



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

May 3, 2017

Mr. Takehiko Nakao
President
Asian Development Bank

Mr. Thomas Panella
Country Director, Afghanistan Resident Mission
Asian Development Bank

Dear Sirs:

I am writing to notify you that my office will be conducting a review of the Asian Development Bank's (ADB) Qaisar-Laman Road Project which began in 2006 for the purpose of constructing a 233-kilometer portion of the Ring Road in northwestern Afghanistan.¹ SIGAR is initiating this review based on information we obtained during our investigation into the Afghan government's efforts to award a new contract to complete the Qaisar-Laman road. From January to August of 2016 the Afghan Ministry of Public Works (MoPW) negotiated a \$99-million, sole source contract with a joint venture of Aziz Wali Construction Company, Shamshad Badin Construction Company, and Megayapi Construction Company (collectively "ASM JV"). The contract was supposed to be financed through a grant from ADB.

An engineering consulting firm hired by MoPW to oversee the Ministry's road construction projects conducted a prequalification review of companies interested in bidding on the contract for construction of the Qaisar-Laman road in late 2015. Even though the prequalification deemed ASM JV not qualified to conduct the work and found two other bidders to be qualified, ASM JV was slated to receive this sole source award. As detailed in SIGAR's January 2017 Quarterly Report to the United States Congress, my office sent an official letter summarizing these and other investigative findings to President Ghani on August 14, 2016.² After reviewing our letter, President Ghani cancelled the procurement in October 2016 and demanded that the solicitation for construction be re-opened for competition and competitively awarded.

Our investigation into the proposed sole source award to ASM JV identified additional concerns related to the Qaisar-Laman Road Project that warrant further review. Since 2006, ADB has been

¹ This project, which was proposed in July 2005, initially covered the 90-kilometer section of the Ring Road from Qaisar (in Faryb province) to Bala Murghab (in Badghis province). The scope expanded to cover this larger 143-kilometer section from Bala Murghab to Laman (in Badghis province) in 2007.

² SIGAR, *Quarterly Report to the United States Congress*, January 30, 2017, p. 47.

financing construction of this portion of the Ring Road, the road network circulating inside of Afghanistan connecting Mazar-e-Sharif, Kabul, Kandahar, and Herat, using funds provided by the U.S. and other donors to ADB's Asian Development Fund. As the second-largest donor to the Asian Development Fund since at least 2005, the U.S. government has a vested interest in ensuring that donations to the fund are safeguarded from waste, fraud, and abuse.³ Accordingly, this review is intended to determine (1) what the Qaisar-Laman Road Project has accomplished with the funding provided by the United States and other donor nations; (2) how much construction remains to be done in order to finish this section of road; (3) how much of the ADB grant funding MoPW has spent; and (4) how much more money is required in order to finish the project.

My office is requesting documents from ADB and interviews with relevant ADB officials in order to facilitate our review. Please provide the following information and documents:

1. The amount (dollar value) of funds spent since 2005 to construct the portion of the Ring Road from Qaisar to Laman; this includes construction, consulting, security, and life support costs associated with the project. Please also state how much of the road has been constructed under the auspices of the Qaisar-Laman Road Project since 2005, and how much remains to be constructed.
2. Copies of all grants, agreements, and contracts (as well as associated enclosures, modifications, and amendments) for the construction, consulting, security, and life support costs associated with the Qaisar-Laman Road Project since 2005.
3. All evaluations of the work completed by the prime construction contractors in ADB's possession.
4. Any documents reflecting Engineering, Compliance, & Construction, Inc. and Metag İnşaat Ticaret A.Ş. joint venture's ("EM JV") failure to comply with the terms of the contract it received to construct the Qaisar-Laman section of the Ring Road, funded in part by ADB's \$340 million grant to MoPW.
5. All documents related to the decision to award a sole source contract to ASM JV to complete the project. Please also provide any documents in which ADB officials or

³ Since 2005, the United States has pledged \$1,471,180,000 to the Asian Development Fund. The Asian Development Fund provides funding for projects in Afghanistan, as well as in other ADB member countries.

employees indicate their support for the use of a sole source contract to complete the project.

6. All documents related to the decision to select Aziz Wali Construction Company as the contractor for the camp maintenance contract beginning in February 2016, including cost estimates for the work to be performed on this contract.
7. All documents establishing ADB's oversight obligations related to the Qaisar-Laman Road Project, and all documents and correspondence establishing that ADB met those obligations.

I ask that you provide a response to this request and all requested documentation no later than May 31, 2017. I am submitting this request under the authority of Public Law No. 110-181, as amended, and the Inspector General Act, as amended. Should you or your staff have any questions about this project, please contact Mr. Matthew Dove, Director of Special Projects, at (703) 545-6051 or matthew.d.dove.civ@mail.mil.

Sincerely,



John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

CC:

Mr. Michael Strauss
Alternate Executive Director for the U.S., Board of Directors, Asian Development Bank



12 May 2017

Office of the Special Inspector General
for Afghanistan Reconstruction
1555 Crystal Drive, 9th Floor
Arlington, Virginia 22202
United States

Attention: John F. Sopko
Special Inspector General

Re: SIGAR-17-43-SP Inquiry Letter: Qaisar-Laman Road Project

Dear Mr. Sopko,

This is to acknowledge receipt of your letter dated 3 May 2017 seeking information from the Asian Development Bank (ADB) as part of the review being conducted by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) in the matter referenced above.

We appreciate you taking time to inform ADB of SIGAR's concerns in relation to a contract for the rehabilitation and construction of the remaining section of the Ring Road from Qaisar to Laman, which is part of the ADB-financed Road Network Development Project I (Bala Murghab to Leman).

We are, however, surprised that the inquiry comes to us three months after SIGAR's quarterly report of 30 January 2017 to the United States Congress was published. Considering that the report makes adverse references to ADB, its staff and one of its projects we are concerned that SIGAR did not seek ADB's comments prior to the report's finalization, particularly in light of the history of cooperation and collaboration between ADB and the United States over the last 50 years.

Please be assured that we will be looking into the findings summarized in your letter and detailed in the quarterly report and will provide you with our detailed response in due course.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Sean M. O'Sullivan'.

Sean M. O'Sullivan
Director General
Central and West Asia Department

cc: Matthew Dove, Director, Special Projects

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2 June 2017

Office of the Special Inspector General
for Afghanistan Reconstruction
1555 Crystal Drive, 9th Floor
Arlington, Virginia 22202
United States

Attention: John F. Sopko
Special Inspector General

**Re: SIGAR-17-43-SP Inquiry Letter: Qaisar-Laman Road Project
—ADB Follow-up Response**

Dear Mr. Sopko,

This is in follow-up to our letter dated 12 May 2017 in which we indicated that ADB would look into and revert back to SIGAR on the information requested through the above-referenced inquiry letter.

In respect of the specific information requested by SIGAR in the inquiry letter, our responses are as follows (each item below corresponds to the item in the SIGAR inquiry letter):

- Item 1. Information on the projects under which the remaining section of the Ring Road from Qaisar to Laman is being rehabilitated and constructed is publicly accessible on ADB's website at the following addresses:

<https://www.adb.org/projects/37075-022/main#project-pds>

<https://www.adb.org/projects/40333-022/main#project-pds>

<https://www.adb.org/projects/42095-032/main#project-pds>

- Item 2. (a) The grant agreements pursuant to which ADB agreed to finance rehabilitation and construction of the Qaisar to Laman road section, as well as certain other project-related documents, are publicly accessible on ADB's website at the following addresses:

<https://www.adb.org/projects/40333-022/main#project-documents>

<https://www.adb.org/projects/42095-032/main#project-documents>

- (b) In respect of construction-related agreements and contracts, SIGAR should request these documents directly from the Afghanistan Ministry of Public Works (MPW), which is the executing agency for the project and the direct party to such agreements and contracts.

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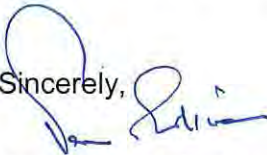
www.adb.org

- Item 3. As the evaluations of the works completed by the contractor are carried out by MPW as the execution agency and the direct party to the construction contract, SIGAR should request these evaluations directly from MPW.
- Item 4. As MPW is the executing agency and direct party to the construction contract, SIGAR should request any documents reflecting the contractor's failure to comply with the terms of the contract directly from MPW.
- Item 5. (a) As the decision to award a sole source contract to ASM JV was made by MPW as the executing agency for the project, SIGAR should request documents relating to this decision directly from MPW.
- (b) In terms of any documents which may set out ADB's consideration of, and support for, sole source contracting, as these are documents that form part of ADB's deliberative and decision-making process, they are not disclosed to third-parties pursuant to items (i) and (ii) of para. 97 of ADB's Public Communication Policy (2011), which is available on ADB's website at the following address:
- <https://www.adb.org/sites/default/files/institutional-document/32904/files/pcp-2011.pdf>
- Item 6. As the decision relating to selection of the contractor for camp maintenance was made by MPW, SIGAR should request any documents relating to this decision directly from MPW. Similarly, as contract cost estimates are developed by the executing agency, this information should also be requested from MPW.
- Item 7. (a) ADB's procurement oversight role under ADB-financed or administered projects is set out in para. 1.11 and Appendix 1 of ADB's Procurement Guidelines (2015), which can be obtained from ADB's website at the following address:
- <https://www.adb.org/sites/default/files/institutional-document/31482/procurement-guidelines-april-2015.pdf>
- (b) In respect of documentation relating to how ADB met its oversight obligations, please refer to the response provided in part (b) of Item 5 above.

Please note that ADB's Office of Anticorruption and Integrity (OAI) has opened a case to assess the allegations raised in SIGAR's January 2017 Quarterly Report and make appropriate inquiries where necessary. OAI will contact you separately regarding these allegations:

Please be assured that, as a key development partners to Afghanistan, ADB takes the allegations set out in your inquiry letter very seriously. We will continue to take all appropriate steps to gather the relevant information and facts on this matter so that proper conclusions can be reached.

Sincerely,



Sean M. O'Sullivan
Director General
Central and West Asia Department

cc: Matthew Dove, Director, Special Projects