Warlord, Inc.

Extortion and Corruption Along the U.S. Supply Chain in Afghanistan

Report of the Majority Staff

Rep. John F. Tierney, Chair

Subcommittee on National Security and Foreign Affairs

Committee on Oversight and Government Reform

U.S. House of Representatives

June 2010

U.S. HOUSE OF REPRESENTATIVES
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Congress of the United States
Washington, DC 20515

June 22, 2010

To the Members of the Subcommittee:

Today I present to you a report entitled, *Warlord, Inc.: Extortion and Corruption Along the U.S. Supply Chain in Afghanistan*, which has been prepared by the Majority staff of the Subcommittee on National Security and Foreign Affairs of the Committee on Oversight and Government Reform. After a six-month investigation, the report exposes the circumstances surrounding the Department of Defense's outsourcing of security on the supply chain in Afghanistan to questionable providers, including warlords.

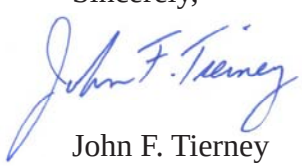
The findings of this report range from sobering to shocking. In short, the Department of Defense designed a contract that put responsibility for the security of vital U.S. supplies on contractors and their unaccountable security providers. This arrangement has fueled a vast protection racket run by a shadowy network of warlords, strongmen, commanders, corrupt Afghan officials, and perhaps others. Not only does the system run afoul of the Department's own rules and regulations mandated by Congress, it also appears to risk undermining the U.S. strategy for achieving its goals in Afghanistan.

To be sure, Afghanistan presents an extremely difficult environment for military operations, logistics, and business practices. Nevertheless, the evidence indicates that little attention was given to the cost-benefit analysis of allowing the system to continue in a fashion that injected a good portion of a $2.16 billion contract's resources into a corruptive environment. The 'fog of war' still requires a direct line of sight on contractors.

This report is confined to the facts pertaining to the Host Nation Trucking contracts, and in that limited sphere there are constructive changes that can be made to the U.S. supply chain in Afghanistan to improve contracting integrity while mitigating corrupting influences. This report offers some realistic recommendations to serve as a catalyst for what appears to be a much-needed reconsideration of policy.

However, the Department, the Administration, and Congress will have to determine if the information presented here, along with other information and developments, will require reconsideration of the overall strategic approach to our mission in Afghanistan. The critical new information contained in the report will inform the Subcommittee and Congress as a whole as it formulates and oversees an Afghanistan policy that must serve vital U.S. interests. In turn, the Department of Defense would be well served to take a hard look at this report and initiate prompt remedial action.

Sincerely,



John F. Tierney
Chairman

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Note on Methodology

In November 2009, at the behest of Chairman John Tierney, the Majority staff of the Subcommittee on National Security and Foreign Affairs initiated a preliminary inquiry into the Department of Defense's Afghan Host Nation Trucking (HNT) contract. This inquiry was prompted by a report from Aram Roston in *The Nation*[1] regarding allegations that U.S. trucking contractors were making protection payments for safe passage through insecure areas in order to supply U.S. troops in the field. In December 2009, Chairman Tierney sent letters to the Department of Defense and to the eight HNT contractors requesting documents and information related to the operation of the contract. In total, the Department and the contractors produced over 25,000 pages of documents to Chairman Tierney and Ranking Member Jeff Flake.

After receiving documents, Majority and Minority staff formally interviewed 31 witnesses in connection with the investigation, including military personnel, HNT contractors, private security providers, and experts on politics and corruption in Afghanistan. The Majority staff recorded detailed notes from each meeting and subsequently provided memoranda summarizing individual interviews to the Minority staff for comment. Those interview memoranda are on file with the Subcommittee. The Majority staff conducted preliminary interviews with three senior Department of Defense officials referenced in this report but were prohibited from conducting formal interviews by the Department's decision to resist access to military personnel deployed in Afghanistan.

The Majority and Minority staff also received several relevant intelligence briefings, but, for purposes of public dissemination, no classified information is contained in this report.

Due to the security risks faced by contractor personnel supporting the U.S. mission in Afghanistan, this report does not specifically disclose the names or identities of many cooperating witnesses.

With some important exceptions, the Subcommittee eventually received substantial cooperation with its investigation from the Department of Defense and most of the HNT contractors. Notably, after almost six months of requests, the Department only provided a critically relevant document relating to its own investigation into the allegations at issue on June 14, 2010 – eight days before the scheduled hearing on the Subcommittee's investigation. That document has been withheld from inclusion in this report at the Department of Defense's request. At the time of printing, discussions regarding the origin and context of that document are ongoing.

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For further information related to this report, please contact the Subcommittee on National Security and Foreign Affairs at (202) 225-2548 or visit:
http://nationalsecurity.oversight.house.gov

I. EXECUTIVE SUMMARY

We have to do a better job in the international side to coordinate our aid, to get more accountability for what we spend in Afghanistan. But much of the corruption is fueled by money that has poured into that country over the last eight years. And it is corruption at every step along the way, not just in Kabul.

You know, when we are so dependent upon long supply lines, as in Afghanistan, where everything has to be imported, it's much more difficult than it was in Iraq, where we had Kuwait as a staging ground to go into Iraq. You offload a ship in Karachi and by the time whatever it is – you know, muffins for our soldiers' breakfasts or anti-IED equipment – gets to where we're headed, it goes through a lot of hands. ***And one of the major sources of funding for the Taliban is the protection money.***

– Secretary of State Hillary Rodham Clinton
Testimony before the Senate Foreign Relations Committee
December 3, 2009

In Afghanistan, the U.S. military faces one of the most complicated and difficult supply chains in the history of warfare. The task of feeding, fueling, and arming American troops at over 200 forward operating bases and combat outposts sprinkled across a difficult and hostile terrain with only minimal road infrastructure is nothing short of herculean. In order to accomplish this mission, the Department of Defense employs a hitherto unprecedented logistics model: responsibility for the supply chain is almost entirely outsourced to local truckers and Afghan private security providers.

The principal contract supporting the U.S. supply chain in Afghanistan is called Host Nation Trucking, a $2.16 billion contract split among eight Afghan, American, and Middle Eastern companies. Although there are other supply chain contracts, the HNT contract provides trucking for over 70 percent of the total goods and materiel distributed to U.S. troops in the field, roughly 6,000 to 8,000 truck missions per month. The trucks carry food, supplies, fuel, ammunition, and even Mine Resistant Ambush Protected vehicles (MRAPs).

The crucial component of the HNT contract is that the prime contractors are responsible for the security of the cargo that they carry. Most of the prime contractors and their trucking subcontractors hire local Afghan security providers for armed protection of the trucking convoys. Transporting valuable and sensitive supplies in highly remote and insecure locations requires extraordinary levels of security. A typical convoy of 300 supply trucks going from Kabul to Kandahar, for example, will travel with 400 to 500 guards in dozens of trucks armed with heavy machine guns and rocket-propelled grenades (RPGs).

The private security companies that protect the convoys are frequently involved in armed conflict with alleged insurgents, rival security providers, and other criminal elements. The security providers report having lost hundreds of men over the course of the last year alone, though the veracity of these reports is difficult to judge. Many of the firefights purportedly last for hours and involve significant firepower and frequent civilian casualties. Indeed, in an interview with the Subcommittee staff, the leading convoy security commander in Afghanistan said that he spent $1.5 million on ammunition *per month*.

From one perspective, the HNT contract works quite well: the HNT providers supply almost all U.S. forward operating bases and combat outposts across a difficult and hostile terrain while only rarely needing the assistance of U.S. troops. Nearly all of the risk on the supply chain is borne by contractors, their local Afghan truck drivers, and the private security companies that defend them. During the Soviet Union's occupation of Afghanistan (1979-1989), by contrast, its army devoted a substantial portion of its total force structure to defending its supply chain. The HNT contract allows the United States to dedicate a greater proportion of its troops to other counterinsurgency priorities instead of logistics.

But outsourcing the supply chain in Afghanistan to contractors has also had significant unintended consequences. The HNT contract fuels warlordism, extortion, and corruption, and it may be a significant source of funding for insurgents. In other words, the logistics contract has an outsized strategic impact on U.S. objectives in Afghanistan.

The Department of Defense has been largely blind to the potential strategic consequences of its supply chain contingency contracting. U.S. military logisticians have little visibility into what happens to their trucks on the road and virtually no understanding of how security is actually provided. When HNT contractors self-reported to the military that they were being extorted by warlords for protection payments for safe passage and that these payments were "funding the insurgency," they were largely met with indifference and inaction.

Specifically, the Subcommittee on National Security and Foreign Affairs Majority staff makes the following findings:

1. **Security for the U.S. Supply Chain Is Principally Provided by Warlords**. The principal private security subcontractors on the HNT contract are warlords, strongmen, commanders, and militia leaders who compete with the Afghan central government for power and authority. Providing "protection" services for the U.S. supply chain empowers these warlords with money, legitimacy, and a *raison d'etre* for their private armies. Although many of these warlords nominally operate under private security companies licensed by the Afghan Ministry of Interior, they thrive in a vacuum of government authority and their interests are in fundamental conflict with U.S. aims to build a strong Afghan government.

2. **The Highway Warlords Run a Protection Racket.** The HNT contractors and their trucking subcontractors in Afghanistan pay tens of millions of dollars annually to local warlords across Afghanistan in exchange for "protection" for HNT supply convoys to support U.S. troops. Although the warlords do provide guards and coordinate security, the contractors have little choice but to use them in what amounts to a vast protection racket. The consequences are clear: trucking companies that pay the highway warlords for security are provided protection; trucking companies that do not pay believe they are more likely to find themselves under attack. As a result, almost everyone pays. In interviews and documents, the HNT contractors frequently referred to such payments as "extortion," "bribes," "special security," and/or "protection payments."

3. **Protection Payments for Safe Passage Are a Significant Potential Source of Funding for the Taliban.** Within the HNT contractor community, many believe that the highway warlords who provide security in turn make protection payments to insurgents to coordinate safe passage. This belief is evidenced in numerous documents, incident reports, and e-mails that refer to attempts at Taliban extortion along the road. The Subcommittee staff has not uncovered any direct evidence of such payments and a number of witnesses, including Ahmed Wali Karzai, all adamantly deny that any convoy security commanders pay insurgents. According to experts and public reporting, however, the Taliban regularly extort rents from a variety of licit and illicit industries, and it is plausible that the Taliban would try to extort protection payments from the coalition supply chain that runs through territory in which they freely operate.

4. **Unaccountable Supply Chain Security Contractors Fuel Corruption.** HNT contractors and their private security providers report widespread corruption by Afghan officials and frequent government extortion along the road. The largest private security provider for HNT trucks complained that it had to pay $1,000 to $10,000 in monthly bribes to nearly every Afghan governor, police chief, and local military unit whose territory the company passed. HNT contractors themselves reported similar corruption at a smaller scale, including significant numbers of Afghan National Police checkpoints. U.S. military officials confirmed that they were aware of these problems.

5. **Unaccountable Supply Chain Security Contractors Undermine U.S. Counterinsurgency Strategy.** While outsourcing principal responsibility for the supply chain in Afghanistan to local truckers and unknown security commanders has allowed the Department of Defense to devote a greater percentage of its force structure to priority operations, these logistics arrangements have significant unintended consequences for the overall counterinsurgency strategy. By fueling government corruption and funding parallel power structures, these logistics arrangements undercut efforts to establish popular confidence in a credible and sustainable Afghan government.

6. **The Department of Defense Lacks Effective Oversight of Its Supply Chain and Private Security Contractors in Afghanistan.** The Department of Defense has little to no visibility into what happens to the trucks carrying U.S. supplies between the time they leave the gate to the time they arrive at their destination. Despite serious concerns regarding operations, no military managers have ever observed truck operations on the road or met with key security providers. The Department of Defense's regulations, promulgated in response to direction by Congress, require oversight of all private security companies working as contractors or subcontractors for the U.S government. These requirements include ensuring that all private security company personnel comply with U.S. government and local country firearm laws, that all private security company equipment be tracked, and that all incidents of death, injury, or property damage be fully investigated. The Department of Defense is grossly out of compliance with applicable regulations and has no visibility into the operations of the private security companies that are subcontractors on the HNT contract.

7. **HNT Contractors Warned the Department of Defense About Protection Payments for Safe Passage to No Avail.** In meetings, interviews, e-mails, white papers, and PowerPoint presentations, many HNT prime contractors self-reported to military officials and criminal investigators that they were being forced to make "protection payments for safe passage" on the road. While military officials acknowledged receiving the warnings, these concerns were never appropriately addressed.

There are numerous constructive changes that could be made to the U.S. military trucking effort in Afghanistan that would improve contracting integrity while mitigating corrupting influences. As the Department of Defense absorbs the findings in this report and considers its course of action, the Subcommittee on National Security and Foreign Affairs Majority staff makes the following recommendations:

1. **Assume Direct Contractual Responsibility for Supply Chain Security Providers.** If the United States is going to use small armies of private security contractors to defend its massive supply chain in a war zone, the Department of Defense must take direct responsibility for those contractors to ensure robust oversight. Trucking companies are wholly incapable of overseeing this scale of security operations. The U.S. government needs to have a direct line of authority and accountability over the private security companies that guard the supply chain.

2. **Review Counterinsurgency Consequences of the HNT Contract.** The Department of Defense needs to conduct a top-to-bottom evaluation of the secondary effects of the HNT contract that includes an analysis of corruption, Afghan politics and power dynamics, military utility, and economic effects.

3. **Consider the Role of Afghan National Security Forces in Highway Security.** In the future, Afghan security forces will have a role to play in road security. Proposals to reform the convoy security scheme ought to take a medium- to long-term view of the role of Afghan security forces, while developing credible security alternatives that address the immediate U.S. military logistics needs.

4. **Inventory Actual Trucking Capacity Available to the Department of Defense.** The Department of Defense should conduct a survey of the available trucking capacity in Afghanistan under the HNT contract to ensure that its needs will be met with the additional forces under orders to deploy to Afghanistan.

5. **Draft Contracts to Ensure Transparency of Subcontractors.** Contracts between the Department of Defense and its trucking and/or security prime contractors need to include provisions that ensure a line of sight, and accountability, between the Department and the relevant subcontractors. Where Department of Defense regulations already require such provisions.

6. **Oversee Contracts to Ensure Contract Transparency and Performance.** The Department of Defense needs to provide the personnel and resources required to manage and oversee its trucking and security contracts in Afghanistan. Contracts of this magnitude and of this consequence require travel 'outside the wire.' For convoys, that means having the force protection resources necessary for mobility of military logistics personnel to conduct periodic unannounced inspections and ride-alongs.

7. **Analyze Effect of Coalition Contracting on Afghan Corruption.** The national security components of the U.S. government, including the Department of Defense, the Department of State, the U.S. Agency for International Development, the Department of Justice, and the intelligence community, need to systematically track and analyze the effects of U.S., NATO, and other international contracting on corruption in Afghanistan.

II. BACKGROUND

Supplying the Troops

Afghanistan … is a landlocked country whose neighbors range from uneasy U.S. allies, such as Pakistan and Uzbekistan, to outright adversaries, such as Iran. Thirty years of war have devastated what little infrastructure the country had. In the south, scattered population centers are separated by deserts; in the east, they're divided by mountains. Winter brings storms and snow; spring brings floods.[2]

The U.S. operation in Afghanistan has presented the U.S. military with the most complex logistical operation it has ever undertaken. By September 2010, under President Barack Obama's plan to increase troop strength, the United States will have 100,000 troops in Afghanistan, with an additional 38,000 allied forces under NATO command. Military logistics officers are responsible for providing the troops with the food, water, shelter, weapons, ammunition, and fuel they need to perform their duties.

To put the scope of the logistics operation into perspective, U.S. and NATO forces required 1.1 million gallons of fuel *per day* in 2009. That year, as troop levels grew from 31,800 to 68,000, U.S. military and contractor planes delivered 187,394 tons of cargo.[3] Given that the backbone of the military's distribution network is overland, the cargo transported by trucks is nearly ten times that amount. Eighty percent of goods and materiel reach Afghanistan by land.[4]

Getting cargo to Afghanistan is a tricky endeavor. Unlike Iraq, which has access to the Persian Gulf and is bordered by several U.S. allies, Afghanistan is landlocked between countries with unstable security, impenetrable geographic barriers, and governments hostile to the United States. The most direct route to redeploy goods and materiel from Iraq to Afghanistan runs through Iran and is therefore unusable. To the north, the government in Turkmenistan has refused to allow U.S. supply routes to pass through the country.

There are two main land routes into Afghanistan, one from the south through Pakistan and the other from the north through Central Asia. The southern route is the most used and the most dangerous. Cargo is processed in the port of Karachi and then sent north, where it must pass through "the Pashtun tribal lands, where insurgents unfriendly to both Kabul and Islamabad have strong support."[5] These insurgents include the Quetta Shura, led by the top leaders of the deposed Afghan Taliban. On June 8, 2010, for example, militants in Pakistan attacked a convoy of contractor supply trucks carrying U.S. goods as it stopped at a depot just outside of Islamabad, burning 30 trucks and killing six.[6]

The northern route through Central Asia is safer, but also longer and significantly more expensive, adding 10-20 days of transport time and two to three times the cost. The northern route also passes through several countries, necessitating significant diplomatic support to ensure that

border crossings run smoothly.[7] Central Asia is also plagued by pockets of political instability. In Kyrgyzstan, for example, the sitting president was deposed in April. The country's southern region, which includes important rail networks used for U.S. supplies, has erupted in an ethnic pogrom.[8]

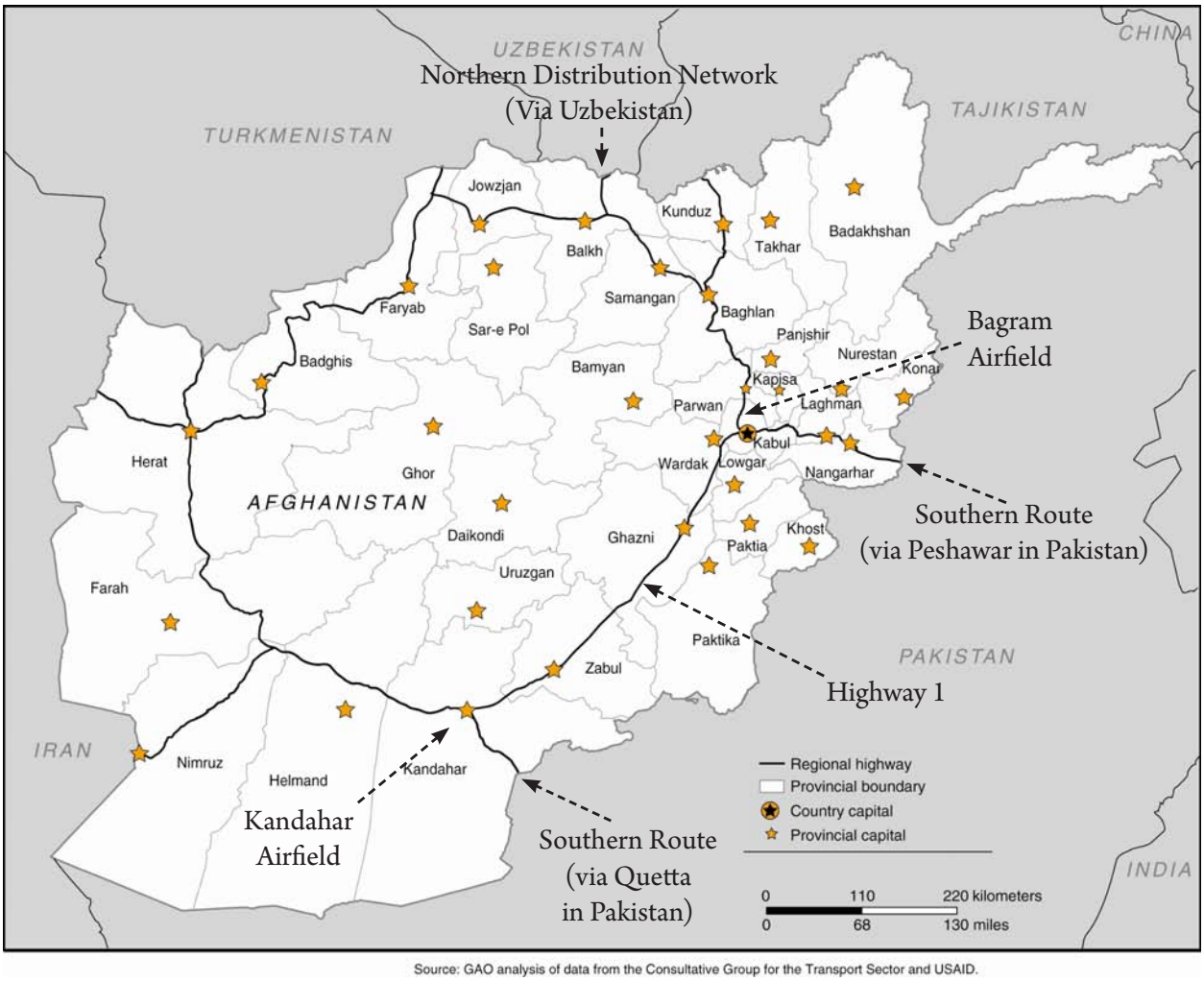
The fastest route to Afghanistan is by air. However, the lack of airport infrastructure places significant constraints on the military's ability to rely on air transport to supply the troops. Afghanistan has only 16 airports with paved runways, and of those, only four are accessible to non-military aircraft (including contractor-operated cargo planes).[9] Air transport is also the most costly shipping option. Thus, while air transport is available, it is limited to personnel and high-priority cargo. Only about 20 percent of cargo reaches Afghanistan by air.[10]

Distribution within Afghanistan

Once cargo reaches Afghanistan, it is taken to one of a handful of distribution hubs, the largest of which are Bagram Airfield in the north and Kandahar Airfield in the south. From there, the supplies must be distributed throughout the country to over 200 U.S. forward operating bases and combat outposts, many of which are located in remote and dangerous areas. While helicopters can be used for some transport, harsh flying conditions, weight limits, frequent maintenance downtimes, high costs, and the sheer size of the country place significant limits on how much helicopters can be utilized.[11] Thus, the vast majority of in-country transport is accomplished by truck.

Afghanistan presents a uniquely challenging environment for ground transport. The terrain is unforgiving: deserts that kick up sandstorms in the summer become flooded and muddy in the spring, and treacherous mountain roads leave no room for error. Summer heat regularly reaches 120 degrees. Mountain weather can change in an instant, bringing snow and freezing rain. In the winter, the single tunnel that connects Kabul to northern Afghanistan is frequently cut off by avalanches. A break-down in the mountains can close a route for days, until the vehicle can be disassembled and airlifted out.[12] The lack of infrastructure – including a dearth of paved roads – leaves drivers to face the elements unassisted.

If terrain and weather were not challenging enough, man-made hazards pose an even bigger threat to trucks in Afghanistan. Explosives can be easily planted and concealed along transport routes, and insurgents regularly attack. General Duncan McNabb, commander of U.S. Transportation Command, told Congress last year, "[i]f you ask me what I worry about at night, it is the fact that our supply chain is always under attack."[13]



Source: GAO analysis of data from the Consultative Group for the Transport Sector and USAID.

Supplemented by Subcommittee staff

Finally, limited processing capacity at the distribution hubs can delay distribution. For example, Kandahar Airfield has had significant problems handling the volume of cargo it receives, leading to backlogs of trucks waiting to take goods for distribution. A 24-hour truck yard for trucks contracted to carry military supplies has alleviated the problem to some degree, but delays persist.[14] Contractors report that in some instances their drivers have waited outside Kandahar Airfield for several weeks until they were permitted to unload cargo.

"In Iraq, logistics was on cruise control. In Afghanistan, it's graduate-level logistics to make it happen."

– Senior U.S. Military Official

Taken together, these elements pose considerable challenges for the logistics officers in charge of making sure supplies reach the troops. The experience of the U.S. military in Iraq – a country with decent infrastructure and manageable terrain – is not comparable. As a senior

military official who has spent time in both Iraq and Afghanistan noted, "[i]n Iraq, logistics was on cruise control. In Afghanistan, it's graduate-level logistics to make it happen."[15] Another official described Afghanistan as "the harshest logistics environment on earth."[16]

Despite the best efforts of military logisticians, the supply chain does not always work, delaying critical life support to the troops. A military official who served in Afghanistan in 2007 and 2008 noted that at times "we had guys out there at the outposts in my area of operations starving because we couldn't get resupply in to them."[17]

Afghan Trucking

The U.S. military relies on local Afghan trucking companies for almost all of its ground transport needs. The trucking industry is a key part of the Afghan economy, providing employment opportunities for a large segment of the population who otherwise would have trouble finding work due to the high rate of illiteracy. U.S. trucking contracts provide a relatively lucrative source of income in this very poor country. The owner of one of the trucking companies supporting the U.S. supply chain reported that between the drivers, assistant drivers, managers, and mechanics, his company single-handedly feeds 20,000 people.[18]

Photo Credit: Defense Imagery

According to this owner, "truck drivers are captains of their own ships."[19] With little infrastructure to support them, a driver and his assistant (usually a young son) must have the wherewithal to survive for weeks or even months on the road. Truckers will often decorate their trucks in an ornate manner, and these so-called "Jingle Trucks" – named for the sound they make as they drive – are found throughout the roads of Afghanistan.

The Host Nation Trucking Contract

The HNT contract is a $2.16 billion dollar indefinite delivery/indefinite quantity (IDIQ) contract to provide ground transportation in Afghanistan for over 70 percent of Department of Defense goods and materiel, including food, water, fuel, equipment, and ammunition.[20] The Department of Defense initially requested a statement of capabilities for the current HNT contract in August 2008 and issued a request for proposals in September 2008. Thirty-five contractors submitted bids, and the competitive range was narrowed to ten.[21]

The contract was awarded to six contractors on March 15, 2009, and performance began on May 1, 2009.[22] Although the contract started with a total contract cap of $360 million dollars, according to the Department of Defense, "[t]wo weeks after performance began requirements skyrocketed at a pace that acquisition planners could not have anticipated" due to the surge in troops.[23] In July 2009, Acting Assistant Secretary of the Army Dean Popps signed a "Justification and Approval for Out of Scope Modification" that increased the total contract size to $2.16 billion, with an individual cap of $360 million per HNT contractor.[24] For context, the total annual gross domestic product of Afghanistan was just over $13 billion in 2009.[25]

Prior to this HNT contract, the Department of Defense's supply transportation was provided under a blanket purchase agreement (BPA)[26] with several companies, some of whom are now prime or sub-contractors for the current HNT contract. The new HNT contract was conceived to add capacity, simplify pricing, and solve several problems with the BPA, including concerns regarding corruption and bribery among BPA contractors and, in one case, a U.S. Army contracting officer.[27]

The "Contractor is Responsible for All Security"

Importantly, the HNT contract included one new critical provision: section 4.9 of the Statement of Work provides that the "Contractor is responsible for all security" and that "[t]he Contractor will conduct convoys independently, without military escorts, unless otherwise determined by the USG [U.S. government] at its sole direction." The Statement of Work acknowledges the risk to drivers: "the USG will not intentionally direct the Contractor to pass through an area where the chance of hostilities is high. However, the USG cannot foreclose the possibility of hostile acts occurring."[28]

The Statement of Work further regulates the minimum security that each HNT contractor must provide for each mission: two security vehicles for every five trucks. In addition, the contract provides that "all weapons utilized will be provided by the Contractor and will be within the prescribed USG authorized weapon listing."[29]

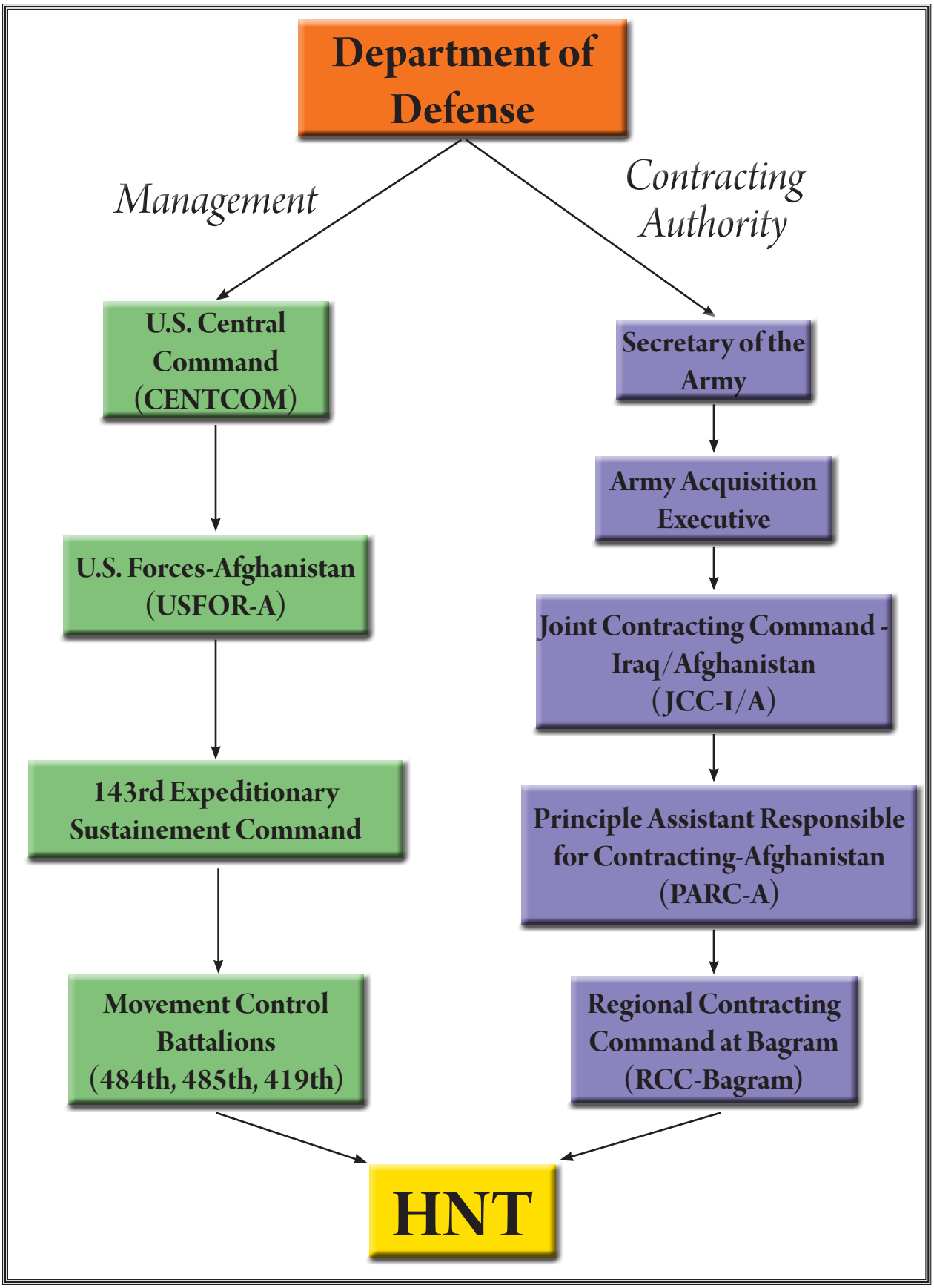
Department of Defense Management and Oversight of HNT

Operational management of the HNT contract was initially handled by the 484th Movement Control Battalion of the U.S. Army.[30] In February 2010, the 419th Movement Control Battalion took over management of the contract.[31] For HNT, both movement control battalions reported to the 143rd Expeditionary Sustainment Brigade.

Actual signing authority for the HNT contract flowed through a complex hierarchy of military commands. The HNT contract is immediately overseen by the Regional Contracting Center in Bagram (RCC-Bagram). RCC-Bagram is one of a handful of contracting centers in Afghanistan that report to the Principal Assistant Responsible for Contracting-Afghanistan (PARC-A). The PARC-A reports to the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A). JCC-I/A gets contracting authority from the Army Acquisition Executive and the Secretary of the Army, but as a practical matter reports to the Commander of U.S. Central Command (CENTCOM).

"The Contractor is responsible for all security. The Contractor will conduct convoys independently, without military escorts, unless otherwise destermined by the U.S. government at its sole discretion."

– HNT Statement of Work


Department of Defense
Management
Contracting Authority
U.S. Central Command (CENTCOM)
U.S. Forces-Afghanistan (USFOR-A)
143rd Expeditionary Sustainement Command
Movement Control Battalions (484th, 485th, 419th)
Secretary of the Army
Army Acquisition Executive
Joint Contracting Command - Iraq/Afghanistan (JCC-I/A)
Principle Assistant Responsible for Contracting-Afghanistan (PARC-A)
Regional Contracting Command at Bagram (RCC-Bagram)
HNT

HNT Contractors

The HNT contract was originally awarded to six contractors, four of whom previously held contracts under the BPA. In late 2009, two additional companies were added, both of which had previous trucking experience under the BPA.[32] The two companies that had not been prime contractors under the BPA had both worked as subcontractors under that agreement.

Several of the prime contractors for HNT do not own trucks and subcontract out all of their trucking needs. In other words, they essentially serve as brokers to the local Afghan trucking companies. In several cases, the prime contractors have only a handful of personnel in Afghanistan, and in at least one case, the contractor had no prior experience in the trucking business. Prime contractors reported that there is a finite "pool" of trucks in Afghanistan, and many of the prime contractors compete with each other through subcontractors for the use of the same vehicles.[33]

The following companies are prime contractors under the HNT contract:[34]

NCL Holdings (NCL) – NCL was founded in May 2005 by Hamed Wardak, the son of the Afghan Defense Minister, Abdul Rahim Wardak. The company is based in Northern Virginia. Prior to receiving the HNT contract in 2009, NCL performed security operations in Afghanistan for Department of Defense contractors. NCL subcontracts out all of its trucking operations under HNT, and had no direct experience with managing trucking before this contract.

The Sandi Group – The Sandi Group is based in Washington, D.C. and has worked in private sector development in both Iraq and Afghanistan. To perform HNT missions, the Sandi Group has subcontracted out all trucking to local Afghan subcontractors.

Mesopotamia Group and EMA, Joint Venture – Mesopotamia Group, a Delaware-based company and EMA, an Afghan company, received an HNT contract as a joint venture after having worked on the BPA contract in a contractor-subcontractor relationship, with EMA as the local subcontractor. EMA owns many of its own trucks and also brokers with owner-operators from local tribes. Mesopotamia Group provides management and capital to the joint venture.

HEB International Logistics – HEB is an international logistics and transportation company based in Dubai. HEB owns some of its own trucks but principally relies on local Afghan subcontractors. HEB performed trucking operations under the BPA prior to receiving the HNT contract.

Anham, LLC – Anham is a partnership that was formed in 2004 by a Virginia-based investment group (HII-Finance), a Saudi conglomerate, and a Jordanian investment group. It is based in Dubai. Anham owns its own trucks and does not subcontract to local companies, but it performs far fewer missions than the leading HNT contractors.

The Four Horsemen International (Four Horsemen) **and Three Bullets Incorporated** (Three Bullets)**, Joint Venture** – Four Horsemen is a New Jersey-based security company with principal operations in Afghanistan managed by Western military expatriates; Three Bullets is an Afghan-based transportation company that owns some of its own trucks and brokers with local owner-operators. Four Horsemen provides the security force for the joint venture. Four Horsemen had previously performed security operations under the BPA with other companies, and Three Bullets performed trucking operations on the BPA.

Afghan American Army Services (AAA) – AAA is Afghan-owned and was added to the HNT contract in November 2009 following a bid protest before the U.S. Government Accountability Office. AAA had previously worked under the BPA and had performed trucking operations since July 2006. Under HNT, AAA subcontracts out trucking operations to several local companies.

Guzar Mir Bacha Kot Transportation (GMT) – GMT is an Afghan-owned company that was added to the HNT contract in November 2009 in order to increase trucking capacity. GMT was a prime contractor on the BPA and the company has provided trucking services in Afghanistan for more than 15 years. GMT provides its own trucks and, before receiving the HNT contract, worked as a subcontractor for other HNT prime contractors.

The Afghan Security Environment

The security environment in Afghanistan has rapidly deteriorated in the past two years and, as a result, trucking operations have become increasingly dangerous.[35] The number of incidents involving trucks on the road, including ambushes, IEDs, and kidnappings, has risen sharply. Trucking companies also face repercussions for working with the U.S. military. One company owner reported that he and his drivers receive death threats for working with the United States and that he often has had to pay money to militants to recover the bodies of drivers who were killed on the roads.[36] Trucking convoys have become favorite targets of the Taliban and other insurgents, who frequently stop convoys to demand money, set the trucks on fire, and kill or kidnap the drivers.[37]

As the security situation has deteriorated, there has been a marked increase in the use of IEDs on Afghanistan's roads.[38] By one account, "all told, the U.S. military recorded 8,159 IED incidents in Afghanistan in 2009, compared with 3,867 in 2008 and 2,677 the year before."[39]

Lieutenant General Michael Oates, the director of the Department of Defense's Joint IED Defeat Organization, was quoted in March 2010: "[we] don't have years to wait and start changing the momentum in Afghanistan."[40] To add to the sense of urgency, a June 2010 *New York Times* article cited a U.N. report as finding that there has been "a near-doubling of roadside bombings for the first four months of 2010 compared with the same period in 2009."[41]

Private Security Contractors

According to the Afghan Ministry of Interior, there are currently 52 licensed private security companies with a total of roughly 25,000 registered armed guards in Afghanistan.[42] There are also hundreds of additional unregistered private security providers and some estimate up to 70,000 total private armed guards.[43] Given perilous security conditions in Afghanistan, U.S. and allied contractors in Afghanistan have little choice but to employ private security companies. Whether securing truck convoys, guarding a road project, or providing personal security details, private security services are widely used.

The U.S. military increasingly relies on private security contractors in Afghanistan for a variety of significant security needs, from transportation to static protection of U.S. bases.[44] Unlike in Iraq where a majority of the armed guards are third-country nationals (*e.g.*, Peruvians, Ugandans, Nepalese), 95 percent of the private armed guards used by the Department of Defense in Afghanistan are local nationals. Indeed, the Department's "Afghan First" campaign directs contractors to hire at least half of all workers from nearby towns or villages.[45]

Department of Defense Private Security Contractor Personnel[46]	Total	U.S. Citizens	Third Country National	Local/Host Country National
Afghanistan	14,439	114	409	13,916
Iraq	11,095	776	9,127	1,192

Regulation of Private Security Contractors

There are significant legal and regulatory restrictions on the use of private security contractors. Although Department of Defense regulations provide that it should only use private security contractors licensed with the host nation, the military directly employs a significant number of unlicensed private security contractors for use as guards at its forward operating bases.[47]

Notably, in a 2006 memorandum on the legality of using private security contractors to protect U.S. personnel and property in Iraq, a Department of Defense Deputy General Counsel wrote:

> [T]his opinion should not be construed to mean that contractors may perform all security functions in Iraq and Afghanistan. Private Security Companies should not be employed in situations where the likelihood of direct participation in hostilities is high. For example, they should not be employed in quick-reaction force (QRF) missions, local patrolling, or military convoy security operations where the likelihood of hostile contact is high.[48]

The Department of Defense's use of private security contractors in Iraq and Afghanistan has received significant media attention over the last several years. High-profile incidents in which security contractors were accused of shooting civilians, using excessive force, being insensitive to local customs or beliefs, or otherwise behaving inappropriately prompted Congress to call for regulations to increase oversight and accountability of private security contractorss employed in contingency operations.

In July 2009, the Department promulgated Instruction 3020.50, *Private Security Contractors Operating in Contingency Operations*, which established policies for selecting, training, equipping, and managing private security contractors in contingency operations. This regulation, which was mandated under the National Defense Authorization Act of Fiscal Year 2008,[49] requires the Department of Defense to account for private security contractor equipment, track incidents involving their personnel, and investigate any of the following occurrences:

1. The injury or death of private security contractor personnel;
2. The discharge of weapons by or at such personnel;
3. The injury, death, or damage of property caused by the actions of such personnel; or
4. Incidents of alleged misconduct.

The regulations make clear that they also apply to private security contractor subcontractors working for Department of Defense contractors.[50]

III. FINDINGS

1. *Security for the U.S. Supply Chain Is Principally Provided by Warlords*

Finding: The principal private security subcontractors on the HNT contract are warlords, strongmen, commanders, and militia leaders who compete with the Afghan central government for power and authority. Providing "protection" services for the U.S. supply chain empowers these warlords with money, legitimacy, and a *raison d'etre* for their private armies. Although many of these warlords nominally operate under private security companies licensed by the Afghan Ministry of Interior, the warlords thrive in a vacuum of government authority and their interests are in fundamental conflict with U.S. aims to build a strong Afghan government.

Commander Ruhullah is prototypical of a new class of warlord in Afghanistan. He commands a small army of over 600 armed guards. His men engage in regular combat with insurgent forces. He claims extraordinary casualty figures on both sides (450 of his own men killed in the last year and many more Taliban dead). He readily admits to bribing governors, police chiefs, and army generals. Over a cup of tea in Dubai, he complained to the Subcommittee staff about the high cost of ammunition in Afghanistan – he says he spends $1.5 million *per month* on rounds for an arsenal that includes AK-47s, heavy machine guns, and RPGs.[51] Villagers along the road refer to him as "the Butcher."[52]

Commander Ruhullah is largely a mystery to both the U.S. government and the contractors that employ his services.

Before September 11, 2001, Commander Ruhullah was relatively unknown in Afghanistan. Today, he is the single largest security provider for the U.S. supply chain in Afghanistan. Despite this critical and sensitive role, nobody from the Department of Defense or the U.S. intelligence community has ever met with him (except for a brief detention by U.S. Special Forces on what he says are false drug charges). Commander Ruhullah is largely a mystery to both the U.S. government and the contractors that employ his services. Indeed, several of the prime HNT contractors are apparently unaware that Commander Ruhullah guards their trucks (their security subcontractors utilize his services without the prime contractors' knowledge).

Commander Ruhullah dominates the private security business along Highway 1, the main transportation artery between Kabul and Kandahar. Because most U.S. supplies are shipped through Pakistan to Bagram Airfield, north of Kabul, while most U.S. troops are surging into Kandahar, in the south, Highway 1 is the critical route for the supply chain within Afghanistan.

No private security companies working for the United States are supposed to use any weapon more high-powered than an AK-47. Commander Ruhullah's men use heavy machine guns and rocket-propelled grenades.

Commander Ruhullah says that he guards roughly 3,500 U.S. supply trucks every month. The prime contractors and local Afghan subcontractors that use his services pay him and the security company that he associates with, Watan Risk Management, handsomely. For security between Maydan Shahr (just south of Kabul) and Kandahar, Commander Ruhullah charges up to $1,500 per truck.[53]

At the behest of Congress, the Department of Defense has promulgated extensive regulations intended to improve oversight and accountability of private security contractors in contingency operations such as Iraq and Afghanistan. Commander Ruhullah has never heard of the regulations and says that they do not apply to him. No private security companies working for the United States are supposed to use any weapon more high-powered than an AK-47. Commander Ruhullah's men use heavy machine guns and RPGs.[54]

Commander Ruhullah is just one of dozens of warlords, strongmen, and commanders who have found a niche in providing security services to the U.S. military in Afghanistan. Some are well-known tribal leaders or former mujahedeen who have been in the business of war for the past thirty years. Others, like Commander Ruhullah, are relative newcomers whose power and influence are directly derivative of their contracting and subcontracting work for the U.S. government.

Both the old and new warlords' interests are in fundamental conflict with a properly functioning government. By definition, warlords wield military might and violence outside of the theoretical government monopoly on those tools. Warlordism is antithetical to the Afghan state, and ultimately to U.S. counterinsurgency strategy in Afghanistan, yet these warlords have flourished providing security for the U.S. supply chain there.

Watan Risk Management Toyota Hi-Lux security truck equipped with a .50 caliber anti-aircraft DSHK machine gun
Photo Credit: Defense Imagery

Warlordism in Afghanistan

Not all warlords are created equal. At the top of the hierarchy are the well-known tribal leaders, former mujahedeen commanders, or local power brokers who command the loyalty of men beyond their ability to provide a paycheck. For these warlords, providing security to U.S. and NATO convoys is just the latest iteration of long and colorful careers in war-torn Afghanistan. Long after the United States leaves Afghanistan, and the convoy security business shuts down, these warlords will likely continue to play a major role as autonomous centers of political, economic, and military power.[55]

Other warlords are newer to the scene but have grown in strength based on their ability to feed off U.S. and NATO security contracting, particularly the highly lucrative business niche of providing private security for the coalition supply chain. Men serve and die for these warlords for money, not tribal, ethnic, or political loyalty. In Afghan culture, this new class of warlord is undeserving of that elevated title because their power is derivative of their business function, not their political or tribal clout.[56]

According to one expert on Afghanistan, "the partial conversion of Afghan warlords into businessmen resembles in many ways the establishment of mafia networks, which are active both in the legal and the illegal economy and are able to use force to protect their interests and possibly to expand."[57] Whether called "businessmen," "commanders," "strongmen," "militia leaders," or "warlords," any single individual who commands hundreds or thousands of armed men in regular combat and operates largely outside the direct control of the central government is a competitor to the legitimacy of the state.[58]

Private Security Companies

Both President Karzai and the American-led coalition have made the disarmament of "illegal armed groups" (warlords, commanders, and militias) a top priority for success in Afghanistan. Since 2003, however, the disarmament, demobilization, and reintegration program has largely failed. Rather than disarm, many of the warlords and militia groups evaded the program by becoming private security companies for the coalition. According to an academic text on disarmament, "[c]ommanders thus appear to be using PSCs [private security companies] and other government security forces to hide their militias... [A] commander's strength is expressed less in terms of offensive capability against an opposing unit than in terms of the ability to acquire supporting contracts, to maintain armed units and to integrate into official and quasi-official security structures."[59]

"Warlords in Kandahar had been allowed to build up militias that they claimed were private security companies, and these private security companies were a creation of the international community."

– UK Major General Nick Carter

Major General Nick Carter, the British head of NATO's Regional Command-South in Kandahar, told reporters that "warlords in Kandahar had been allowed to build up militias that they claimed were private security companies," and that these private security companies were "a creation of the international community."[60] Ahmed Wali Karzai, President Hamid Karzai's brother, agrees: "[the guards] are the ones who know how to make bombs and shoot AK-47s. They are well-experienced jihadi foot soldiers. Most of them are now part of security companies." If they were not working for the security companies, Mr. Karzai stated, they would likely join the Taliban.[61]

Warlords Control the Highways

A warlord's power is principally derived from his ability to control security within a defined territory. The business of warlordism is to seek rents from those who would occupy that space, whether the local population or trucks attempting to transit through it. Given the extremely limited road network in Afghanistan, highways are prime real estate. If a highway also happens to be a critical component of the U.S. supply chain for the distribution of goods in Afghanistan, the opportunity for rent-seeking is massive. Of course, the business model depends on the warlord's ability to monopolize control of the highway and to fight off competition.

In Afghanistan, warlords control many of the main highways used by the U.S. supply chain, particularly in the south, east, and west. Sophisticated consumers of the Afghan road network (the local Afghan trucking companies) have learned how to navigate this patchwork of highway warlords by paying the right warlord at the right section of highway. Like a *prix fixe* menu, a list provided to the Subcommittee by an HNT contractor details which "escort provider" operates on which sections of road between various U.S. forward operating bases in Afghanistan:[62]

[redacted]

#	Origin	Destination	the escort provider	COMPANY NAME
1	AIR BORNE	SAYED BAD	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
2	AIR BORNE	CARWILE	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
3	AIR BORNE	GHAZNI	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
4	AIR BORNE	FOUR CORNERS	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
5	AIR BORNE	SHARANA	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
6	AIR BORNE	WARRIOR	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
7	AIR BORNE	APPACHE	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
8	AIR BORNE	KANDAHAR	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
9	AIR BORNE	LASHKARGHA	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
10	AIR BORNE	BASTION	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
11	AIR BORNE	LEATHERNICK	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
12	AIR BORNE	FARAH	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
13	AIR BORNE	SHINDAND	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
14	AIR BORNE	HEART	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
15	AIR BORNE	QALA E NOW	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
16	AIR BORNE	TRAIN KWOT	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
17	AIR BORNE	FRONTENACK	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
18	AIR BORNE	LUNDELL	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
19	AIR BORNE	DERAWOOD	COMMANDER ROHULLAH	WATAN RISK MANAGEMENT
20	GHAZNI	SHARANA	COMMANDER RAHIM	NO COMPANY
21	GHAZNI	FOUR CORNERS	COMMANDER RAHIM	NO COMPANY
22	QALAT	WOLVRINE	ANA	NO COMPANY
23	QALAT	SWEENY	ANA	NO COMPANY
24	KANDAHAR	SPIN BOLDAK	ANP	NO COMPANY
25	KANDAHAR	FRONTENACK	COMMANDER MATIULLAH	NO COMPANY
26	KANDAHAR	TRAIN KWOT	COMMANDER MATIULLAH	NO COMPANY
27	KANDAHAR	LUNDELL	COMMANDER MATIULLAH	NO COMPANY
28	KANDAHAR	DERAWOOD	COMMANDER MATIULLAH	NO COMPANY
29	KANDAHAR	QALAT	COMMANDER MASUD	NO COMPANY
30	KANDAHAR	WOLVRINE	COMMANDER MASUD	NO COMPANY
31	KANDAHAR	SWEENY	COMMANDER MASUD	NO COMPANY
32	KANDAHAR	BULLARD	COMMANDER MASUD	NO COMPANY
33	KANDAHAR	LASHKARGHA	COMMANDER ANGAR	NO COMPANY
34	KANDAHAR	BASTION	RAHMAT	NO COMPANY
35	KANDAHAR	LEATHERNICK	MASUD	NO COMPANY
36	KANDAHAR	RAMROD	MASUD	NO COMPANY
37	KANDAHAR	MAIWAND	MASUD	NO COMPANY
38	KANDAHAR	DWYER	KAKA SHARB	NO COMPANY
39	KANDAHAR	DWYER	TURJAN	NO COMPANY
40	KANDAHAR	DWYER	KOKA	NO COMPANY
41	KANDAHAR	DELARM	COMMANDER HABIBULLAH	NO COMPANY
42	KANDAHAR	SHINDAND	COMMANDER HABIBULLAH	NO COMPANY
43	KANDAHAR	STONE	COMMANDER HABIBULLAH	NO COMPANY
44	KANDAHAR	FARAH	COMMANDER HABIBULLAH	NO COMPANY

Commander Ruhullah and Watan Risk Management

Commander Ruhullah dominates the critical section of Highway 1 between Kabul and Kandahar, an area that is the central supply artery for the U.S. and NATO mission in southern Afghanistan and also happens to be heavily infiltrated by the Taliban.[63]

The U.S. supply chain operates on Ruhullah's schedule; his local sub-commanders will wait several days to gather as many trucks as possible before moving, even if some trucks are days or weeks overdue at their destinations.

In a typical convoy movement, Commander Ruhullah assembles between 200-400 trucks carrying U.S. supplies in Maydan Shahr, just south of Kabul. The U.S. supply chain operates on his schedule; his local sub-commanders will wait several days to gather as many trucks as possible before moving, even if some trucks are days or weeks overdue at their destination. Commander Ruhullah guards the convoy with teams of several hundred men. The guards travel in pickup trucks and SUVs. Some trucks have mounted heavy machine guns and many others carry RPGs. The trip takes roughly three days and a different team handles each leg.[64]

Commander Ruhullah operates under the license of Watan Risk Management, a registered security company owned by Ahmed Rateb Popal and Rashid Popal, two cousins of President Karzai. Watan Risk Management has some Western management, a website, and contracts to protect U.S. forward operating bases and U.S.-funded development projects. The Popals welcomed an interview with the Subcommittee staff and spoke candidly about their operations. Commander Ruhullah runs convoy security operations with relative autonomy; the Popals provide some Western interface (they speak perfect English) and their company's security license. The Popal brothers are eager to exit the convoy security business due to the headache of recent negative publicity.[65]

Whether they know it or not, most of the HNT prime contractors use Commander Ruhullah for security. Of the eight prime HNT contractors, all but one contract directly or indirectly with Watan Risk Management.

Whether they know it or not, most of the HNT prime contractors use Commander Ruhullah for security. Of the eight prime HNT contractors, all but one contract directly or indirectly with Watan Risk Management. Only a very small handful of convoy security providers travel that section of Highway 1 without employing Commander Ruhullah's services.[66] Those competitors and the trucks that they protect claim to experience abnormally high incident rates.[67]

At a price of up to $1,500 per truck, and with several thousand HNT trucks traveling between Kabul and Kandahar every month, Commander Ruhullah and Watan Risk Management make several tens of millions of dollars per year providing convoy security.[68]

Kandahar Security Force

With the Popal brothers eager to leave the convoy security business, Commander Ruhullah has new aspirations: establishing a single brokerage firm that will serve to connect coalition contractors to most of the principal local warlords in their respective regions within southern Afghanistan. The "Kandahar Security Force," as it will be called, will include two dozen warlords and commanders who have been providing unregistered private security services in and around Kandahar. Commander Ruhullah will be president of this new venture.[69]

Photo Credit: Subcommittee Staff

Commander Ruhullah explained that the reason for creating the Kandahar Security Force was to "legitimize" the security providers that are already operating in the region. These security providers will operate under the Kandahar Security Force flag, but each will be given his own separate contracts and Commander Ruhullah believes there will be no internal competition.[70] Ahmed Rateb Popal of Watan Risk Management believes that the Kandahar Security Force simply gives the gloss of an official license to a collection of warlords and commanders. He wants a "clean government," but said that the current government is "too weak," and transporters

have "no choice" but to rely on these warlords and commanders. His brother, Rashid Popal, agreed and stated that the current situation "creates a state of anarchy." In his view, the Kandahar Security Force "will not improve the security situation."[71]

In sum, Commander Ruhullah hopes to create a confederation that would monopolize private security in and around Kandahar just as Kandahar is becoming the key strategic focal point of the U.S. mission. His proposal for a license for the Kandahar Security Force is pending before the Afghan cabinet's security committee.[72]

Operating under the façade of a registered private security company will bring the unlicensed warlords who join Kandahar Security Force into technical compliance with Afghan licensing requirements but it will not fundamentally change the way they operate or improve their accountability. When asked what kind of oversight and control he would have over the collection of commanders that he would lead, Commander Ruhullah stated simply that, in the event of any problems, he would "take care of it."[73]

If approved, the Kandahar Security Force would become the single largest private security provider in Afghanistan. According to Commander Ruhullah and the Popals, the idea to create the Kandahar Security Force originated with former Afghan Interior Minister Hanif Atmar, and has been approved by the Ministry of Interior's anti-terrorism department.[74] Some top Afghan officials have supported the proposal, ostensibly as a means of uniting and controlling powerful, unregistered groups that they depict as competing violently for coalition contracts.[75]

Others have raised concerns that the consolidation of private security commanders in southern Afghanistan will further empower Ahmed Wali Karzai, the powerful head of the Kandahar Provincial Council and the brother of President Karzai. Carl Forsberg of the Institute for the Study of War describes Ahmed Wali Karzai's *modus operandi* as gaining "the loyalty of militia commanders in exchange for distributing lucrative contracts from international actors."[76] Mr. Forsberg adds, "Ahmed Wali Karzai's connections and influence allow him to collect a cut of most of the business transactions occurring in Kandahar City."[77]

In an interview with the Subcommittee staff, Ahmed Wali Karzai denied any operational or beneficial involvement in the Kandahar Security Force. He said that he has never been involved with any private security company and that he only helped to facilitate the meeting in which the individual commanders had agreed to come together under a "single umbrella." Mr. Karzai believes that the creation of the Kandahar Security Force will be beneficial because it will allow unregistered commanders to register their guards, vehicles, and weapons. He said that the commanders had also been asked to limit their movements within Kandahar City and to transfer their bases of operation to outside the city.[78] Commander Ruhullah was similarly adamant that Ahmed Wali Karzai was not "involved in any way" with the creation of the Kandahar Security Force: "He will have no ownership whatsoever."[79]

In any event, if the Kandahar Security Force does come to fruition, it will undoubtedly take over from Watan Risk Management as the principal private security provider and broker for the U.S. supply chain in Afghanistan.

Commander Matiullah Khan

Matiullah Khan is the leading private security provider and principal warlord of Uruzgan Province, just north of Kandahar. Matiullah's nominal title is chief of the provincial highway police, despite the fact that the highway police force was disbanded years ago. He commands an armed militia of over 2,000 men, called the Kandak Amniante Uruzgan (KAU), and controls all traffic along the main highway between Kandahar and Tarin Kowt, the provincial Uruzgan capital.[80]

In a recent front page profile, the *New York Times* described Matiullah as the "most powerful man" in Uruzgan:

> Matiullah Khan [is] the head of a private army that earns millions of dollars guarding NATO supply convoys... In little more than two years, Mr. Matiullah, an illiterate former highway patrol commander, has grown stronger than the government of Oruzgan Province, not only supplanting its role in providing security but usurping its other functions, his rivals say, like appointing public employees and doling out government largess. His fighters run missions with American Special Forces, and when Afghan officials have confronted him, he has either rebuffed them or had them removed.[81]

Ahmed Wali Karzai credits Matiullah with almost single-handedly making Uruzgan Province safe. He describes him as a "very successful police officer" who is "in charge of highway patrol" and earned the support of the people. He claims that "the Taliban have been defeated in Uruzgan," largely because of Matiullah. According to Mr. Karzai, Matiullah also uses his armed force, the KAU, to fight Taliban in neighboring provinces, including Northern Kandahar and Zabol.[82]

Every HNT contractor and subcontractor assigned to take U.S. supplies to Uruzgan exclusively uses Matiullah's security services at a cost of between $1,500 and $3,000 per truck, per mission. The CEO of a private security company in Afghanistan stated that, "Matiullah has the road from Kandahar to Tarin Kowt completely under his control. No one can travel without Matiullah without facing consequences. There is no other way to get there. You have to either pay him or fight him."[83]

Private trucking companies supporting the Dutch and Australian forces based in Uruzgan also exclusively use Matiullah for highway security.[84] With over 200 support trucks per month for these NATO forces, news accounts estimated that he earned $4 million to $6 million per year from NATO security alone.[85]

Matiullah is the nephew of Jan Mohammad Khan, the deposed governor of Uruzgan. When the Dutch took responsibility for Uruzgan in 2006, they demanded that President Karzai fire Jan Mohammad Khan for his notorious drug smuggling and human rights abuses. Subsequently, the Dutch blocked Matiullah from being formally named as the police chief because of his human rights record as his uncle's leading enforcer.[86] According to press accounts, "[h]e led the hit squads that killed stubborn farmers who did not want to surrender their land, daughters, and livestock to the former governor."[87] One high-ranking Dutch official claimed that Matiullah is so feared that, "[i]f we appoint Matiullah police chief, probably more than half of all people in the Baluchi valley would run over to the Taliban immediately."[88]

"Matiullah has the road from Kandahar to Tarin Kowt completely under his control. You have to either pay him or fight him."

– Private Security Company Executive

Although the NATO forces stationed in Uruzgan are totally dependent on Matiullah to permit their supply convoys to travel the roads he controls, they publicly distance themselves from him. In response to press inquiries, a Dutch government spokesman stated that the Dutch Ministry of Defense does not pay Matiullah directly, but "it is up to local transporters whether they find it necessary to pay for protection."[89] Meanwhile, "[t]he [Australian Defense Forces] will neither confirm nor deny knowledge of payments to Colonel Khan," but privately they acknowledged to reporters that they are dependent upon his permission for their supply routes.[90]

Colonel Abdul Razziq

Abdul Razziq has many titles – "Commander," "Colonel," "General," "Director" – but what matters is that he controls the Chaman-Spin Boldak border crossing, the crucial gateway for all supplies coming from Pakistan directly to southern Afghanistan. At age 30, Colonel Razziq is the chief of the Achakzai tribe which straddles the border area. His semi-official title is the chief of staff of the provincial border police. "According to U.S. military officials, Razziq wields near total control over Spin Boldak and the border crossing... [He] owns a trucking company, commands 3,500 police, effectively controls the local government, and reportedly takes in millions from extorting passing vehicles and trafficking drugs."[91]

During a congressional delegation to Afghanistan, U.S. and NATO commanders readily acknowledged that Colonel Razziq takes a major cut of all trucking that passes through the "Friendship Gate" at the border crossing, but they believe they are so dependent on his tight grip over the border they have no choice but to work with him.[92] Indeed, in mid-January 2010, General Stanley McChrystal himself flew to Spin Boldak to encourage Colonel Razziq to increase traffic and improve efficiency along the border.[93]

It is not clear how much Colonel Razziq earns from taxing U.S. and NATO supply convoys crossing the border, but, according to one former high-level member of his border police, he makes between $5 million and $6 million per month from his various border businesses.[94]

Pacha Khan Zadran

Pacha Khan Zadran, also known as "the Iron Grandpa," is currently a member of the Upper Parliament in Afghanistan, owns significant trucking assets, and provides convoy security in and around Paktia and Khost provinces.[95] He is a former mujahedeen who helped to topple the Taliban regime in 2001. He was appointed governor of Paktia Province by Hamid Karzai in December 2001, but was forced out of office in February 2002.[96] He responded violently, "many lives were lost as his fighters rocketed Gardez from the surrounding hills."[97] He was arrested by Pakistan in 2003 over "renegade" activities, including attacking government forces in Paktia, though he was allowed to return to Afghanistan in 2004.[98] Pacha Khan reportedly commands a private militia of 2,000 men who "control all major checkpoints on the main roads." But, Pacha Khan objects to the term "warlord": "They must not call us warlords. If you call us warlords, we will kill you."[99]

According to the *Boston Globe*, "[a]t least five people were held for years at Guantanamo Bay prison partly because they allegedly had ties to Pacha Khan Zadran."[100] Pacha Khan himself was never imprisoned there and was pardoned by President Karzai following his return to Afghanistan in 2004.[101] He became a member of Parliament in 2005.[102]

Pacha Khan and his three sons – Sediq, Rauf, and Dawalat – provide security services to a number of HNT contractors in the Gardez-Khost area.[103] According to one HNT contractor, Pacha Khan controls this region and it is not safe to operate there without paying his companies for security.[104] A former country manager of another HNT contractor reported to the military that Pacha Khan "controls who is able to access the bases to fulfill missions" and that his company was asked to pay a fee for trucks to pass through the area.[105]

Koka

Abdul Wali Khan, who goes by the name "Koka," is a warlord-cum-"police chief" in Musa Qala district, northern Helmand Province. His armed forces provide protection services for U.S. and NATO supply convoys over a wide swath of southern Afghanistan.

Only one HNT trucking company directly contracts with Koka for security, but others may do so indirectly through layers of subcontracting. Representatives of that company stated that Koka provides security to HNT trucks in and around forward operating base Dwyer.[106]

Koka has had a roller coaster relationship with coalition forces. In 2002, he was imprisoned by the U.S. for 14 months at Bagram jail "for suspected insurgent involvement."[107] After his release, by one press account, "he reappeared as a militia commander and lawman for the Afghan Government in Musa Qala, where by 2006 his tenure was marked by allegations of human rights abuses, killings and robberies."[108] According to the governor of Helmand, Koka took $20,000 a day in opium taxes and was involved in many mass murders.[109]

In 2006, the Taliban took over Helmand and the British forced President Karzai to remove Koka as a police official. According to the British commander at the time, "the UK does not want Koka here; all our good work could be undermined by the baggage he brings with him."[110]

In 2008, however, President Karzai strongly criticized the British for doing more harm than good by forcing the removal of Koka and other officials. "The mistake was that we removed a local arrangement without having a replacement. We removed the police force. That was not good."[111] Under pressure from President Karzai, the Afghan Ministry of Interior, and the Afghan National Army, the British relented, and Karzai reinstated Koka as police chief. Having no other choice, the British embraced him, even decorating the district with posters of Koka tending to a wounded civilian in front of a mountainous backdrop.[112]

Other Private Security Providers

Other private security providers for HNT convoys include Commander Rahim, Commander Masud, Commander Angar, Commander Habibullah Jan, Colonel Haji Toorjan, Gul Agha Sherzai, and General Gulalai.

2. *The Highway Warlords Run a Protection Racket*

Finding: The HNT contractors and their trucking subcontractors pay tens of millions of dollars annually to local warlords across Afghanistan in exchange for "protection" for HNT supply convoys to support U.S. troops. Although the warlords do provide guards and coordinate security, the contractors have little choice but to use them in what amounts to a vast protection racket. The consequences are clear: trucking companies that pay the highway warlords for security are provided protection; trucking companies that do not pay believe they are more likely to find themselves under attack. As a result, almost everyone pays. In interviews and documents, the HNT contractors frequently referred to such payments as "extortion," "bribes," "special security," and/or "protection payments."

Rashid Popal, the President of Watan Risk Management, praised Matiullah Khan lavishly. "Matiullah is a genius. Without him, Tarin Kowt [the capital of Uruzgan] would fall [to the Taliban]." According to Mr. Popal, Matiullah provides effective security and jobs for his province. He can do this because any contractor working there "must hire subcontractors and workers" from his province. Everyone, including Mr. Popal, must pay for Matiullah's security services to travel up the road from Kandahar to Tarin Kowt. There are no exceptions: "[n]o one leaves without paying... Matiullah will kill anyone on his highway, Taliban or not." A driver interviewed by the *New York Times* echoed that assessment: "It's suicide to come up this road without Matiullah's men."[113]

While a small handful of security companies apparently do operate convoy secruity missions on Highway 1 without paying Commander Ruhullah, they do so at their peril.

Along Highway 1, between Kabul and Kandahar, HNT contractors report that Commander Ruhullah runs a similar, but less effective, protection racket. To most trucking contractors, Commander Ruhullah "controls" Highway 1. According to the former country manager of one HNT company that contracted with Watan, "you had to pay Ruhullah to either provide security or let [us] go through his territory." Commander Ruhullah held his company "hostage;" if he did not pay, he believed his trucks would be "shot up."[114]

While a small handful of security companies apparently do operate convoy security missions on this route without paying Commander Ruhullah, they do so at their peril. These companies report regular intimidation, "contact," and "surprises" that they attribute to Commander

Ruhullah. While there is no comprehensive incident data to compare how each security company fares on Highway 1, there is widespread agreement among HNT contractors that those who do not use Commander Ruhullah face significantly greater risk.[115]

An executive from one private security company that travels Highway 1 without paying Commander Ruhullah said that U.S. supply convoys guarded by his company had come under attack by Commander Ruhullah's men on multiple occasions. "[He] was trying to scare us into not participating on his route, attacking our resolve to continue to service the route." He continued, "[Commander Ruhullah] operates with relative impunity from Ghazni to Kandahar, and even into Helmand Province… He is willing to ruthlessly exploit the lack of military control along the routes on which he operates."[116]

Photo Credit: Subcommittee Staff

In an incident report from the summer of 2008, the security company reported hostile contact with 15-20 insurgents. According to the report:

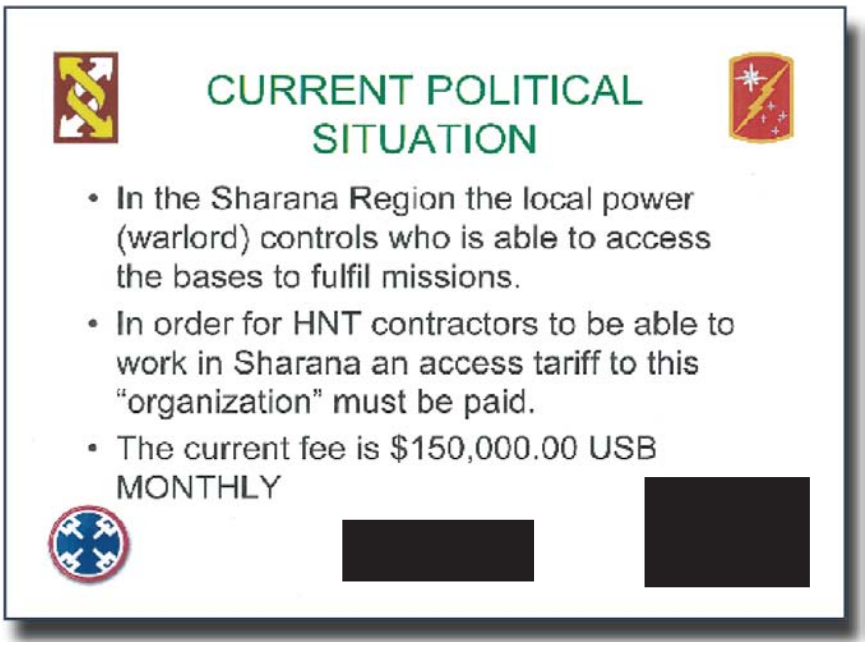
> [The convoy security commander] came to the conclusion that this ambush… was well planned by Rohollah due to the following reason: When [the convoy security commander's] guards were moving with [the Ministry of Defense] convoy and Rohollah's guards, they were moving together till after Baghi Poul, when the convoy was at Howz-e-mdad, the rohollah's surfs [trucks] was in front of convoy and not with [the convoy security commander's] guards, they

> scattered themselves from [the convoy security commander's] guards. Close to Keskenadkhod, the surfs of Rohollah were in front of convoy, minutes before the ambush the guards of [the convoy security commander] could see that the guards of Rohollah were busy on their phones and now know that they were talking with the insurgents. Just before the ambush, 2 x Surfs (one of these Surfs as a black surf, the guards recognized this surf as the QRF for Rohollah's Ass commander) and 2 X Corolla's, **these vehicles came from the village and waited for Rohollah's surfs to pass before they started engaging with the weapons onto the guards of [the convoy security commander], that guards of Rohollah never returned fire onto the insurgents**.[117]

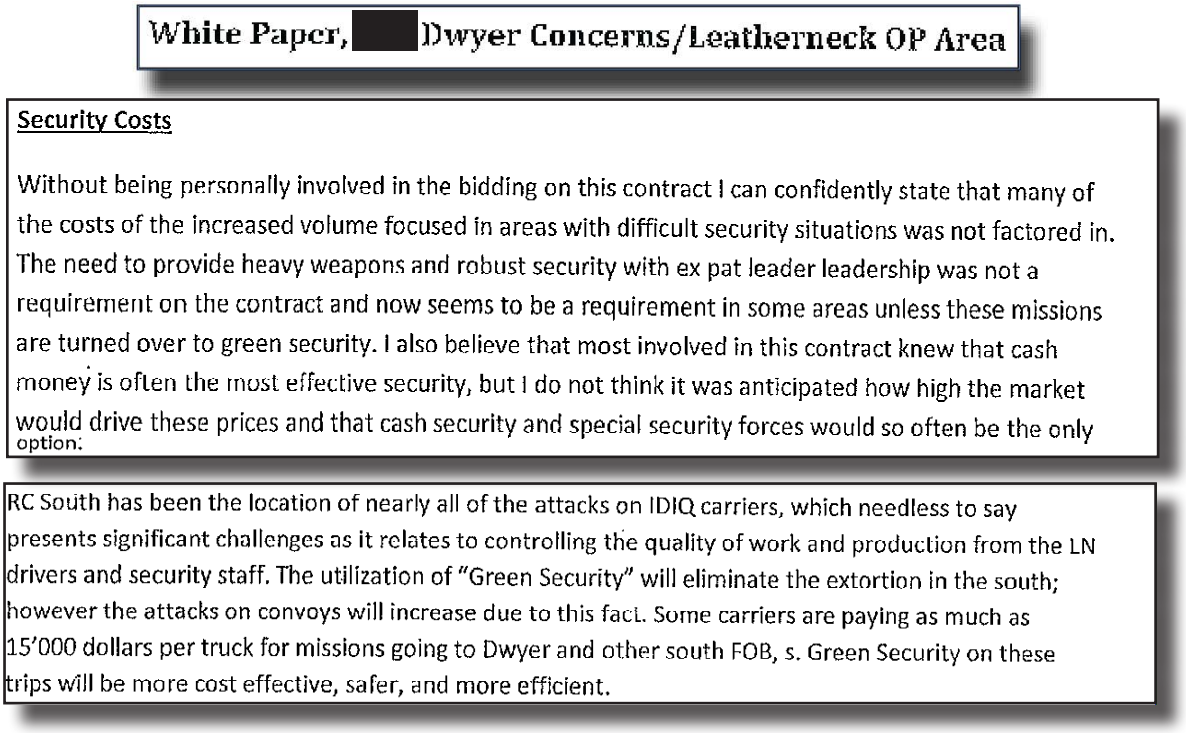
An HNT trucking contractor reported similar results. The company used Watan Risk Management with few major incidents in thousands of truck missions. On the handful of occasions that the company attempted to provide its own security on Highway 1, a senior executive reported that they "got shot up" and suspected Commander Ruhullah's fingerprints on the attack. For that company, the lesson was plain: "if we use Watan it works, if we use [our own] security it doesn't."[118]

Documents and Correspondence Reflect a Vast Extortion Racket

In a PowerPoint presentation dated May 9, 2009 (several days after performance of the HNT contract began), the country manager for one HNT prime contractor reported that his company was having trouble transporting goods to a U.S. forward operating base in Sharana, Paktika Province (key slide excerpted below):[119]



When the military logisticians asked the prime contractors why they would not support missions to certain particularly insecure locations, the contractors vented about the high cost of "special security," and "protection payments." In a white paper submitted to the military in the Summer of 2009, one contractor complained about the high cost of security:[120]



White Paper, [redacted] Dwyer Concerns/Leatherneck OP Area

Security Costs

Without being personally involved in the bidding on this contract I can confidently state that many of the costs of the increased volume focused in areas with difficult security situations was not factored in. The need to provide heavy weapons and robust security with ex pat leader leadership was not a requirement on the contract and now seems to be a requirement in some areas unless these missions are turned over to green security. I also believe that most involved in this contract knew that cash money is often the most effective security, but I do not think it was anticipated how high the market would drive these prices and that cash security and special security forces would so often be the only option.

RC South has been the location of nearly all of the attacks on IDIQ carriers, which needless to say presents significant challenges as it relates to controlling the quality of work and production from the LN drivers and security staff. The utilization of "Green Security" will eliminate the extortion in the south; however the attacks on convoys will increase due to this fact. Some carriers are paying as much as 15'000 dollars per truck for missions going to Dwyer and other south FOB, s. Green Security on these trips will be more cost effective, safer, and more efficient.

In response to the same Department of Defense request for information on security and costs on certain routes, another HNT project manager responded:

> The cost of security for these vehicles is very high and absorbs most of any profit we would make. Sub Contractors and drivers request more money to operate in this area, further adding to the problems for our companies… The cost of Private Security is exceptionally high, with companies attempting to raise their prices continually. **It is believed that a part of these charges are being paid as bribes to local Commanders, and therefore inevitably to the enemy**… As previously stated this is one of the most volatile regions of the country. There is a continuous threat of roadside IED, and ambush. **There will also be a threat, not only from enemy forces but from local commanders who have not been paid their tax.**[121]

In an e-mail dated May 4, 2009 (within days of the beginning of the HNT contract), one HNT project manager wrote to his colleague: "the more dangerous the missions, entering areas where the Taliban controls, the more corruption we will have to deal with which for example requires an additional fee to get your trucks through without getting hit."[122]

In an e-mail dated June 9, 2009 between senior managers of the same contractor, the project manager wrote:

> I had a conversation with [the CEO of their trucking subcontractor] when I was devising the attached OP's plan and he became extremely offensive when I started asking him some very hard questions. Per a conversation he and I had last week we had 80 security vehicles so as you can see the plan is based on this number. When we got down to allocating vehicles per region per the plan he stated that we may not have 80 vehicles all the time. (what ever the F%$#! that means) **He then stated that the money that is allocated for the vehicles is sometimes utilized to pay the "Special Security" in the south and southwest so naturally I asked if we are using that money to pay them then why the F^%$#@ are we being charged 14,500 per truck going to the same areas, are we paying them twice?????????!!!!!!!!!!!**[123]

The contractor subsequently submitted a "request for equitable adjustment" to the Department of Defense to raise its contract price to account for the increased costs of "special security." The Department denied the request.

3. *Protection Payments for Safe Passage Are a Significant Potential Source of Funding for the Taliban*

Finding: Within the HNT contractor community, many believe that the highway warlords who nominally guard the trucks in turn make protection payments to insurgents to coordinate safe passage. This belief is evidenced in numerous documents, incident reports, and e-mails that refer to attempts at Taliban extortion along the road. The Subcommittee has not uncovered any direct evidence of such payments and Commander Ruhullah, the Popal brothers, and Ahmed Wali Karzai all adamantly deny that any convoy security commanders pay insurgents. According to experts and public reporting, however, the Taliban regularly extort rents from a variety of licit and illicit industries, and it is plausible that the Taliban would try to extort protection payments from the coalition supply chain that runs through territory in which they freely operate.

> *Every truck costs about $200 as a bribe I pay on the route – to police or Taliban. The Taliban don't care about small money: they ask for $10,000, $20,000 or $50,000 when they kidnap people.*
>
> – Haji Fata, CEO of Mirzada Transportation Company, as quoted in a November 13, 2009 Financial Times article, *High Costs to Get NATO Supplies Past Taliban*, by Matthew Green and Farhan Bokhari

Many within the HNT contractor community believe that a large portion of their protection payments to local warlords for convoy security subsequently go to the Taliban or other anti-government elements, the forces that actually control much of Afghanistan and many of the key routes used for transportation of U.S supplies. According to a former HNT project manager, it is widely known that the operational environment in Afghanistan requires payoffs to local warlords and the Taliban for safe passage of trucking convoys.[124]

A former employee of an HNT contractor that utilizes Watan Risk Management for security described a symbiotic relationship between Commander Ruhullah and the Taliban. According to this account, Commander Ruhullah only pays off Taliban forces if they are persistent enough to create a problem for Watan Risk Management guards on the road. Many firefights are really

negotiations over the fee.[125] Another former HNT program manager who spent many years in the military said that he had "no doubt whatsoever" that Commander Ruhullah collaborated with insurgents.[126]

Asked whether Commander Ruhullah coordinated safe passage with insurgent groups, one security company executive stated:

> [W]e believe that Ruhullah serves his own needs at all times … We are of the opinion that, when it suits his need, he will engage with Taliban or similar elements. He will provide supplies and sell weapons to those elements but generally he is operating for his own benefits. So yes, he has links to [the Taliban] but he is not aligned with them. He doesn't consider himself a part of the Taliban.[127]

Documents Reflect Concern Regardging Taliban Extortion

Documents provided to the Subcommittee by the Department of Defense and contractors also reflect concerns regarding protection payments to hostile actors. For example, according to notes from a meeting of all HNT project managers and military logisticians, the participants specifically discussed protection payments "funding the insurgency":

> The PM [Project Manager] HNT from [an HNT contractor] asked LtCol Elwell if there was any progress on the Up Arming Authority [a request to be able to use greater armaments]. It was highlighted that this authority would enable IDIQ Carriers the flexibility to choose PSC to perform convoy security. **By gaining this authority IDIQ Carriers would stop funding the insurgency of what is estimated at 1.6 – 2 Million Dollars per week.**[128]

In an incident report filed by an HNT contractor in late 2007 (before the HNT contract started), the security manager wrote:

> Contacted through the carrier by the Taliban commander that we have to pay for safe passage if we want our truck to go through the area … [W]e were informed that this was a statement from the Taliban that if we did not want our assets engaged we had to pay a protection fee.[129]

In addition, as discussed in Finding 7, *infra*, many of the military logisticians that oversaw the contract were under the impression that the Taliban did receive protection payments, though this information was largely based on information provided to them by HNT contractor representatives.

Security Providers Deny Paying the Taliban

Commander Ruhullah and Watan Risk Management adamantly deny paying the Taliban. Rashid Popal stated that neither Watan nor convoy security companies could be "making deals" with the Taliban, and to suggest otherwise represented a lack of understanding of the Taliban's organizational structure. He argued that it would be "impossible to pay them off" because the Taliban is too decentralized and will not take money from "infidels."[130]

Commander Ruhullah pointed to his frequent firefights with the Taliban as evidence that he does not pay them. He claims to have lost 450 men in the last year alone and stated that his men had killed 20 Taliban in a major engagement earlier in the week. In the middle of his interview with Subcommittee staff, Commander Ruhullah received a call on his mobile phone and got up to speak in a hushed voice in the corner.[131] Later that day, his associate said that the sub-commander who had led the attack that killed the 20 Taliban had himself been slain in a retaliatory ambush. Commander Ruhullah had been informed of the slaying on the call during the interview, he said.[132]

Ahmed Wali Karzai also stated that private security companies were not paying the Taliban for safe passage. "It's impossible to pay everyone... The Taliban is not one any longer. There are different tribes and groups. One person does not control a 400 kilometer road. Maybe there is one leadership in Pakistan, but when you come down here, there are different tribes, different groups, different people." Mr. Karzai gave an example: "a guy in Helmand bought 30 dump trucks and paid one Taliban commander to get them through, but soon another [Taliban commander] heard of this and came and burnt all the trucks." [133]

Mr. Karzai argued that the increased danger on the road was partially a result of a *fatwa* issued by the Taliban that amounted to a "license to steal from Americans." As a result, there is no one group that could be bought off, but "hundreds and hundreds of groups trying to steal whatever they can along the road." Because unemployment is so high – and the fact that "an AK-47 is like a mobile phone, everyone has one" – the road has become virtual anarchy and the private security companies must fight their way through.

Discrepancies in Incident Reporting

According to the U.S. Army's 2006 "Counterinsurgency Manual," "[l]ogistic providers are often no longer the tail but the nose of a [counterinsurgency] force… Logistic units are perceived by insurgents as high-payoff targets and potential sources of supplies; thus lines of communications (LOCs) are a main battle area for insurgents."[134] Despite the insecurity of Afghanistan and the vulnerability of the supply lines there, many in the military believed that there were suspicious discrepancies in the incident rates for different HNT carriers and different security providers.[135]

There is little hard data regarding the number and location of security incidents on the HNT contract in Afghanistan, and the data that is available is unreliable, but some evidence does support the discrepancies of concern to the military. For example, the manager of one HNT trucking company that used Watan Risk Management for much of its security said that his company had run over 10,000 truck missions from May 2009 to April 2010, but had only lost seven trucks and two drivers due to hostile action during that period.[136] Another contractor that also used Watan Risk Management had run roughly 15,000 missions from October 2009 to March 2010 but had only lost six trucks during the same period.[137] Meanwhile, other contractors were reporting a "high number of casualties."[138]

Photo Credit: Militaryphotos.com

According to the former director of the Armed Contractor Oversight Directorate, his group had analyzed the incident reporting and determined that the discrepancies between companies reporting very low incident rates and companies reporting much higher incident rates was more than coincidence and should be further analyzed by the intelligence community.[139] If accurate, the low number of incidents reported by two of the carriers that were using Watan Risk Management for security would call into question the veracity of Commander Ruhullah's statement that he is engaged in daily gun battles with insurgents but failing to report them.

The Taliban Regularly Attempt to Extort from U.S. Contractors and Projects

According to U.S. officials, public reporting, and multiple experts, the Taliban regularly attempt to extort money from contractors for U.S. and coalition logistics and development work. Indeed, in December 2009, Secretary Clinton acknowledged before the Senate Foreign Relations Committee that "one of the major sources of funding for the Taliban is the protection money."[140]

Such protection payments are alleged to be widespread across a number of different industries in Afghanistan: reconstruction projects, telecommunications systems, poppy cultivation and smuggling, and transportation.[141]

A 2009 report on private security contractors in Afghanistan published by New York University alleged widespread protection payoffs to insurgents:

> Illicit taxation of PSPs [private security providers] escorting convoys and other scams on private transport and security are also an important source of funding for corrupt police and insurgents … Although it is transportation and construction companies, both international and national, who are the main source of "protection" revenue, private security escorts also pay Taliban not to be attacked. According to an Afghan intelligence official, there are examples of PSPs paying as much as 60 percent of their gross profits for convoy security to the Taliban and other insurgent-cum-criminal groups for "protection."[142]

Several recent articles have described Taliban extortion of USAID-funded reconstruction projects. According to one author, the Afghan Threat Finance Cell, along with "military and embassy officials confirmed the insurgents also use extortion of U.S. development money for their funding, citing supply convoy shakedowns, construction protection rackets, Taliban 'taxes' on corrupt officials, pay-offs from NGOs and skims from poorly overseen government projects of the National Solidarity Program."[143] According to a quote attributed to a former security consultant in Afghanistan, "I have yet to find a security company that doesn't rely on payoffs to the Taliban."[144]

In another article, a journalist examined a small $200,000 dam and irrigation project: "In spite of the U.S. intervention in this Taliban-ridden region, the dam project has been counter-intuitively free of attack, leaving soldiers here suspicious. [Agri-business Development Team] commander Col. Brian Copes says: 'The Taliban might have taken 30 or 40 percent right off the top, and now [the contractor's] struggling to perform, because he's got less than 100 percent of budget because the Taliban took their cut right off the top.'"[145]

The Afghanistan country director for a major international NGO reported that "the Taliban and local warlords typically take between 10-20% of the value of any project as the price to provide protection. The United States and international community are unintentionally fueling a vast political economy of security corruption in Afghanistan."[146]

Allegations of protection payments are not limited to contractors. In October 2009, the *Times of London* reported that the U.S. Ambassador to Rome had launched a formal protest to the Italian government that their military had a regular practice of paying the Taliban tens of thousands dollars in bribes to maintain peace in Herat, an area under their supervision.[147] Reportedly,

when the French took over the area from the Italians and did not pay these bribes, they came under immediate attack and ten soldiers died.[148] Prime Minister Berlusconi denied that his government had ever authorized such payments, although his administration was only three-months old when the transition from the Italians to the French took place.[149]

In the few public interviews with members of the Taliban, there is additional evidence that insurgents feed off of the massive influx of U.S. and coalition funds. A member of the Taliban publicly bragged in an interview that U.S. aid money funds their operations. When asked "what is the source of the Taliban's financing," he responded: "[f]rom U.S. dollars from the U.S. authorities!" He further explained, "[U.S. authorities] distribute dollars to the tribal chiefs, local administrators and other concerned people for welfare projects… Not every penny, but most goes into Taliban pockets to refuel their struggle."[150]

For his video series "Talking to the Taliban," journalist Graeme Smith conducted 42 video interviews with Taliban fighters. Mr. Smith concluded that "many kinds of negotiations with the Taliban have sprung up as the insurgents assert their presence in the outlying districts. Aid agencies and cell phone companies regularly negotiate safe passage of their workers across Taliban territory."[151]

Taliban Extortion of Other Industries

The Taliban's principal and most lucrative source of income in Afghanistan is its control of the opium trade. The Taliban have long profited off of the ten percent *ushr* tax levied on opium farmers, an additional tax on the traffickers, and a per-kilogram transit tariff charged to the truckers who transport the product.[152] In recent years, however, they have been "taking a page from the warlords' playbook," and regional and local Taliban commanders have been demanding "protection money from the drug traffickers who smuggle goods through their territory."[153] A 2007 analysis by the Jamestown Foundation described "arrangements whereby drug traffickers provide money, vehicles and subsistence to Taliban units in return for protection."[154] In addition, at even higher Taliban command levels, "senior leadership in Quetta are paid regular installments from narcotics kingpins as a general fee for operating in Taliban controlled areas."[155] Through these various forms of taxation and extortion, the Taliban have been estimated to earn nearly $300 million a year from the opium trade.[156]

While certainly the most lucrative, opium is not the only illicit business in Afghanistan and Pakistan from which the Taliban extorts payments to fund their operations. Throughout the Northwest Frontier Province (NWFP) and Federally Administered Tribal Areas (FATA) along Pakistan's border with Afghanistan, the Taliban have reportedly established a "symbiotic tie" with groups like the "timber mafia," for whom they serve as the "cavalry."[157]

In Afghanistan, the Taliban's ability to construct protection schemes extends beyond ungoverned, unprotected, or illicit industries. Since 2008, they have repeatedly extracted significant rents from the country's cell phone industry. According to several cell phone company executives quoted in a recent *Wall Street Journal* report, cell phone operators or their contractors "routinely disburse protection money to Taliban commanders."[158] These payments are in addition to money "openly passed to local tribal elders to protect a cell-tower site – cash that often ends up in Taliban pockets."[159]

In several provinces, including Kandahar, all of the national cell phone carriers (some of which are partly owned by major European companies) have made the joint decision to abide by a Taliban decree requiring them to shut off service from sun-down to sun-up. While the Taliban's ban was initially imposed to prevent potential informants from calling U.S. forces under the protection of darkness in order to provide tips on Taliban locations, it appears to have evolved into yet another form of extortion.

Amir Zai Sangin, the Afghan Minister of Communications, originally asked the companies to resist the Taliban's order. When the companies complied with the government's request and kept mobile service on during the evening, 40 telecommunications towers were destroyed at a cost of $400,000 each, and company employees were killed.[160] The government has since ceased demanding that the towers stay on at night. In a revealing admission, Mr. Sangin acknowledged that "there is no other way… We don't have the security to protect the towers."[161]

The Taliban's widespread extortion of people, businesses, contractors, NGOs, and criminal operations indicates that they are willing to finance their operations in whatever way possible, regardless of where those funds originate. With $2.16 billion being spent on the HNT contract, it is likely that the convoys would be yet another target for Taliban extortion.

4. *Unaccountable Supply Chain Security Contractors Fuel Corruption*

Finding: HNT contractors and their private security providers report widespread corruption by Afghan officials and frequent government extortion along the road. The largest private security provider for HNT trucks complained that it had to pay $1,000 to $10,000 in monthly bribes to nearly every Afghan governor, police chief, and local military unit whose territory the company passed. HNT contractors themselves reported similar corruption at a smaller scale, including significant numbers of ANP checkpoints. Military officials confirmed that they were aware of these problems.

Rashid Popal, the president of Watan Risk Management, raised his voice: "Why don't you ask me who I *do* pay?" After a number of questions regarding allegations of payments to the Taliban, Mr. Popal was eager to describe the real threat: "It is the *government* I am paying all along the way."[162] From Mr. Popal's perspective, the government, not the Taliban, "is the biggest threat to convoy security." Commander Ruhullah agreed. "Every government official is the enemy of these convoys," he declared.[163]

"Every government official is the enemy of these convoys."

– Commander Ruhullah

According to Commander Ruhullah and Watan Risk Management, bribes paid by drivers and security providers at Afghan National Army (ANA) and Afghan National Police (ANP) checkpoints represent only the tip of a pyramid of government corruption that feeds off of the U.S. supply chain. Rashid Popal quickly volunteered a list of government offices that his company must bribe in order to successfully escort HNT convoys along Highway 1, including governors, provincial police chiefs, district police chiefs, and local commanders for the National Directorate of Security, in addition to the local ANA and ANP units. Many of the bribes are paid monthly and range from $1,000 to $10,000.[164]

If the warlords and security companies are so powerful, why pay? According to the Popals, security companies view these bribes as "nuisance payments" because local government officials can make operations difficult for them. The government's ability to "deregister" private security contractors is of particular concern, which gives officials who control the licensing process significant power. Officials not able to leverage their authority on the licensing process simply impose "new laws and regulations on a daily basis." This is standard procedure according to Commander Ruhullah, who said that police chiefs and governors did their best to structure

laws in a way that enabled them to extort the convoys that passed through their areas of jurisdiction.[165] Commander Ruhullah gave an example: a new requirement in one area that all convoys wait until 10:00 p.m. to depart, forcing the convoys to travel during the more dangerous nighttime and giving local officials a full day to extort bribes. Another common practice of police harassment, he said, is to stop convoys and check every single guard's weapon for proper registration papers.[166]

Other government interventions cited by Watan Risk Management were more sinister. Rashid Popal claimed that a member of the Afghan Parliament had attempted to enlist Haji Musah, a "legendary fighter" and member of Hizb-I Islami Gulbuddin, an Islamist political and military group, in an attempt to muscle Commander Ruhullah and Watan Risk Management out of the convoy security business in one province.[167]

Rashid Popal stated that he had once asked a provincial governor why he forced Watan Risk Management to pay bribes even though the company had helped to improve the security of his province. According to Mr. Popal, the governor explained quite simply that he was forced to extort money from the private security companies in order to pay back what he had paid for his position. The same rules apply to police chiefs and other government officials who pay a set price to the provincial government in order to obtain their positions, said Mr. Popal.[168]

Other security and trucking contractors portrayed a more cooperative, albeit still corrupt, relationship between security companies and the ANA/ANP. One HNT contractor stated that Commander Ruhullah pays local ANA commanders as much as $300,000 per month to supplement Watan's security forces.[169] A security company executive concurred, stating that Commander Ruhullah "operates with corrupt members of ANP and ANA to achieve his desired outcomes," which often includes attacking or directly disrupting the operations of other security companies.[170] Commander Ruhullah flatly denied employing active ANA/ANP officers to work on his convoys, saying that he was only forced to pay bribes.[171]

Many of the HNT contractors also acknowledged that trucking convoys were forced to pay bribes to all manner of government officials at various stages along the road. The CEO of one HNT contractor said that his drivers are frequent targets of ANA and ANP extortion because they carry emergency cash reserves for breakdowns. He said that he issued specific orders to truck drivers not to pay bribes to the ANA and ANP and that his trucks had been impounded as a result, requiring him to go out personally by helicopter to free his drivers. The ANA and ANP know that the drivers carry between $400 and $1,000, he said, but in a cash-based society the drivers have no other option to pay for food, fuel, tires, and cranes in case of an accident. In Afghanistan, "every driver … must be self-sufficient on the road." As a result, many of his drivers pay the bribes out of fear.[172]

Another HNT contractor's country manager said that he had heard of "bribery and extortion by government officials," such as "checkpoints by ANP that request money" from drivers, but said that his drivers rarely speak about the payoffs and each believes that his "life is in danger if he reveals information."[173]

Military officials with oversight of the HNT contract were also aware of widespread allegations of official Afghan government corruption. Lieutenant Colonel Lewis, the HNT manager for the 143rd Expeditionary Sustainment Command, stated that he had heard significant reports regarding alleged bribes to the ANA outside of Kandahar Airfield. He took an armored vehicle and went to observe for himself, but he could tell that the ANA acted differently with him around.[174]

Lieutenant Colonel Elwell, the commander of the 484th Movement Control Battalion that directly managed the HNT contract, also reported that he was aware of unauthorized police checkpoints outside of Kandahar Airfield. Lieutenant Colonel Elwell stated that he had wanted to investigate official corruption further but it was difficult because the checkpoints moved frequently.[175]

5. *Unaccountable Supply Chain Security Contractors Undermine U.S. Counterinsurgency Strategy*

Finding: While outsourcing principal responsibility for the supply chain in Afghanistan to local truckers and unknown security commanders has allowed the Department of Defense to devote a greater percentage of its force structure to priority operations, these logistics arrangements have significant unintended consequences for the overall counterinsurgency strategy. By fueling unaccountable warlords and funding parallel power structures, the United States undercuts efforts to establish popular confidence in a credible and sustainable Afghan government.

> *In both conventional and irregular war, the normal rule of law – and attendant mechanisms for oversight and punishment – has deteriorated. As a result, the use of deadly force must be entrusted only to those whose training, character and accountability are most worthy of the nation's trust: the military. The military profession carefully cultivates an ethic of "selfless service," and develops the virtues that can best withstand combat pressures and thus achieve the nation's objectives in an honorable way. By contrast, most corporate ethical standards and available regulatory schemes are ill-suited for this environment. We therefore conclude that contractors should not be deployed as security guards, sentries, or even prison guards within combat areas. [Armed private security guards] should be restricted to appropriate support functions and those geographic areas where the rule of law prevails. In irregular warfare environments, where civilian cooperation is crucial, this restriction is both ethically and strategically necessary.*
>
> – Letter from Vice Admiral Jeff Fowler, Superintendent, U.S. Naval Academy to General James T. Conway, Commandant of the Marine Corps summarizing the 2009 McCain Conference on Ethics & Military Leadership

During the Soviet Union's ten-year war in Afghanistan, "[h]ardly a day would pass without a Mujahideen attack on enemy columns along the main highway connecting [Kandahar] with Ghazni." Much of the combat for the entire conflict gravitated around control and protection of the thinly stretched Soviet supply chain. More than three-fourths of Soviet combat forces were regularly involved in convoy security missions, which prevented them from ever sustaining a larger occupation force and controlling key cities such as Kandahar.[176]

In Afghanistan, the U.S. Department of Defense has created a new model of supply chain that relies entirely on private local contractors to carry and defend the food, water, shelter, fuel, and arms that our troops need to perform their mission. The logistics benefits of such a supply chain model are clear – U.S. troops are not put directly in harms way for logistics missions and can instead focus on higher priority objectives – but the costs to overall U.S. counterinsurgency strategy have not been adequately analyzed or assessed. As one former senior Department of Defense official in Kabul put it: "[t]his is symptomatic of what we are doing [in Afghanistan]. Our heart is in the right place, but the business model is to outsource important services and not look at the collateral consequences."[177]

"They Tend to Squeeze the Trigger First and Ask Questions Later"

In August 2009, General Stanley McChrystal released his "Commander's Initial Assessment" of NATO forces in Afghanistan where he declared that, "success demands a comprehensive counterinsurgency campaign" to gain "the support of the Afghan people." The assessment then specifically outlined how unrestrained, arbitrary force negatively impacts counterinsurgency efforts. Civilian casualties and collateral damage resulting "from an over-reliance on firepower and force protection have severely damaged ISAF's legitimacy in the eyes of the Afghan people." The assessment concluded that the Afghans perceived that ISAF was "complicit" in "widespread corruption and abuse of power."[178]

Screenshot of Watan Risk Management guards engaged in a firefight off Highway 1

While the Department of Defense may not know who operates and protects its supply chain, the Afghan people do. When a supply convoy of 300 trucks and 500 heavily armed guards rolls down Highway 1 engaging in firefights with competitors, criminals, and insurgents, the local population understands that it is an American convoy.[179] In other words, in the eyes of the Afghan population, the United States of America is responsible for the actions of Commander Ruhullah, Matiullah, Colonel Razziq, Koka, and others.

A recent article entitled, "Reckless Private Security Companies Anger Afghans," painted a portrait of U.S. military operators' frustration with the unaccountable private security companies protecting NATO supplies that travel through their battlespace:

> Private Afghan security guards protecting NATO supply convoys in southern Kandahar province regularly fire wildly into villages they pass, hindering coalition efforts to build local support ahead of this summer's planned offensive in the area, U.S. and Afghan officials say.
>
> The guards shoot into villages to intimidate any potential militants, the officials say, but also cause the kind of civilian casualties that the top U.S. commander in Afghanistan has tried repeatedly to stop.
>
> "Especially as they go through the populated areas, they tend to squeeze the trigger first and ask questions later," said Capt. Matt Quiggle, a member of the U.S. Army's 5th Stryker brigade tasked with patrolling Highway One, which connects Afghanistan's major cities.
>
> The troops say they have complained to senior coalition officials and have even detained some guards to lecture them about their conduct, but the problem has continued.
>
> Many suspect there has been little response because the security companies are owned by or connected to some of the province's most powerful figures…
>
> Public anger is directed at the Afghan government and coalition forces, making it more difficult for the U.S. and others to convince locals that they should look to them for protection rather than the Taliban, said Lt. Col. Dave Abrahams, deputy commander of a Stryker battalion that patrols the stretch of Highway One…
>
> "The irresponsible actions of these companies" are jeopardizing NATO's attempts to gain the support of local villagers, Abrahams wrote in an e-mail to his superiors late last year.

"They are armed, wearing uniforms, escorting U.S. convoys, and indiscriminately shooting into villages," said Abrahams, deputy commander of the 2nd Battalion, 1st Infantry Regiment, 5th Stryker Brigade, 2nd Infantry Division…

Abrahams, the deputy battalion commander, tried to address the problem in November by stopping two convoys as they passed his base.

"We basically detained their entire security force, and I sat down to talk to their leaders to tell them not to shoot without reason and basically threatened" to take away their certification to work for NATO, said Abrahams. "But we haven't been able to make good on it, which is part of our frustration."

Many of the gunmen have little or no training and many are also high on either heroin or hashish, Afghan and U.S. officials said…

Abrahams said he has tried to tell locals that he understands their plight, but he is consistently undermined by the wild shooting.

"Actions speak louder than words, and the locals see these drugged-out thugs with guns and trucks with 'The United States' painted on the side."

– U.S. Lieutenant Colonel Dave Abrahams

"Actions speak louder than words, and the locals see these drugged-out thugs with guns and trucks with 'The United States' painted on the side," said Abrahams.[180]

The NATO commander of Regional Command-South, British Major General Nick Carter, agreed with the Highway 1 Stryker Battalion assessment, describing private security contractors as operating in a "culture of impunity."[181]

Warlords Are a "Parallel Structure to the Government"

Units Employing [host nation] contractors and employees must watch for signs of exploitive or corrupt business practices that may alienate segments of the local populace and inadvertently undermine [counterinsurgency] objectives.

– General David Petraeus and General James Amos,
Counterinsurgency, Department of the Army (December 2006)

According to Qayum Karzai, President Karzai's brother and an Afghan-American businessman, "the majority of money that should have gone to the Afghan people has gone to warlords and they are more powerful now than they have ever been." In an interview with Subcommittee staff, Mr. Karzai lamented that warlords are "much more difficult to deal with now than they were nine years ago," and described them as the "single element that has sidelined the population." The population lost trust in "traditional Afghan political culture when warlords took over." "[The Afghan people] saw the fight between warlords and Taliban, and they disliked both of them."[182]

Qayum Karzai, Ahmed Wali Karzai, Rashid and Ahmed Rateb Popal, and Commander Ruhullah all agreed that, in a perfect world, the ANA and ANP should provide security along the roads, but that such security would be a long time off. In the meantime, Watan Risk Management and Commander Ruhullah are engaged in active – and sometimes hostile – competition with the government. Commander Ruhullah described the Afghan government as "the enemy of convoy security."[183]

"The Afghan people saw the fight between warlords and Taliban, and they disliked both."

– Qayum Karzai

In Uruzgan Province, for example, providing a variety of security services to the U.S. and NATO forces has significantly increased the power of Matiullah Khan vis-à-vis the official Afghan government structures there. According to the *New York Times*, "[m]any Afghans say the Americans and their NATO partners are making a grave mistake by tolerating or encouraging warlords like Mr. Matiullah. These Afghans fear the Americans will leave behind an Afghan government too weak to do its work, and strongmen without any popular support."[184]

The Afghan government also seems to share concerns about the growing power of warlords at the expense of their own authority and legitimacy. The former Minister of the Interior, Hanif Atmar, stated, "[p]arallel structures of government create problems for the rule of law." As one tribal elder in Uruzgan put it, "Matiullah is not part of the government, he is stronger than the government, and he can do anything he wants."[185]

In short, while one of the primary U.S. strategic goals in Afghanistan is to bolster the Afghan central government, U.S. reliance on warlords for supply chain security has the effect of dramatically undermining that objective.

6. *The Department of Defense Lacks Effective Oversight of Its Supply Chain and Private Security Contractors in Afghanistan*

Finding: The Department of Defense has little to no visibility into what happens to the trucks carrying U.S. supplies between the time the trucks leave the gate to the time they arrive at their destination. Despite serious concerns regarding operations, no military managers have ever observed truck operations on the road or met with key security providers. The Department of Defense's regulations, promulgated in response to direction by Congress, require oversight of all private security companies working as contractors or subcontractors for the U.S government. These requirements include ensuring that all private security company personnel comply with U.S. government and local country firearm laws, that all private security company equipment be tracked, and that all incidents of death, injury, or property damage be fully investigated. The Department of Defense is grossly out of compliance with applicable regulations and has no visibility into the operations of the private security companies that are subcontractors on the HNT contract.

The HNT contract is worth $2.16 billion and covers 70 percent of the supply chain for the U.S. effort in Afghanistan. The contract is critical to the basic survival of U.S. troops stationed throughout the country in remote and dangerous areas. By any measure, a contract of this significance would seem to demand exacting oversight by the Department of Defense. Both military and HNT contractor personnel reported that such oversight was virtually nonexistent.

The Military Contract Overseers Had "Zero Visiblity"

The 484th Joint Movement Control Battalion was responsible for managing and overseeing HNT missions from May 2009 (when the contract started) to February 2010. According to Lieutenant Colonel David Elwell, the commander of the 484th, no one in the battalion ever personally witnessed trucking operations 'outside the wire' – outside of the major airfields and forward operating bases where supplies are uploaded and downloaded. The 484th did not have the "force structure, the equipment, or the security" to put eyes on the road. "It would have been a combat mission."[186]

Several other members of the 484th confirmed that they were unable to effectively oversee the operations of the HNT contract. According to Major Valen Koger, the officer responsible for technical oversight of the contract, his battalion had "zero visibility" into the subcontractors

operating under the contract. During his almost one-year tour in Afghanistan, he rarely left Bagram Airfield, and he stated that he could not verify any reports of what was actually happening on the road. Major Koger expressed concern that, as the person responsible for oversight on behalf of the contracting office, he could not actually oversee many aspects of the HNT contract.[187]

The Battle Captain, whose job it was to monitor incidents and track incident reporting, stated that it was difficult to verify incidents that occurred on the roads. Although he heard rumors that contractors had to bribe "warlords" to get through certain areas, he did not know who these men were and did not have any visibility into their identities beyond what was reported to him by the prime contractors.[188]

The contracting office at RCC-Bagram was equally unaware of the operations of the subcontractors used by the HNT prime contractors. The contracting office was responsible for vetting the contractors and awarding the HNT contracts.[189] Once operations began, the contracting officers were responsible for ensuring that all provisions of the HNT contract were being followed by the contractors.[190] Two former contracting officers stated that they communicated regularly with the prime contractors, but did not have a direct way to check on their operations. Both of these contracting officers relied exclusively on reports from the 484th and the HNT prime contractors for information regarding whether the contractors were in compliance with the contract. Neither ever went out on the road themselves to observe these operations.[191]

For information about the HNT operations, the 484th largely relied on reports from the HNT prime contractors themselves. Very few of the prime contractor representatives (the Western expats who interface with the military) have ever seen a trucking mission first-hand, however. Instead, most of the HNT representatives rely on their Afghan trucking subcontractors to tell them what happens on the road. This information is often less than reliable. Frequently, the HNT prime contractors' subcontractors further subcontract out the missions without the knowledge of the primes. Although they claim to have their own trucks, many of the principal subcontractors are nothing more than brokerages for tribal trucking firms or owner-operators.[192]

Thus, the military officials responsible for oversight and management of the HNT contract have no reliable way of knowing what is actually happening on the road.

Required Oversight of Private Security Contractors

In 2008, following widespread media reports of severe misconduct by private security contractors working for the U.S. military in Iraq and Afghanistan, Congress included a section in the National Defense Authorization Act for Fiscal Year 2008 (FY08 NDAA)[193] that required

the Department of Defense and the Department of State to promulgate regulations to improve oversight and accountability of private security contractors (PSCs). Congress mandated that the regulations include, *inter alia*, processes for:

1. Registering, tracking, and keeping records of personnel working for PSCs or otherwise providing private security services;
2. Authorizing and accounting for weapons used by such personnel;
3. Registering military vehicles used by PSCs;
4. Mandatory reporting by PSCs of all incidents in which PSC personnel discharge a weapon, PSC personnel are killed or injured, and others are killed or injured, or property is destroyed, as a result of actions by PSC personnel;
5. Independent review and investigation, where practicable, of any reported incidents as well as any allegations of misconduct by a PSC; and
6. Training and qualifying PSC personnel.

Congress also mandated that all contracts for private security contractors include a clause requiring the companies to comply with Department of Defense regulations as well as applicable local and U.S. law. While these regulations are limited to private security contractors operating in areas of combat as designated by the Secretary of Defense, Congress included language to ensure Iraq and Afghanistan would be included.

Department of Defense Instruction 3020.50, *Private Security Contractors Operating in Contingency Operations*, which was signed on July 22, 2009, lays out the policy and regulations pursuant to the requirements of the FY08 NDAA. The Instruction policies apply to "DoD [Department of Defense] PSCs and PSC personnel performing private security functions during contingency operations outside the United States" and "U.S.G.-funded PSCs and PSC personnel performing private security functions in an area of combat operations." The Instruction defines the term "contractor" as "the contractor, subcontractor, grantee, or other party carrying out the covered contract." In other words, private security contractors working under the HNT contract are covered by this Instruction.

In addition to the main provisions, noted above, that are required by the FY08 NDAA, the Instruction includes extensive provisions related to the arming of private security contractor personnel. Under these regulations, the companies must verify that their personnel meet the legal, training, and qualification requirements to carry a weapon under the contract and local law. Requests to arm private security contractor personnel are to be reviewed on a case-by-case basis by a Staff Judge Advocate. All such requests must include, *inter alia*, a communication plan for how information about threats will be shared between private security contractors personnel and the U.S. military, and how the military will provide assistance to private security contractors who

become involved in hostile situations. Private security contractors must acknowledge in writing that, among other things, they can only carry U.S. government-issued and/or -approved weapons and ammunition.

While the Department's Instruction does not appear to assign the responsibility of monitoring and enforcing compliance to any particular entity, the FY08 NDAA gives contracting officers, in addition to combatant commanders, the power to direct contractors to remove noncompliant personnel, and to terminate contracts for repeated violations.

Finally, section (i) of the Joint Contracting Command - Iraq/Afghanistan clause 952.225-001 instructs that "all arming requests and authorizations for contractor or subcontractor employees under this contract shall be limited to U.S. Government-approved weapons and ammunition." [194] The clause defines "U.S. Government-approved weapons and ammunition" as "M9, M4, M16, or equivalent (e.g. .45 CAL, AK-47)." [195] An August 2009 JCC-I/A Policy Directive instructed that this clause "shall be included in all contracts with performance in Iraq or Afghanistan that require arming of contractors."[196]

No Oversight of HNT Private Security Contractors

Despite Congress's clear intention that the Department of Defense monitor, account for, and, when necessary, discipline private security contractors, the security providers working on the HNT contract are not subjected to any meaningful oversight by the U.S. military. The Department has even less visibility into security operations on the road than it does on the trucking missions themselves. For security reasons, private security contractors for HNT missions are not allowed 'inside the wire' with the trucks they are guarding. In most cases, the security providers and the trucks meet up many miles outside the base, or even in separate provinces. As such, none of the military's HNT managers or overseers ever witness security operations in action. As with the trucking operations themselves, HNT managers rely on the prime contractor representatives to tell them who provides security for Department of Defense's supplies and how that security is provided. Most of the prime contractors dutifully provide what they know, but that information is rarely comprehensive or fully accurate.

Lieutenant Colonel Elwell confirmed that the 484th had "very little visibility" into the security operations of the HNT contractors. He stated that the 484th regularly emphasized the security requirements to the carriers, but there was very little that the 484th could do to verify that proper licensing and vetting of guards was actually taking place since security elements could not come 'inside the wire.' Once the trucks left the bases and met up with security, the 484th had no direct way to verify that security was actually continuing with the trucks, or if that security was licensed.[197]

The Armed Contractor Oversight Directorate

Since 2008, the Armed Contractor Oversight Directorate (ACOD) has been responsible for regulating and overseeing private contractors employed under U.S. contracts in Afghanistan, including those working as subcontractors. Despite being charged with tracking private security contractors, the former Director of ACOD, who left Afghanistan in December 2009, reported that ACOD was unable to oversee the private security contractors working on the HNT contract. He found that, in most cases, the prime contractors subcontracted out security, and those security subcontractors further subcontracted out security operations. He knew, for example, that Watan Risk Management provides security to several HNT contractors, but he had no knowledge of how Watan operates. He said that "anyone who is receiving DoD dollars should be tracked," but ACOD had not been able to do so.[198]

The current Director of ACOD, Colonel Son Le, also agreed that ACOD does not have visibility into the operations of HNT security providers. He stated that he relied on the prime contractors to ensure proper security operations were being carried out.[199]

Few HNT Prime Contractors Know What Happens on the Road

Because the military contract officials do not have direct oversight into the security operations on HNT missions, they rely on reports by the prime contractors. However, in many cases the prime contractors themselves have little knowledge of the actual security arrangements for their convoys. For security reasons, most of the prime contractor representatives are unable or unwilling to travel out on the roads. One HNT program manager stated that he has no direct knowledge of how security operations for his company's missions are conducted because his company's personnel do not travel with convoys or interact directly with the security elements.[200] A former country manager for another HNT contractor stated that he never went out on the roads due to the danger of doing so and that he did not interact with the company that provided security for his company's convoys.[201]

Several contractors leave it entirely up to their trucking subcontractors to arrange for convoy security.[202] A country manager for one contractor confirmed that his trucking subcontractor generally coordinates all security operations for convoys.[203]

As an illustration of prime contractors' lack of knowledge about their own operations, in response to questions by the 484th and the contracting office regarding security operations on its convoys, one contractor sent two e-mails in the same month that identified two different sets of security providers used by the company's subcontractors. In a December 2, 2009 e-mail, a program manager for the contractor identified its security providers as "Rohulla Escort," "Afghanistan Naveen," "Rahim Escort," and "Commander Mansoor Escort."[204] In a December 23,

2009 e-mail, another program manager for the same company identified the security providers as "Com Malik," "Rohullah," "Habibullah," "Naween Security Company," and "Zadran Security Company."[205]

Higher Command

The 143rd Expeditionary Sustainment Command sat above the 484th on the contract management chain of command. The 143rd was consulted on many of the HNT challenges and assigned an HNT program manager, Lieutenant Colonel Todd Lewis, to help perform oversight on the contract. Although he tried to figure out what was happening 'outside the wire,' Lieutenant Colonel Lewis was never able to successfully do so. He could not get authorization to go to key highways to witness trucking operations first hand because such a trip would require too much security. He called his inability to get information on HNT trucking and security operations the single biggest frustration from his service in Afghanistan.[206]

The 484th also worked with the Principal Assistant Responsible for Contracting-Afghanistan (PARC-A).[207] Colonel Daniel Cottrell, the PARC-A, stated that it was the responsibility of the prime contractors to ensure that security was properly provided.[208]

Subcommittee staff traveling with a congressional delegation in January 2010 met with several other senior military officials, including Major General John MacDonald and his team of senior military logistics officers, regarding the HNT contract. Major General MacDonald admitted that the Department of Defense did not have visibility into the operations of the trucking companies or their security providers and that this was an issue of concern.[209]

In summary, neither the critical importance of the HNT contract, the significant value of the contract (especially in relation to the economy of Afghanistan), nor the legal and regulatory requirements have been sufficient to prompt the Department of Defense to devote the resources necessary to properly oversee the contractors, subcontractors, and private security providers who operate the supply chain.

7. *HNT Contractors Warned the Department of Defense About Protection Payments for Safe Passage to No Avail*

Finding: In meetings, interviews, e-mails, white papers, and PowerPoint presentations, many HNT prime contractors self-reported to military officials and criminal investigators that they were being forced to make "protection payments" for "safe passage" on the road. While military officials acknowledged receiving the warnings, these concerns were never appropriately addressed.

Under normal circumstances, contractors do not volunteer to the government that they might be breaking the law; in this case, HNT contractors repeatedly did just that. Their reports fell on deaf ears.

Representatives for the HNT contractors regularly informed military officials that they were concerned that money was going to "insurgents," "warlords," other local actors, and corrupt government officials.[210] These warnings were met with apparent inaction. Although many military officials later expressed concerns to the Subcommittee staff about what they had heard, little action was ever taken to investigate or address the issue.[211] From the logisticians' perspective, their jobs were to make sure the goods got to where they needed to go. Any other concerns were beyond the scope of their duty.

Though Lieutenant Colonel Elwell and the 484th were in charge of direct management and oversight of the HNT contract, responsibility for oversight did not end there. Senior military commanders and other Department of Defense components were aware of the same allegations of protection payments for safe passage but failed to take action.

Early Warnings about Highway Extortion

Before the HNT contract began in early 2009, one current HNT contractor had already warned the military of being approached by "Taliban personnel" about safe passage payments. The contractor sent a memorandum to the military manager to record a Taliban request for "payment for the safe passage of convoys through there [sic] area… We have talked to other carriers that are making missions through those areas and they are paying the Taliban for safe passage."[212]

Memorandum For Record: **Initial Report send to [redacted] MCB**

To: Headquarters, 450th Movement Control Battalion
Joint Logistics Command, RC-E
Bagram Air Base, Afghanistan
APO AE 09354

From: [redacted]

[redacted] was approached by Taliban personnel to talk about payment for the safe passage of convoys through there area. [redacted]'s policy is that we will not pay extortion money to fund their weapons or training to kill American Service men and women conducting operations in Afghanistan. If we make payment that money will be funneled back into their fight against the Coalition and our principles on that matter are straight forward. We have talked to other carriers that are making missions through those areas and they are paying the Taliban for safe passage. The current price to the Taliban is $500 per truck from Kandahar to Herat. $50 from Kabul to Ghazni, $100 from Ghazni to Orguni, and $200-$300 from Orguni to Waza Kwah. All negotiations are conducted outside of Afghanistan and for the southern and western areas the Taliban POC is located in Quetta Pakistan.

Within days of the start of the HNT contract in May 2009, contractors informed military officials that they were being asked to make protection payments for safe passage through critical areas in the south and east. On May 9, 2009, the country manager for one HNT contractor submitted a PowerPoint presentation detailing the challenges his company faced in transporting goods to Forward Operating Base Sharana in Paktika Province. He reported that a local warlord controlled access to the bases, contractors were being asked to pay a "tariff" to gain access, and the fee was $150,000 per month (key slide is excerpted in Finding 2).[213]

The presentation was sent to several military officials, including Major Koger at the 484th. The country manager said that he created and sent the presentation because he did not feel comfortable funding a warlord's private militia without the military's permission. He recalled telling Major Koger that either the military had to fix the situation with the warlord or otherwise provide written permission for the contractor to make the payments. The country manager said that Major Koger had been sympathetic to his concerns, but when Major Koger took it up his chain of command, he was surprised and disappointed that the "higher ups just didn't want to hear it."[214]

Major Koger did not recall the PowerPoint presentation but agreed that it had probably been sent to him. He explained that the general view held by many at the 484th was that such contractor complaints were simply part of a "pattern of excuses" for poor performance on the HNT contract.[215]

The contracting officer for the HNT contract at the inception of performance recalled multiple contractors telling her that they were making protection "payments to the wrong side." "There were a lot of requests for bribes along the road, like tolls, to bandits, Taliban, whomever," she

stated. The contracting officer said that she believed the contractors when they told her that the protection payments were taking place because the contractors did not have any other reason to self-report potentially illegal activity. "[E]verybody was well aware" of the protection payment issue.[216]

Regular Complaints about Protection Payments Met a Brick Wall

Several of the HNT contractors recalled that they reported their concerns of being extorted and making bribes out on the roads at several regular monthly meetings with the 484th and contracting officers.[217] One program manager reported these concerns at a July 9, 2009 meeting where representatives from the military and all of the HNT contractors were present.[218] After that meeting, the program manager e-mailed meeting minutes to all of the other HNT contractors as well as members of the 484th, including Lieutenant Colonel Elwell and Major Koger.[219] The contractors were seeking to gain up-arming authority for their private security contractors to carry heavier weapons such as RPGs and heavy machine guns to counter insurgent attacks, and the program manager reported that gaining this up-arming authority was the only way for the companies to stop making payments to insurgents.[220] The meeting notes state:

[redacted] Host Nation Trucking Monthly JMCB Meeting

Tuesday 7th July 2009

484th Joint Movement Control Battalion Conference Room, Bagram Air Field

Meeting Commenced at: 1002hrs

Up arming authority

11. The PM HNT from [redacted] asked LtCol Elwell if there was any progress on the Up Arming Authority. It was highlighted that this authority would enable IDIQ Carriers the flexibility to choose PSC to perform convoy security. By gaining this authority IDIQ Carriers would stop funding the insurgency of what is estimated at 1.6 – 2 Million Dollars per week. Lieutenant Colonel Elwell had no information regarding the progress and his response to the estimated cost IDIQ Carriers were funding the insurgency was that all he cared about was that the cargo was delivered in accordance with the contract.

Major Koger did not recall seeing the meeting minutes, but he described their account of the July 9, 2009 meeting as "accurate." He stated that he had spoken to several of the contractors about their concerns regarding demands for protection payments but that he believed that the problem had probably been occurring for years and would have already been resolved if a feasible

solution existed. Major Koger characterized his overall level of concern regarding the reports of protection payments as "extremely concerned," but his advice to contractors on how to deal with the situation was unhelpful: he told them that there was nothing in the contract that authorized paying "extortion money."[221]

Lieutenant Colonel Elwell said that the meeting minutes mischaracterized his comments, but he acknowledged that the HNT contractor representatives had complained at that meeting and on numerous other occasions about protection payments. He "clearly" recalled that the contractors had complained about the high cost of security at that meeting, but they never said that the protection payments were going to insurgents. His response to those costs was that the contractors had known the risks when they took on the contract and needed to perform without making excuses.[222]

Like Major Koger, Lieutenant Colonel Elwell emphasized that he very clearly told the contractors that all private security providers needed to be licensed and vetted in accordance with the contract. He also seemingly discouraged further communications to him about safe passage payments by telling the contractors that if they were not in compliance with the security provisions of the contract, he would have to convey that information to the contracting office, whose only power in these circumstances would be to punish non-compliance with the contract.[223]

"Investigating protection payments was way, way, way, way above my level. My job was to get barrels of insulating foam for tents out to to Dwyer so Marines didn't suffocate from heat exhaustion."

– Lieutenant Colonel Elwell

Lieutenant Colonel Elwell took comfort that, despite the "constant whining" from carriers about security costs, "he never had any official communication from the carriers saying they were paying protection money to insurgents." To him, unless an issue was raised in "official correspondence," it was just rumor and hearsay.[224]

Although Lieutenant Colonel Elwell had never 'left the wire' and traveled on the roads, he held strong views about how Afghanistan actually functioned. He believed that some contractors mistook support for local tribes as support for the insurgency. "The statement that Taliban were helping to secure convoys would not necessarily signal to me that insurgents were doing this. A lot of former Taliban were working for legitimate businesses and providing legitimate security services."[225]

Even if they had wanted to, the contract managers of the 484th did not have the means to investigate allegations of protection payments for safe passage. As Lieutenant Colonel Elwell put it: "That was way, way, way, way above my level. My job was to get barrels of insulating foam for tents out to Dwyer so Marines didn't suffocate from heat exhaustion."[226]

The contractor representatives who self-reported to the 484th and the military contracting officers that their companies were making protection payments for safe passage were shocked by the lack of response from the military. One former program manager said that he expected that his complaints would "set off alarm bells at DoD," but instead the response was "I don't care." In his view, none of the prime contractors knew where their security payments were going. He believed that the warlords provided some legitimate security services, but "there was also a certain element of extortion. If you don't pay a certain person to secure a route for you [then you would be attacked]." After having spent over 20 years in the military including service in Afghanistan, the program manager said that he had "no doubt whatsoever" that warlords like Commander Ruhullah coordinated such attacks with insurgents.[227]

A former country manager stated that he had raised the issue of protection payments for safe passage through "every official channel" he could, except for the U.S. Embassy in Kabul. He said that he raised the issue with operators on the ground and the intelligence community. He was met with a lot of sympathy but never any action.[228] As someone who had spent many years in the U.S. Special Forces, the prospect of funding warlords and potentially insurgents was "repugnant" to him. As a result, he left Afghanistan.

No-Go Areas

The contractors' concerns regarding protection payments for safe passage received more attention when the contractors and their subcontractors refused to deliver cargo to forward operating bases in so-called "no-go areas." The 484th was under enormous pressure to get goods to these difficult-to-reach and dangerous destinations. When too many carriers refused to run truck missions to Helmand Province, the 484th solicited white papers for an explanation. The responses were remarkably candid. One contractor wrote:

> The need to provide heavy weapons and robust security with ex pat leadership was not a requirement on the contract and now seems to be a requirement in some areas unless these missions are turned over to green security [ISAF security]. **I also believe that most involved in this contract knew that cash money is often the most effective security, but I do not think it was anticipated how high the market would drive these prices and that cash security and special security forces would so often be the only option** … RC South has been the location of nearly all of the attacks on IDIQ carriers, which needless to say presents significant challenges as it relates to controlling the quality of work and

> production for the [local national] drivers and security staff. **The utilization of "Green Security" will eliminate the extortion in the south; however the attacks on convoys will increase due to this fact. Some carriers are paying as much as $15,000 per truck for missions going to Dwyer and other south FOBs.**[229]

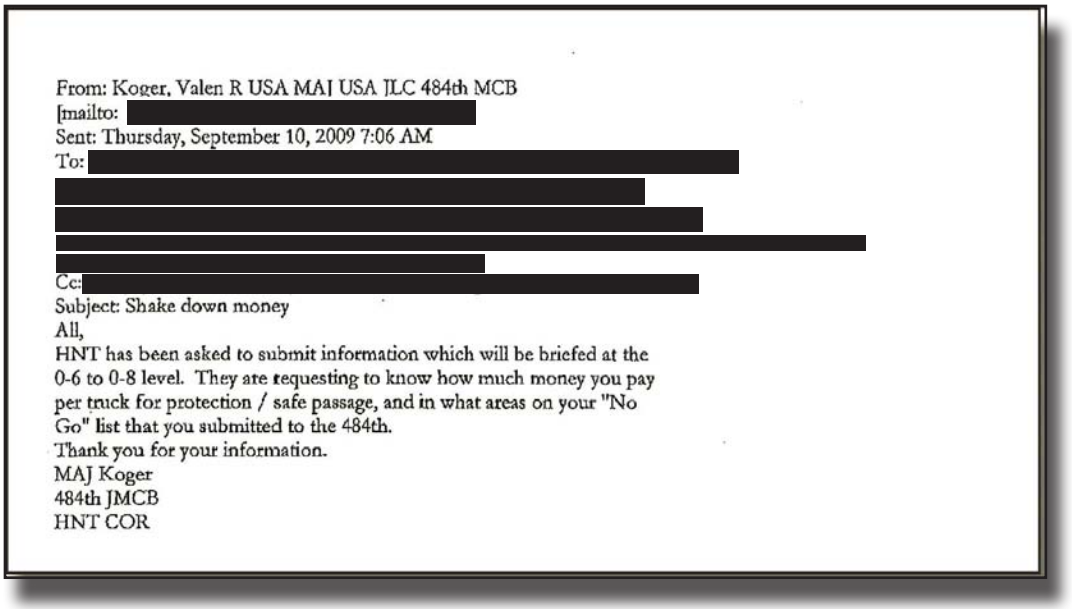
Another HNT project manager responded:

> The cost of security for these vehicles is very high and absorbs most of any profit we would make. Sub Contractors and drivers request more money to operate in this area, further adding to the problems for our companies… The cost of Private Security is exceptionally high, with companies attempting to raise their prices continually. **It is believed that a part of these charges are being paid as bribes to local Commanders, and therefore inevitably to the enemy**… As previously stated this is one of the most volatile regions of the country. There is a continuous threat of roadside IED, and ambush. There will also be a threat, not only from enemy forces but from local commanders who have not been paid their tax.[230]

Still, despite explicit warnings in formal communications about "extortion," "cash money" for security, and threats from "local commanders who have not been paid their tax," no relief was forthcoming. The contractors were pressed to run the missions regardless of the costs and regardless of their concerns about where the money went.

The Military's Request for Information on "Shakedown Money"

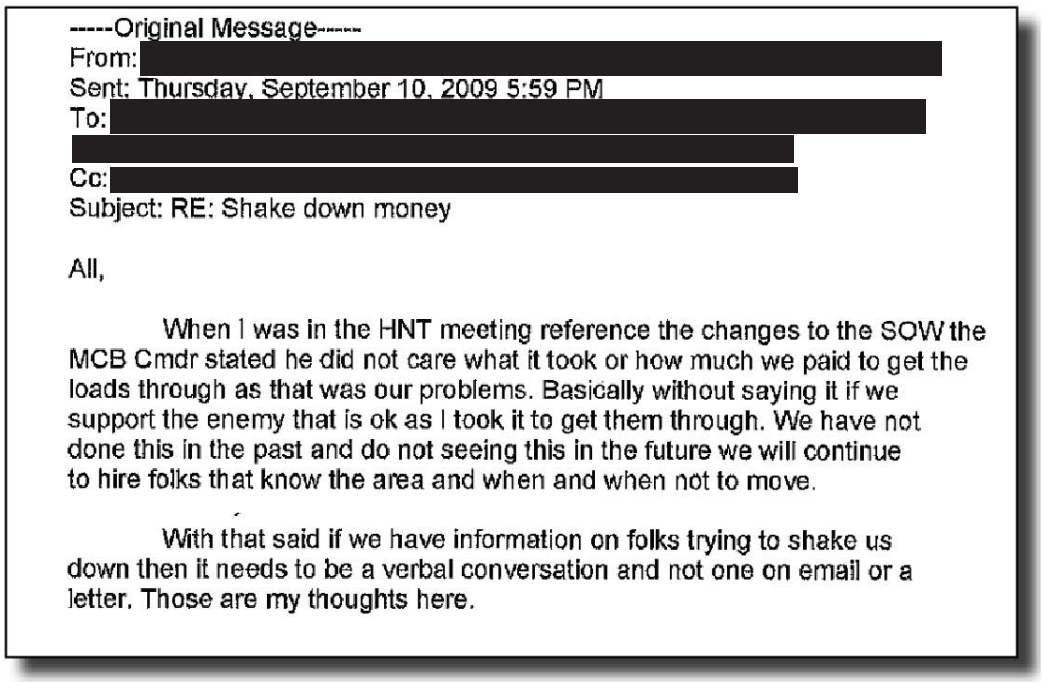
In September 2009, the issue briefly appeared to catch the interest of officials higher on the chain of command. On September 10, 2009, Major Koger sent an e-mail to representatives from all of the HNT contractors which asked about "protection/safe passage" payments, with the subject line "Shake down money":[231]



From: Koger, Valen R USA MAJ USA JLC 484th MCB
[mailto: [redacted]
Sent: Thursday, September 10, 2009 7:06 AM
To: [redacted]
Cc: [redacted]
Subject: Shake down money
All,
HNT has been asked to submit information which will be briefed at the 0-6 to 0-8 level. They are requesting to know how much money you pay per truck for protection / safe passage, and in what areas on your "No Go" list that you submitted to the 484th.
Thank you for your information.
MAJ Koger
484th JMCB
HNT COR

In Army parlance, the request for information to brief at the "0-6 to 0-8 level" refers to the rank of colonel through major general. Major Koger did not recall the e-mail or receiving any responses.[232] He speculated that someone else in the 484th had asked him to transmit the message because he frequently communicated with the contractors. He could not recall who requested the information or to whom that information was to be briefed.[233] The contractors recalled receiving the e-mail, but none apparently responded.[234]

The executives of one HNT contractor debated internally whether they should respond to Major Koger's e-mail:[235]



-----Original Message-----
From: [redacted]
Sent: Thursday, September 10, 2009 5:59 PM
To: [redacted]
Cc: [redacted]
Subject: RE: Shake down money

All,

When I was in the HNT meeting reference the changes to the SOW the MCB Cmdr stated he did not care what it took or how much we paid to get the loads through as that was our problems. Basically without saying it if we support the enemy that is ok as I took it to get them through. We have not done this in the past and do not seeing this in the future we will continue to hire folks that know the area and when and when not to move.

With that said if we have information on folks trying to shake us down then it needs to be a verbal conversation and not one on email or a letter. Those are my thoughts here.

While many of the contractors were willing to self-report their concerns about protection payments for safe passage orally to the HNT contract managers, and contracting officers, there is no evidence that any contractor clearly stated these concerns in writing for senior commanders.

Up the Chain of Command

The 143rd Expeditionary Sustainment Command, the 484th's higher command, was also informed of the contractors' concerns about protection payments for safe passage. Lieutenant Colonel Lewis, the HNT point person for the 143rd, stated that he heard reports from contractors that they had to pay safe passage money, or the "troll fee," as he called it, in locations in the south between Kandahar and Helmand and going up Highway 1 between Kandahar and Ghazni. He wanted to investigate what was happening on the roads but was unable to get the authorization necessary to travel to those areas because it was too dangerous. Lieutenant Colonel Lewis also said that he asked contractors to document these payments to spur further military action to correct the issue, but that he never received the hard evidence that he needed to take operational action.[236]

A contracting officer who was not present at the July 2009 contracting monthly meeting in which the contractors shared their concerns was nonetheless aware of the allegations that contractors were being extorted and paying protection fees. He stated that contractors came to him with reports of "various shakedown payments" that they had to make to the ANA, ANP, village elders, militia groups, and others.[237] The contracting officer sent an e-mail to Colonel Cottrell to share his concern: "travelling to certain FOBs requires that [the contractors] either pay a 'protection fee/toll,' hire the local elder to escort them, or take a very round about route."[238]

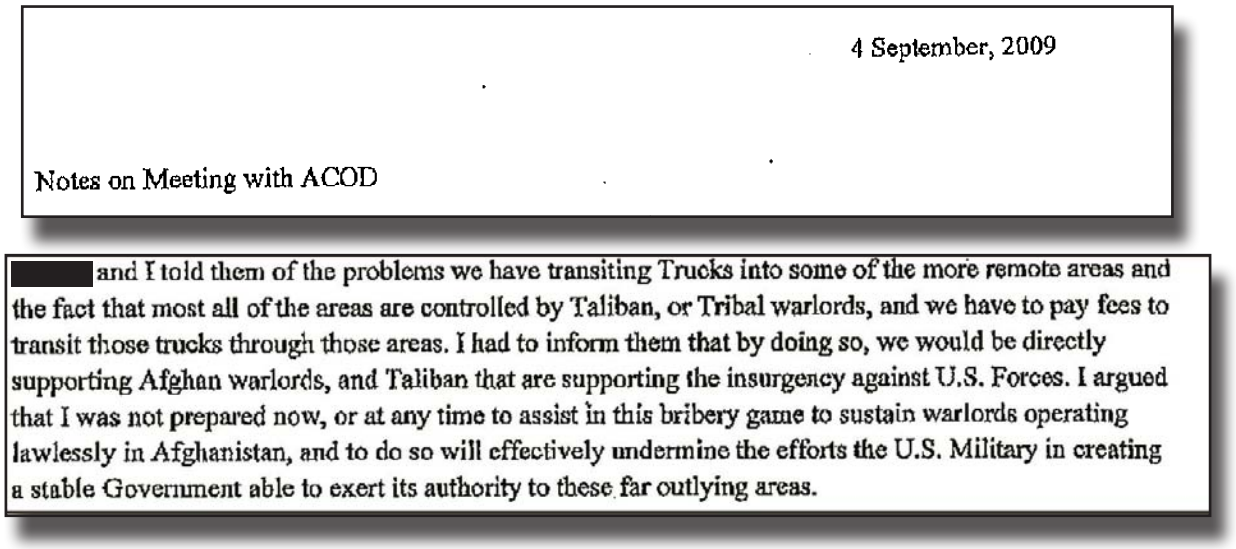
Further up the chain of command, one senior Department of Defense official in Afghanistan stated that there have been significant discussions within the Department of the problem of protection payments to local warlords and the Taliban, but no action has been taken: "there is no change on the horizon. We keep punting the issue down the road. It would require a major shock to the system to change the HNT business model." In his view, the contracting officers with responsibility for the contract "intentionally turn a blind eye to the problem and refuse to look past the prime [contractor] to see how the security subcontractors operate – hear no evil, see no evil, speak no evil."[239]

In response to an early story on protection payments going to insurgents, Colonel Wayne Shanks, the chief public affairs officer for ISAF, acknowledged that military officials were "aware of the allegations that procurement funds may find their way into the hands of insurgent groups, but we do not directly support or condone this activity if it is occurring." Colonel Shanks added that, "the relationships between contractors and their subcontractors, as well as between subcontractors and others in their operational communities, are not entirely transparent."[240]

The sheer size of the HNT contract and the critical importance of the supply chain did not prompt the Department of Defense to devote the necessary resources to gain visibility over the trucking operations and private security contractors. Apparently, direct allegations of payments to insurgent groups were not enough either.

Contractors Warned the Armed Contractor Oversight Directorate

In another plea for help, several representatives of one HNT contractor met with civilian and military representatives of ACOD at Camp Eggers in September 2009.[241] In the meeting, the representatives told ACOD that it had to pay "fees" to pass through Taliban-controlled areas:[242]



4 September, 2009

Notes on Meeting with ACOD

[redacted] and I told them of the problems we have transiting Trucks into some of the more remote areas and the fact that most all of the areas are controlled by Taliban, or Tribal warlords, and we have to pay fees to transit those trucks through those areas. I had to inform them that by doing so, we would be directly supporting Afghan warlords, and Taliban that are supporting the insurgency against U.S. Forces. I argued that I was not prepared now, or at any time to assist in this bribery game to sustain warlords operating lawlessly in Afghanistan, and to do so will effectively undermine the efforts the U.S. Military in creating a stable Government able to exert its authority to these far outlying areas.

The country manager clearly recalled the meeting. The principal purpose for approaching ACOD was to further discuss the request for "up-arming" authority that had been raised with the 484th. The country manager told ACOD that his company had to make protection payments if it could not have up-arming authority to provide sufficient weaponry to its own security force. He recalled that ACOD was "stunned" and agreed to take this information up the chain of command.[243]

The former director of ACOD recalled having several meetings with HNT contractors where they told him that they were paying "warlords, insurgents, Taliban, ANA, ANP, everyone" for safe passage at "checkpoints" along the roads. He said that such protection payments were a common topic of concern

The former director of ACOD recalled having several meetings with HNT contractors where they told him that they were paying "warlords, insurgents, Taliban, ANA, ANP, everyone" for safe passage at "checkpoints" along the roads.

and discussion at ACOD. He did not know anything about how the "checkpoints" might work because ACOD lacked significant visibility into the private security contractors protecting the supply chain.[244]

The former director of ACOD stated that he relayed these conversations about safe passage payments up the chain of command within U.S. Forces-Afghanistan. The former director refused to specifically identify the names of senior commanders with whom he discussed his concerns, but ACOD reports directly to the Deputy Commanding General for U.S. Forces-Afghanistan, a position held by Major General John MacDonald since February 2009. Earlier in the interview, the former director had stated that he provided Major General MacDonald with weekly updates regarding ACOD, oversight issues, and the concerns raised by contractors. The former director believed that U.S. Forces-Afghanistan had taken some steps to mitigate these protection payment issues, though he did not view the actions taken as sufficient to address the problems the contractors had identified.[245]

In December 2009, when ACOD's leadership changed, concerns regarding protection payments were still on its radar. ACOD's weekly activity report dated December 11, 2009 states that PSCs were using "illicit pay-off strategies … for safe passage" and were funding "warlords":[246]

DEPARTMENT OF DEFENSE
HEADQUARTERS
UNITED STATES FORCES - AFGHANISTAN
KABUL, AFGHANISTAN
APO AE 09356

USFOR-A-J4

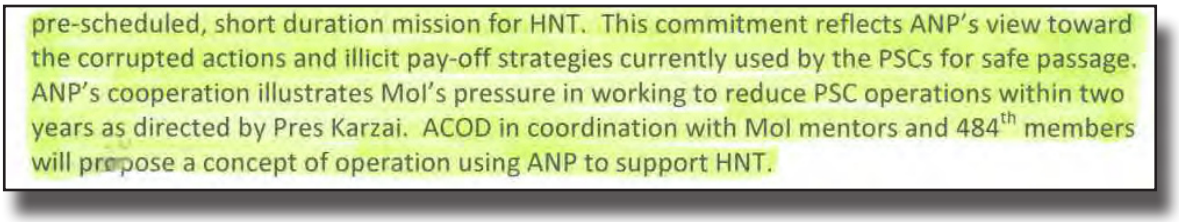
11 December 2009

ARMED CONTRACTOR OVERSIGHT DIRECTORATE (ACOD)

SUBJECT: Weekly Activity Report Week Ending 11 Dec 09

08 Dec 09. Weekly Minister of Interior (MoI) movement meeting. ACOD discussed goal of increasing the capabilities of the ANP to the extent that PSCs will not be necessary. COL Haidary (MOI's Chief of Current Operations) agreed that increased ANP security support would benefit all and assist in eliminating corruption of PSCs. Col Le noted that another advantage of utilizing ANA/ANP was the ability to secure safe passage without interference (financially or otherwise) from warlords. COL Haidary was receptive to arranging further discussions with MOD and increasing cooperative arrangements for securing convoys.

ACOD received ANP's commitment to carve out a dedicated level of security support exclusively for Host Nations Trucking (HNT) convoys. Col Haidary informed Col Le that he has obtained approval from the Dep Minister for National Security to support HNT operations. Although with very limited capability, ANP Trans Battalion is willing to schedule a routine, pre-determined,


pre-scheduled, short duration mission for HNT. This commitment reflects ANP's view toward the corrupted actions and illicit pay-off strategies currently used by the PSCs for safe passage. ANP's cooperation illustrates MoI's pressure in working to reduce PSC operations within two years as directed by Pres Karzai. ACOD in coordination with MoI mentors and 484th members will propose a concept of operation using ANP to support HNT.

Shortly thereafter, a senior officer with ACOD requested a meeting of military officials in order "to gain systemic visibility and understand of how convoys from HNT can be transferred to [the Afghan National Army]. This is a core competency of the counterinsurgency fight against funding warlords and needs to be done asap."[247]

Both Colonel Le, the sitting Director of ACOD, and Colonel Cottrell, the PARC-A, acknowledged that they had heard reports regarding alleged protection payments and that they had no visibility into the operations of the HNT security providers.[248] They did not view this as a major cause for concern and they emphasized that the prime contractor was responsible for security, that the HNT contractors were very effective at getting critical supplies to difficult locations, and that there were few if any alternative means of delivery.[249]

Criminal Investigation into Allegations that the HNT Contract Funds Insurgents

In July 2009, two months after the start of the HNT contract, investigators from the Criminal Investigation Task Force-Afghanistan (CITF-A), working under the authority of the Army Criminal Investigation Command (CID), arranged to interview HNT contractor representatives about alleged protection payments going to the insurgency.[250]

The contractor representatives agreed that investigators were well informed about the contractors' concerns regarding protection payments for safe passage. One representative stated that he told the investigators that he was concerned that a subcontractor for his company was making protection payments to warlords and insurgents, and that the investigators asked for the names of his subcontractors.[251] Another representative said that the investigators asked him about allegations of "extortion money."[252] A representative of the same company recalled telling investigators that his company was being extorted, and if his company did not pay specific private security providers, he believed that his trucks would be attacked.[253]

These contractors stated that they never received any follow-up or heard about the results of the CITF-A investigation.[254] One contractor interviewed by investigators attempted to follow up several months later in an e-mail to the contracting officer but never received a response.[255] The investigators told Lieutenant Colonel Elwell that they were investigating contractors paying "people they shouldn't be paying… [and] unauthorized payments from contractors to people out there to not have them attack." He was unaware of any follow-up.[256]

Later in 2009, a contracting officer mentioned the investigation in an e-mail to his successor in response to an article alleging protection payments to the Taliban by HNT contractors:[257]

> You're almost done buddy, and these issues ain't on us. We had the FBI, CIA, CID and 3 or 4 other acronym agencies in the office to work this topic. You remember that one meeting were [sic] they talked to the companies "individually." … guess nothing good came of that.[258]

A document highly relevant to this investigation has been withheld from inclusion in this report at the Department of Defense's request. At the time of printing, discussions regarding the origin and context of that document are ongoing.

Task Force 2010

In June 2010, Michèle Flournoy, Under Secretary of Defense for Policy, and General David Petraeus, the CENTCOM Commander, informed the Senate Armed Services Committee that General Petraeus and Admiral Mike Mullen, Chairman of the Joint Chiefs of Staff, are creating a task force to examine the impact of U.S. contracting on corruption in Afghanistan.[259] Task Force 2010 will be led by the former head of the military Joint Contracting Command in Baghdad, a two-star Navy Admiral, and will report to General McChrystal.[260] In his testimony on the subject, General Petraeus stated that:

> [Task Force 2010] will go in and augment the Contracting Command that oversees this effort in Afghanistan and then gets at who are, not only the subcontractors, but the subcontractors to the subcontractors. Literally, where is the money going, and is it all above-board, and that's a hugely important component of dealing again with corruption issues, dealing with warlordism, and a variety of other challenges that cause issues for Afghanistan.[261]

The establishment of Task Force 2010 shows that the Department of Defense is well aware, at the highest levels, of concerns that U.S. contractors are funding warlordism and corruption in Afghanistan.

IV. RECOMMENDATIONS

We cannot win a fight for hearts and minds when we outsource critical missions to unaccountable contractors.

– Then-Senator Barack Obama[262]

As Afghanistan enters its fourth decade of war, amid rampant corruption, the country presents unprecedented challenges to the conduct of ordinary business, much less business involving dangerous military logistics operations. Throughout this investigation, the evidence shows that Department of Defense officials received a drumbeat of complaints about the HNT contract's role in corruption, warlordism, and even aid to the enemy. Unfortunately, as demonstrated in dozens of documents and interviews, a dismissive attitude about these grave allegations was prevalent throughout components of the Department of Defense responsible for the HNT contract.

There are numerous constructive changes that could be made to the U.S. military trucking effort in Afghanistan that would improve contracting integrity while mitigating corrupting influences. As the Department of Defense absorbs the findings in this report and considers its course of action, the Subcommittee on National Security and Foreign Affairs Majority staff makes the following recommendations:

Assume Direct Contractual Responsibility for Supply Chain Security Providers. If the United States is going to use small armies of private security contractors to defend its massive supply chain in a war zone, the Department of Defense must take direct responsibility for those contractors to ensure robust oversight. Trucking companies are wholly incapable of overseeing this scale of security operations. The U.S. government needs to have a direct line of authority and accountability over the private security companies that guard the supply chain.

Consider the Role of Afghan National Security Forces in Highway Security. To be sure, the ANP and ANA will ultimately have a role in ensuring safe passage on Afghanistan's roads. However, that would likely require a medium-term, if not long-term, transition. Numerous witnesses in this investigation have expressed extreme skepticism at any plan to rapidly transfer convoy security to the Afghan security forces due to concerns about capacity, competence, and corruption. Proposals to reform the convoy security scheme ought to take into account the Ministry of Interior's vision of a future role of Afghan security forces in highway security. If there is to be no immediate role for the ANA in convoy security, a plan must be developed to reach that goal with credible security alternatives that address immediate U.S. military logistics needs.

Inventory Actual Trucking Capacity Available to the Department of Defense. The Department should conduct a survey of the available trucking capacity in Afghanistan under the HNT contract to ensure that its needs will be met with the additional forces under orders to deploy to Afghanistan. Where there is information to suggest that there is a finite pool of trucks – some owner-operated, some as tribal assets, some owned by second- or third-tier subcontractors – adding prime contractors does not necessarily add to the pool of available trucks.

Draft Contracts to Ensure Transparency of Subcontractors. Contracts between the Department of Defense and its trucking and/or security prime contractors need to include provisions that ensure a line of sight, and accountability, between the Department of Defense and the relevant subcontractors. Such provisions should make clear the subcontractors' obligations, including full Department of Defense inspection and audit rights. Such provisions should also mandate the Department of Defense's obligation to have visibility into subcontractors critical to its wartime supply chain. There should also be robust and verifiable incident reporting requirements. Where Department of Defense regulations already require such provisions, the Department needs to enforce them.

Oversee Contracts to Ensure Contract Transparency and Performance. Similarly, the Department of Defense needs to provide the personnel and resources required to manage and oversee its trucking and security contracts in Afghanistan. These are not contracts that can be managed responsibly from a desk in Bagram or Kandahar alone. Contracts of this magnitude and of this consequence require travel 'outside the wire.' For convoys, that means having the force protection resources necessary for mobility of Department of Defense personnel to conduct periodic unannounced inspections and ride-alongs.

Analyze Effect of Coalition Contracting on Afghan Corruption. The national security components of the U.S. government, including the Department of Defense, the Department of State, the U.S. Agency for International Development, the Department of Justice, and the Intelligence Community, need to begin to systematically track and analyze the effects of U.S., NATO, and other international donor funds on corruption in Afghanistan. Corruption is smothering the nascent efforts at Afghan governance that are fundamental to our strategy in Afghanistan. The effects of billions of dollars in development projects and security aid for Afghanistan, combined with billions of dollars spent in support of the U.S. and NATO military footprint in Afghanistan, need to be at the center of any analysis of metrics of our performance in the Afghan effort. Public reports in early June 2010 suggest that U.S. intelligence assets have been assigned to analyze Afghan corruption and governance. The U.S. government needs to devote sufficient assets to the endeavor, and the mandate should include an analysis of the effects of coalition contracts.

Endnotes

[1] Aram Roston, *How the U.S. Funds the Taliban*, The Nation (Nov. 11, 2009).

[2] Sydney J. Freedberg Jr., *Supplying the Surge in Afghanistan*, National Journal (Feb. 20, 2010).

[3] *Id*.

[4] Andy Oppenheimer, *Safe Passage: Managing Military Resources*, Army-Technology.com (June 3, 2010), *available at* http://www.army-technology.com/features/feature/feature86749/.

[5] Sydney J. Freedberg Jr., *Supplying the Surge in Afghanistan*, National Journal (Feb. 20, 2010).

[6] Adam Ellick & Salman Masood, *Six Die in Attack on Supply Rigs in Pakistan*, New York Times (June 8, 2010).

[7] Andrew C. Kuchins & Thomas M. Sanderson, *The Northern Distribution Network and Afghanistan: Geopolitical Challenges and Opportunities,* Center for Strategic and International Studies (Jan. 2010).

[8] Philip Pan, *Thousands Flee Ethnic Riots in Kyrgyzstan as Violence Continues to Spread*, Washington Post (June 13, 2010); *see also Crisis in Kyrgyzstan: Fuel, Contracts, and Revolution along the Afghan Supply Chain: Hearing Before the House Committee on Oversight and Government Reform Subcommittee on National Security and Foreign Affairs*, 111th Cong. (2010), *available at* http://nationalsecurity.oversight.house.gov.

[9] Sydney J. Freedberg Jr., *Supplying the Surge in Afghanistan*, National Journal (Feb. 20, 2010).

[10] *Id*.

[11] *Id*.

[12] *Id*.

[13] Ann Scott Tyson, *Afghan Supply Chain a Weak Point*, Washington Post (Mar. 6, 2009).

[14] Subcommittee on National Security and Foreign Affairs Staff, Interview of Lieutenant Colonel Todd Lewis (Mar. 10, 2010).

[15] Sydney J. Freedberg Jr., *Supplying the Surge in Afghanistan*, National Journal (Feb. 20, 2010) (quoting Lieutenant Colonel Kirk Whitson).

[16] Beth Reece, *Building Blocks,* Defense Logistics Agency, (Sept.-Oct. 2009), *available at* http://www.dla.mil/loglines/loglinesfeature3.aspx.

[17] Sydney J. Freedberg Jr., *Supplying the Surge in Afghanistan*, National Journal (Feb. 20, 2010) (quoting Major Erik Berdy).

[18] Subcommittee on National Security and Foreign Affairs Staff Interview (Apr. 23, 2010).

[19] Subcommittee on National Security and Foreign Affairs Staff Interview (Apr. 23, 2010).

[20] W91B4N-09-D-5001 through 5008.

[21] HNT Fact Sheet provided to the Subcommittee on National Security and Foreign Affairs by the Department of Defense.

[22] *Id*.

[23] HNT Justification and Approval for Out of Scope Modification provided to the Subcommittee on National Security and Foreign Affairs by the Department of Defense.

[24] *Id*.

[25] CIA World Factbook – Afghanistan.

[26] By definition, a BPA is not actually a contract, but an agreement between, in this case, the U.S. military and a private company to allow for "a simplified method of filling anticipated repetitive needs for supplies or services." Federal Acquisition Regulations (FAR), 48 C.F.R. § 13.303-1. In contrast, an IDIQ contract is a binding contract, with a stated minimum and maximum quantity of supplies or services. FAR, 48 C.F.R. § 16.504. This difference between a BPA and an IDIQ was designed to allow the military to hold contractors accountable under the IDIQ contract for problems of the type that arose under the BPA. In reality, such accountability was absent.

[27] *See, e.g., Former U.S. Army Contracting Official Pleads Guilty to Accepting Bribes*, Department of Justice, Office of Public Affairs (Aug. 7, 2009); *Two Hawaii Soldiers Charged in $50,000 Scheme*, Associated Press (June 10, 2010).

[28] HNT Statement of Work provided to the Subcommittee on National Security and Foreign Affairs by the Department of Defense.

[29] *Id*.

[30] HNT Fact Sheet provided to the Subcommittee on National Security and Foreign Affairs by the Department of Defense.

[31] Subcommittee on National Security and Foreign Affairs Staff Interview (Mar. 5, 2010); Andy Kravetz, *Soldiers Head Out for Mission to Afghanistan*, Journal Star (Dec. 15, 2009); Subcommittee on National Security and Foreign Affairs Staff, Interview of Major Valen Koger (Mar. 18, 2010).

[32] Subcommittee on National Security and Foreign Affairs Staff Interviews (Feb. 25, 2010 & Mar. 1, 2010).

[33] Subcommittee on National Security and Foreign Affairs Staff Interview (Mar. 9, 2010).

[34] Subcommittee on National Security and Foreign Affairs Staff Interviews (Feb. 25, 2010; Feb. 25, 2010; Feb. 26, 2010; Mar. 1, 2010; Mar. 5, 2010; Mar. 9, 2010; Mar. 10, 2010; Mar. 11, 2010; Mar. 25, 2010 & Apr. 23, 2010).

[35] *See, e.g.*, Justin Blum, *Mullen Says Afghan Security Situation 'Serious,' Getting Worse*, Bloomberg (Aug. 24, 2010); *see also* Anthony Faiola, *McChrystal Urges European Allies to Show Resolve in Afghanistan*, Washington Post (Oct. 1, 2009); *see also* Craig Whitlock, *Gen. McChrystal Says Conditions in Afghanistan War Are No Longer Deteriorating*, Washington Post (Feb. 5, 2010).

[36] Renee Montagne, *In Afghanistan, Trucking Can Be a Deadly Business*, National Public Radio (Aug. 14, 2009).

[37] *Id*.

[38] Craig Whitlock, *Soaring IED Attacks in Afghanistan Stymie U.S. Counteroffensive*, Washington Post (Mar. 18, 2010).

[39] *Id*.

[40] *Id*. (quoting Lieutenant General Michael Oates).

[41] Rod Nordland, *Violence Up Sharply in Afghanistan*, New York Times (June 19, 2010).

[42] Information available from Afghan Ministry of Interior; *see generally* Moshe Schwartz, *The Department of Defense's Use of Private Security Contractors in Iraq and Afghanistan: Background, Analysis, and Options for Congress*, Congressional Research Service, Report R40835 (Jan. 19, 2010).

[43] David Zucchino, *Afghan Civilians Soured on U.S. Security Contractors*, Chicago Tribune (Aug. 17, 2009).

[44] Moshe Schwartz, *The Department of Defense's Use of Private Security Contractors in Iraq and Afghanistan: Background, Analysis, and Options for Congress*, Congressional Research Service, Report R40835 (Jan. 19, 2010).

[45] *See, e.g.*, "Statement of Work for Armed Security Guard Services for Forward Operating Base Lightening," Department of Defense (Nov. 2009); *see also* Walter Pincus, *Contractor Hirings in Afghanistan to Emphasize Locals*, Washington Post (Dec. 7, 2009).

[46] Private Security Company Personnel Statistics provided to the Subcommittee on National Security and Foreign Affairs by the Department of Defense.

[47] *Id*.

[48] Charles A. Allen, Deputy General Counsel (International Affairs), Office of General Counsel, Department of Defense, *Memorandum re: Request to Contract for Private Security Companies in Iraq* (Jan. 10, 2006).

[49] P.L. 110-181, as amended by the National Defense Authorization Act of Fiscal Year 2009, P.L. 110-417, Section 853.

[50] Department of Defense Instruction 3020.50, *Private Security Contractors (PSCs) Operating in Contingency Operations* (July 22, 2009) (defining "contractor" as "[t]he contractor, subcontractor, grantee, or other party carrying out the covered contract.").

[51] Subcommittee on National Security and Foreign Affairs Staff, Interview of Ahmed Rateb Popal, Rashid Popal, and Commander Ruhullah (May 27, 2010).

[52] Subcommittee on National Security and Foreign Affairs Staff Interview (Apr. 23, 2010).

[53] Subcommittee on National Security and Foreign Affairs Staff, Interview of Ahmed Rateb Popal, Rashid Popal, and Commander Ruhullah (May 27, 2010).

[54] Subcommittee on National Security and Foreign Affairs Staff, Interview of Ahmed Rateb Popal, Rashid Popal, and Commander Ruhullah (May 27, 2010).

[55] *See generally* Antonio Giustozzi, *The Debate on Warlordism: the Importance of Military Legitimacy*, Crisis States Research Centre, London School of Economics (Oct. 2005).

[56] *See generally* Michael Bhatia & Mark Sedra, *Afghanistan, Arms and Conflict* (Routledge 2008) at 84.

[57] Antonio Giustozzi, *Warlords into Businessmen: the Afghan Transition 2002-2005*, Crisis States Research Centre, London School of Economics (June 2005).

[58] There is a rich and varied academic literature on the wide variety of warlords in the post-Cold War era, but there is general agreement on the following defining characteristics: A warlord controls an armed military force autonomous from the state; he has the ability to exercise violence at will; he thrives off the lack of state authority; he serves his own cause (whether financial benefit or raw power) but is not principally motivated by ideology or sectarian interests; he is not principally motivated by the aim of conquering the state or establishing an independent state. *See generally* Antonio Giustozzi, *The Debate on Warlordism: The Importance of Military Legitimacy*, Crisis State Research Centre, London School of Economics (Oct. 2005); *see also* Michael Bhatia & Mark Sedra, *Afghanistan, Arms and Conflict* (Routledge 2008) at 72-102.

[59] Michael Bhatia & Mark Sedra, *Afghanistan, Arms and Conflict* (Routledge 2008) at 229.

[60] Sam Marsden, *NATO Cracks Down on Afghanistan's Private Security Firms*, Press Association (May 13, 2010).

[61] Subcommittee on National Security and Foreign Affairs Staff, Interview of Ahmed Wali Karzai and Qayum Karzai (June 15, 2010).

[62] Document provided to the Subcommittee on National Security and Foreign Affairs by a Host Nation Trucking Contractor (redacted).

[63] Subcommittee on National Security and Foreign Affairs Staff, Interview of Ahmed Rateb Popal, Rashid Popal, and Commander Ruhullah (May 27, 2010); *see also* Aram Roston, *How the US Funds the Taliban*, The Nation (Nov. 11, 2009).

[64] Subcommittee on National Security and Foreign Affairs Staff, Interview of Ahmed Rateb Popal, Rashid Popal, and Commander Ruhullah (May 27, 2010).

[65] Subcommittee on National Security and Foreign Affairs Staff, Interview of Ahmed Rateb Popal, Rashid Popal, and Commander Ruhullah (May 27, 2010).

[66] Subcommittee on National Security and Foreign Affairs Staff, Interview of Ahmed Rateb Popal, Rashid Popal, and Commander Ruhullah (May 27, 2010).

[67] Subcommittee on National Security and Foreign Affairs Staff Interviews (Mar. 25, 2010 & May 27, 2010).

[68] Subcommittee on National Security and Foreign Affairs Staff, Interview of Ahmed Rateb Popal, Rashid Popal, and Commander Ruhullah (May 27, 2010).

[69] Subcommittee on National Security and Foreign Affairs Staff, Interview of Ahmed Rateb Popal, Rashid Popal, and Commander Ruhullah (May 27, 2010).

[70] Subcommittee on National Security and Foreign Affairs Staff, Interview of Ahmed Rateb Popal, Rashid Popal, and Commander Ruhullah (May 27, 2010).

[71] Subcommittee on National Security and Foreign Affairs Staff, Interview of Ahmed Rateb Popal and Rashid Popal (May 27, 2010).

[72] The Kandahar Security Force will be the largest PSC in Afghanistan. *See* Dion Nissenbaum, *Afghanistan War: Convoy Security Deal to Benefit Karzai's Brother*, McClatchy Newspapers (May 23, 2010).

[73] Subcommittee on National Security and Foreign Affairs Staff, Interview of Ahmed Rateb Popal, Rashid Popal, and Commander Ruhullah (May 27, 2010).

[74] Carl Forsberg & Kimberly Kagan, *Consolidating Private Security Companies in Southern Afghanistan*, Institute for the Study of War (May 28, 2010); *see also* Subcommittee of National Security and Foreign Affairs Staff, Interview with Ahmed Rateb Popal, Rashid Popal, and Commander Ruhullah (May 27, 2010).

[75] Dion Nissenbaum, *Afghanistan War: Convoy Security Deal to Benefit Karzai's Brother*, McClatchy Newspapers (May 23, 2010).

[76] Carl Forsberg, *Afghanistan Report 5: Politics and Power in Kandahar,* Institute for the Study of War (Apr. 2010).

[77] *Id*.

[78] Subcommittee on National Security and Foreign Affairs Staff, Interview of Ahmed Wali Karzai and Qayum Karzai (June 15, 2010).

[79] Subcommittee on National Security and Foreign Affairs Staff, Interview of Ahmed Rateb Popal, Rashid Popal, and Commander Ruhullah (May 27, 2010).

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