

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

## OFFICE OF SPECIAL PROJECTS

**AFGHANISTAN'S RING ROAD FROM  
QEYSAR TO LAMAN: AFTER MORE THAN  
12 YEARS AND OVER \$249 MILLION  
SPENT, THE PROJECT IS ONLY 15  
PERCENT COMPLETE**



**JUNE 2018**

SIGAR-18-57-SP



June 15, 2018

The Honorable Steven T. Mnuchin  
Secretary of the Treasury

The Honorable David Malpass  
Under Secretary of the Treasury for International Affairs

Mr. Michael Strauss  
United States Alternate Executive Director in the Asian Development Bank

This report discusses the results of SIGAR's review of the construction of a 233-kilometer section of the Afghan Ring Road from Qeysar, in Faryab province, to Laman, in Badghis province using Asian Development Bank (ADB) grants, funded by the United States and other ADB members.

We found that from July 2005 through December 2017, ADB committed a total of \$721 million in grant funding through the Asian Development Fund (ADF) to the Afghan government for the construction and rehabilitation of the Ring Road from Qeysar to Laman. Most of those funds were made available to the Afghan Ministry of Public Works (MoPW), which in turn contracted with construction, engineering, and security providers to build the road. However, the project was plagued by security challenges, poor contractor performance, and a lack of capacity within the MoPW to manage large construction contracts. Those issues led to repeated failed efforts and the termination of two contracts for the construction of the road.

As of September 2017, MoPW had disbursed \$249 million of the ADF grant funds to build this 233-kilometer section of road, but contractors had only achieved 15 percent construction progress. At that time, construction had been stalled for two and a half years, and the delay almost certainly eroded much of the limited construction work that had been completed.<sup>1</sup> In December 2017, ADB approved \$150 million in additional grant funding to complete the road. This \$150 million in new funding brought the total allocation for the project up to \$721 million, with between \$249 million and \$283 million already spent and up to \$472 million remaining to fund future construction. We provided a draft of this report to the Department of the Treasury, which provides oversight of the multilateral development banks, for comment on April 9, 2018. We received technical comments through the Office of the U.S. Executive Director to ADB on June 1, 2018, which we incorporated as appropriate. We also provided a draft of this report to the Afghan government. The Afghan government also provided technical comments, which we incorporated as appropriate.

SIGAR conducted this special project in Washington, D.C., Kabul, Afghanistan, and other locations from May 2017 to February 2018 and in accordance with SIGAR's quality control standards. These standards require

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<sup>1</sup> ADB and MoPW also had undisbursed commitments of \$64 million as of September 2017, bringing the total possible disbursements to \$283 million.

that we carry out work with integrity, objectivity, and independence, and provide information that is factually accurate and reliable. SIGAR performed this special project under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended. Should you or your staff have any questions about t this project, please contact Mr. Matthew Dove, Director of Special Projects, at (703) 545-6051 or matthew.d.dove.civ@mail.mil.

Sincerely,

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

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

The Asian Development Bank (ADB) is an international finance institution dedicated to reducing poverty in Asia and the Pacific region through loans, grants, and technical assistance.<sup>2</sup> ADB has 48 regional members and 19 non-regional members.<sup>3</sup> The United States is a non-regional member that has contributed funds to ADB through subscription of its capital shares.<sup>4</sup> As of December 31, 2017, the United States has committed \$23.59 billion in capital subscriptions (funds disbursed to ADB or held by the United States as callable capital), and pledged another \$4.65 billion to ADB's Special Funds. Among those special funds is the Asian Development Fund, which provides grants to ADB's lower-income, developing member countries, including Afghanistan. Since the inception of the Asian Development Fund, the United States has been the second-largest contributor, having pledged nearly \$4.52 billion.<sup>5</sup>

ADB's lending and grant portfolio provides funding for projects in its member countries that are intended to (1) develop infrastructure, (2) foster environmentally sustainable economic growth, (3) enhance regional economic cooperation and integration, (4) build capacity in the finance and capital development sector, and (5) promote quality public education. The value of loans, grants, technical assistance, and co-financing that ADB has provided to member countries reached \$28.9 billion in 2017.<sup>6</sup> Total lending to Afghanistan from ADB is almost \$1 billion, while the amount of approved grants to the country is \$3.3 billion. According to ADB, it has focused its assistance to Afghanistan "on development in the transport, energy, natural resources, and economic management sectors."<sup>7</sup> In accordance with ADB's concessional assistance policy, Afghanistan has been eligible for 100 percent grant financing from ADB since 2007.

ADB and the Afghan government's top development priority in the transportation sector was the rehabilitation and completion of Afghanistan's Ring Road. The Ring Road is intended to be a continuous highway and major economic thoroughfare that connects Afghanistan's four major cities—Kabul, Herat, Mazar-i-Sharif, and Kandahar. In mid-2005, the Afghan Ministry of Public Works (MoPW), the ministry responsible for creating a safe and effective road network in Afghanistan, requested ADB grant funding for a large construction project to complete the Ring Road from Qeysar, in Faryab province, to Laman, in Badghis province. When complete, this portion of the Ring Road would stretch 233-kilometers, and run northeast from Laman to Qeysar. According to ADB's grant proposal, completing the project would significantly improve the stability and reliability of the Afghan transportation system, reduce transport costs, and contribute to economic growth and poverty reduction.<sup>8</sup> Figure 1 shows the location of the incomplete section of the Ring Road between Qeysar and Laman.

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<sup>2</sup> ADB was established by international charter in 1966. The charter formalized the purpose and operations of the Bank, which is currently comprised of 67 member countries.

<sup>3</sup> ADB members joined the bank by purchasing capital shares and making capital contributions.

<sup>4</sup> The United States formally recognized and accepted membership in the bank by passing the Asian Development Bank Act in 1966, 22 U.S.C. §§ 285 et seq. ("the Act"). President Lyndon Johnson issued Executive Order 11,334 on March 7, 1967, which formally recognized the bank as an international organization, deserving of the protections afforded by International Organizations Immunities Act (see, Exec. Order No. 11,334, 32 Fed. Reg. 3933 (March 10, 1967) (citing International Organizations Immunities Act, 22 U.S.C. § 288 (1945)).

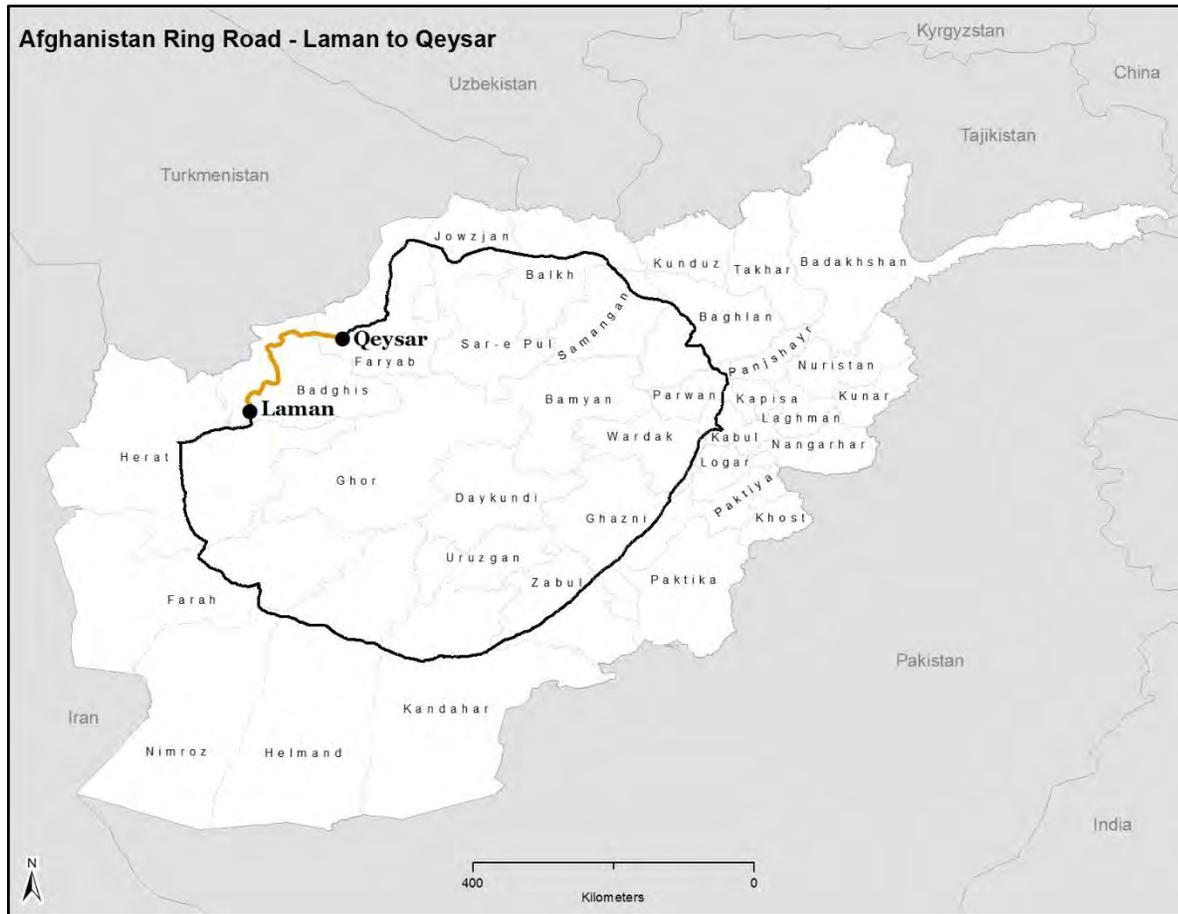
<sup>5</sup> Since the inception of ADF, Japan has been the largest contributor to the Asian Development Fund. The U.S. Congress provides specific appropriations to fund additional purchases of capital shares from ADB during periodic capital increases in order to support normal lending operations as well as replenishments for the specific funds, such as the Asian Development Fund. See 22 U.S.C. § 285e(a) (1966), 22 U.S.C. § 285q (1974), 22 U.S.C. § 285s (1977), 22 U.S.C. § 285x (1983), 22 U.S.C. § 285aa, (1992), 22 U.S.C. § 285ee (2011).

<sup>6</sup> "About ADB, Our Work," ADB.org, accessed February 12, 2018, <https://www.adb.org/about/our-work>.

<sup>7</sup> "Afghanistan and ADB," ADB.org, accessed February 12, 2018, <https://www.adb.org/countries/afghanistan/main>.

<sup>8</sup> ADB, *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Islamic Republic of Afghanistan for the Qaisar-Bala Murghab Road Project*, July 2005.

Figure 1 - Location of the Incomplete 233-Kilometer Section of the Ring Road



Source: SIGAR and U.S. Army Geospatial Center.

ADB approved five separate grants, in 2005, 2007, 2010, 2012, and 2017 to fund construction of the Qeysar to Laman section of the Ring Road. The completion of the Ring Road has been a priority for both the United States and the Afghan governments. At the approval phase of each grant, the United States' representative at ADB has voted in favor of approving the grants to fund construction.<sup>9</sup>

Since 2006, ADB has made financing available to the Afghan government to construct this portion of the Ring Road. As the second-largest donor to the Asian Development Fund, the U.S. government has a clear interest in ensuring that its donations to the fund are safeguarded from waste, fraud, and abuse. Accordingly, this review determines (1) how much of the ADB grant funding for the Qeysar-Laman Road Project has been spent by the MoPW; (2) what the Qeysar-Laman Road Project has accomplished; (3) what portion of this section of road has been completed; and (4) how much more money is required to finish the project.

<sup>9</sup> The United States is represented on the Board of Directors by a Director (position vacant as of the date of this report) and an Alternate Director.

## Asian Development Bank Structure, Project Approval Process, and Oversight Responsibilities

The governance structure of ADB includes a Board of Governors, President, and Board of Directors. The ADB Charter vests all of the powers of the Bank in a Board of Governors.<sup>10</sup> Each member country appoints one Governor and one alternate who serve at the pleasure of the appointing country.<sup>11</sup> The Board of Governors may delegate many of its powers to a Board of Directors.<sup>12</sup> The Board of Directors is composed of 12 directors and 12 alternates who do not sit on the Board of Governors. Eight of the 12 directors are elected from within Asia and the Pacific and four others are elected from outside the region.<sup>13</sup> The United States has a seat on the Board of Directors, and an Alternate Director currently serves on the board and is the United States representative at ADB. Members of the Board of Directors may vote on matters or projects that come before the Board and each member controls a certain percentage of the vote. The United States controls 12.784 percent of the voting power.

The Board of Governors elects a President by a supermajority vote that must include a majority of the total number of Governors and a majority of the total voting shares of the member nations. The President serves a five-year term and can be reelected. The President serves as the Chairman of the Board of Directors, but has no vote, except in deciding a previously equally divided split. The President also serves as the legal representative of the bank, and the chief of staff, conducting the current business of the bank and appointing officers and staff.

The lending or grant-making process of the bank generally begins with a request from the ADB member during the annual process for developing the country operations business plan, which is ultimately agreed upon between ADB and an ADB member. The project concept then goes through a review and approval process wherein ADB decides whether to recommend financing. If financing is recommended, the ADB President presents the final project proposal to the Board of Directors for their consideration. The Board of Directors then votes on whether to approve the proposed project for ADB financing.<sup>14</sup>

Once projects are approved, it is the responsibility of project implementers (ADB refers to project implementers as executing agencies) to ensure project completion and it is ADB's responsibility to exercise oversight as the financier; neither the United States' representation within ADB nor the Department of the Treasury (which provides oversight of the United States' participation in ADB) have any direct oversight role throughout project implementation. In the case of the construction of the section of the Ring Road from Qeysar to Laman, ADB placed responsibility for overall project monitoring, including delivery of required progress and status reports, on MoPW. The project design also called for that MoPW to hire an outside engineering consultant team or firm to supervise progress in road design and construction and help ensure contractor compliance with ADB procedures. ADB headquarters staff also conducted site visits to its resident mission in Kabul and to the project site. At the end of these visits, ADB staff generally produced reports to relay impressions of the project's progress to ADB headquarters and record the activities of the site visits. In addition, ADB has three in-house offices that are intended to help provide oversight and accountability of funds and project implementation, and to help prevent fraud, waste, and abuse. Those offices include the Office of Anticorruption

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<sup>10</sup> Asian Development Bank [ADB] Charter art. 28(1).

<sup>11</sup> *Id.* art. 27(1).

<sup>12</sup> *Id.* art. 28(2).

<sup>13</sup> *Id.* art. 30.

<sup>14</sup> *Id.* art. 14(iv).

and Integrity, the Independent Evaluation Department, and the Office of the Auditor General.<sup>15</sup> In addition, according to ADB, its Compliance Review Panel and Office of the Special Project Facilitator are responsible for implementing ADB's own "accountability mechanism."<sup>16</sup>

## AFTER MORE THAN 12 YEARS AND OVER \$249 MILLION SPENT, ONLY 15 PERCENT OF THE QEYSAR TO LAMAN ROAD HAS BEEN COMPLETED

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From July 2005, through September 2017, ADB approved four grants totaling \$571 million to complete the section of the Ring Road from Qeysar to Laman. Most of those funds were for financing contracts between the Afghan MoPW and construction, engineering, and security providers to complete the 233-kilometer road segment. However, the project was plagued by security challenges, poor contractor performance, and a lack of capacity within the MoPW to manage large construction contracts. Those issues led to repeated failed efforts and to the termination of two contracts for the construction of the road. As of September 2017, construction had been stalled for two and a half years. By that time, ADB and MoPW had spent \$249 million on the project but only 15 percent of the construction was actually completed.<sup>17</sup> As of September 2017, \$310 million in grant funding provided by ADB had yet to be disbursed. In December 2017, ADB approved \$150 million in new grant funding, and so the total amount allocated to the project rose to \$721 million.

### Grant 1 (AFG-0012), 2005-2009: Attempt to Build a 90-Kilometer Section of Road Failed Due to Security Concerns, Lack of Capacity, and Poor Contractor Performance

In July 2005, ADB approved a \$55 million grant<sup>18</sup> to the Afghan government to fund the construction of a 90-kilometer road from Qeysar, in Faryab province, west to Balamurghab, in Badghis province. Figure 2 shows the location of this proposed 90-kilometer section of the Ring Road.

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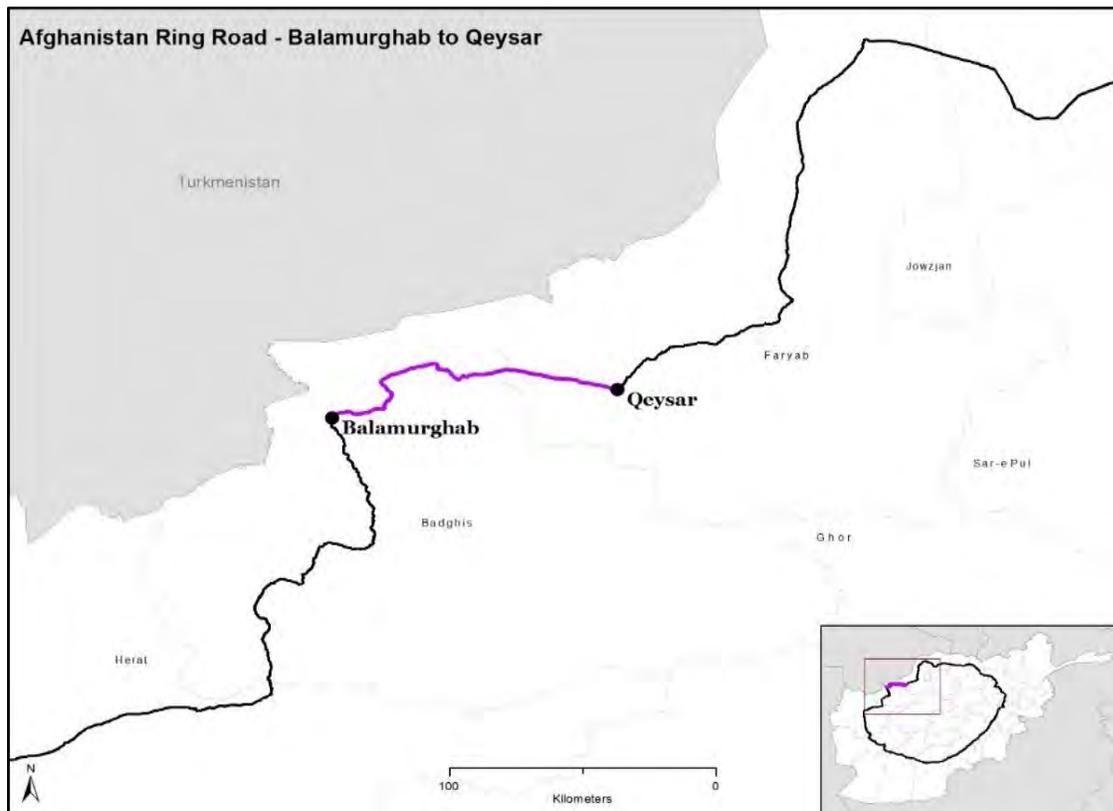
<sup>15</sup> According to ADB, the Office of Anticorruption and Integrity is the designated point of contact for allegations of fraud or corruption pertaining to ADB-related activities or staff members; the Independent Evaluation Department independently and systematically evaluates ADB policies, strategies, operations, and special concerns that relate to organizational and operational effectiveness; and, the Office of the Auditor General undertakes financial, administrative, and information systems audits, and gives assistance to external auditors.

<sup>16</sup> According to ADB, the Accountability Mechanism was designed to enhance ADB's development effectiveness and project quality; be responsive to the concerns of project-affected people and fair to all stakeholders; reflect the highest professional and technical standards in its staffing and operations; be as independent and transparent as possible; and be cost-effective, efficient, and complementary to the other supervision, audit, quality control, and evaluation systems at ADB (see, *ADB Accountability Mechanism Policy, 2012*. <https://www.adb.org/documents/accountability-mechanism-policy-2012>).

<sup>17</sup> There were also \$97 million in undisbursed commitments at that time, bringing the total possible disbursements to \$346 million.

<sup>18</sup> While the proposal refers to the funding mechanism as a loan or grant interchangeably, the funding for the original project, and the additional projects later grouped together, was at all times grant financing.

**Figure 2 - Location of the Incomplete 90-Kilometer Section from Qeysar to Balamurghab**



Source: SIGAR and U.S. Army Geospatial Center.

The approved ADB grant identified the road section as a key link between the two larger cities of Herat and Andkhoy, and provided funding for physical construction, construction supervision, and project management support to MoPW.<sup>19</sup> ADB estimated that this 90-kilometer section would cost \$55.3 million to construct. In addition to the \$55 million grant (AFG-0012) from the Asian Development Fund, the Afghan government committed to provide the remaining \$300,000. ADB made the grant funds available to the Afghan government from January 1, 2006, through December 31, 2008, with an expected project completion date of June 30, 2008.

The project called for MoPW's Project Management Unit to monitor day-to-day progress and project implementation, manage the withdrawal of grant funds, prepare progress reports for ADB, and maintain records suitable for later auditing. ADB supported the Project Management Unit with grant funds so it could employ engineers, accountants, and office administrators to oversee all ADB projects in Afghanistan.

MoPW awarded a contract to construct the 90-kilometer road from Qeysar to Balamurghab to the China Railway Shisiju Group on August 9, 2006.<sup>20</sup> The total value of the contract was \$36,923,902 to be financed using ADB grant funds and MoPW drafted the agreement as a design-build contract, meaning that the contractor was responsible for creating the design plan and then executing that plan by constructing the road. MoPW also contracted with an engineering consulting firm, Sheladia Associates, based in Rockville, Maryland,

<sup>19</sup> The project also called for the installation of toll facilities and the support of programs combatting HIV/AIDS and human trafficking. These requirements were eventually removed and the construction of the road alone became the sole focus of the project.

<sup>20</sup> China Railway Shisiju Group is a state-owned company.

to oversee construction and act as a monitor to validate the construction contractor's progress reports. The total value of the contract between MoPW and Sheladia Associates was \$2,312,400.

In mid-2009, Sheladia's contract with MoPW expired, and the contract was not extended due to poor performance.<sup>21</sup> Then MoPW terminated the construction contract with China Railway Shisiju Group in late 2009, due to ongoing security issues and the contractor's poor performance.<sup>22</sup> ADB estimated that China Railway Shisiju Group had only completed 5 percent of physical construction, as of December 2009.<sup>23</sup> As discussed below, security issues, a lack of capacity at MoPW, and poor contractor performance all contributed to these failures, despite repeated ADB efforts to overcome these challenges.

## Security Issues

The initial project proposal from 2005, identified security as a significant risk to the project. Specifically, the ADB project proposal stated that, "The fragile security situation, however, may adversely affect the implementation of the Project because (i) any security problems in project locations will disrupt and delay construction work; (ii) the supply of raw materials, which will have to be transported through areas controlled by regional warlords, may be hampered; and (iii) the supervision of construction work by consultants and ADB staff may be constrained."<sup>24</sup>

MoPW and the contractors were not able to adequately mitigate those risks, and ongoing security incidents contributed to the early termination of the contract between MoPW and China Railway Shisiju Group. For example, in February 2008, project monitoring reports found that progress had been slow and unsatisfactory due to security incidents. In November 2008, three local staff of the engineering consulting firm were abducted, and one was killed. In February 2009, work was suspended at the site due to security concerns, and 16 subcontractor employees were abducted just a little over a month later. In April, 2009, security at the project site was deemed to be "inadequate" and MoPW terminated the contract with China Railway Shisiju Group seven months later.

## Capacity Issues

Capacity issues within MoPW also hampered progress on the construction of the road, resulted in delayed contractor payments, and contributed to the termination of the contract with China Railway Shisiju Group and the replacement of Sheladia. MoPW, as the agency responsible for the use of the grant funds from ADB and the contracting authority with China Railway Shisiju Group and Sheladia, was ultimately responsible for managing construction and approving disbursements of funds to the contractors. However, as early as November 2007, delays in MoPW's processing of payments to the contractors slowed construction progress. Over the next two years, deficiencies in project leadership and qualified staff at MoPW and the Project Management Unit continued to hinder progress. ADB attempted to address these problems by having consultants complete much of the Project Management Unit's work, although this additional assistance appeared to undercut the bank's goal of encouraging sustainable capacity development in the ministry and resulted in additional expenditures of grant funds.

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<sup>21</sup> Sheladia was briefly replaced as engineering consultant by the United Nations Office for Project Services.

<sup>22</sup> Grant funds remaining at the end of the contracts were later supplemented by other grants (discussed later in this report) to provide funding for the completion of the road. As of September 28, 2017, ADB and MoPW had disbursed approximately \$50.2 million and had undisbursed commitments of \$4.8 million in funding made available under this first grant (AFG-0012).

<sup>23</sup> ADB, Proposed Grant Islamic Republic of Afghanistan: Qaisar-Dari Bum Road Project, November 2017, <https://www.adb.org/projects/documents/afg-37075-023-rrp>.

<sup>24</sup> Asian Development Bank, *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Islamic Republic of Afghanistan for the Qaisar-Bala Murghab Road Project*, RRP: AFG 37075-02, July 2005.

In February 2009, project monitoring reports again stated that the Project Management Unit was causing delays in project implementation and that there had been an unacceptable lack of progress due to poor project management by MoPW. At the time, the Project Management Unit remained completely dependent on consultants. As late as April 2009, just six months before the construction contract was terminated, the MoPW was still failing to submit required project monitoring reports on a consistent basis, and the reports it did submit were typically late and did not meet established requirements.

### **Poor Contractor Performance**

Poor performance on the part of both China Railway Shisiju Group and Sheladia also contributed to the failure of this attempt to construct the road. In mid-2008, Sheladia recommended to MoPW that it terminate its contract with China Railway Shisiju Group due to its poor performance and lack of progress. However, MoPW declined to terminate the contract because it did not believe that any other contractors were qualified and available to complete the work. By February 2009, the severity of the project delays led ADB to question the qualifications of China Railway Shisiju Group and Sheladia. At that time, the engineering consultant, Sheladia, voiced concern that China Railway Shisiju Group appeared to have lost interest in completing the project because key construction materials had doubled in price since it had submitted its original bid, and the contract did not contain provisions to account for rising costs. Sheladia also complained that China Railway Shisiju Group had failed to involve them in the evaluation and selection of subcontractors and denied access to information on the backgrounds and capabilities of some subcontractors. However, Sheladia itself had reportedly failed to keep MoPW abreast of key grant dates and requirements and did not provide adequate project reports to the MoPW's Project Management Unit (which created a negative ripple effect in the unit, which itself lacked capacity to comply with requirements). By the time MoPW terminated the contract with China Railway Shisiju Group in late 2009, after more than three years, the contractor had only completed approximately 20 percent of the 90-kilometer section.

### **ADB Efforts to get Project Back on Track were Unsuccessful**

According to the project documents, MoPW was responsible for overall project monitoring, including delivery of required progress and status reports. From 2007 until the contract was terminated, ADB also regularly monitored and reported on project implementation, engaged stakeholders, identified issues affecting implementation, and sought resolutions to ongoing problems. For example, in December 2008 and January 2009, ADB and key stakeholders (including MoPW, MoF, China Railway Shisiju Group, and Sheladia) held intensive discussions to address the ongoing security, capacity, and performance issues and get the project back on schedule. These meetings were convened due to serious concerns regarding the rate of project execution, and resulted in recommendations for closer project monitoring requirements, steps to improve the security situation, mechanisms to enforce contractor compliance with project benchmarks, and allowing price adjustment under the existing contract with China Railway Shisiju Group to mitigate its potential losses from the price increase in raw materials.

Despite these efforts, by April 2009, project monitoring reports showed that the project had reached a crisis point and that poor contractor performance, security issues, and procurement delays had continued to slow progress. Six months later, project implementation had not improved and MoPW terminated its construction contract with China Railway Shisiju Group on November 11, 2009, due to “security threats and a lack of construction progress.”<sup>25</sup>

After MoPW terminated its contract with China Railway Shisiju Group, sanctions were imposed on the company for fabricating an advance payment guarantee which it had submitted to MoPW for the release of funds.

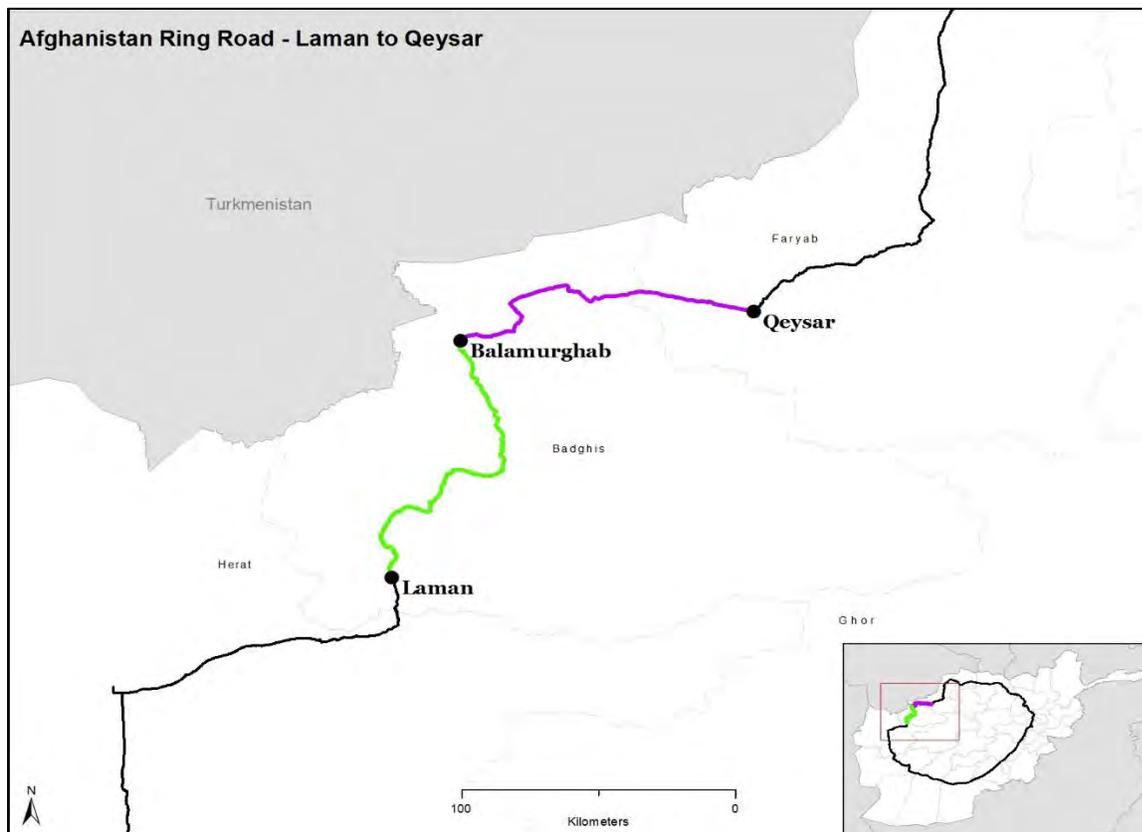
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<sup>25</sup> ADB, *Proposed Grant Islamic Republic of Afghanistan: Qaisar-Dari Bum Road Project*, November 2017.

## Grant 2 (AFG-0081), 2007-2009: Attempt to Build a 143-Kilometer Section of Road Failed Due to an Absence of Qualified Bidders and Security Issues

ADB approved a second grant (AFG-0081) to MoPW for \$176 million on September 28, 2007. The grant was intended to fund the construction of 143-kilometers of road beginning in Laman, in Badghis province, and running northward to Balamurghab, thus connecting with the road construction funded by the first grant (AFG-0012), with the objective of completing the Ring Road. Figure 3 shows the location of the proposed 143-kilometer section.

**Figure 3 - Location of the Incomplete 143-Kilometer Section from Laman to Balamurghab**



Source: SIGAR and U.S. Army Geospatial Center.

This second grant, signed by ADB and the Afghan government on November 6, 2007, made \$176 million available to the MoPW for the project through June 30, 2013. Similar to the first grant, the second grant made funding available for construction and construction supervision, and called on the MoPW'S Project Management Unit to administer the project as well as to provide day-to-day management. MoPW conducted three unsuccessful rounds of solicitations for bids from April 2008 to May 2009 to construct the Laman to Balamurghab route. The solicitations appear to have been unsuccessful because the firms that bid for the contract were unable to meet its technical requirements. After each of the first two attempts, ADB and MoPW simplified the technical requirements contained in the bid packages. However, even with simpler requirements, none of the bidders were able to meet technical or financial requirements.

Contemporaneous project reports stated that security problems throughout the proposed project area contributed to the unsuccessful attempts to solicit qualified bidders and prevented many contractors from bidding on the project. In mid-2009, the Balamurghab to Laman route was reportedly under insurgent control

and would need approximately 12 months of intense military operations and a major enduring security presence to secure the area for construction.

After the failure to award a construction contract for this section of road by May 2009, and the termination of the contracts supporting the first grant in November 2009, more than four years had elapsed since the beginning of the ADB and MoPW efforts to complete this segment of the Ring Road. At this point, ADB had committed \$231 million in grant financing to MoPW and had disbursed \$29 million. However, by that time, MoPW and its contractors had only made 5 percent progress towards constructing the 233-kilometer road.<sup>26</sup>

### **Grants 3 and 4, 2010-2014: ADB and MoPW Expand on Previously Unsuccessful Efforts, Challenges Persist, and the Project Fails**

Despite the challenges that plagued the first two construction efforts from 2006 to 2009, the completion of the Ring Road from Qeysar to Laman remained a top priority for ADB, as well as the U.S. and Afghan governments. In 2010, MoPW and ADB determined that there was a large disparity between the amount of available grant financing that remained from the previous two grants and the budget necessary to complete the road. To address this disparity, and in an attempt to attract a well-qualified bidder, ADB extended the expiration dates of the first two grants to ensure that the remaining funds would be available for the next attempt to construct the road. In addition, ADB approved a third grant (AFG-0244), approved in December 2010, which provided \$340 million in new funding to MoPW. This meant that as of December 2010, ADB had allocated \$571 million to the project.<sup>27</sup>

In an attempt to address some of the problems that had plagued earlier construction efforts, ADB and MoPW sought to attract a large, international contractor that they believed would be capable of managing all of the risks inherent in constructing the road in this dangerous part of Afghanistan. Accordingly, MoPW packaged the entire 233-kilometers of road into one design-build solicitation, which attracted bids from three joint ventures.

MoPW ultimately awarded the contract to a joint venture between California-based ECCI and Ankara, Turkey-based Metag İnşaat Ticaret (collectively “EMJV”) on December 31, 2011. The winning bid totaled \$477.8 million and included \$50 million dedicated to security and \$30 million dedicated to community development projects to be undertaken in towns through which the road would travel. MoPW made an advance payment to EMJV equal to 25 percent of the total contract value (or \$107 million) to allow the contractor to purchase supplies and mobilize as quickly as possible.<sup>28</sup> The advance payment percentage was higher than the normal practice encouraged by ADB, but MoPW and ADB approved this deviation due to the broad scope and complexity of the project.<sup>29</sup>

EMJV’s approach was to divide the project into six sections, with Section 1 beginning in Laman, and Section 6 ending in Qeysar (containing the area originally contracted for construction by China Railway Shisiju Group from 2006-2009). EMJV mobilized in Section 1 of the project (i.e., between Laman and Qala-i-Naw in Badghis

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<sup>26</sup> Grant funds remaining after the failed bid attempts were later supplemented by other grants (discussed later in this report) to provide funding for the completion of the road. As of September 28, 2017, ADB and MoPW had disbursed approximately \$85.97 million and had undisbursed commitments of \$59.5 million from the total funding made available under AFG-0081.

<sup>27</sup> On May 30, 2012, \$30 million of this grant from the Asian Development Fund was canceled and replaced by a \$30 million grant (AFG-0291) from ADB’s Afghanistan Infrastructure Trust Fund. Although the total amount available for the project remained unchanged, this was nonetheless the fourth grant used to fund the project.

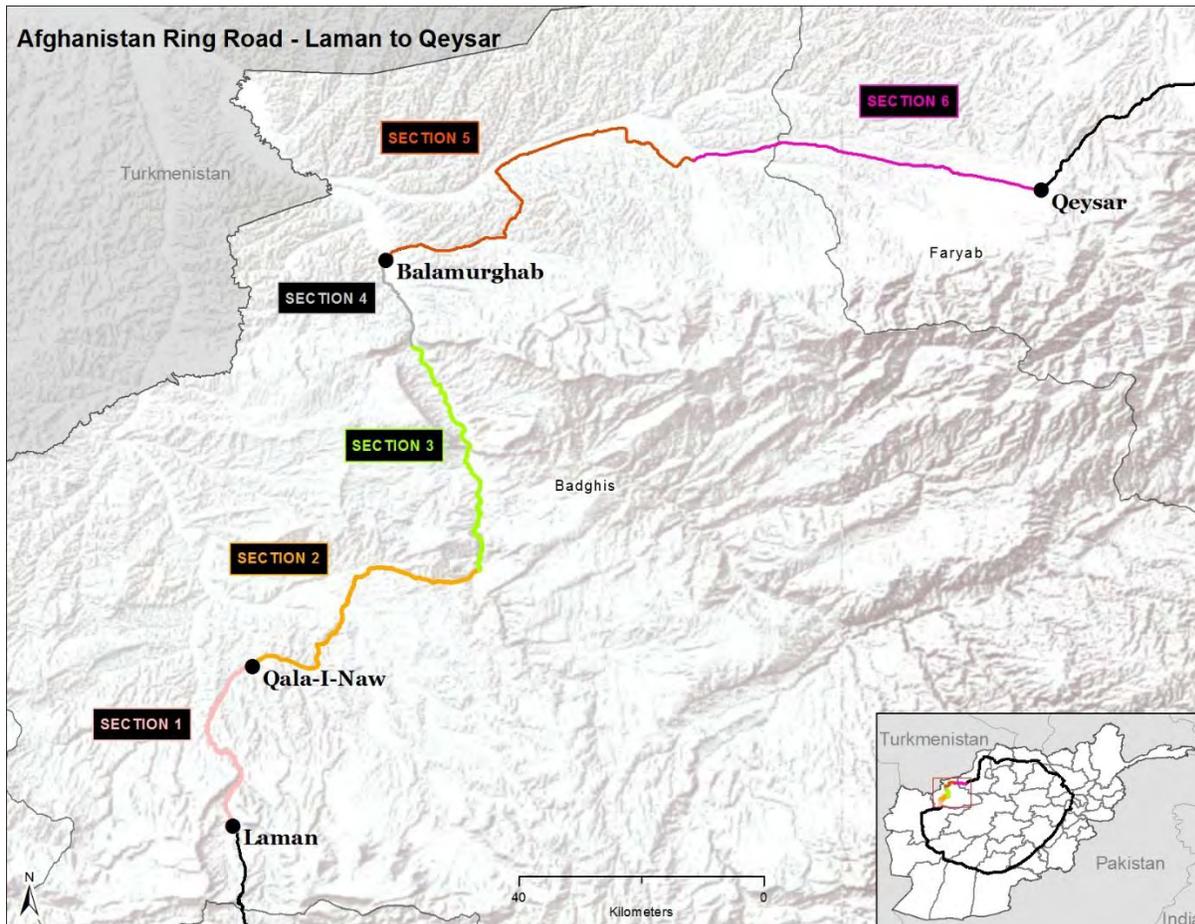
<sup>28</sup> The advance payment was calculated as 25 percent of EMJV’s bid of \$397 million plus the \$30 million provisional sum for community development projects. It did not include the \$50 million in provisional sums for security paid to the APPF.

<sup>29</sup> In other documents we reviewed, we found that ADB typically allowed for a 15 percent advance payment, rather than 25 percent.

province) in January 2012, to begin the design and construction of the road. The period of performance for the work was to end March 1, 2016.

Figure 4 shows the location and associated sections of the entire, incomplete 233-kilometer section of road from Qeysar to Laman.

**Figure 4 - Location and Sections of the Entire, Incomplete 233-Kilometer Section from Qeysar to Laman**



Source: SIGAR and U.S. Army Geospatial Center.

In addition to the project monitoring responsibilities of MoPW's Project Management Unit, MoPW also contracted with an engineering consultant to oversee all aspects of the project and help ensure that EMJV and the Afghan government fulfilled progress, reporting, and security requirements. MoPW selected Pennsylvania-based Hill International to serve as the engineering consultant and awarded it a \$37 million contract on August 30, 2011.

### Security Issues Once Again Plagued Project Implementation

EMJV's contract with MoPW was awarded after then-Afghan President Hamid Karzai's Presidential Decree 62 in August 2010, which prohibited private security firms from operating in Afghanistan. Therefore, the Afghan Public Protection Force (APPF) was the only allowable source of project security along the entire 233-kilometer road section to be constructed. The APPF is a fee-for-service Afghan government security provider within the

Ministry of Interior (MOI).<sup>30</sup> In February 2012, ADB requested that the Afghan government provide adequate security through its Ministry of Interior, police force, and national army, as well as adequate demining measures, for the smooth and uninterrupted implementation of the project. In an effort to fulfill this requirement, on May 14, 2012, MoPW engaged the APPF and MOI through a \$50 million “Memorandum (Agreement) on Security,” which also included a 25 percent advance payment to speed APPF mobilization.

According to the memorandum, the APPF would provide all necessary safety and security precautions at all times for all contractors engaged by MoPW to construct the road. This included providing security for contractor personnel, equipment, camps, and all sections of the road. The APPF was responsible for equipping its personnel with all necessary weapons and other equipment. The memorandum called for an APPF force of approximately 2,000 personnel to secure the 233-kilometer section of road. In addition to the APPF arrangement, as a part of the overall security strategy, Hill International also employed a project security coordinator to conduct risk assessments, develop a project security plan, coordinate day-to-day security arrangements, and conduct oversight, monitoring, and evaluation of the security services provided by APPF.

Despite these measures, security issues once again appeared to hinder project implementation. From December 2011 through mid-2014 the security condition was repeatedly cited by stakeholders as delaying progress.<sup>31</sup> Shortly after EMJV mobilized for the purpose of designing the road, it began to formally complain about inadequate site security, and associated delays in project implementation. By that time, insurgents were reportedly in control of Sections 3 and 4 of the route, and maintained a presence in Sections 5 and 6. See Figure 4.

Other issues also complicated the tenuous security situation. For example, by July 2014, MOI salary payments to APPF soldiers in the field were four months in arrears, and the MoPW reported in August that “the contractor has demolished [sic] number of houses and local buildings without any previous community and environmental development work causing serious damage to the environment and population. This has also caused unrest in the local population for which EMJV is responsible.”<sup>32</sup> Both issues added to the already hostile conditions around the project site. A final factor that contributed to the ongoing security issues was a reported lack of capacity within the project security coordinator’s office. A May 2015 strategy paper compiled by ADB, MoPW, and Hill International stated that the project security coordinator hired by Hill International was essentially a “one man show” and stretched far too thin.<sup>33</sup>

In response to the security challenges along the project site, ADB called on the MoPW and MoF to pressure the MOI and the APPF to provide the security services called for in the security memorandum. However, security challenges persisted and EMJV continued to complain of inadequate security and to point out the Afghan government’s failure to provide adequate security. As with the previous effort, the ongoing security issues contributed to the termination of the construction contract with EMJV in September 2014.

In early 2015, doubts over the services provided by APPF grew to the point that an independent auditor was commissioned to account for the funds provided to the APPF. The auditor found that much of the funding provided for security services could not be accounted for, bringing into question both APPF’s use of the funds and the overall value of service provided for monies spent. ADB ultimately determined that it would no longer allow MoPW to use grant funds to pay for security provided by APPF.

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<sup>30</sup> SIGAR has conducted previous work regarding the APPF. See SIGAR, *Afghan Public Protection Force: Concerns Remain about Force’s Capabilities and Costs*, SIGAR Audit 13-15, July 30, 2015.

<sup>31</sup> At the time EMJV suspended work under the contract, it cited the MoPW’s non-payment of an interim payment certificate as the reason for the suspension.

<sup>32</sup> Dip. Eng. Najibullah Aoudjan, Minister of Public Works, Islamic Republic of Afghanistan, letter to Mr. August, Ochabaur, EMJV Management Committee Member, *EMJV Notice of Termination*, August 18, 2014.

<sup>33</sup> The strategy paper also noted a conflict of interest in the oversight conducted by the project security coordinator, as he was to evaluate programs that he designed and implemented.

## Poor Contractor Performance Once Again Plagued Project Implementation

As with the previous effort to construct the Qeysar to Balamurghab section of the road, poor performance on the part of both contractors (EMJV and Hill International) also appears to have contributed to project failure. EMJV made very little progress over the first several years of the project due to its inadequate mobilization of equipment and labor, and ongoing delays in completing the project design. Poor project management by Hill International, and a lack of communication and coordination between Hill and EMJV also stymied progress. The lack of progress in completing the project's design at that time was significant enough that it led MoPW to question EMJV's ability and commitment to complete the project. Additionally, Hill International and MoPW pointed out that EMJV had engaged in cost saving measures in its survey methodology that hindered completion of the road's design.

By the time the contract with EMJV was terminated in September 2014, EMJV had still not constructed any paved road, and its design work remained incomplete (including for Sections 1 and 2 for which some limited civil works had taken place); the costs for completing the design and construction were expected to be built into follow-on contracts.

Documents we reviewed show that, by the time EMJV terminated its contract with MoPW in September 2014, EMJV had only completed about 15 percent of physical progress, despite receiving \$183.2 million (approximately 46 percent of the total contract amount).

## ADB Efforts to Resolve Issues

Throughout the implementation of the previous effort to construct the Qeysar to Balamurghab section of the road from 2006 through 2009, ADB repeatedly called into question the capacity of MoPW's Project Management Unit to monitor progress and approve payments to contractors. In an effort to address that concern, in May 2009, ADB provided \$1.2 million from the project grant funds to support the operations of the Project Management Unit. After receiving this additional funding, the performance of the Project Management Unit appears to have improved by 2010, and capacity issues within the Project Management Unit were not cited as a cause for project delay as often as they had been from 2006 through 2009. In addition, ADB regularly engaged stakeholders, reported on issues, and tried to resolve ongoing problems with the project. For example, in mid-2014, ADB coordinated intensive meetings among stakeholders to review ongoing disputes between the contractor and MoPW and suggested actions to resolve the issues. While we found ADB to be an active stakeholder and that it engaged in regular oversight, challenges of security, poor performance, and a lack of communication and good faith between the contractors and the Afghan government persisted.

## ECCI and Metag İnşaat Ticaret Joint Venture Terminated Its Contract with MoPW due to Payment Disputes and Security Concerns

After receiving the advance payment and MoPW's notice to proceed, EMJV began the design work in Sections 1 and 2 of the 233-kilometer route from Qeysar to Laman, while waiting for the APPF to secure Sections 3–6. After section 3–6 were secured, MoPW was to "handover" the sections so that EMJV could begin work. After partially completing, and receiving approval for, some of the required design work for Sections 1 and 2, EMJV began construction in these areas, submitting invoices to Hill International for their verification and then forwarding interim payment certificates to MoPW for payment to EMJV. As noted above, design and construction progressed very slowly.

Disputes between MoPW and EMJV regarding the handover of Sections 3-6, security, payment issues, and the slow progress began almost immediately after the contract was signed and persisted until the contract was terminated in September 2014. From late 2014 through late 2016, the parties were engaged in contractual Dispute Board proceedings as required by the contract. MoPW initiated arbitration in April 2017 under the rules of the Singapore International Arbitration Center (SIAC), as provided for under the contract. As of the date of this report, the parties remain in arbitration.

In addition to the lack of progress made by EMJV, a second significant outstanding issue at the time of termination was the nonpayment of its subcontractors. According to the subcontractors and MoPW, EMJV failed to pay many of its subcontractors for the work they performed, even though EMJV received a \$107 million advance payment and the contract between MoPW and EMJV limited the overall share of work that EMJV was allowed to subcontract—both of which were measures intended to avoid nonpayment issues. MoPW estimated that EMJV owed a total of \$25.5 million to various subcontractors. Nonpayment to local subcontractors had strained the relationships between the communities along the road and EMJV, MoPW, and ADB. As a result, some of the subcontractors had pledged to disrupt any future work undertaken on the road. MoPW stated that these pledges to disrupt future work would “most likely result in loss of property and life to any newly procured entities” attempting to resume construction on the road.<sup>34</sup>

We understand that in early 2015, given the concerns over EMJV’s use of the advance payment and the alleged nonpayment of its subcontractors, ADB attempted to engage a third party accounting firm to verify how EMJV used and accounted for the 25% (or \$107 million) advance payment. However, after more than six months of effort, the audit was not completed based on ADB’s assessment that the contractor was denying access to necessary records and accounts.

## 2015 – 2016: EFFORT TO ISSUE A SOLE SOURCE CONTRACT HALTED DUE TO CONCERNS ABOUT CONTRACTOR QUALIFICATIONS

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Following EMJV’s termination in September 2014, ADB, Hill International, and MoPW formulated a new strategy for completing the Qeysar to Laman section of the Ring Road. The strategy centered on awarding a \$99 million sole source “direct contracting” to two of the largest former subcontractors to EMJV for construction in Sections 1 and 2 of the Qeysar to Laman route.<sup>35</sup> This strategy was expected to allow work to commence quickly. ADB, Hill International, and MoPW took actions throughout 2015 and 2016 to implement the strategy, including the notification of the selected contractors, conducting qualification assessments, drafting preliminary contract documentation, and engaging in efforts to complete the design work associated with Section 1 and 2.

In early 2016, we began gathering information regarding the construction of the Ring Road between Qeysar and Laman. After obtaining records and conducting interviews with key stakeholders, we sent a letter to Afghan President Ashraf Ghani on August 14, 2016 detailing our preliminary findings. The letter relayed our concerns about the sole source contracting strategy and about the ability of the contractors identified in the strategy to successfully complete the planned work.<sup>36</sup>

In mid-August 2016, MoPW issued a letter to ADB asking to re-evaluate the qualifications of the selected contractors, as well as several other potential contractors with no prior involvement in the project identified by MoPW. In early September 2016, ADB denied MoPW’s request and encouraged MoPW to either revalidate the

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<sup>34</sup> As of the date of this report, it is unclear whether or how these nonpayment issues have been resolved.

<sup>35</sup> The two subcontractors that the strategy paper identified were Aziz Wali Construction Company and Shamshad Badin Construction Company. Both companies had previously conducted work in section two for EMJV. The strategy paper further recommended that MoPW engage Mega Yapi, a Turkish company to continue their work on the bridges in Section 1 and 2. The engagement of these contractors, either independently or as some form of joint venture, would be subject to ADB’s requirements for what it terms “direct contracting,” which is defined as contracting without competition (see, ADB Guidelines 3.6 (emphasis added)).

<sup>36</sup> We first reported on this issue in our January 30, 2017, *Quarterly Report to Congress*. In addition, on May 3 and July 14, 2017, we sent letters to ADB informing them that we were initiating a comprehensive review of the Qaisar-Laman road project based on information we obtained during our investigation into the Afghan government’s efforts to award the sole source contract (see SIGAR, *Follow-up Letter: Qaisar-Laman Road Project*, SIGAR-17-52-SP July 14, 2017; and, SIGAR, *Inquiry Letter: Qaisar-Laman Road Project*, SIGAR-17-43-SP, May 3, 2017).

direct contracting process with the selected firms, or undertake a new round of fully open and competitive bidding. ADB also warned that on December 31, 2016 the remaining grant funds would expire and that any further extensions would be subject to ADB management review and approval.<sup>37</sup> Ultimately, President Ghani believed the concerns with the strategy and contractor qualifications required action, and he ordered that MoPW halt its efforts for direct contracting. On September 26, 2016, MoPW submitted a request to ADB to pursue a fully open and competitive award process for the construction of Section 1 and 2 of the Qeysar to Laman route.

## GRANT 5, DECEMBER 2017: ADB APPROVED AN ADDITIONAL \$150 MILLION, INCREASING TOTAL PROJECT FUNDING TO \$721 MILLION

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From March 2014 through September 2017, no physical progress was made on the 233-kilometer Qeysar and Laman route that was needed to complete the Ring Road. This delay almost certainly eroded much of the limited work that had been completed prior to that period. Unfortunately, the security condition in the area throughout 2017 prohibited us from inspecting the road. However, we obtained and analyzed satellite imagery captured from January through September 2017, of approximately 30 locations along the 233-kilometer route.<sup>38</sup> Our analysis confirmed that this segment of the Ring Road consisted primarily of a gravel or dirt path, and that erosion and the absence of bridges inhibits passage in numerous locations.<sup>39</sup> Photos 1-6 show the condition of the road at various locations.

**Photo 1 - Dirt Road in Section 2 near Qala-I-Naw's Northern Outskirts**



Source: ©2018, DigitalGlobe, Photo Date: May 18, 2017.

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<sup>37</sup> The expiration date was later modified to extend the duration of funding available to MoPW.

<sup>38</sup> We worked with the U.S. Army Geospatial Center to confirm that the satellite images we obtained were positioned in the correct locations along the relevant segment of the Afghan Ring Road.

<sup>39</sup> The road appears paved in urban locations such as Qeysar, but this is generally exceptional and not typical of the overall condition of the road.

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**Photo 2 - Vehicle Crossing River without Bridge in Section 3**



Source: ©2018, DigitalGlobe, Photo Date: July 30, 2017.

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**Photo 3 - Dirt Road along Dry River Bed in Section 3**



Source: ©2018, DigitalGlobe., Photo Date: January 18, 2017.

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**Photo 4 - Dirt Crossroads in Section 5**



Source: ©2018, DigitalGlobe, Photo Date: May 24, 2017.

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**Photo 5 - Dirt Road passes through River in Section 5**



Source: ©2018, DigitalGlobe, Photo Date: May 24, 2017.

**Photo 6 - Paved Road in Section 6 Outside of Qeysar**



Source: ©2018, DigitalGlobe, Photo Date: May 25, 2017.

In late 2017, despite previous failures, ongoing (and worsening) issues with the security condition in Afghanistan, and the erosion of the limited construction that had occurred, completion of the 233-kilometer road segment remained a top priority for ADB and the Afghan government. According to ADB, the road segment remained “strategically important, as it passes through one of the most remote and insecure regions,” it ranked first among the investment priorities of the road improvement master plan, and is programmed under the Afghanistan National Development Strategy.<sup>40</sup>

In late 2017, as was the case in 2010, ADB and MoPW found that there was once again a discrepancy in the amount of grant financing available and the amount of money needed to complete the project. According to ADB, “While making efforts to resume the work, the government requires additional funding...The remaining amount of \$310 million under the three grants is inadequate to finance the remaining work of the Qaisar-Leman section.”<sup>41</sup>

As a result, ADB and MoPW decided to divide the project into multiple sections, and award separate contracts for each. Specifically, the first section to be completed under this new approach would span the 82-kilometers between Laman and Dari Bum—the road segment previously covered by Sections 1 and 2 of the EMJV contract. ADB and MoPW estimated that completing the 82-kilometers of road would cost \$130 million. The remaining 151-kilometers between Dari Bum and Qeysar—the road segment previously encompassed by Sections 3–6 under the EMJV contract—would then be broken into smaller, more manageable contracts. ADB and MoPW estimated that completing the 151-kilometers of road would cost \$330 million.

To complete the work, ADB awarded a new grant (AFG-0555) for \$330 million to the Afghan government, of which \$150 million was new funding and \$180 million was reallocated using existing, undisbursed funds from the third grant (AFG-0244). The grant was approved on December 17, 2017, and the addition of the \$150 million in new funding increased the total grant funding allocated for the project to \$721 million.

<sup>40</sup> ADB, Report and Recommendation of the President to the Board of Directors, *Proposed Grant Islamic Republic of Afghanistan: Qaisar Dari Bum Road Project*, November 2017.

<sup>41</sup> ADB, Report and Recommendation of the President to the Board of Directors, *Proposed Grant Islamic Republic of Afghanistan: Qaisar Dari Bum Road Project*, November 2017, p.3.

In approving this latest approach, ADB stated that it was adjusting the project to take into consideration the hard-learned lessons from its previous failed efforts. Specifically, ADB and the Afghan government plan to:

(1) Require that contractors manage their own project security. To do so, contractors will require a dispensation from the Afghan government requirement to use the APPF. To ensure that the security budget is effectively spent, the payments for security will be linked to the physical progress of the project. In addition, the project scope includes community development works to help obtain the support of local communities and thus indirectly improve the project security.<sup>42</sup>

(2) Strengthen project implementation capacity of the MoPW's Project Management Office through ongoing ADB-financed projects and capacity-building programs.<sup>43</sup>

(3) Change the bid process and contract type from design-build to design-bid-build with smaller contracts suitable for local contractors. The change in contract modality from large design-build contracts to the conventional design-bid-build contracts of smaller sizes was made to improve the project's readiness and reduce contractual risks. The civil works will be tendered in three packages to attract the capable local firms and hence increase competition.<sup>44</sup>

A final consideration for both ADB and MoPW, in the event that the project were to actually be completed, is the ongoing maintenance the road will require. The lack of Afghan government funding for road maintenance presents a risk to investments in the sector.

Although ADB and MoPW attempted during the first six years of the project to incorporate a plan for road maintenance, they eventually determined that such efforts were infeasible. Specifically, from July 2005 through December 2011, part of their planning for long-term road maintenance included the installation of toll facilities, toll plazas, and supporting infrastructure and equipment along the road. The toll system was an objective of Grant 1 and was expected to produce the revenues required for the Afghan government to fund road maintenance. However, this objective was cancelled in December 2011, and funds were re-allocated, because the maintenance plan was deemed "not feasible." Additionally, Grants 2 and 3, provided dedicated funding for routine and periodic maintenance on over a thousand-kilometers of the regional road network and called on the Afghan government to allocate sufficient budget resources for maintenance. In an October 2016, report we found that "MOPW also does not have adequate funding to perform necessary road maintenance" and, "The MOPW's continued inability to maintain Afghanistan's road infrastructure threatens to waste the billions of dollars that the U.S. government has already invested in Afghanistan's road infrastructure since 2002."<sup>45</sup>

According to ADB, "The effective introduction of a road asset management system and the envisaged restructuring of road user charges entail major reforms. Based on ADB's experience with such reforms and Afghanistan's fragile and conflict-affected situation, it [sic] difficult to determine a time-bound target for the conclusion of the reforms."<sup>46</sup> Thus, unless MoPW is able to effectively leverage resources made available by

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<sup>42</sup> Community development components were also budgeted for under the previous failed construction effort. However, those funds were reportedly never spent, and, thus, did not positively influence the security conditions.

<sup>43</sup> As we noted previously in this report, ADB has engaged in efforts to strengthen the Project Management Unit, now the Project Management Office, for several years and those efforts have strengthened capacity within the office.

<sup>44</sup> To minimize procurement delays, ADB and MoPW also plan to use a "single-stage-one-envelope bidding procedure... instead of the single-stage-two-envelopes bidding procedure under the predecessor projects" (see, ADB, Report and Recommendation of the President to the Board of Directors, *Proposed Grant Islamic Republic of Afghanistan: Qaisar Dari Bum Road Project*, November 2017, p.4).

<sup>45</sup> SIGAR, *Afghanistan's Road Infrastructure: Sustainment Challenges and Lack of Repairs Put U.S. Investment at Risk*, SIGAR 17-11, October 2016.

<sup>46</sup> ADB, Report and Recommendation of the President to the Board of Directors, *Proposed Grant Islamic Republic of Afghanistan: Qaisar Dari Bum Road Project*, November 2017, p.8.

ADB to contract for, oversee, and ensure the performance of road maintenance contractors, in the insecure areas along the Qeysar to Laman route, the project may still not achieve intended outcomes.

## CONCLUSION

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From 2006 until the most recent construction contract was terminated in late 2014, two issues clearly hindered project implementation: (1) security issues, and (2) poor performance and a lack of communication between the contractors responsible for completing and overseeing the work. ADB regularly engaged stakeholders, including MoPW and the contractors, to address and overcome these challenges. ADB's efforts and additional assistance to the MoPW helped to address some of the capacity issues at the MoPW and the Project Management Unit, but its efforts could not overcome the security challenges and poor performance that paralyzed progress throughout multiple efforts to complete construction. As a result, after more than 12 years and \$249 million spent, very little physical progress was made on completing the 233-kilometer road.

Making changes to contracting strategies and continuing a decade-long capacity building effort at MoPW may yield improved results for this project. However, these issues were not among the primary causes for the repeated failures. Chief among the causes for the project's failings were security issues, which appears to have discouraged bidding from qualified contractors and plagued contractors selected for the work. Moving forward, ADB and MoPW hope that the reprieve from the Afghan government's requirement for the use of the APPF, in favor of private security, will mitigate security challenges and allow contractors to complete work along the 233-kilometer stretch. The project remains a top priority of the road improvement master plan under the Afghanistan National Development Strategy. According to ADB, the project design and implementation have incorporated the lessons learned, as well as preventive and corrective measures suitable for fragile and conflict affected states such as Afghanistan.

However, we are not as optimistic. The security situation has not improved in Afghanistan since the 2006-2009 period, when contractors were allowed to use private security, or since the 2011-2014 period, when contractors were generally required to use the APPF. In fact, the security situation has gotten worse. A lack of security, indeed insurgent control, along the majority of the 233-kilometer stretch was a major factor that resulted in a waste of between \$249 million and \$283 million over a 12-year period. We remain unconvinced that the security situation, even with a change in contractors' security posture, is somehow now more manageable, given that percentage of districts under insurgent control or influence has doubled since 2015.<sup>47</sup>

Furthermore, neither of the construction contractors made much meaningful progress in actually constructing the road, apart for some very limited work near the cities of Laman, Dari Bum, and Qeysar. Rather than taking a more modest approach focused on first completing work in areas based on a security risk assessment, contracts for construction of all 233-kilometers of road needed to complete the Ring Road are bid out, awarded, and implemented all in parallel. While we hope for success—for the Afghan people that the project may ultimately benefit and for the U.S. taxpayers whose money is being used, in part, to fund the effort—we are left without any indication that the circumstances have improved sufficiently to warrant a high degree of confidence that the project will be completed, that more money will not be wasted, or that more security incidents will not occur.

## AGENCY COMMENTS

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We provided a draft of this report to the Department of the Treasury, which provides oversight of the multilateral development banks, for comment on April 9, 2018. We received technical comments through the Office of the U.S. Executive Director to ADB on June 1, 2018, which we incorporated as appropriate. We also

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<sup>47</sup> SIGAR, *Addendum to SIGAR's January 2018 Quarterly Report to the United States Congress*, January 30, 2018.

provided a draft of this report to the Afghan government. The Afghan government also provided technical comments, which we incorporated as appropriate.

We conducted our work  
under project code  
SIGAR-SP-165.

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