
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'être* 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, the Department needs to enforce them.
- 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.