



SIGAR

**Office of the Special Inspector General
for Afghanistan Reconstruction**

December 10, 2014

The Honorable Chuck Hagel
Secretary of Defense

Dear Secretary Hagel,

I am writing to request information about the Task Force for Business and Stability Operations (TFBSO). My office is conducting a review of TFBSO operations. It is my understanding that in pursuing its mission of economic stabilization, TFBSO has focused on decreasing unemployment and creating economic opportunities through increased private investment, improved industrial development, growth in the banking and financial system, agricultural diversification, and energy development. Between the beginning of its operations in Afghanistan in 2010 and March 2013, TFBSO obligated nearly \$700 million of Department of Defense (DOD) funds in pursuit of its mission.

SIGAR has received troubling allegations related to TFBSO practices involving imprudent spending, profligate travel by employees and contractors, and possible mismanagement. For example, we received allegations of mismanagement concerning seismic testing related to hydrocarbon exploration in Western Afghanistan, matters which we plan to address in an upcoming audit of TFBSO support of Afghan extractive industries.¹ My office will soon be issuing a letter expressing safety concerns relating to a natural gas pipeline in northern Afghanistan that TFBSO helped to repair.²

In addition to the extractive industries audit, SIGAR is reviewing significant financial expenditures by TFBSO to develop the Afghan gem industry. It is our understanding that TFBSO sent Afghan jewelers to months-long gem training programs in India and sent other individuals to locations including Paris and Milan. Despite these expenditures, it is not clear to me that the gem industry program produced any positive and lasting economic development or increased employment in Afghanistan.

¹ SIGAR plans to issue the audit of U.S. efforts to develop Afghanistan's extractive industries in early 2015.

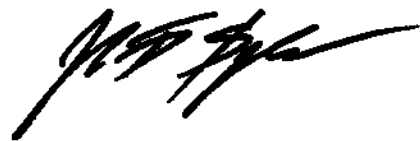
² Forthcoming SIGAR Audit Letter 15-15 (TFBSO Pipeline).

To assist SIGAR's review of TFBSO's operations, please provide the following information:

1. The names of the DOD component or officials that oversaw the spending and approved the programs initiated by the TFBSO. All written policies or procedures governing the spending and programs initiated by the TFBSO.
2. All travel documents, authorizations, and vouchers for November 30, 2012 through November 30, 2014 for the fifteen TFBSO employees who traveled most frequently during that period. Include copies of position descriptions for the employees, the names of the employee(s) approving the travel, and any documents establishing the purpose or necessity of each trip.
3. All evaluations of the TFBSO program that sent Afghan jewelry manufacturers and gem designers to classes in India, or to jewelry shows in Europe or Asia. Include any analysis of program outcomes and outputs, the stated goals of the program, and any other methods or metrics by which TFBSO measured the success or accomplishments of this program.
4. All copies of the soon-to-be completed Economic Impact Assessment (EIA). My staff was informed that the EIA report will produce a thorough and comprehensive picture of metrics, achievements, successes, and projections of future effects of TFBSO operations in Afghanistan. In addition, provide a copy of the contract with the firm that produced the EIA, and if it is not otherwise part of the report, the methodology for measuring accomplishments of TFBSO programs and how data for individual programs was captured.
5. Copies of all TFBSO contracts with the Boston Consulting Group, Claremont College, Rand Corporation, Kinsey Group, Vestige LLC, and Acertas, together with an accounting of funds obligated and disbursed for these contracts, and copies of all contract deliverables including reports in final or draft form.

Finally, given that TFBSO is ceasing its operations in March 2015, please ensure that all the task force's records are preserved for SIGAR's ongoing review. I am submitting this request pursuant to my authority under Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended. Please direct your staff to provide the information requested no later than December 24, 2014, to my Director of Special Projects, Mr. Jack Mitchell, at [REDACTED] or at [REDACTED]. Please do not hesitate to contact him if you have any questions.

Sincerely,



John F. Sopko
Special Inspector General
For Afghanistan Reconstruction



DEPARTMENT OF DEFENSE
Task Force for Business and Stability Operations
1801 S Bell Street, Ste 409
Arlington, VA 22202



The Honorable John F. Sopko
Special Inspector General for Afghanistan Reconstruction
1550 Crystal Drive, 9th Floor
Arlington, VA 22202

Dear Mr. Sopko:

Thank you for your letter dated December 10, 2014, regarding the Task Force for Business and Stability Operations (TFBSO) operations. TFBSO responds to your individual requests for information, in order, as follows:

1. TFBSO Project Review Board, headed by TFBSO Director, was responsible for approving all projects before execution. Pursuant to Section 9012 of the Department of Defense Appropriations Act, 2012, and Section 9011 of the Department of Defense Appropriations Act, 2013, all notices regarding projects with anticipated costs more than \$5 million were submitted to the congressional defense committees at least fifteen (15) days before money could be obligated. These notices contained a detailed justification and timeline for each proposed project. Additionally, Section 1535 of the Ike Skelton National Defense Authorization Act for Fiscal Year 2011 (P.L. 111-383), as amended, requires the Department of Defense to submit a TFBSO Activities Report to the congressional defense committees at the end of every fiscal year, and to submit a Transition Action Plan with updates every 180 days. All monies used for the life support of TFBSO personnel are approved by the U.S. Army Central Coalition Acquisition Review Board before funds are obligated. Additional documents in response to your inquiry are included on disc 1.

2. Documents in response to your inquiry are included on disc 2.

3. See the attachment entitled "Jewelry Training Response." Also, additional documents in response to your inquiry that are in the possession and control of TFBSO are included on disc 3.

4. Documents in response to your inquiry are included on disc 4.

5. TFBSO did not have any contracts with Claremont College, Vestige LLC, or Accitas. Rather, TFBSO prime contractors entered a subcontract with Vestige LLC. Copies of contracts, accounting of funds obligated and disbursed for the contracts to which TFBSO is a party are included on disc 5. Additionally, copies of contract deliverables that are in the possession and control of TFBSO are included on disc 5. Please note that there is not currently a draft of the RAND deliverable.

TFBSO implemented a records management plan in March 2013. As such, all records will be maintained for your on-going review.

Thank you for your interest in this matter.

Sincerely,

Joseph Catalino
Acting Director

JEWELRY TRAINING RESPONSE

RATIONALE

The Gemstone Jewelry Business Development Project focused exclusively on downstream development of finished jewelry for export through efforts designed to improve the quality of jewelry production, create demand for finished jewelry, and build sustainable market linkages for finished Afghan-made jewelry. This project was not intended to develop, and did not focus on, upstream development of the gem industry nor did it attempt to engage formally with the extractive industry.

Advanced jewelry and gem-cutting training was not available in Kabul and was precisely what was needed in order for the jewelry sector to advance to the next level and attract production orders. Jewelry making and gem-cutting are skills that take years to master. Many countries continue to utilize apprenticeship programs for jewelry training in which a jeweler trainee works exclusively with a master jeweler for many years before he or she is considered qualified. Many donor-funded jewelry training programs in Afghanistan have been limited to two-to-three weeks in duration, which is not sufficient to develop any level of skill. The purpose of this project was to develop advanced jewelry making skills for students who were already active in the sector and doing business.

Task Force for Business and Stability Operations (TFBSO) efforts focused primarily on marketing artisanal skills in the jewelry, carpet, and cashmere sectors as demand for new sourcing locations, craft, and handmade products had increased in Western markets. In fact, many major fashion and home goods brands carry special handmade or artisanal lines, and TFBSO sought to connect these market demands with suppliers in Afghanistan. TFBSO efforts were on business development, facilitation, and building market linkages.

TFBSO initially engaged with Afghanistan's jewelry sector to support the growth and development of Turquoise Mountain (TM) – a renowned artisanal training institute in Kabul. TM offers a three-year training program in jewelry making and gemstone cutting techniques at a basic-to-intermediate level. Initially, TM sought assistance from TFBSO in growing and improving business development efforts of TM's graduate businesses by connecting them to new customers to ensure income and employment after graduation.

TFBSO helped promote Afghanistan as a source of production to major fashion and home goods brands, including Kate Spade and the Ippolita jewelry brand. TFBSO secured Kabul site visits from executives of both companies, which led to placement of sample orders with TM graduate jewelry workshops. However, both companies cited quality issues with their orders that led them to source their products elsewhere.

Prior to launching this project, TFBSO consulted with TM, the U.S. Agency for International Development's Afghan Small Medium Enterprise Development Project, the World Bank, the Afghanistan Ministry of Commerce and Industry (MoCI), and the Afghanistan Ministry of Mines and Petroleum (MoMP). Through these consultations TFBSO learned that the MoCI

(responsible for downstream sector development versus the MoMP, which is responsible for upstream sector development) cited the need for foreign market exposure and advanced training in its 2011 Sector Action Plan.

The information received from these meetings, combined with the private sector feedback from Kate Spade and Ippolita and other companies doing business at TM, was used as the basis for the Gemstone Jewelry Business Development Project.

The Project integrated the key components determined as necessary for the jewelry sector's sustainable and measurable growth, including training in advanced jewelry finishing and production skills, gem-cutting, market-driven design and business development skills; market-led branded product development; and a marketing and branding strategy that has created a long-lasting platform through a social enterprise: Aayenda Jewelry.

Evaluation, Metrics, and Impact

The principle outcome from this project is a commercially viable, Afghan-made jewelry brand – Aayenda Jewelry, which was created by Jaipur training program participants. The first order for jewelry was placed in the fall of 2014 and was reportedly the largest order of cast jewelry ever received by the Kabul jewelry workshops. The order was completed on time at the required level of quality. A single order from a single brand of jewelry generated employment for 38 artisans, in addition to the income generated for many more Afghans down the value chain. This program has succeeded in delivering the foundation and skills required for Afghan jewelry workshops to respond to international clients seeking to source jewelry from Afghanistan.

The line also has a website that orders can be received from: <http://aayendajewelry.com/>.

Below is a summary of the Project, including Project Objectives and Project Outcomes:

Grant Recipients:

Prime Contractor: Partners for Sustainable Development (PSD)

Subcontractor: Future Brilliance Afghanistan Organization (FBAO)

Total Obligated Funds:

Fiscal Year 2012 TFBSO Funds: \$1,137,478

Fiscal Year 2013 TFBSO Funds: \$500,000

Fiscal Year 2014 TFBSO Funds: \$250,000

Start and End Dates:

September 28, 2012, to November 14, 2014.

Transition Plan:

TM will take ownership of the equipment purchased under TFBSO grant with PSD and the FBAO. TM will facilitate orders for Aayenda as well as other international clients.

Project Outcomes:

Objective 1: Train 30 semi-skilled artisans with 'export standard' industry standard skills, certified by Indian Institute of Gems and Jewelry Jaipur.

- Thirty-four Afghan artisans from Badakshan, Mazar-e Sharif, Kunduz, Sorobi, Panjshir, and Kabul completed advanced technical and vocational skills in Business development, Gemology, Gem-cutting, Jewelry Manufacturing, and Design and Digital Literacy, exceeding a target of 30. Eleven of the artisans were women, which also met and exceeded the target for female trainees. Thirty-six artisans were trained.
- Two hundred and twenty-two courses were completed and City and Guild certificates were issued to artisans.
- Twenty-six artisans completed and received City and Guilds Trainer of Trainer (TOT) certification and will be able to work as Master Trainers in Afghanistan. Thirty-four artisans completed training. This exceeds targets by 227 percent of anticipated TOT completion.
- Twenty trainees completed workplace skills placements (internships) in leading local workshops (i.e., Amrapali and Derewala) and co-created designs for the Aayenda Jewelry brand, meeting the target.
- Ten trainees received advanced gem-cutting training, not included in original curriculum.
- The artisans are skilled and certified by the Indian Institute of Gems and Jewelry Jaipur on international standards and able to produce products according to “fine jewelry” standards.
- Five months after the students returned from Jaipur, a first tracer study was conducted to assess the progress and the current employment status of the students — 39 percent were currently working in their own gem-cutting/jewelry workshops; 38 percent of the students were employed as gem-cutters and jewelry designers, half of them in their family’s businesses and half of them in businesses other than their families; 8 percent of the students were working as gem-cutting/design trainers. 8 percent of the students were not working; and 6 percent of the students were occupied in an industry other than the gemstone/ jewelry sector. Khala Zainab, the head of the Dawlatabad Gemstone and Jewelry Cooperation who represents 5 of the Jaipur graduates, is one of the shining stars of the project and reported a great increase in her beads sales during the previous 6 months due to orders received from India as part of the FBAO program.

Amena Afzali, the Afghan Minister of Labor and Social Affairs, commented that she was impressed with the quality of the technical training she witnessed and the potential impact of this project in Afghanistan.

Objective 2: Market exposure for Afghan jewelry created and demand developed.

- Many of the students developed sustainable working relationships while in Jaipur with local producers. Award-winning international designers, Anna Ruth Henriques, Paul Spurgeon, and Annie Fensterstock worked closely with the

students to develop market-led product under the brand name Aayenda Jewelry. Towards the end of year 2, Chloe Allegret started to work with an additional female Afghan designer; and Laura Lehman, a New York-based jewelry expert and designer, started working with a number of the student designers to develop new products.

- 137+ jewelry products designed, sampled, and marketed.
- Aayenda Jewelry revenue: \$83k+ from trade shows and trunk show sales.

Objective 3: Sustainability-Employment generation for new graduates and sustainable new market linkages.

- The new casting equipment that will be housed at TM will allow Afghanistan's jewelry sector to move towards an advanced production level that has not been previously achieved.
- Khala Zainab, one of the trainees from the Jaipur program, has been providing the fine, miniature lapis beads for the Aayenda Jewelry production. Based in Northern Afghanistan, her business has the potential to create work for 1200 artisans in the area. In the first 6 months while working with FBAO on the Aayenda Jewelry production, she was able to double her annual sales to more than \$34k.
- In November 2014, an order of 770 pieces of jewelry went into production by Aayenda Jewelry. They were produced by five workshops located in Kabul. The order is expected was completed on December 16, 2014, and will have generated \$20,157.78 in revenue for the five Afghan workshops during the 4-6 weeks. There were approximately 38 individuals working on the current production order. It is estimated that future Aayenda Jewelry orders will be able to sustain at least 15 jobs and possibly more as the brand continues to grow. The below chart lists the number of employees per company and their respective salaries.
- In December 2014, the first finished pieces from the production order were received and shown to jewelry designers and buyers in New York in order to demonstrate the quality of Kabul production. They were well received.

Workshop Chart

Workshop	Employees	Monthly Salaries Per Position
Azim Workshop	6 people	Family business
Mansoor	15 people- (includes 6 permanent staff, plus contract staff to help finish the order in time for delivery)	Main Jewelers \$800 Assistant Jewelers \$500 Apprentices/Trainees \$ 50
Blue Diamond	7 people	Main Jewelers/Partners (3) \$670 Gem cutter (1) \$500 Apprentices (3) \$100
Afghan Premier	5 people	Main Jewelers/Partners (2) \$750 Stone Cutters (2) \$200 Apprentice \$100
Gawar Shad	5 people	Owners (3, all female) \$266 Stone Cutters (2) \$150

Milestone Chart

Task Name	Start Date	Finish Date	Status
1.1 Training Program	10/1/12	7/1/13	Completed
Select 30 semi-skilled artisans	10/1/12	1/1/13	Completed
IIGJ Advanced tech skills training	1/1/13	5/1/13	Completed
Jewelry design & production	1/1/13	5/1/13	Completed
Business skills training	1/1/13	5/1/13	Completed
Trainers program	1/1/13	5/1/13	Completed
India skills training	1/1/13	5/1/13	Completed
Apprenticeships	5/1/13	7/1/13	Completed
1.2 Develop Afghan Line	3/1/13	9/1/13	Completed
Work w/ international designers	3/1/13	8/1/13	Completed
Develop brand identity	4/1/13	8/1/13	Completed
Produce 11 prototypes	5/1/13	8/1/13	Completed
Launch line	8/1/13	9/1/13	Completed
1.3 Trade Shows	8/1/13	12/1/14	Completed
Trunk Shows	9/30/13	12/1/14	Completed
Trade shows	1/1/14	12/1/14	Completed
1.4 Post Training Support	8/1/13	12/30/14	Completed
On-going training	8/1/13	12/30/14	Completed

November 7, 2014: Aayenda received its first test order from a workshop on Chicken Street. The order exceeded expectations of Aayenda staff. Orders for over 700 pieces will be placed in mid-November from 5 different workshops.



November 7, 2014-The casting room and equipment of Turquoise Mountain (office site for Aayenda) has been redone and repaired. The gold plating equipment will soon arrive from Italy.



April 30, 2014-Samples of the production by Afghan business, Noori Jewelry, is shown below.

