-Tajik and Amu Darya Seismic**	\$12,714,000.00	2011-2012	During its hydrocarbon tender development efforts, TFBSO determined that seismic reflection surveys could help to confirm prior data collected by geologists during the Soviet era, and that this would help spur further exploration investment by international oil and gas companies. To this end, TFBSO contracted to collect seismic reflection data from the Afghan-Tajik and Amu Darya basins in Northern Afghanistan.	TFBSO activities reports indicate that it successfully collected the 460 kilometers of seismic data required under the Afghan-Tajik and Amu Darya contract. During an interview with SIGAR, Mr. Brinkley, TFBSO's first director, stated that he issued a memorandum prohibiting seismic testing in northern Afghanistan. This memorandum was ignored or overturned by later directors.
Kushka Seismic**	\$29,637,939.00	2012-2014	Similar to efforts to collect seismic reflection data within the Afghan-Tajik and Amu Darya basins in Northern Afghanistan, TFBSO twice contracted to collect data in the Kushka basin.	According to TFBSO, its first, firm fixed-price contract did not result in the collection of any seismic data from the Kushka basin due to security concerns and inclement weather. After granting several months of delays, in March 2013, TFBSO terminated this contract for default. In September 2013, TFBSO executed a second contract to collect seismic data in the Kushka Basin. TFBSO officials stated that TFBSO leadership proceeded with the second and more

Project	Project Cost	Dates Active	Purpose	Outcome
				expensive cost-plus-fixed-fee contract over the objections of the project managers and subject matter experts. The second contract ultimately failed for similar reasons as the first. TFBSO ended the contract following the collection of data on 52 kilometers of 300 contracted kilometers.
Landmine Removal**	\$46,698.00	2011	TFBSO funded the removal of landmines at prospective hydrocarbon well sites in the Amu Darya basin.	The contractor cleared 41,200 square meters of landmines.
Enhancing Access to Energy Resources				
\$82,337,139.15				
Compressed Natural Gas Station*	\$42,718,739.00	2011-2013	This program funded the construction and operation of a compressed natural gas (CNG) fueling station, two dispensers, one CNG trailer filling point, car conversion center, administrative office building, and gas compression and processing equipment.	We found no indication that, prior to construction, TFBSO considered the feasibility of achieving the station's broader objectives or considered any of the potentially considerable obstacles to the project's success. The station was purportedly passed to a private company. However, kits to convert a vehicle to CNG cost the equivalent of the average Afghan's annual salary, leaving them out of reach for many Afghans.
Sheberghan - MeS Pipeline**	\$39,618,400.15	2012-2014	The purpose of this project was (1) to rehabilitate the 45-year-old, 89.1-kilometer pipeline connecting the Khoja Gorgordak natural gas field near Sheberghan, Jowzjan province to the Northern Fertilizer and Power Plant in Mazar-e-Sharif, Balkh province; and (2)	With materials and technical assistance provided by TFBSO, AGE completed repairs for 12 of the 15 kilometers of pipeline targeted. USAID reported in July 2015 that AGE has not yet managed to complete the remaining 3 kilometers of planned repairs due to security concerns in the project areas. USAID and Department of State

Project	Project Cost	Dates Active	Purpose	Outcome
			<p>to facilitate the construction of a new 89.1-kilometer pipeline to run alongside the old one.</p> <p>Alongside these pipeline projects, TFBSO provided materials and support for the construction of an amine plant, for processing the sulfur out of natural gas, and a compressor facility, to increase the pressure of natural gas flowing through the Sheberghan pipelines.</p>	<p>officials say that they remain skeptical of the partially rehabilitated pipeline’s safety.</p> <p>TFBSO reportedly expedited delivery of 94.5 kilometers of pipe for construction of the new pipeline. However, these construction materials remain unused at locations in Sheberghan and Mazar-e-Sharif. U.S. officials are unable to visit the Sheberghan location and confirm the status of these materials due to security concerns.</p> <p>TFBSO completed the compressor facility, and successfully constructed (but did not commission) the amine plant in 2014. A TFBSO subject matter expert stated that, at their current levels of knowledge and capacity, it would be “irresponsible” for the Afghans to operate and maintain the amine plant. He estimated that it would cost about \$5 million to hire four expatriate contractors to perform operation and maintenance for this facility. USAID claimed that TFBSO’s amine plant will be of limited use to the Afghan government, should it ever be commissioned, as it cannot remove certain corrosive contaminants prevalent in the gas produced in the Sheberghan area, and it does not have sufficiently high capacity.</p>
<p>Mineral Development Projects</p> <p>\$72,859,440.64</p>				

Project	Project Cost	Dates Active	Purpose	Outcome
Mineral Tenders**	\$65,686,294.89	2010-2014	<p>The purpose of this program was to provide the MOMP with commercial, technical, and legal expertise for the minerals tendering process. TFBSO expected these activities would result in at least eight new mineral contracts—ideally with reputable multinational mining companies with expertise in developing mines in post-conflict states—and improved capacity at the MOMP to execute future contracts.</p>	<p>TFBSO’s mineral tender consultants, in conjunction with the U.S. Geological Survey (USGS) and the MOMP, identified four areas of interest for development, referred to as the “Round 1” tenders. TFBSO signed follow-on contracts in September 2012 in order to support the launch of tenders for four additional sites, referred to as the “Round 2” tenders. These projects were scheduled to begin in March 2013 and conclude before June 2014.</p> <p>TFBSO’s Round 1 tenders required significantly more time than expected. As of July 2015, the Round 1 mineral tenders and cement tenders remained incomplete, and the Round 2 mineral tenders have not yet been launched.</p> <p>In a follow up response to our first audit, USAID reported that there is a very high probability that the Afghan government and MOMP will seek an independent legal review of the terms and structure of all mining contracts negotiated under the previous administration before finalizing these contracts. Furthermore, according to senior representatives from USAID’s MIDAS program, the documents that TFBSO prepared for the Round 2 tenders are substantively incomplete and will require further work before the MOMP can utilize them in future tenders. Finally, even if TFBSO’s tenders become finalized contracts, the tendering model that TFBSO followed does not appear to be sustainable for the Afghan government. In a report, MIDAS subject matter experts suggested that it might be 10 to 15 years</p>

Project	Project Cost	Dates Active	Purpose	Outcome
				before any of the early-stage exploration projects currently underway will produce significant revenue for the Afghan government.
North Aynak Drilling**	\$5,126,948.75	2012-2013	This program was designed to conduct capacity building and exploratory drilling for copper deposits in North Aynak.	The drilling program in North Aynak was completed successfully. The contract required the contractor to mobilize all equipment to the drilling site, conduct 1,500 meters of core drilling and 1,000 meters of reverse circulation, and then restore the drilling site to its approximate preexisting condition. According to the contractors' final report, 2,101 meters of core drilling and reverse circulation alongside 12 embedded Afghanistan Geological Survey (AGS) personnel was performed. SIGAR has been unable to determine if the exploratory drilling found significant copper deposits in North Aynak.
Lithium Drilling**	\$1,823,336.00	2014	This program was designed to perform exploratory drilling for lithium deposits in Dasht-e-Newar, Ghazni Province.	In its <i>Activities Report to Congress for Fiscal Year 2014</i> , TFBSO stated that the lithium drilling project successfully confirmed the quality of lithium in the area. SIGAR has not conducted an independent analysis of the lithium drilling program.
Drill Training Support**	\$222,861.00	2013	The purpose of this program was to develop and implement a training curriculum for the Chinese-manufactured drilling rigs that the MOMP owned but did not know how to use.	Unplanned and unavoidable delays resulted in the completion of only 9.5 weeks of the planned 12-week curriculum. Nonetheless, the contractor reported that, as a result of the program, the AGS now has several operational drilling rigs as well as an adequate and experienced driller and crew who can operate drilling machines under

Project	Project Cost	Dates Active	Purpose	Outcome
				<p>supervision. However, the contractor also voiced several concerns with the project, including the fact that the AGS did not appear to screen the trainees it nominated, resulting in the majority of the trainees being functionally illiterate and innumerate, and approximately half the trainees openly acknowledge that they only attended the drill rig trainings for the free lunches and salary benefits. Additionally, the contractor expressed reservations about the program length, which it felt was far too short. They wrote that training a person to become a driller who can safely and independently operate a drill can be a one- to two-year process, longer than the 3-month program executed by TFBSO.</p>
Banking and Finance Support \$69,219,230.00				
Banking and Financial Systems Development Support*	\$69,219,230.00	2010-2012	<p>The purpose of this program was to promote the electronic transfer of funds between government agencies and Afghan businesses. This program also resulted in the Economic Roundtable Conference, which pushed a holistic approach to business transformation in Afghanistan.</p>	<p>SIGAR has not conducted an independent analysis of the banking and financial systems development programs.</p>
Business Advisory Sector Support \$42,352,992.00				

Project	Project Cost	Dates Active	Purpose	Outcome
Business Incubator and Accelerator*	\$42,352,992.00	2011-2014	The purpose of the program was to develop a Silicon Valley-modeled start up incubator in Afghanistan. As the program grew, it shifted to small-and-medium sized businesses, paying for consultants to work with enrolled businesses.	SIGAR is currently conducting a review of the business advisory programs and has found that the program lacked a way of measuring success and appears to be a failure. Mr. Bullion, a former director of TFBSO, stated that he refused to renew IBM's contract because IBM "did nothing" on the project and that IBM staff were "never there."
Capacity Building for MOMP and AGS				
\$38,511,289.57				
USGS Support**	\$36,157,563.18	2009-2014	The purpose of this program was to support USGS activities in Afghanistan. According to USGS officials, the USGS requires a sponsoring agency in order to conduct operations outside of the United States. USAID provided initial support to USGS, and TFBSO later became the sponsoring agency for the USGS activities in Afghanistan.	The USGS successfully compiled digital data for the 24 areas of interest, as well as an additional 33 sub-areas. USGS geologists and hydrologists performed laboratory studies and remote sensing studies within and outside the areas of interest. The USGS compiled these maps and data, along with digitized versions of older Soviet maps and records, into a new data center constructed by TFBSO at the AGS headquarters in Kabul. USGS led capacity-building efforts included database training, geographic information system software training, remote sensing training, and on-the-job training at field sites and at the AGS headquarters. However, TFBSO did not provide any program reporting that would be useful for assessing the successes or failures of these trainings. One USGS representative stated that, in their assessment, the AGS is now capable of producing new data and information packages without outside assistance. However, this

Project	Project Cost	Dates Active	Purpose	Outcome
				representative also said that security, funding, transportation, and infrastructure problems will continue to hinder AGS's work.
Contractor Support for Data Center**	\$1,504,276.39	2010-2012	Provision of equipment and support to the creation and operation of the AGS data center in Kabul to contain USGS collected and analyzed geologic data.	The contractors provided equipment and support to the creation and operation of the AGS data center in Kabul. The AGS data center was turned over to the Afghan government when TFBSO concluded operations in Afghanistan at the end of 2014. The USGS collected and analyzed geologic data is available at the data center as well as on a related website.
Educational Exchange**	\$500,000.00	2014	The purpose of this program was to update Kabul Polytechnic's mining curriculum and train its geology professors in contemporary mining practices. According to representatives from TFBSO and the MOMP, schools such as Kabul Polytechnic University needed this support because their curricula still reflected Soviet central planning practices.	TFBSO sponsored an intercollegiate information exchange between Kabul Polytechnic University and three international universities. Seven senior professors received training and then mentored younger associate professors. USGS officials also hosted several classes at Kabul Polytechnic that were open to anyone in the Afghan government who was involved or interested in the extractives industries. Although TFBSO did not provide us with program reports, TFBSO and USGS representatives both claimed that the training efforts at Kabul Polytechnic were highly successful. In an attempt to secure continued funding, TFBSO representatives say they met with State and USAID to try to reach an agreement for transitioning the program. However, none of these efforts were successful, and the program has been discontinued.

Project	Project Cost	Dates Active	Purpose	Outcome
BLM Support**	\$349,450.00	2014	BLM provided training in support of USGS activities in Afghanistan.	BLM supported USGS activities in Afghanistan.
Private Sector and Public Private Partnership				
\$37,692,232.00				
Private Sector and Public Private Partnership Support*	\$27,876,331.00	2012-2014	This program was designed to facilitate large investment projects by private sector actors and the Afghan government. TFBSO worked to bring international investors and the Afghan government together to create an independent power producer, a glass tempering facility, and develop a scrap steel industry.	SIGAR has not conducted an independent analysis of the Private Sector and Public Private Partnership programs.
Private Investment Support*	\$9,815,901.00	2013-2014	This program was designed to vet and market small-to-medium sized businesses to the international investment community. Additionally, TFBSO helped the Afghan businesses with loan applications, financial models, and marketing materials.	SIGAR has not conducted an independent analysis of the Private Investment programs.
Agriculture Sector Support				
\$28,425,689.00				
Agricultural Diversification Support*	\$28,425,689.00	2010-2013	The purpose of the program was to improve crop yields, quality, and distribution processes. TFBSO provided equipment; built facilities, including the	SIGAR has performed an inspection of the Gereshk cold storage facility constructed under this program and found it to be unused by Afghan farmers and businesses. SIGAR has not

Project	Project Cost	Dates Active	Purpose	Outcome
			Gereshk cold storage facility; and provided training to farmers and universities.	conducted a full, independent analysis of the remainder of the agricultural diversification programs.
Local Industries Support				
\$20,970,007.00				
Carpet Support*	\$7,560,758.00	2011-2014	The program was designed to increase the sales of hand knotted carpets from Afghanistan through the construction of two cut and wash facilities, training in new weaving techniques with Afghan carpet businesses, and presenting products at tradeshow.	SIGAR has not conducted a full, independent analysis of the carpet support program. TFBSO claims to have created nearly 10,000 carpet weaving jobs through this program, however our initial analysis has left us questioning the veracity of this figure.
Artisanal Industry Support*	\$7,316,112.00	2011-2014	The program was designed to develop a market for high-end artisanal gemstone, woodworking and ceramic products from Afghanistan in international markets. TFBSO focused on training jewelry makers, developing a market for Afghanistan branded jewelry, and generating employment.	SIGAR has not conducted a full, independent review of the artisanal support program. Initial analysis has found concerns related to the sustainability of the program, as well as personnel costs.
Cashmere Support*	\$6,093,137.00	2012-2014	This program was designed to improve the quality and quantity of Afghan cashmere and increase Afghanistan's international profile. TFBSO worked to increase expertise at the farm level, obtain quality certifications for companies and technicians, and	SIGAR has not conducted an independent analysis of the cashmere support program. TFBSO's economic impact assessment (EIA) claims to have created 250 to 350 jobs with this program. Additionally, TFBSO worked with the Afghan government to ban the export of raw/greasy cashmere. According to SIGAR's initial analysis, TFBSO purchased 9 male goats from

Project	Project Cost	Dates Active	Purpose	Outcome
			increase product visibility at trade shows.	Italy, constructed a farming facility, and provided funding and built and staffed a laboratory to certify Afghan cashmere according to internationally-recognized standards.
TFBSO Funded Reviews of Operations				
\$20,643,214.90				
TFBSO Funded Reviews of Operations	\$20,643,214.90	2010-2015	TFBSO or DOD TFBSO funded a series of reviews of its operations, management, and close-out. Boston Consulting Group was paid approximately \$1.6 million, McKinsey and Company approximately \$17 million for a series of assessments, Leidos approximately \$2 million for an economic impact assessment (ultimately completed by Acertas LLC and Vestige LLC.), and RAND approximately \$204,000 for another lessons learned report.	SIGAR has not conducted a full, independent review of TFBSO funded reviews of operations
Village Stability Operations (VSO)				
\$14,404,816.69				
Village Stability Operations Planning**	\$14,349,916.68	2012-2013	The purpose of this program was to contract with private sector business to develop a concept of operations and provide management support for mining sector-oriented VSO projects. TFBSO intended for contractors to support Combined Joint Special Operations Task	TFBSO did not provide us with any documentation of activities for one contractor. According to the final monthly status report of a second contractor, remote sensing analysis was commissioned in order to identify tracts that might be favorable for future Village Stability Operations and coal exploration projects, as well

Project	Project Cost	Dates Active	Purpose	Outcome
			Force and Special Operations Task Force teams in training local partners in proper artisanal mining methods and identifying potential small scale mineral development opportunities in strategic villages.	as provide capacity building to AGS geologists. However, this contractor reported nearly every other Village Stability Operations milestone as incomplete or premature. Following the cancellation of TFBSO's first VSO project, the MOMP refused to approve any other TFBSO supported VSO projects. This resulted in the waste of remaining project funds.
Chromite Mining**	\$54,900.01	2011-2012	TFBSO executed one Village Stability Operations-related project, for the purchases of chromite processing equipment to be utilized by artisanal miners in Khas Kunar, Kunar Province.	TFBSO purchased and rush delivered the chromite processing equipment between December 2011 and April 2012. TFBSO trained the local commander and deputy commander of the Afghan Local Police to set up a small chromite processing unit for the local community. When TFBSO officials later consulted with Afghan legal experts, they learned that the chromite facility violated the Afghan Minerals Law, which prohibits the granting of mining licenses to employees of the Ministry of Interior Affairs. A senior TFBSO official told SIGAR Investigations that, upon learning this, he wrote a letter to the Minister of Mines and Petroleum explaining the violation, and the project was later cancelled at the Minister's behest. Following the cancellation of this project, the MOMP refused to approve any additional TFBSO supported VSO projects.
Alternative Energy Development Support				
\$11,042,402.00				
Micro	\$10,792,492.00	2011-2012	The goal of this program was to connect	SIGAR has not conducted an independent

Project	Project Cost	Dates Active	Purpose	Outcome
hydroelectric Support*			the Tira Koh pumping station to a micro hydroelectric grid along with the capacity to expand to other grids.	analysis of the micro hydroelectric program. According to TFBSO's EIA, this project was cancelled before any gains were realized.
Biofuel Research**	\$249,910.00	2010-2011	The purpose of this program was to fund an Afghan biofuels study.	SIGAR has not conducted an independent analysis of the Afghan biofuels program
Women's Advancement Support				
\$10,856,233.00				
Women's Advancement Support*	\$10,856,233.00	2011	The purpose of this program was to enhance women's involvement in the information, communications, and indigenous industries. The program worked to establish the International Center for Afghan Women's Economic Development at the American University of Afghanistan.	SIGAR has not conducted an independent analysis of the women's advancement programs.
Cross Program Support				
\$5,917,173.60				
Transportation Support**	\$5,519,464.00	2012-2014	The purpose of this program was to provide fixed and rotary wing transportation support for TFBSO initiatives.	SIGAR has not conducted an independent analysis of the transportation support program.
Accounting Transparency Support**	\$215,000.00	2011	This program was designed to promote accounting transparency.	SIGAR has not conducted an independent analysis of the accounting transparency program.

Project	Project Cost	Dates Active	Purpose	Outcome
Advisory Support for Resource Exploration**	\$159,793.92	2014	The purpose of this program was to provide natural resource exploration advisory support services.	SIGAR has not conducted an independent analysis of the mineral exploration advisory program as the contract was cancelled for the government's convenience.
Liaison Services**	\$22,915.68	2010-2011	The purpose of this program was to provide a liaison between TFBSO and the Afghan government.	SIGAR has not conducted an independent analysis of the liaison services program
Industrial Development Support				
\$451,760.00				
Industrial Development Support*	\$451,760.00	2010-2012	The purpose of this program was to develop infrastructure in Afghanistan. The program built security infrastructure at Herat government buildings; constructed the Emaar Girls School, Herat Teacher's Training Institute, and Herat University's women's dormitory; and equipped the Lashkar Gah marble factory with grinding machines.	SIGAR has not conducted an independent analysis of the industrial development programs.
TFBSO Security Costs				
\$148,000,000.00				
TFBSO Security Costs	\$148,000,000.00	2010-2014	TFBSO paid security contractors to provide continuous security and life support services.	TFBSO utilized housing and life support functions outside of Embassy and DOD control. This allowed TFBSO employees and contractors greater freedom of movement throughout Afghanistan. SIGAR is currently conducting a

Project	Project Cost	Dates Active	Purpose	Outcome
				review of TFBSO's security costs.
Total:	\$560,059,285.59			

Appendix III - January 12, 2016, Memorandum to the Senate Armed Services Committee



A Service-Disabled Veteran-Owned Small Business

12 January 2016

From: Robert Schraven
To: Senate Armed Services Committee
Subject: Compressed Natural Gas (CNG) Cost Breakdown

Thank you for meeting with me today as a follow-up to our meeting on 15 December 2015. The purpose of this memo is to provide the SASC with additional information related to the TFBSO Compressed Natural Gas Station that was referenced in the October 2015 SIGAR Report (SIGAR-16-2-SP). The table below includes roll up details related to the \$43M total expenditure that was cited in the TFBSO Economic Impact Assessment (EIA) report prepared by Vestige/Acertas in December of 2014.

CNG Cost Breakdown (FY11-FY13)		
ITEM	COSTS (USD)	DESCRIPTION
Direct	\$12,284,514	
Construction Contracts	\$4,998,738	Contractor: Central Asian Development Group
- Phase 1 - Station Construction & Gas Conversion Etc.	\$2,049,548	
- Phase 2 - Generator Conversion & additional Gas Conversion Etc.	\$2,949,190	
Subject Matter Expert (SME) Labor	\$7,285,776	Equal split between 5 TFBSO energy projects *
Overhead	\$30,011,706	Allocation of 47% of all TFBSO overhead **
TOTAL	\$42,296,220	

* 20% split was provided by TFBSO Energy team lead and assumes that all 5 energy projects were equal in size
 ** Allocation of Energy Team project overhead at 47% of total TFBSO overhead was provided by TFBSO Management

The total SME labor for TFBSO energy project FY11-FY13 was \$36,413,880. Per TFBSO guidance this SME labor was evenly allocated across all energy projects.

It has become apparent to all that the CNG Gas Station construction project involved a significantly lower level of SME effort and corresponding overhead than other energy projects (ie: four large tender support projects). A more accurate allocation is closer to 2%-4% versus 20%. This would put the total CNG station costs at well under \$10M.

As the EIA Report highlights, overall, TFBSO Projects could lead to an additional \$54.6B in GDP by 2025. Specifically, TFBSO Energy Sector Projects will have the largest impact to the Economy by 2025:

- GDP Growth from \$53.2B to \$75.3B
- Revenue to Afghan Economy in excess of \$20B

In order for these results to be achieved it is imperative that the EIA report and associated economic model be readily shared with the Afghan government, the international community and continuously updated. This will enable and support the government to accomplish the following:

- effectively measure the progress that is being made on strategic projects;
- adjust funding of projects as necessary;
- ability to forecast future year funding in the appropriate strategic projects.

Appendix IV - Related Products

SIGAR

1. SIGAR, *DOD Task Force for Business and Stability Operations in Afghanistan: Preliminary Results Show Serious Management and Oversight Problems*, SIGAR 16-14-TY, January 20, 2016.
2. SIGAR, *Afghanistan's Oil, Gas, and Minerals Industries: \$488 Million in U.S. Efforts Show Limited Progress Overall, and Challenges Prevent Further Investment and Growth*, SIGAR 16-11-AR, January 2016.
3. SIGAR, *DOD's Compressed Natural Gas Filling Station in Afghanistan: An Ill-Conceived \$43 Million Project*, SIGAR 16-2-SP, October 22, 2015.
4. SIGAR, *Afghanistan's Mineral, Oil, and Gas Industries: Unless U.S. Agencies Act Soon to Sustain Investments Made, \$488 Million in Funding is at Risk*, SIGAR 15-55-AR, April 24, 2015.
5. SIGAR, *TFBSO Pipeline*, SIGAR 15-15-AL, December 11, 2014.
6. SIGAR, *Gereshk Cold and Dry Storage Facility: Quality of Construction Appears To Be Good, but the Facility Has Not Been Used to Date*, SIGAR 14-82-IP, July 16, 2014.
7. SIGAR, *High-Risk List*, December 2014.

Others

1. Center for Strategic and International Studies, *Final Report on Lessons Learned Department of Defense Task Force for Business and Stability Operations*, June 2010.
2. GAO, *DOD Task Force for Business and Stability Operations: Actions Needed to Establish Project Management Guidelines and Enhance Information Sharing*, GAO-11-715, July 29, 2011.
3. GAO, *Agencies Could Benefit from a Shared and More Comprehensive Database on U.S. Efforts*, GAO-13-34, November 7, 2012.
4. RAND National Defense Research Institute, *From Insurgency to Stability Volume I: Key Capabilities and Practices*, 2011.
5. RAND National Defense Research Institute, *Task Force for Business and Stability Operations Lessons from Afghanistan*, 2016.
6. Special Inspector General for Iraq Reconstruction, *Learning from Iraq*, March 2013.
7. Vestige Consulting, LLC and Acertas, LLC, *Economic Impact Assessment Task Force for Business and Stability Operations (TFBSO) in Afghanistan*, December 29, 2014.