



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

December 11, 2017

The Honorable Ray Willets Washburne  
President and Chief Executive Officer  
Overseas Private Investment Corporation

Dear Mr. Washburne,

I am writing to request information regarding the Overseas Private Investment Corporation's (OPIC) plans for the Marriott Kabul Hotel and Kabul Grand Residences, which are co-located across the street from U.S. Embassy Kabul.<sup>1</sup> As we reported in November 2016, both the hotel and the residences appear to be abandoned, and our review of agency records uncovered serious deficiencies in OPIC's management and oversight of \$85 million in loans to Fathi Taher and his U.S. sponsors for the construction of these facilities.<sup>2</sup> We reported that OPIC provided loan disbursements based on inaccurate and potentially fraudulent information, which in turn resulted in a significant loss of U.S. taxpayer dollars. We also noted that the persistence of an apparently abandoned structure so close to the U.S. Embassy Kabul poses a security threat, and that the embassy has had to assume responsibility for security at the construction site.

In response to our alert letter, OPIC stated that it "is aware of discussions that the project developer has had with several third parties over the past several years, including the U.S. Department of State, which has been interested because of the projects' proximity to the Embassy."<sup>3</sup> OPIC leadership also stated that it had instructed "OPIC's portfolio and monitoring group to review its policies and procedures with respect to monitoring large-scale construction projects in Afghanistan, with a view to ensuring that they are adequately robust."<sup>4</sup> Finally, although OPIC noted that SIGAR suggested taking immediate action to recoup the loan funds from the recipients, the corporation did not specify what action, if any, would be taken to recoup funds.<sup>5</sup>

---

<sup>1</sup> Marriott International agreed to manage the hotel, thereby lending its name to the project. In May 2013, it was reported that Marriott had withdrawn from the project. Nevertheless, in Afghanistan the building is still commonly referred to as "the Marriott Hotel", and on the OPIC website as the "Marriott Kabul Hotel." See, e.g., Kabul loses five-star hotel as security fears dent confidence, *The Times*, May 7, 2013, <http://www.thetimes.co.uk/tto/news/world/asia/afghanistan/article3757537.ece> (accessed Oct. 28, 2016).

<sup>2</sup> Fathi Taher, a Jordanian citizen, was the primary contractor for both projects. General Systems International LLC was Mr. Taher's co-sponsor for the Marriott Kabul. Apus Apartments LLC was Mr. Taher's co-sponsor for the apartments (see, Letter of John F. Sopko, Special Inspector General for Afghanistan Reconstruction, to Elizabeth L. Littlefield, President and Chief Executive Officer, Overseas Private Investment Corporation (Nov. 14, 2016).

<sup>3</sup> Letter of Elizabeth L. Littlefield, President and Chief Executive Officer, Overseas Private Investment Corporation, to John F. Sopko, Special Inspector General for Afghanistan Reconstruction (Nov. 16, 2016).

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

Now, more than one year later, it does not appear that there has been any further progress in constructing these facilities, and the U.S. Embassy in Kabul continues to provide security for the project site. Given the security risk to U.S. personnel and the continuing financial burden placed upon U.S. Embassy Kabul and taxpayers, I am seeking information on OPIC's progress in addressing the issues described above. Please provide answers to following questions, with any available supporting documentation, no later than January 2, 2018:

1. What are OPIC's current plans for the land, structures, and security at the sites and what, if any, are the additional costs associated with the planned course of action?
  - a. To what extent has OPIC consulted with the Department of State regarding the future of the site, and what has been the result of these consultations?
2. Who currently owns and/or controls the Kabul Marriott Hotel and Kabul Grand Residences?
  - a. What is the current, and planned, lease arrangement for the land on which the structures were built?
3. What is the status of any negotiations between OPIC, the loan recipients, and any third parties regarding the disposition of the construction site and the structures thereon?
4. In November 2016, SIGAR suggested that OPIC take action to recoup excess loan funds paid to loan recipients for work that was not completed or that was improperly invoiced and paid.
  - a. What has been done to recover funds associated with these projects?
  - b. How much has OPIC recovered to date?
5. As noted above, OPIC stated in November 2016 that it was "reviewing its policies and procedures with respect to monitoring large-scale construction projects in Afghanistan, with a view to ensuring that they are adequately robust."
  - a. What were the results of OPIC's review, and what steps has OPIC taken to improve its policies and procedures?
6. What arrangements have been made between the Afghan government, OPIC, and U.S. Embassy Kabul to provide continued security for the project site until the projects are purchased or completed?
7. To what extent has OPIC reimbursed or otherwise provided financial assistance to U.S. Embassy Kabul for the costs associated with providing security for the project site?
8. Has OPIC projected the future costs for securing the construction site and its structures if they are not purchased or completed? If so, what are those costs? If not, why not?
9. Has OPIC provided any additional funds provided for completion of these projects? If so, please identify the amount, sources, and recipients of these funds.

I am submitting this request under the authority of Public Law No. 110-181, and the Inspector General Act of 1978, as amended. Should your staff have any questions about this inquiry, please have them contact Mr. Matthew Dove, Director of Special Projects, at (703) 545-6051 or [matthew.d.dove.civ@mail.mil](mailto:matthew.d.dove.civ@mail.mil).

Sincerely,

A handwritten signature in black ink, appearing to read 'J. F. Sopko', with a long horizontal stroke extending to the right.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

## ENCLOSURE I: OPIC RESPONSE TO SIGAR-18-16-SP

---

### OVERSEAS PRIVATE INVESTMENT CORPORATION WASHINGTON, D.C. 20527, USA



OFFICE OF THE  
PRESIDENT

December 29, 2017

Mr. John F. Sopko  
Special Inspector General for Afghanistan Reconstruction  
1550 Crystal Drive, 9<sup>th</sup> Floor  
Arlington, VA 22202

Dear Mr. Sopko:

Thank you for your letter of December 11, 2017, regarding the status of the hotel and apartment projects that the Overseas Private Investment Corporation (OPIC) financed in Kabul, Afghanistan. OPIC remains committed to ensuring that resources are properly managed with appropriate oversight and appreciates the time and energy your office has invested in this matter.

OPIC staff remain actively engaged in negotiations with various parties having interests in the projects with the goal of finding the most effective way to address the outstanding loan while remaining focused on the security situation for the U.S. Embassy in Kabul. Our mission is to address critical development challenges while advancing U.S. foreign policy and national security objectives on a self-sustaining basis.

Your letter asks for response to a number of specific questions. Please see Attachment A for OPIC's responses to your queries. Should you need additional information, please contact Mr. Mark Paist, Associate General Counsel, at (202) 336-8424 or [Mark.Paist@opic.gov](mailto:Mark.Paist@opic.gov)

Sincerely,

A handwritten signature in black ink, reading "Ray W. Washburne".

Ray W. Washburne  
President & CEO

1100 NEW YORK AVE., N. W. · WASHINGTON, D. C. 20527 · FAX (202) 408-5133 · (202) 336-8401

## ATTACHMENT A

1. What are OPIC's current plans for the land, structures, and security at the sites and what, if any, are the additional costs associated with the planned course of action?
  - a. To what extent has OPIC consulted with the Department of State regarding the future of the site, and what has been the result of these consultations?

*OPIC's current plan, which it is actively implementing, is to support the Department of State's high level negotiations with the Government of Afghanistan to obtain rights to the land and structures. Questions regarding associated costs and how the Department of State will incorporate the site into the security perimeter of the U.S. Embassy in Kabul are best answered by the Department of State.*

2. Who currently owns and/or controls the Kabul Marriott Hotel and Kabul Grand Residences?
  - a. What is the current, and planned, lease arrangement for the land on which the structures were built?

*The Lease Agreement for the land remains between the Government of Afghanistan and TAYL Investors Group Limited. OPIC has exercised rights under its loan documentation to control decisions under the lease agreement as a remedy for the borrowers' defaults and has used these rights in support of the ongoing high level negotiations between the Department of State and the Government of Afghanistan.*

3. What is the status of any negotiations between OPIC, the loan recipients, and any third parties regarding the disposition of the construction site and the structures thereon?

*As noted in the response to question 1 above, high level negotiations between the Department of State and the Government of Afghanistan are ongoing. OPIC is also in ongoing confidential settlement discussions with the borrowers addressing outstanding contractual defaults under the loan documents.*

4. In November 2016, SIGAR suggested that OPIC take action to recoup excess loan funds paid to loan recipients for work that was not completed or that was improperly invoiced and paid.
  - a. What has been done to recover funds associated with these projects?
  - b. How much has OPIC recovered to date?

*As stated in the response to question 3 above, OPIC is engaged in ongoing settlement discussions with the borrowers to address outstanding contractual defaults under the loan documents. SIGAR is aware of and integrally involved in the U.S. government's ongoing potential recovery actions.*

5. As noted above, OPIC stated in November 2016 that it was "reviewing its policies and procedures with respect to monitoring large-scale construction projects in Afghanistan, with a view to ensuring that they are adequately robust."
  - a. What were the results of OPIC's review, and what steps has OPIC taken to improve its policies and procedures?

*The Hotel/Residences project is the only large-scale Afghan construction project currently in OPIC's portfolio. OPIC has accepted and will implement SIGAR's recommendation to use more robust oversight practices when OPIC supports any future large-scale construction project in Afghanistan.*

*Attachment A (cont'd)*

6. What arrangements have been made between the Afghan government, OPIC, and U.S. Embassy Kabul to provide continued security for the project site until the projects are purchased or completed?

*Although the borrowers (with security forces arranged through the Afghan Government) remain responsible for security of the site, the U.S. Embassy's Regional Security Office has independently taken steps to secure the site to its satisfaction, given the proximity to the adjacent compound. It is our understanding that the borrowers and the RSO have worked cooperatively in securing the site.*

7. To what extent has OPIC reimbursed or otherwise provided financial assistance to U.S. Embassy Kabul for the costs associated with providing security for the project site?

*OPIC has not provided any financial assistance for security for the site, nor would a lender such as OPIC bear such costs where a lender is not in control or possession of the property.*

8. Has OPIC projected the future costs for securing the construction site and its structures if they are not purchased or completed? If so, what are those costs? If not, why not?

*As noted in the response to question 1 above, OPIC is supporting the State Department's efforts to obtain rights to the site.*

9. Has OPIC provided any additional funds provided for completion of these projects? If so, please identify the amount, sources, and recipients of these funds.

*OPIC has not provided any additional funds for completion of these projects.*