Task Force for Business and Stability Operations

Lessons from Afghanistan

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Preface

In early 2010, the U.S. Department of Defense's Task Force for Business and Stability Operations (TFBSO) began activities in Afghanistan with the intent of using private-sector strategies to create a sustainable Afghan economy. This research describes the experience of that organization. The purpose of this report is to critically examine the choices made by the Task Force and to preserve knowledge of its activities, and the challenges it encountered, should the U.S. government choose to engage in a similar effort in the future.

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Summary

In early 2010, the Task Force for Business and Stability Operations (TFBSO, or Task Force), a small U.S. Department of Defense (DoD) organization, began operations in Afghanistan. The Task Force's mandate from the Secretary of Defense was to focus efforts on the "development of economic opportunities, including private investment, industrial development, banking and financial system development, agriculture diversification and revitalization, and energy development."[1]

The Task Force was created in 2006 as the Task Force to Support Improved Department of Defense Contracting and Stability Operations in Iraq. The original intent of this organization was to evaluate the contracting process to explore how the billions of dollars in DoD contracts being awarded to non-Iraqi companies for support items (e.g., concrete, buses) could be redirected to Iraqi firms.

By the end of 2006, the Task Force's mandate shifted toward supporting the revitalization of previously state-owned enterprises in order to promote jobs as an alternative to joining an insurgency. The intent of this organization, as specified by DoD, was to "sustain economic revitalization activities in support of Multi-National Force–Iraq (or its successor command) to aid the Department's on-going military operations and to fully leverage economic development as a strategic

[1] Robert M. Gates, Secretary of Defense, "Continuation of Task Force for Business and Stability Operations," memorandum, Washington, D.C.: U.S. Department of Defense, March 25, 2010.

and operational tool."[2] The specific vision of TFBSO was to create a "culture of business" in Iraq to counteract economic stagnation and instability.

Planning for expansion of TFBSO operations into Afghanistan began in 2009, following a request from the Commander of the International Security Assistance Force, and operations began in 2010. Rather than focus on the industrial economy, which had been the focus in Iraq, the Task Force in Afghanistan would initially focus on three lines of effort: extractives, investments, and indigenous industries. However, the model would be roughly the same as in Iraq in that the Task Force would provide a mixture of financing and direct service support.

The first and largest line of effort, the *extractive industries program*, was focused on working with government and local communities to support the development of Afghanistan's mineral and energy industries. A primary belief underlying this program was that, if developed properly, extractive industries could provide the foundation for sustainable development and enough funding to make the Afghan National Security Forces self-sustaining. TFBSO pursued four program areas focused on mineral exploitation, including supporting the Ministry of Mines for the tender process, supporting the U.S. Geological Survey and Afghan Geological Survey in mapping Afghanistan's mineral resources, establishing connections between Afghan universities and U.S. mineral-focused research universities, and supporting artisanal mining programs in contested areas. TFBSO's energy programs included support to relevant Afghan ministries for the tender and contracting process and programs focused on upgrading or rehabilitating existing production or distribution capabilities.

The *investment program* at TFBSO sprang from the premise that commercial deals—particularly those in small and medium-sized enterprises—promote sustainable, local economic growth. The investment team acted in turns as a matchmaker between potential foreign investors and Afghan businesses, as well as a consultant for small to

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[2] Robert M. Gates, Secretary of Defense, "Continuation of Task Force for Business and Stability Operations in Iraq," memorandum, Washington, D.C.: U.S. Department of Defense, March 11, 2009.

medium-sized businesses in Afghanistan through its business accelerator program. Unlike the extractive industries division, which required significant up-front investment from the Task Force, the investment division primarily provided advice, consultation, and international networking opportunities. The investment program had the following three primary areas of focus:

- the business accelerator program, which provided consulting-like services to existing enterprises with the intent of improving their efficacy
- small and medium-sized enterprise investments, focused on facilitating international investment into Afghan firms by reducing the transaction costs facing potential international investors
- industrial development, which was the closest to the TFBSO mission in Iraq in that it worked toward building larger industrial production.

The third line of effort was TFBSO's *indigenous industries program*, which focused on identifying existing artisanal industries that could be extended in scale or scope. The hope was to create small-scale, low-cost, high-return, sustainable investment projects in jewelry, carpets, and other areas for which Afghanistan had a historical comparative advantage. The focus of TFBSO activities was to develop products in these areas in line with international standards and connect Afghan vendors to international companies that would be interested in either buying wholesale or developing long-term consignment relationships.

Overview of the Study

The purpose of this study is to derive lessons from TFBSO's Afghanistan operations. The intent is to understand the structures, processes, and decisions of the Task Force; thus, we do not attempt to measure either the overall effectiveness or the cost-effectiveness of TFBSO projects. Assessing effectiveness is the focus of other research, including the TFBSO internal Economic Impact Assessment and the ongoing work of the Special Inspector General for Afghanistan Reconstruction.

Our approach for analyzing TFBSO relies on qualitative analysis of two different types of data. The first type that we draw from is semi-structured interviews that we conducted with nearly 60 individuals knowledgeable about the Task Force—including former and current TFBSO employees, U.S. government officials, Afghan citizens, and members of the global business and expert community. The second type of data is public and internal documentation describing TFBSO activities.

Our analysis is divided into four sections. The first describes the multitude of the Task Force's stakeholders resulting from its complex institutional status, plus the challenges that resulted from these diverse stakeholders. The second section of this report uses a stakeholder-focused approach for exploring several prominent TFBSO projects, informed by our finding of the disparate views of stakeholders toward TFBSO. The third section of our report draws on the first two sections, as well as additional insights from our literature review and systematic interviews, to identify key lessons from TFBSO operations. The final section concludes and offers insights into how a Task Force–like organization could be of value in future U.S. engagements and the challenges that such an organization could face.

TFBSO Stakeholders

One of the central challenges facing the Task Force was its complex institutional status and the resulting multiplicity of stakeholders. These stakeholders included civilian and military personnel within DoD (the parent organization of the Task Force), as well as U.S civilian organizations, Afghans, and the international business community. These stakeholders would often have different perspectives on what the Task Force should do, and reconciling these was a central challenge that TFBSO struggled with throughout its mission in Afghanistan. In some ways, TFBSO was, as one civilian government respondent said, an organization with no natural friends, defined in opposition to what existed before.

The military stakeholder view of the Task Force mission was that, as a DoD entity, the Task Force should support commanders' efforts, at

both the tactical and strategic level, to enhance stability by promoting what was often called "economic normalcy." One operating assumption often made by the military in Afghanistan was that unemployment contributes to insurgency, and TFBSO was thus seen as an operational enabling capability. This implied that TFBSO efforts should be nested within military campaign plans, or perhaps even a tool available to battlefield commanders. However, integrating TFBSO operations into tactical and strategic military operations remained a challenge through the organization's life in Afghanistan.

The Task Force also coordinated with a number of civilian agencies. There were diverse perspectives among these actors, but those engaged in diplomacy and development—namely, the Department of State and the United States Agency for International Development (USAID)—generally felt that TFBSO should be engaging in economic development with an eye to the long term. While these stakeholders understood the value of "expeditionary" capabilities like TFBSO, they felt that managing long-term consequences should have been a top priority. The assumptions that underlie the civilian agency approach are that local context should guide programming and that the highest imperative in this work is to do no harm. Thus, the TFBSO values of rapid action and acting in the face of uncertainty diverged sharply from these stakeholders' approach.

Another category of stakeholder included Afghan partners with whom the Task Force worked. In the eyes of these colleagues, the purpose of the Task Force was to advise and assist Afghans to connect to global business. This dovetailed well with TFBSO's own goals, particularly in the area of capacity building. For the most part, Afghans noted that they felt they had a good working relationship with TFBSO, and some referred to them as a favorite funder.

A final set of stakeholders for the purpose of this study was the international business community. In general, the business community's view of the Task Force was that it ought to build revenue for Afghanistan and reduce costs for the international business community to work in Afghanistan. This again reflected an overlap with the Task Force's own goals and a similar underlying assumption about the benefits of revenue growth on stability.

The Task Force's own view of its mission was that gains for the private sector would necessarily benefit both the Afghan government and people. TFBSO personnel highlighted three overarching goals guiding their operations: support long-term increases in government revenues to enable Afghan self-financing of the Afghan National Security Forces, create jobs to deter the insurgency, and build capacity at the national and local levels. Although the goals of the Task Force were relatively well aligned with both its Afghan partners and the international business community, there was a significant gap with the U.S. military on the types of activities that TFBSO should be engaged in and a wider divergence with USAID and the Department of State on how this work should be scoped and conducted. These conflicts directly impacted Task Force operations in Afghanistan by preventing useful partnerships, allowing redundancy in programming across agencies, and complicating the Task Force's ability to communicate its mission to Congress and the American people.

Exploring Project Implementation

The second section of this report profiles a few projects of the Task Force that were significant sources of lessons about the TFBSO model. Our analysis of these projects uses a stakeholder-focused approach, examining how different stakeholders view the effects of the program. In our approach, we treat interviews with stakeholders (such as military and USAID representatives) as different data sources. These perspectives offered by different populations reflect both differing experiences with the project and differing conceptualizations of what TFBSO should achieve—for example, business development, stabilization, or international development. We profiled the following Task Force projects:

1. *Sheberghan Gas Pipeline*: The pipeline project had two primary objects: improve an already existing Soviet-laid pipeline in northern Afghanistan and build a new, high-capacity pipeline parallel to the existing one. The program was the Task Force's most costly project and took much longer than was initially

projected, with the new pipeline ultimately never being finished. Stakeholders had mixed perceptions of the pipeline, with TFBSO staff seeing it as a successful infrastructure and advisory effort, and USAID viewing it as a potentially hazardous structure whose viability was unproven.

2. *Amu Darya Tender:* The Amu Darya tender was a large tender intended to open Afghan oil fields to international bids and build capacity within the Afghan ministries to handle the phases of the competitive process. Several stakeholders saw this tender effort as successful, citing advisory efforts and bids from several international companies. However, some in the international business community felt that the model contract was geared toward companies with poor business practices, and it was criticized by some in government for benefiting the Chinese, whose state-owned company was awarded the contract.
3. *Support to Village Stability Operations (VSO)*: The single project implemented in support of the U.S. Special Operations Forces' VSO program was designed to enhance traditional, small-scale mining practices in a contested rural area in Khas Kunar. While some felt that the underlying idea of direct commercial support to U.S. military units working in remote areas had benefit, most stakeholders saw this project as unsuccessful. These stakeholders cited flawed implementation, with TFBSO staff focusing on lack of coordination with senior Afghan authorities, and U.S. government and international respondents troubled by the TFBSO team's failure to understand the nuances of conflict dynamics at the local level, as well as critical regulatory issues.
4. *Financing for Afghanpharma*: As Afghanistan's oldest pharmaceutical company, Afghanpharma was already well established and looking for financing to expand into pharmaceutical production. From the perspective of TFBSO employees, the Afghanpharma project was successful because the Task Force was able to provide consulting and advisory services that assisted the company to late-stage negotiations on financing from private partners. However, from the perspective of Afghan stake-

holders, the results were less positive because of the length of time this took.

5. *Herat Business Incubator and Accelerator*: The business incubator and, later, the business accelerator programs were developed to provide entrepreneurs with training and mentorship to develop successful businesses. There was general agreement that the original incubator program was unsuccessful, because of its focus on start-up technology ventures, use of multiple layers of subcontractors, and lack of training and advising mindset. Similarly, there was general agreement that the accelerator model, which focused on a more diverse set of established businesses, was an improvement.
6. *Ariana Afghan Airlines*: TFBSO's support to Ariana Afghan Airlines, Afghanistan's national carrier, came in the form of a full-time consultant, who had experience with small airlines and worked on a day-to-day basis with the airline. This consultant helped Ariana implement several process reforms and conclude a ground services agreement with a major Kuwaiti firm. While there was general agreement that the consultant played a positive role, the business case for working with an unprofitable state-affiliated enterprise, as well as integrating that project into the larger strategy of the organization, was not established.
7. *Carpets:* Carpets were selected as a project stream because of Afghanistan's long-existing reputation for exporting high-quality carpet products. The Task Force assisted initially by contracting with a company to develop a hub for Afghan carpets in Turkey; however, this hub quickly proved ineffective, and the strategy shifted to matching international businesses with local producers and creating carpet lines suitable to a Western aesthetic. Both TFBSO staff and Afghan partners saw the eventual strategy as helpful to the development of the carpet industry in Afghanistan, and the Task Force met or exceeded its performance goals for the program, although it was not possible to determine whether the strategy shift had an effect on performance.

Lessons from TFBSO in Afghanistan

The mandate for the Task Force required that it function differently from other organizations within DoD, and from the U.S. government more broadly. As a young and small organization, it was asked to develop innovative solutions to evolving problems and was necessarily disruptive to both DoD and other agencies. Thus, like other entrepreneurial organizations inside larger enterprises, TFBSO's success was tied to its success in forgetting the larger business's way of operating, borrowing useful resources from the parent company, and learning on its own, like an independent enterprise.

Six types of lessons emerged from TFBSO's experience in Afghanistan:

1. *Programmatic flexibility:* The Task Force's operational approach diverged from that of both traditional defense sector programs and traditional development assistance in its focus on flexibility. However, while this allowed projects to be adaptable to the operational context, the approach was criticized for allowing a haphazard and unstrategic selection of projects that hampered the organization's ability to explain itself to outsiders and may have affected the overall quality of project selection.
2. *Leadership*: In addition to "standard" leadership responsibilities, the success of the Task Force was uncommonly reliant on the efficacy of its senior leaders in coordinating with a variety of external actors. As a consequence of the size, structure, and business-focused nature of the organization, its success required that the senior leaders spend an unusually large amount of their time coordinating with other stakeholders inside and outside the government and personally identifying and recruiting the right personnel for the job. This coordination was often difficult for the Task Force.
3. *Measures of success*: Challenges in effectively communicating its successes to the broad array of its stakeholders confounded the Task Force's success. Developing a general framework for assessment, to include a specific monitoring and evaluation frame-

work, and socializing it with relevant stakeholders may have ameliorated many of the challenges that TFBSO faced.

4. *Staffing*: The Task Force model relied on the energy and enthusiasm of a predominantly junior professional staff rather than personnel with significant U.S. government, international development, business, or military experience. However, a balance of mid-career professionals and junior professionals is critical to ensuring familiarity with U.S. government processes and technical expertise.
5. *Freedom of movement*: The freedom of movement of deployed personnel, in terms of both TFBSO's on-the-ground mobility and its ability to work outside the Embassy's Chief of Mission authority, gave TFBSO unusual flexibility to support its military stakeholders, but it also created friction with personnel from the Department of State and USAID. Future Task Force–like models, if attempted, should stress the importance of allowing as much freedom of movement as possible, while ensuring that the Embassy is well informed and consulted about activities and movements.
6. *Contracting*: The rapid contracting approach employed by the Task Force filled an important niche, although it would require an experienced and proactive contracting staff to reliably move contracts through the process at such a pace over time. In addition, TFBSO's hands-on style of contracting often resulted in mid-size contracts and grants, which enabled recipients without stretching their absorptive capacity.

Implications for Future U.S. Engagements

Economic development is likely to remain a key component of U.S. contingency operations. And regardless of today's perceived effectiveness of the Task Force in Afghanistan, or Iraq, it is likely that these future economic development efforts will contain private sector–focused elements akin to those employed by TFBSO.

Thus, rather than shunning the Task Force for perceived ineffectiveness, right or wrong, we believe that the U.S. policy community should plan for future organizational solutions to these same challenges. Overcoming the challenges that we describe and learning from the lessons that we identify will take time, but doing so will make for a potentially highly effective capability for future contingency operations.

Acknowledgments

This study would not have been possible without the assistance of several colleagues. The RAND team would like to thank Evan Hume and Gina Fiore at TFBSO in Washington, D.C., whose assistance was invaluable. In Kabul, we would like to thank COL John Hope and TFBSO's local staff, who helped to arrange interviews despite a challenging security situation. The staff wish also to thank Ambassadors James Dobbins and Ronald Neumann for their advice on the study, as well as Keith Crane for his early guidance. David Sedney provided extensive and helpful feedback on our report. Special thanks are due to Matt Carroll for his assistance with interviews in Afghanistan. Finally, the RAND team greatly appreciates the efforts and time of the many interview subjects who spoke with us, often at length, about their experiences with TFBSO.

Abbreviations

ALP	Afghan Local Police
AUAF	American University of Afghanistan
CENTCOM	U.S. Central Command
CNG	Compressed Natural Gas
CNPC-I	Chinese National Petroleum Corporation – International
DoD	U.S. Department of Defense
FY	fiscal year
GAO	U.S. Government Accountability Office
NDAA	National Defense Authorization Act
NFPP	Northern Fertilizer Power Plant
OPIC	Overseas Private Investment Corporation
SME	small and medium-sized enterprise
SOE	state-owned enterprise
TFBSO	Task Force for Business and Stability Operations
USAID	United States Agency for International Development

USGS	U.S. Geological Survey
VSO	Village Stability Operations

CHAPTER ONE

Introduction

In the summer of 2006, amid the realization that vast amounts of U.S. war spending could be used to support the Iraqi economy, Secretary of Defense Robert Gates created the Task Force for Business and Stability Operations (TFBSO, or Task Force). Initially named the Task Force to Support Improved Department of Defense Contracting and Stability Operations in Iraq, the original intent of this organization was to support combat operations in Iraq through contract reform that would allow Department of Defense (DoD) organizations to purchase directly from local vendors. From this narrow beginning developed an organization that would attempt to bridge gaps between military and development organizations and between public and private-sector strategies.

The Task Force in Iraq rapidly evolved from an organization engaged in contract reform to one that took an active role in providing program support for economic activities. By 2008, TFBSO's mission had expanded to include "economic revitalization activities in support of Multi-National Force–Iraq (or its successor command) to aid the Department's on-going military operations and to fully leverage economic development as a strategic and operational tool."[1] As a part of this new mission, the Task Force focused on restoring Iraq's private sector and expanding its participation in the global economy.

In 2010, TFBSO expanded its work into Afghanistan as part of the overall surge in U.S. operations. However, Afghanistan would offer

[1] Robert M. Gates, Secretary of Defense, "Continuation of Task Force for Business and Stability Operations in Iraq," memorandum, Washington, D.C.: U.S. Department of Defense, March 11, 2009.

a new challenge for TFBSO, as it lacked an existing industrial sector that had been the focus of TFBSO's work in Iraq. Instead, the TFBSO would turn its focus to enabling Afghan extractive industries, small and medium-sized enterprises (SMEs), and indigenous niche industries.

This report explores the Task Force mission to use private-sector strategies to develop the economy of Afghanistan and, in the words of a TFBSO employee, to "help create a sustainable economy in Afghanistan for the purposes of enhancing security, paid for through government revenue, and improving state viability through the private sector specifically."[2] Our intent is to understand whether the Task Force's model, requiring "responsiveness to the Department of Defense, timely delivery and [a] results-oriented mindset,"[3] has utility for future conflicts and what lessons should be learned from the Afghan experience.

Overview of the Study

This study examines TFBSO's operations in Afghanistan in order to understand the Task Force's operational approach there and how it evolved over time. The study asks what can be learned from this experience, in case DoD or another U.S. entity seeks to do this type of work in the future.

Several previous studies have examined TFBSO operations in Afghanistan and Iraq. A 2010 report by the Center for Strategic and International Studies reviewed lessons learned from TFBSO's experience in Iraq,[4] while a 2011 U.S. Government Accountability Office (GAO) report addressed options for integrating TFBSO operations into the United States Agency for International Development (USAID),

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[2] TFBSO employee, interview with RAND analysts, Washington, D.C., November 2014.

[3] TFBSO, internal document, "The TFBSO Strategy for Afghanistan," 2013, not available to the general public.

[4] David J. Berteau, Gregory Kiley, Hardin Lang, Matthew Zlatnik, Tara Callahan, Ashley Chandler, and Thomas Patterson, *Final Report on Lessons Learned: Department of Defense Task Force for Business and Stability Operations*, Washington, D.C.: Center for Strategic and International Studies, 2010.

pending a request for such a plan from Congress.[5] The Special Inspector General for Afghanistan Reconstruction has made TFBSO a central or peripheral subject of several reports on operations in Afghanistan.[6] In addition, several other studies were ongoing during the time of this analysis: TFBSO conducted an internal economic impact assessment and commissioned a study of the Task Force's overall impact on strategy for the U.S. Central Command (CENTCOM) area of operations. The RAND Corporation study specifically avoided duplicating the work of these studies.

Our analysis is divided into four components. We first begin by describing what the Task Force intended to accomplish. Second, we place the goals and outcomes of TFBSO in the context of expectations from the organization's four major stakeholder groups: the U.S. military, U.S. civilian agencies, Afghan partners, and the international business community. Next, we examine several prominent projects and explore what outcomes were achieved. A final component explores the lessons of the Task Force's operations that may guide future work in this area.

Three major caveats are helpful for understanding the purpose of this study. First, this report is intended to be neither an assessment nor an audit of TFBSO. The scope of the study did not include making judgments about the ultimate wisdom of creating the Task Force, its financial management, or whether it was good or bad when taken as a whole. Our purpose is to understand how the Task Force set about accomplishing its mission, as well as the strengths and weaknesses of its approach.

The second caveat is that we acknowledge that the Task Force courted controversy over the course of its life. In this study, we do not try to adjudicate whose claims are correct. However, in a few cases throughout the report, we do discuss some topics of controversy and

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[5] U.S. Government Accountability Office, *DOD Task Force for Business and Stability Operations: Actions Needed to Establish Project Management Guidelines and Enhance Information Sharing*, GAO-11-715, Washington, D.C., 2011.

[6] See, for example, Special Inspector General for Afghanistan Reconstruction, *Gereshk Cold and Dry Storage Facility: Quality of Construction Appears to Be Good, but the Facility Has Not Been Used to Date*, SIGAR 14-82 Inspection Report, Washington, D.C., July 2014.

the manner in which they were handled. In each case, we try to place any controversies in the overall context of the Task Force's work.

Finally, although the Iraq experience in many ways had a more prominent role in developing TFBSO as an idea, this study is not about the Task Force's Iraq experience, nor about its fledging efforts in both Pakistan and Africa. In a few cases, we cite information about TFBSO activities in Iraq for context, but our report is focused on TFBSO's more recent experience in Afghanistan. As the first comprehensive report on TFBSO's Afghanistan experience, and because this represents the expansion of the Task Force's work to a new country and under new leadership, we do believe it offers a useful tool for thinking critically about the TFBSO model.

Data Collection

This RAND study began with a review of external and internal documents relating to the Task Force. These documents included, for example, reports, testimony, and newspaper articles in the public domain, and briefing documents, project working documents, internal reporting documents, and notes provided to RAND by the Task Force.[7] These data were used to document TFBSO's goals, activities, and outcomes, as well as to guide the design of interview topics.

This study further documents Task Force activities through a series of semistructured interviews conducted with current and former Task Force employees, U.S. military and civilian agency staff, Afghan government officials and private individuals familiar with TFBSO activities, and members of the international business community. Semistructured interviews were conducted based on a standardized questionnaire, which was modified slightly based on the individual being interviewed.

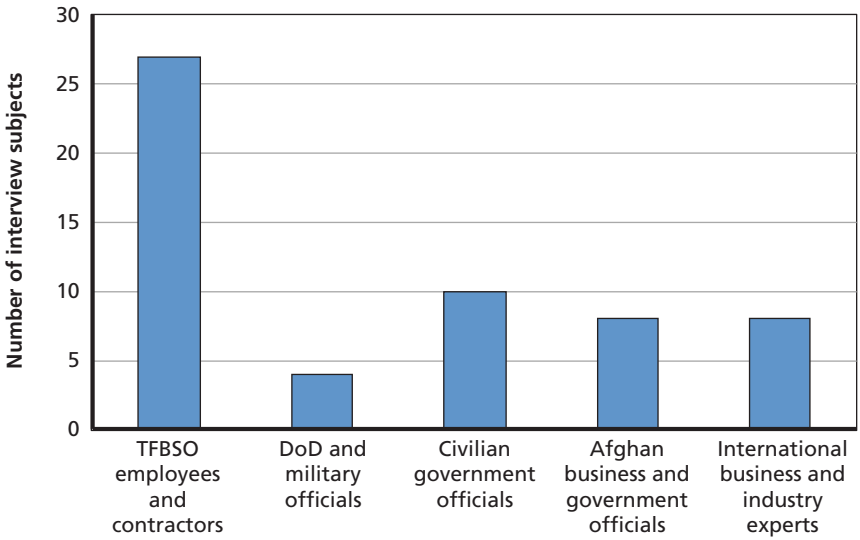
The RAND team used three approaches for identifying interview subjects. First, given the primary focus of our research—that is, to

[7] Note that when citing these internal documents, we use the term *working document* for those that appear not to be final products. To aid in version control, these documents are cited by file name rather than title. Where possible, final versions of documents were used.

describe the operations of TFBSO in Afghanistan—we asked TFBSO to identify individuals, both inside and outside the organization, who could speak knowledgeably about TFBSO's activities. Second, we identified other individuals based on our literature review and conversations with other colleagues at RAND or within DoD. Third, during each interview, we asked respondents to recommend other potential interviewees.

Figure 1.1 provides an overview of the individuals that we interviewed. The TFBSO employees and contractors category includes both current and former full-time employees and contractors employed directly by the Task Force.[8] The interviews with DoD and military officials included a representative from the Office of the Secretary of Defense for Policy and several officers who worked with TFBSO in

Figure 1.1
Interview Subjects, by Type



RAND *RR1243-1.1*

[8] In one case, a subject-matter expert was not included as an employee of the Task Force because, although the person had briefly consulted for TFBSO, he had done other significant work with other actors in the sector, and the work with TFBSO constituted only a small percentage of time. This person was treated as an industry expert, and the interview was conducted based on that set of stakeholder interview questions, rather than the staff questions.

Afghanistan. U.S. civilian government officials were likewise a mix of field and headquarters staff from a variety of civilian agencies that interacted with the Task Force, including the State Department, USAID, and the U.S. Geological Survey (USGS), as well as congressional staff. Interviews with the international business community included companies that interacted with the Task Force regarding potential business opportunities in Afghanistan, as well as individuals with significant industry experience who were aware of the Task Force through their work.

Our interviews with the category of Afghan business and government officials were intended to be as representative as possible of three different types of Afghan partners: private companies who were beneficiaries of TFBSO efforts, Afghan government officials who received advisory or mentoring services, and Afghan government officials who coordinated with TFBSO in implementing programs. A fourth group, private citizens who were beneficiaries of a TFBSO training or other activity, were not considered for this study. In a few cases, the representatives of Afghan organizations were expatriates, as is fairly common in this setting.

Our interview-based approach offers significant strengths, such as allowing us to provide a granular description of TFBSO activities, but it also has several limitations that should be acknowledged. First, the universe of potential interview subjects—that is, those who have worked with or for the Task Force—is quite small. The pool of interview subjects was further limited by the closure of TFBSO; some employees had already departed and were difficult to identify or contact. The number of military and DoD officials and civilian officials interviewed for this study was smaller than desired because many had moved on to other positions within the military and were difficult to identify or recruit to discuss issues outside their current portfolio.[9]

[9] It should also be noted that events on the ground in Afghanistan reduced somewhat the number of subjects interviewed there. The Afghan presidential inauguration and the signing of the bilateral security agreement with the United States were both announced and completed during the course of the research trip to Afghanistan. This made it a difficult time to schedule appointments with government officials, as many were called away to internal meetings.

While this study had a small pool of interview subjects, we must also note that not all possible interview subjects are equally valuable to the study. Some possible interviewees could, for example, have been subjects who had interacted only very briefly with TFBSO and, while having knowledge, would have been only minimally familiar with the organization. In this respect, the study did well in generally selecting interview subjects with substantial knowledge about the activities of TFBSO, as well as a mix of those who had encountered the Task Force in the field and those who had encountered it in Washington, D.C. Although interviews with current and former Task Force employees and long-term contractors constitute half the study sample, we feel this is appropriate for a lessons-focused study, which seeks to deeply understand TFBSO's decisions and processes. The researchers' priority was to gain a well-rounded picture of TFBSO by incorporating as complete a range of views as possible, and we feel that this has been accomplished.

Analytical Methodology

The RAND team was asked to derive lessons from TFBSO's Afghanistan operations. Thus, rather than trying to assess how effective specific TFBSO projects were, or how effective TFBSO was overall, the focus of this research was to understand the structures, processes, and decisions of the Task Force.[10]

However, given the project-by-project structure of TFBSO operations, studying individual projects to understand what made them successful or unsuccessful helps frame our analysis. For example, in a few cases, TFBSO staff acknowledged that projects were not succeeding and were able to change the model and try again. Understanding what the staff changed, as well as how it was structurally possible for them to make these changes, can help us derive lessons about what could be adjusted or replicated should there be similar efforts in the future.

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[10] Note that there are several other studies that will explore TFBSO efficacy in depth. This includes the wide-ranging Economic Impact Assessment currently under way by TFBSO and an audit being conducted by the Special Inspector General for Afghanistan Reconstruction. Our intention, therefore, is to avoid duplication of those other efforts.

Our approach for analyzing individual projects relies on primarily qualitative tools to understand the types of outcomes from the projects and how different project stakeholders perceived those outcomes. This stakeholder-focused analytic approach allows us to explore the complex context in which TFBSO projects were implemented, as well as the expectations that different stakeholders had for those projects. This complex implementation context, coupled with the relatively small number of heterogeneous projects that TFBSO implemented, makes quantitative analytical approaches unreliable.

Stakeholder-Focused Perceptions

Our approach studies perceptions of the effectiveness of projects, writ large. It is a qualitative approach focusing on drawing out comparative judgments of those who worked on and with TFBSO projects, and it is guided by the types of data available for each project. Quantitative data is typically very limited and not necessarily reliable for the projects that we profile. Additionally, there are only a small number of individuals familiar with the programs that we studied.

In our stakeholder-focused approach, we treat interviews with stakeholders (such as military and USAID representatives) as different data sources. Thus, for each project, we have as many as five different qualitative data sources, because our interviews surveyed TFBSO, U.S. military, U.S. civilian, Afghan, and international business community personnel. Each population offers different, potentially disparate, views toward the effectiveness of that project that we can compare.

In Chapter Three, we discuss the vantage points of these stakeholder groups in comparative perspective, and in Chapter Four, we apply these stakeholder categories to comparative analysis of several Task Force programs. The perspectives offered by different populations reflect both differing experiences with the project and differing conceptualizations of what TFBSO should achieve—for example, business development, stabilization, or international development.

This stakeholder-based assessment strategy has several drawbacks. First, this approach relies on the impressions of interview subjects familiar with the programs in question. While this can provide a great deal of substantive depth, it is exclusively qualitative in nature. Second, each stakeholder inherently has a point of view or bias, and a diversity

of views must be included to compensate for this. Finally, variations in numbers of interview subjects per category can offer greater depth from some points of view than others. Because these are semistructured interviews, the respondents choose the programs they wish to highlight. While these are limitations to this approach, the focus of the report's project-based analysis is not to make a definitive determination of effectiveness, but rather to draw out depth and complexity for the purpose of identifying lessons from the experience. The richness of the qualitative approach suits this goal and fits the available information for the project.

There are many approaches to evaluating program work, each with substantially different requirements for data availability and analytical techniques. One lesson identified in this report is the need to develop a monitoring and assessment framework at the outset of work on any given program. This would enable the collection of sophisticated metrics for evaluation. Where possible, the RAND study does draw on a variety of approaches to develop its analysis. However, this study principally relies on qualitative research because of its availability for this study, its level of detail, and its ability to shed light on the rationale and process behind key decisions affecting TFBSO. Because this study focuses on learning lessons from the Task Force experience, this type of information is valuable.

Organization of the Report

Chapter Two provides a history of TFBSO and its activities. Chapter Three then characterizes the Task Force's overall operational environment by describing the various stakeholders to its work and how these stakeholders affected the way that the Task Force thought about and conducted its operations. Chapter Four explores several specific projects using our stakeholder-focused approach. Chapter Five describes lessons from TFBSO's operations in Afghanistan. Finally, Chapter Six concludes by drawing from these lessons to identify strategies for future organizations working in the same programmatic or organizational space.

CHAPTER TWO

Background of the Task Force

The TFBSO mission in Afghanistan, as stated in the fiscal year (FY) 2011 National Defense Authorization Act (NDAA), was to "reduce violence, enhance stability, and support economic normalcy in Afghanistan through strategic business and economic activities."[1] This chapter begins by describing how this unique mission requirement emerged, providing a brief history of TFBSO's origins in Iraq and expansion into Afghanistan.[2]

We then provide a detailed description of the Task Force's three major lines of effort. The focus of the first line of effort, extractive industries, was to "put the right data together so that internationally respected and environmentally and socially responsible companies will form the backbone of [the Afghan mineral] industry."[3] The mission of the investment line of effort was to set the "conditions for sustainable and responsible industrial development using Afghanistan's natural resources [and enhance] the efficiency of Afghan companies through professional consulting services."[4] The final line of effort, indigenous industries, aimed to secure "new international sales outlets for high-

[1] U.S. Congress, 111th Cong., 2nd Sess., Ike Skelton National Defense Authorization Act for Fiscal Year 2011, H.R. 6523, Washington, D.C., January 5, 2010, Section 1535.

[2] TFBSO also had brief forays into Africa and Pakistan. While these fall outside the scope of this study, the one-time plans for expanding the organization should be seen as further evidence that demand for an organization of this type is likely to resurface.

[3] TFBSO working document, "concurrence-minerals2.docx," January 17, 2011, not available to the general public.

[4] TFBSO working document, "Investments and Entrepreneurship Program Management Report," May 5, 2014, not available to the general public.

end artisanal products, . . . [reach] international market standards in quality and design, and [establish] production infrastructure . . . capable of supplying international demand."[5]

A final analytical section contextualizes TFBSO efforts by comparing TFBSO spending to that of other U.S. development agencies. While TFBSO was indeed small in comparison with USAID as a whole—TFBSO spending was only 11 percent of USAID total spending during 2011–2014—TFBSO spending was equivalent to 30 percent of USAID's budget for economic development.

TFBSO's Origins in Iraq

TFBSO was founded in June 2006 as the Task Force to Support Improved Department of Defense Contracting and Stability Operations in Iraq. Noting that "[e]conomic development and job creation in Iraq are critical success factors to build a stable country," the memorandum creating the Task Force tasked the Business Transformation Agency to look at how the DoD contracting process in Iraq could be modified to energize Iraqi private industry.[6] However, by the end of 2006, the mission of TFBSO broadened to include a wider mandate to revitalize the Iraqi industrial sector, with a particular focus on the pre-existing state-owned enterprises (SOEs). The Task Force closed abruptly in the beginning of 2011, following the signing of the FY 2011 NDAA.

Department of Defense Contracting Reform

The Task Force's initial mandate was to evaluate "DoD business enterprise processes and associated systems in Iraq affecting contracting, logistics, fund distribution, and financial management" to ensure that these processes were aligned with "theater commanders' goals for

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5 TFBSO working document, "Indigenous Industries Program Management Report," May 5, 2014, not available to the general public.

6 Gordon England, Deputy Secretary of Defense, "Accelerating Reconstruction and Stability Operations in Iraq," memorandum, Washington, D.C.: U.S. Department of Defense, June 22, 2006.

reconstruction and economic development."[7] The premise was that "every contract, executed by the DoD in Iraq for reconstruction or acquisition of goods and services, is an opportunity to stimulate and direct economic activity into and among Iraqi businesses and thereby create jobs."[8]

Thus, the original intent of TFBSO was to coordinate the use of the "massive pool of [DoD] spending, which was more than $9 [billion] a month in 2006, as a stimulus, applying contracts for food, equipment, construction material, to anything that we could buy from an Iraqi business as opposed to importing it from other countries in the Middle East."[9] Previously, billions of dollars in DoD contracts were being awarded to non-Iraqi companies for support items that could have been purchased from Iraqi firms.[10] In order to achieve this contract reform, the Task Force was charged with the following tasks:

1. deploying a common system and business process for most contingency contract management
2. establishing appropriate contracting authority to meet CENTCOM requirements,
3. policy, process, and some system support for the Commander's Emergency Response Program
4. potentially changing federal and DoD acquisition regulations
5. developing legislative strategies related to contingency contracting
6. defining contingency operations doctrine in the business mission area.[11]

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7 England, 2006.

8 England, 2006.

9 Paul A. Brinkley, *War Front to Store Front: Americans Rebuilding Trust and Hope in Nations Under Fire*, New York: Turner Publishing Company, 2014, p. 48.

10 Brinkley (2014) attributes this idea originally to then–Major General Darryl Scott, who proposed the idea for the Iraqi First program; Brinkley notes, "the military was importing hundreds of millions of dollars of goods and services that could be provided by Iraqi businessmen at lower cost, and that could stimulate economic activity and help support community stabilization at the same time" (p. 26).

11 England, 2006.

Broadening of the Mission

The TFBSO mandate evolved rapidly during the organization's first year. By the end of 2006, the Task Force had broadened its focus to include the revitalization of Iraqi private industrial enterprise writ large. In addition to a focus on reforming DoD contracting, which would create short-term demand for Iraqi industry, the Task Force began to coordinate with the U.S. domestic business community and Iraqi business leaders to "restore normal demand to Iraqi industrial operations and eventually reduce any dependence on U.S. military contracts for production demand."[12]

The Task Force's efforts to revitalize Iraqi private enterprise focused on reforming the existing SOEs. The initial focus of these reforms were "industrial operations: machine shops, metal works, and heavy equipment manufacturers," because there was a belief that these operations had the best chance of thriving and could have a demonstration effect within the Iraqi economy.[13] Congress would appropriate $100 million to the Task Force to support the revitalization of these SOEs.[14]

The support that the Task Force provided to these SOEs came in several varieties. The first was through the direct purchase of equipment and raw materials on behalf of the facility being supported.[15] The second was through the recruitment of a team of "highly skilled factory executives as shop floor engineers" that would deploy to work in these facilities.[16] A third was to function as a link between the international business community and both Iraqi business leaders and government officials, to serve as a catalyst for private investment in Iraq.[17]

This broadening of the Task Force mission reflected a key component of its original mandate, namely that it should work in line with the

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[12] Brinkley, 2014, p. 72.

[13] Brinkley, 2014, p. 73.

[14] Berteau et al., 2010, p. 12.

[15] Berteau et al., 2010.

[16] Brinkley, 2014, p. 85.

[17] TFBSO working document, "Standard Deck 12082008v1.ppt," December 8, 2008, not available to the general public.

theater commanders' goals.[18] The Task Force was placed in a supporting role relative to the operational military command (Multi-National Force–Iraq) and the Joint Campaign Plan, and DoD directed the Task Force to coordinate with civilian U.S. agencies for the first time.[19] Military commanders at the time believed that economic operations, and job creation in particular, were a key component of counterinsurgency. The anticipated job creation that would accompany the revitalization of these SOEs made TFBSO an important counterinsurgency tool in the eyes of military commanders.[20]

TFBSO Mission in Iraq Ends

The FY 2011 NDAA, while authorizing "full-spectrum economic development efforts" for Afghanistan, did not authorize any additional funds for Iraq; as a result, all TFBSO operations in Iraq ceased in January 2011.[21] This NDAA language reflected the culmination of nearly a year of legal battles that had embroiled the Task Force, following a judgment by the Office of the General Counsel of the DoD in April 2010 that the TFBSO mission "was a violation of the legal authorities of the Department of Defense, as it was in fact not a military mission but a foreign assistance mission."[22]

Requiring that the DoD prepare to transition all TFBSO-related work to USAID by September 2011, the "language within the NDAA had an immediate and deleterious effect on [the TFBSO] mission, conveying a 'lame duck' status."[23] Following the NDAA, several senior TFBSO staff resigned almost immediately, and Paul Brinkley, the TFBSO director who had led the organization since its founding, sub-

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[18] Berteau et al., 2010, p. 12.

[19] Gates, 2009.

[20] Berteau et al., 2010, p. 10.

[21] Paul A. Brinkley, Deputy Under Secretary of Defense and Director, "Status of Task Force for Business and Stability Operations," TFBSO memorandum to Secretary of Defense Robert M. Gates, U.S. Department of Defense, February 14, 2011a.

[22] Brinkley, 2014, p. 265.

[23] Brinkley, 2011a.

mitted his resignation by February 2011, although he would continue at its head through the end of June 2011.

TFBSO Expands into Afghanistan

Planning for expansion of TFBSO operations into Afghanistan began in 2009, following a request from the Commander of the International Security Assistance Force, Afghanistan.[24] TFBSO operations were formally expanded into Afghanistan in March 2010, with a mandate to focus efforts toward the "development of economic opportunities, including private investment, industrial development, banking and financial system development, agriculture diversification and revitalization, and energy development."[25]

Early Challenges Facing TFBSO Efforts in Afghanistan

The Task Force received requests to expand operations into Afghanistan as early as 2006.[26] However, these initial appeals were dismissed by the Task Force leadership, because there was a perception that the TFBSO model would be of no value in Afghanistan. Reflecting on these earlier appeals, the then–TFBSO director recalled:

> I had dismissed all such requests. My knowledge of Afghanistan led me to believe there was no value TFBSO could add there. We were mostly business people, working to restart a preexisting industrial economy. Iraq had a large professional class, a depressed and aging but viable factory infrastructure, and a clear economic asset—oil and gas—that could drive a rapid turnaround once security was restored. To my knowledge, Afghanistan had none

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[24] Brinkley, 2014, p. 207–208.

[25] Robert M. Gates, Secretary of Defense, "Continuation of Task Force for Business and Stability Operations," memorandum, Washington, D.C.: U.S. Department of Defense, March 25, 2010.

[26] Brinkley (2014, p. 68) reports that Ambassador Zalmay Khalizad, while U.S. Ambassador to Iraq, was the first to suggest that TFBSO consider conducting operations in Afghanistan.

> of these basic elements of a modern economy. From the outside looking in, what Afghanistan needed was remedial development from competent aid organizations.[27]

Though Afghanistan's economic structure therefore offered a new challenge for TFBSO, the Task Force operational approach had evolved substantively by 2010. As one example, the Secretary of Defense memorandum formally expanding TFBSO operations into Afghanistan makes no mention of TFBSO's role in contract reform, but instead highlights the "entrepreneurial efforts" of TFBSO's "expeditionary business specialists."[28] Such an approach was resonant with the thinking on Afghanistan's development at the time. In a 2008 book called *Fixing Failed States: A Framework for Rebuilding a Fractured World*, Ashraf Ghani, a former Afghan Finance Minister, and Clare Lockhart wrote that to repair economies and improve state function in countries such as Afghanistan, it was necessary to begin "innovating collaborative partnerships across state, market, and civil society boundaries."[29]

In addition to the new implementation environment, the Task Force would face three new challenges as part of its expansion into Afghanistan. The first challenge was from the DoD Office of the General Counsel review of TFBSO activities that had begun in April 2010, as discussed. A consequence of this review was that all funding for TFBSO activities was frozen from April 2010 through the beginning of 2011, when the FY 2011 NDAA was signed.[30] Operations in Afghanistan therefore got off to a slow start, as TFBSO was required to operate with only a portion of the intended number of personnel.

The second challenge was from Congress, where TFBSO would be constantly forced to justify its mission because some felt that "the

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27 Brinkley, 2014, p. 208.

28 Gates, 2010.

29 Ashraf Ghani and Clare Lockhart, *Fixing Failed States: A Framework for Rebuilding a Fractured World*, Oxford University Press, 2008, p. 48. As will be discussed in the conclusion, Ashraf Ghani is currently President of Afghanistan.

30 Brinkley, 2014, p. 288. Because the FY 2011 NDAA was not signed until early 2011, the TFBSO was required to use Commander's Emergency Response Program funds as a bridge to cover TFBSO operations during October through December of 2010.

Pentagon's focus should not be on starting up businesses or facilitating business development tours for corporate [executives]."[31] This challenge first emerged as part of the FY 2011 NDAA, which required that TFBSO seek the concurrence of the State Department for all projects in Afghanistan and prepare a plan for transitioning all activities to USAID by September 2011.[32] And although the FY 2012 NDAA allowed the continuation of TFBSO, the Committee Report noted that "the function of private sector business development falls outside the core competency of the Department of Defense" and that TFBSO's continuation was because USAID was unprepared to take on the Task Force's projects at that time.[33]

Third, many of the senior TFBSO staff resigned in the first half of 2011 following the passing of the FY 2011 NDAA. Later that year, when the organization was in transition to Washington Headquarters Services, a DoD organization that provides centralized administrative support to agencies, TFBSO lost the authority to hire Senior Executive Service positions, the senior-most hires in the government. As a result, it became harder to attract new senior staff. The Task Force thus assessed that there was "insufficient managerial operations to support current operations beyond June 30, 2011" and called for a reduction in the operational activities of the organization in Afghanistan.[34]

Operations in Afghanistan

By June 2010, TFBSO operations in Afghanistan were focused on three areas in which staff believed Afghanistan held a comparative advantage: "quick-win light industrial developments and expansion projects to demonstrate immediate progress to local communities, medium-

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[31] Betty McCollum, "Congresswoman McCollum's Statement on the Task Force for Business and Stability Operations in Afghanistan (Amendment to H.R. 2219)," Washington, D.C., July 6, 2011.

[32] U.S. Congress, 2010, Section 1535.

[33] U.S. House of Representatives, National Defense Authorization Act for Fiscal Year 2012, Committee Report (to Accompany H.R. 1540), 2011, Section 1533.

[34] Paul A. Brinkley, Deputy Under Secretary of Defense and Director, "Proposed Succession Plan," TFBSO memorandum to Secretary of Defense Robert M. Gates, U.S. Department of Defense, June 3, 2011b.

term 'artisanal' mining and energy-sector development initiatives to build investor confidence in these new sectors, and long-term mineral and hydrocarbon natural resource development."[35] These three focus areas would later be expanded into five lines of effort—agriculture, energy, indigenous industries, banking and finance, and minerals—before being consolidated into just three areas: extractive industries, investments, and indigenous industries.[36]

An overview of the range of TFBSO projects is provided in Table 2.1. The extractive industries line of effort, the focus of the

Table 2.1
TFBSO Activities Included in RAND's Study

Line of Effort	Project	Description
Extractive industries ($611 million)	Oil and gas tenders	Amu Darya, Afghan-Tajik I and II, Afghan gas corporatization
	Pipeline	Pipeline uprating, new pipeline
	Capacity building	Ministerial advising, drill operator training
	Mineral tenders	Copper, gold, lithium, cement
	Artisanal mining	Support to Village Stability Operations
Investments ($152 million)	Business accelerator	Herat business accelerator, American University of Afghanistan business innovation hub
	Small and medium-sized enterprise	Afghanpharma, private equity support
	Industrial development	Strategic investments, independent power producer
Indigenous industries ($60 million)	Jewelry	Trade shows, matchmaking, training
	Turquoise Mountain	Marketing, operations grants
	Cashmere	Farm, laboratory, ban on greasy cashmere
	Carpets	Trade shows, matchmaking, carpet hub

SOURCE: TFBSO working document, "TFBSO project costs.xlsx," undated, not available to the general public. Totals reflect both direct and overhead costs.

[35] Brinkley, 2014, p. 269.

[36] TFBSO's nascent effort to promote agribusiness was largely shuttered because it duplicated some work of USAID and was not considered a core competence of the organization.

following section, accounted for nearly 75 percent of total TFBSO expenditures in Afghanistan. Such projects included directly improving infrastructure (e.g., the pipeline project), supporting the Afghan tendering process for energy and mineral extraction, and working with local communities to develop sustainable extraction processes (e.g., artisanal mining). The investments line of effort focused on facilitating foreign investment into Afghan firms, supporting coordination, and encouraging nascent entrepreneurs. Finally, indigenous industries focused on creating new export markets for traditional Afghan products and improving the quality of those products to make them more attractive in an international market.

Extractive Industries

Extractive industries were a central line of effort for TFBSO in Afghanistan, with activities divided into two major areas: minerals and energy. The initial focus was on minerals because of the country's reported abundance of such resources; a USGS study with DoD and USAID input suggested that Afghanistan's mineral wealth was roughly $1 trillion.[37] Thus, the Task force saw minerals as "a game-changer that could put Afghanistan on the road to economic sovereignty and independence from reliance on international donors."[38] The intent of the mineral program was to "create long-term jobs, infrastructure development, and a revenue stream for the Afghan government sufficient to fund its own police, military, and domestic initiatives."[39]

The energy production program was originally conceived as a way to provide the energy required to exploit minerals. However, given a reported abundance of oil and gas resources, as well as the comparatively short timeline required to bring them to market, the Task Force decided to develop an energy program as another line of operations. For energy development, TFBSO focused on efforts that would "create

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[37] "Afghans Say US Team Found Huge Potential Mineral Wealth," *BBC News*, June 14, 2010.

[38] TFBSO working document, "concurrence-minerals2.docx."

[39] TFBSO working document, "concurrence-minerals2.docx."

incremental employment at multiple levels of the supply chain, provide the basis for improved irrigation, water treatment, education and health care, and create the conditions for future economic growth and stability."[40]

Overall, TFBSO believed that these extractive industries could provide the necessary opportunities for large-scale economic impact with an overarching goal of applying "a business mentality to generate revenue responsibly, effectively, and as a catalyst for 'needle moving' revenue generation for government."[41] Its approach was to identify areas of perceived high return, pinpoint gaps in existing activities, research the reason for these gaps, and design projects to fill them. A defining characteristic of the TFBSO approach was its focus on engaging with the international business community:

> It is here that TFBSO's approach is different than prior initiatives in Afghanistan; our objective is to put the right data together so that internationally respected and environmentally and socially responsible companies will form the backbone of this [mineral] industry. Our mission is to create the conditions necessary for the right actors to become involved.[42]

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[40] TFBSO working document, "Energy, Mines, Ag SME PWS.doc," February 2010, not available to the general public.

[41] TFBSO employee, interview with RAND analysts, Washington, D.C., August 2014. Note that natural resource exploitation can provide the foundation for sustainable development when a government makes credible commitments about the future to both its citizens and the contractors and can commit to using this income on public goods, such as infrastructure, education, and health care (see Naazneen Barma, Kai Kaiser, Tuan Minh Le, and Lorena Viñuela, *Rents to Riches? The Political Economy of Natural Resource-Led Development*, Washington, D.C.: World Bank Publications, 2011). Norway husbanded its oil wealth during the 1970s and 1980s, and, to a lesser degree, Botswana developed a more recent diamond-led growth plan. These are examples of resource-led growth that have been effective, although a number of other factors have contributed to their success. Some development scholars argue that the private firms contracted to pump oil or mine ores can mitigate social problems through corporate social responsibility, but the effective implantation of this model—despite the rhetoric presented by mining and energy companies—has yet to be seen. See Keith Slack, "Mission Impossible? Adopting a CSR-Based Business Model for Extractive Industries in Developing Countries," *Resources Policy*, Vol. 37, No. 2, 2012, pp. 179–184.

[42] TFBSO working document, "concurrence-minerals2.docx."

Engagement with the energy companies, some of which had previously expressed interest in bidding, would shape much of the extractive industry team's efforts.[43]

Minerals and Energy Opportunities in Afghanistan

Afghanistan is believed to possess significant mineral and energy resources. It has some of the oldest mines in the world and a lengthy tradition of mining. Afghanistan's combined mineral wealth, rediscovered from Soviet geological surveys and extensively mapped by USGS, is estimated at $908 billion in copper, gold, gemstones, lithium, and rare earth elements found in abundance in mountains and basins across the country.[44] However, this figure is notional only; it does not reflect the value of commercially exploitable deposits. Therefore, it is misleading if taken as a measure of what could be extracted from Afghanistan by commercial mining companies. Challenges impede the extraction of this natural wealth. Security concerns aside, most of the mineral-rich provinces lack road, rail, or electric power infrastructure, and the nascent mining industry would have to compete with agriculture, an economic mainstay, and municipalities for limited water supplies.[45] The Law on Mines (passed August 2014) could pave the way for international investment, but critics say it lacks transparency and could fuel conflict and graft.[46]

In terms of energy reserves, USGS believes that hydrocarbon reserves in northern Afghanistan could contain upward of 1.6 billion barrels of crude oil, 16 trillion cubic feet of natural gas, and 500 million

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[43] As one example, TFBSO employees would often ask companies why they were not operating in Afghanistan and then focus their efforts on addressing issues identified (e.g., lack of seismic information, quality of crew) (TFBSO employee, interview with RAND analysts, Washington, D.C., August 2014).

[44] Reimar Seltmann, "Preliminary Non-Fuel Mineral Resource Assessment of Afghanistan–2007," *Economic Geology*, Vol. 107, No. 7, 2012, pp. 1515–1516.

[45] Richard Stone, "Mother of All Lodes," *Science*, Vol. 345, No. 6198, August 15, 2014, pp. 725–727.

[46] Global Witness, "A Shaky Foundation? Analysing Afghanistan's Draft Mining Law," London, November 2013.

barrels of natural gas liquids.[47] While fields in the north have been producing gas for decades, full commercial yields have yet to be realized.

Mineral Projects

In the mineral program area, TFBSO's intent was to "create an overall national strategic policy for mining investment and development for Afghanistan."[48] The initial focus was on "consolidating existing legacy data sets on Afghanistan's mineral resources, gather[ing] new field and technical data, improve[ing] capacity with Afghan stakeholders who have the responsibility for managing these resources, and assist[ing] with packaging mineral resource data for investment."[49] Using the USGS's preliminary study on mineral wealth in Afghanistan, TFBSO chose to pursue gold, copper, lithium, and limestone, and began managing projects, identifying resources, contracting negotiations, and providing legal representation for the Afghan government.[50]

TFBSO pursued five program areas for potential mineral exploitation. First, it advised on the tender process itself. Four tenders were taken to the final stage, all for gold and copper. Additionally, TFBSO helped prepare a tender for cement facilities, including helping the Ministry of Mines and Petroleum prepare for the preferred bidder recommendation to the Inter-Ministerial Commission.

Second, TFBSO partnered with USGS to assess the total value of mineral wealth in Afghanistan based on the study USGS had conducted for USAID between 2004 and 2007.[51] This partnership evolved into a program to train Afghan Geological Survey employees, compile

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[47] U.S. Geological Survey, "Assessment of Undiscovered Petroleum Resources of Northern Afghanistan, 2006," U.S. Department of the Interior, March 2006, p. 1.

[48] TFBSO working document, "Table of Contents for Minerals Contracts," April 2014, not available to the general public. The Task Force contracted to GTW Associates for $30,897,457 in FY 2011 and FY 2012 to support this development.

[49] TFBSO working document, "concurrence-minerals2.docx," p. 2.

[50] Seltmann, 2012.

[51] Seltmann, 2012. This study was commissioned by USAID in 2004 and completed in 2006, and the draft report was submitted to USAID in 2007 according to Brinkley, 2014, p. 11.

information packages for potential tenders, and provide geohydrology support for mineral programs.[52]

Third, TFBSO worked with private-sector geologists, USGS, and the Afghan Geological Survey to analyze Soviet-era maps and pair them with remote sensing surveys and ground samples. This effort primarily sought to transfer capacity to the Afghan Geological Survey in geoscience field investigation, drilling, and other tasks to identify mineral deposits, as well as to "demonstrate that exploration can be conducted in Afghanistan in an effective and efficient manner with the support of [the Government of the Islamic Republic of Afghanistan], using capable Afghan companies, geologists, and security services."[53]

Fourth, TFBSO engaged in an academic initiative granting money for partnering between Kabul Polytechnic University, the Colorado School of Mines, and the University of Utah. As part of this effort, TFBSO facilitated a "train-the-trainer" program that took a high-level look at a variety of mineral and geological subjects and use of contemporary educational courses and lessons. This program offered courses to officials at the Afghan Geological Survey and Ministry of Mines and Petroleum for approximately 30 students at any given time.

The fifth mineral program area was a partnership for artisanal mining conducted in partnership with the U.S. Special Operations Forces program known as Village Stability Operations (VSO), for which the "focus is on direct-impact investment opportunities that can be completed in 30, 60, or 90 day timelines."[54] The VSO program worked to provide locals with the tools to create stability in their own villages and districts; artisanal mining was intended to help with that process, providing tools to VSO sites to mine minerals and bring them to market.[55]

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[52] TFBSO working document, "TFBSO: Minerals Progress for Afghanistan," April 2013, not available to the general public, p. 6.

[53] TFBSO working document, "TFBSO: Minerals Progress for Afghanistan."

[54] TFBSO working document, "VSO Monthly Update August 2012.docx," August 2012, not available to the general public.

[55] The initial site for this program was a chromite-rich area of Kunar Province, which employed 23 locals and sold chromite to an international buyer, but the project was plagued

Energy Projects

The Task Force conducted projects across the energy lifecycle. This included projects focused on exploration and production, the so-called *upstream* component of the energy life cycle; projects focused on the transport of oil and gas to market, or the *midstream* component; and projects focused on energy delivery, or the *downstream* component. This section describes the different projects from each component.

Upstream Energy Projects

Energy projects that were in the upstream component included those focused on exploration and production and support for both the tenders and contracting processes. TFBSO support for energy exploration was relatively limited, but the Task Force was involved in testing for the presence of underground resources as part of both the Western Tajik project in the Western Afghan-Tajik basin at Amu Darya and the northwestern Kushka Basin project.[56]

The most significant upstream projects were in support of the tender and contracting processes. The first tender in which the Task Force was involved was for Angot Oil Field in Sar-i Pul Province in northern Afghanistan. The anticipated annual revenue from the project was estimated at $7–10 million,[57] with the Task Force spending

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by allegations of illegal mining by the commander of the Special Operations Forces partner force there. In April 2013, the Ministry of Mines and Petroleum asked the Task Force to shift gears from chromite mining to gold and gemstones, and in November 2013, the project was terminated (TFBSO working document, "2-2-12 TFBSO Afghanistan Fact Sheet (2).pdf," January 2012, not available to the general public; see also "ALP Officer Illicitly Digging Up Chromite," *Pajhwok Afghan News*, November 10, 2013).

[56] Both of these efforts involved TFBSO support for seismic reflection, a surveying tool designed to test for underground resources. The Western Tajik seismic project cost approximately $10,214,000 in FY 2011. Calculating the total cost of the Kushka Basin project is more challenging. TFBSO spent an initial $8,250,000 in FY 2012 and added an additional $750,000. However, TFBSO employees also reported that they stopped payment on this contract for nonperformance. The project was rebid the following year and the total cost of that contract, following several amendments, was $20,637,939. Notably, some respondents indicated that the challenges with the seismic reflection process in the Kushka Basin prevented the area from being tendered.

[57] The following TFBSO documents provide varying estimates of the potential revenue: TFBSO document, "Performance Work Statement ANGOT Oil Field Revitalization/Development," August 2010, not available to the general public; and TFBSO document, "Angot

just more than $1 million to prepare the tender.[58] This was not a large tender but was designed to "demonstrate to international investors in general that Afghanistan is open for business."[59] The award was given to Kam Oil, but it subsequently fell through because Kam alleged that the water content of the oil was higher than advertised, although TFBSO disputed this.[60]

Following this demonstration tender, TFBSO supported the tender of oil resources at Amu Darya Basin, also in northern Afghanistan. This was a much larger tender, for a 4,500-km^2 area with five fields, supporting an estimated 11,000 barrels per day over 20 years.[61] The Amu Darya tender process was far more complex than the Angot tender, involving creating a data room to provide secure access to information about the site for prequalified bidders, performing demining and road rehabilitation activities for access to the site, and building a website about the tender to be linked from the Ministry of Mines website.[62] In addition, the tender required significant provision of subject-matter experts, such as a wellhead engineer and legal adviser. The contract was eventually awarded to Chinese National Petroleum Corporation International Watan, a joint venture of Chinese state-owned industry and the Watan Group, an Afghan partner.

A third major effort in this component was support to the Afghan government in preparation for the Afghan-Tajik I tender, which would

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Oilfield CERP Program Overview and Status," October 24, 2010, not available to the general public.

[58] The Task Force first rehabilitated the existing state-owned wells using funds from the Commander's Emergency Response Program in late 2010, in preparation for a 2011 tender round of four oil-producing wells. The cost to the Program for the rehabilitation was approximately $1.3 million.

[59] TFBSO document, "Performance Work Statement ANGOT Oil Field Revitalization/ Development."

[60] TFBSO working document, "Energy Metrics Sept 2013_final.pptx," September 2013, not available to the general public.

[61] Alexander Benard and Eli Sugarman, "The Not-So-Great Game," *Foreign Policy*, October 4, 2011.

[62] TFBSO working document, "Haag_Amu_Darya_Debrief_2011.pptx," February, 2011, not available to the general public.

involve companies bidding for exploration, development, and production rights at six locations in northern Afghanistan. Because this area was unexplored, the risk level was significantly greater than for the early tender at Amu Darya. Of the six blocks on offer, bids were received on only two, those from Dragon Oil, a Dubai-based company; Turkiye Petrolleri A.O.; and Ghazanfar Group, an Afghan firm.[63] The contracts were signed in fall 2013.

Midstream Energy Projects

The Sheberghan Gas Fields pipeline uprating program, which was designed to increase the flow of gas along the existing 89.1 km of pipeline between the gas fields and Northern Fertilizer Power Plant (NFPP) at Mazar-e Sharif, was the most prominent effort undertaken by TFBSO in this area.[64] The stated intent of this project was five-fold:

1. Provide the required pipe to build a safe and reliable pipeline to move gas to the NFPP facility near Mazar-e Sharif.
2. Enable the NFPP to operate at full capacity, securing the future employment of 2,400 workers.
3. Provide additional gas transportation capacity to encourage the development of a local gas distribution system and future compressed natural gas (CNG) facilities.
4. Provide a reliable method of moving gas to markets in Mazar-e Sharif, thereby proving that short term monetization of gas reserves is possible in Afghanistan.
5. Prove that a substantial natural gas pipeline can be built in Afghanistan to help promote and support the proposed Turkmenistan–Afghanistan–Pakistan–India pipeline.[65]

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[63] Dragon Oil, "Dragon Oil, TPAO, Ghazanfar Signs PSCs for 2 Blocks in Afghanistan," press release, October 10, 2013.

[64] For this project, the Task Force subcontracted laying new pipe to replace existing, thicker-walled pipeline, as well as updating equipment along the pipeline. While the pipeline was required by NFPP to hold 20 bar (a standard measurement of pressure) and desired to hold 83 bar, the existing pipeline failed at 6.9 bar (TFBSO working document, "Pipeline_Conditions_Slide.pptx," August 2010).

[65] TFBSO working document, "Statement of Work - SM Pipeline- Pipeline Procurement-Feb4.docx," February 2011, not available to the general public.

The pipeline uprating project was intended as a temporary measure to restore the flow of gas.

TFBSO's longer-term plan was to build a new pipeline over the same area, known as the New Sheberghan Mazar-e Sharif Pipeline. The hope was that this pipeline would provide a means for longer-term gas production, which could attract larger investment and heavy industry to northern Afghanistan.[66] In the end, the second pipeline was never attempted, and the uprated pipeline was completed in late summer 2014.[67]

An organization born of these two midstream efforts was the Afghan Gas Corporation, whose purpose was to sell gas from the original pipeline between Sheberghan and Mazar-e Sharif. The Task Force developed this program to facilitate the shift of Afghan Gas from a state-owned to a limited liability corporation with greater "technical, financial, operational, and administrative capabilities," as well as to facilitate the legal framework to conduct gas purchase agreements with liability restricted to the corporate entity, rather than the government as a whole.[68]

Downstream Energy Projects

The only major downstream, or energy delivery, project that TFBSO was involved in was related to CNG conversion. By converting cars to run on CNG and developing a pilot facility in Sheberghan to serve as a conversion and refill station, the Task Force sought to demonstrate the potential of CNG to reduce dependence on imported fuel.[69] A follow-

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[66] TFBSO document, "Congressional Notifications Package: Fiscal Year 2012 TFBSO Projects with a Total Anticipated Cost of $5 Million or More," June 19, 2012, not available to the general public.

[67] The approximate cost of the pipeline projects combined was just more than $38 million, as compared with initial estimates of $31.4 million for both completed pipelines (TFBSO document, "Congressional Notifications Package: Fiscal Year 2012 TFBSO Projects with a Total Anticipated Cost of $5 Million or More").

[68] TFBSO working document, "AGC Project Plan_uPDATED.docx," November 2013, not available to the general public.

[69] The Sheberghan pilot facility opened in May 2012 and, as of September 2013, had converted 120 cars to CNG and taken in a total revenue of 7,375,313 afghanis, or approxi-

on project, CNG Phase II, sought to extend CNG capabilities to an Afghan Border Police facility in Sheberghan, the Regional Training Center, which would have the first dual fuel generator in Afghanistan and be the first to use CNG for power generation.[70]

Investments

The mission of TFBSO's investment team was three-fold: to increase foreign investment in Afghan firms, position those Afghan firms to exploit natural resources in a sustainable and responsible fashion, and "improve the efficiency of Afghan firms."[71] The mission of this team evolved over the course of TFBSO's engagement in Afghanistan, but as of mid-2014, its purpose was as follows:

> The Investment & Entrepreneurship Program is committed to increasing deal flow between responsible investors and legitimate Afghan firms; setting the conditions for sustainable and responsible industrial development using Afghanistan's natural resources; and, enhancing the efficiency of Afghan companies through professional consulting services, including business management, engineering, and food processing.[72]

The investment team's approach was predicated on the notion that investment is often essential for supporting stabilizing economic development.[73] Although several major players in the investment and

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mately $132,000 (TFBSO working document, "Energy Metrics Sept 2013_final.pptx;" and TFBSO working document, "Metrics 21 October 2013 - .pptx," October 2013, not available to the general public).

[70] The estimated total cost of the Phase II operations is $1,932,193 (TFBSO document, "CNG PWS_final.docx," April 2012, not available to the general public).

[71] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

[72] TFBSO working document, "Investments and Entrepreneurship Program Management Report."

[73] The basic principle behind bringing investors to post-conflict countries is to create connections among domestic business sectors and between international and domestic busi-

banking sector (e.g., the Asian Development Bank, Aga Khan Fund for Economic Development, International Finance Corporation) were involved in the reform of finance and banking at the national level, the Task Force thought that these reforms were not sufficiently benefiting SMEs.[74] The investment team hoped to generate foreign investment for small and medium-sized firms by reducing transaction costs for doing business with them.

A key goal of the team was to increase the "private deal flow" within the Afghan economy.[75] This focus on *deal flow*—which is a term used by venture capitalists and other finance professionals to refer to the frequency with which firms submit proposals to investment organizations—reflected the belief that the economic development process would be accelerated through an increase in commercial deals happening throughout the economy.

Unlike other programs, the investment team did not generally provide large amounts of direct funding, but rather expertise and advice to beneficiary firms. In its final iteration, the investment program was divided into three sectors: the business accelerator program, SME investments, and industrial development.[76]

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nesses, and, in doing so, to create an economic base that promotes long-term stability. This is particularly critical given that societies newly emerging from conflict are prone to backsliding into violent conflict and are heavily dependent on donor funding. See Paul Collier, Anke Hoeffler, and Måns Söderbom, "Post-Conflict Risks," *Journal of Peace Research*, Vol. 45, No. 4, July 1, 2008, pp. 461–478. By focusing on building the private sector, the intention is to remove that dependence on public donor money. The public sector can play an important role in creating a business-friendly environment by tackling several near- and long-term problems, including strengthening rule-of-law institutions to create clear and enforceable business law and training ministries of finance and commerce on contracts.

[74] These groups were actively working in collaboration with the Government of Afghanistan's Ministry of Finance and Da Afghanistan Bank.

[75] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

[76] As noted, the investment team's major activities and functions have changed significantly over time. Originally, the team intended to set local firms up to use electronic fund transfers and connect local firms to U.S. government contracts. This model was based on the Iraqi First structure of the original Task Force in Iraq. Later, the team conducted a macroeconomic analysis of the country's economy and sectors and concluded that several areas, including technology, telecommunications, and steel, made sense to pursue. (TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014)

Business Accelerator

What became TFBSO's business accelerator program developed in two major phases. In the first phase, the Task Force established what was intended to be a "true Silicon Valley–style start-up incubator" in Herat. The intent was to "create an environment with necessary network and computing resources that fostered a creative atmosphere and begin linking the international [information technology] industry to this sector."[77] The second phase saw this incubator transform into the "business accelerator," which would focus on improving the efficiency of existing SMEs.[78]

The business accelerator established a process for the companies that used it, sequenced into four phases: pre-accelerator, accelerator, advisory, and partner.[79] The pre-accelerator phase consisted of two components. First, TFBSO conducted background research on a company in order to determine its viability, the ability of TFBSO to assist the company, and any potential security risks. The vetting process involved screening individuals with CENTCOM for red flags involving illicit activity, as well as conducting due diligence through Office of Foreign Asset Control lists and other blacklists.[80] Additionally, TFBSO contractors worked with Afghan companies to create comprehensive business plans specifying intended milestones and deliverables.

Firms that passed initial review then entered the accelerator phase. During this second phase, the firms received additional business consulting and advisory services. These services were not a one-time offer; firms that qualified for this technical support could later request guidance on particular areas of business development. Additional ad hoc

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[77] Brinkley, 2014, p. 291.

[78] Between March 2011 and August 2013, the Task Force reported revenue generation from the business accelerator program of $11,353,525 and $1,671,104 in profit (TFBSO working document, "Investments_Metric_Report Team August Final 2.ppt" August 31, 2013, not available to the general public).

[79] TFBSO working document, "Investments and Entrepreneurship Program Management Report." While some staff continued to call the program an "incubator," as discussed in Chapter Four, it is clear that this process was utilized during the accelerator phase of the project.

[80] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

technical assistance was provided during the third phase, the advisory phase, when firms were given more freedom to determine the types of assistance they wanted.

In the final partner phase, TFBSO offered no business advisory services. Instead, the Task Force facilitated company partnerships and networking, akin to creating an active "alumni network."[81] As of September 2014, 13 companies successfully completed all four stages of the accelerator process out of 26 companies reportedly receiving assistance.[82]

Herat was selected as the first location because of its perceived stability; the presence of multiple viable, locally owned businesses that "needed skills to get to the next step"; and the relatively high quality of human capital resulting from Herat's university system, stable electricity, and airport access.[83] A second program, the Business Innovation Hub in Kabul, was created in collaboration with the American University of Afghanistan (AUAF). As of July 2014, AUAF had received a grant to complete the transition of some parts of the Herat accelerator program to AUAF and enable the hub to continue functioning after the Task Force's departure.

Small and Medium-Sized Enterprises

The SME investment arm had two components. The first focused on working with Afghan firms to identify sources of investment financing.[84] Here, TFBSO saw itself as more an investment banker than a matchmaker between Afghan SMEs and international investors.[85] Several other organizations, including the World Bank, the Asian Devel-

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[81] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

[82] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014; TFBSO working document, "Investments_Metric_Report Team August Final 2.ppt."

[83] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014; TFBSO briefing, "Promoting Investment in Herat," February 2011, not available to the general public.

[84] TFBSO working document, "Investments and Entrepreneurship Program Management Report."

[85] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

opment Bank, and the United Kingdom's Department for International Development, assisted in a matchmaking capacity to connect Afghan companies with international investors. The Task Force thus saw its unique niche as preparing Afghan companies by going through financial statements, putting together marketing plans, and helping to mitigate risk.

The second component focused on facilitating international investment opportunities by reducing transaction costs. A simple, but important, example of this role was providing reliable information about Afghan firms, a key barrier for international investors looking for opportunities in Afghanistan.[86] TFBSO attempted to address this information gap by doing much of the legwork to both promote Afghan businesses to international firms and set up investor visits. These visits were viewed by TFBSO as key to its efforts to introduce foreign companies to Afghan companies.[87]

The SME investment team worked with hundreds of Afghan companies over the course of its operations in Afghanistan.[88] By the fall of 2013, TFBSO had completed two major commercial deals—$5.5 million to an agribusiness and $2 million to a light manufacturing company—and there were ten "deal-ready firms" standing by to receive financing from international investors.[89]

Industrial Development

A final set of projects in this line of effort was categorized as industrial investment. The intent was that these projects would be larger-scale efforts to provide the "Afghan community with employment and skills training, and attract [foreign direct investment] and infrastructure development spending . . . [and] build capacity within the Afghan

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[86] TFBSO working document, "TFBSO Investor Engagement Memo to USAID KR-GH-A^2.doc," September 30, 2013, not available to the general public.

[87] TFBSO working document, "TFBSO Investor Engagement Memo to USAID KR-GH-A^2.doc."

[88] There were more than 600 companies in the pipeline as of August 2013 (TFBSO working document, "Investments_Metric_Report Team August Final 2.ppt").

[89] TFBSO working document, "Investments_Metric_Report Team August Final 2.ppt."

government to market and streamline investment into [the] natural gas sector of domestic and industrial purposes."[90]

This team focused on the development of an industrial park that would exploit the cheap and dependable source of electricity that an existing natural gas plant in Mazar-e Sharif could provide. The idea was that TFBSO would develop an anchor corporation for the industrial park and that this anchor would serve to demonstrate the park's potential.[91] According to this company's website, as of May 2015, the park was in phase one of construction and in final review for financial backing from the Overseas Private Investment Corporation (OPIC, the U.S. government's development finance institution), the Asian Development Bank, and the International Finance Corporation, although it was not currently producing goods.

Additionally, because this industrial park was predicated on the notion that the natural gas plant would provide cheap and reliable electricity, TFBSO developed a series of "bridging" strategies that would create short-term demand for electricity produced by the gas plant until the industrial park was operational. Initially, the program focused on trying to sell electricity to the Mazar-e Sharif power grid, but the state-owned power company, Da Afghanistan Breshna Sherekat, did not have the administrative ability to purchase electricity. As a result, the team looked into other ways to make the project profitable, such as converting generators at a nearby military base to run off of electricity from the plant.[92]

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[90] TFBSO working document, "Investments_Metric_Report Team August Final 2.ppt."

[91] The investment team had some concerns about the $4.5 million grant that this anchor company received. They were concerned that (1) the large capital investment given to the company created unequal risk sharing, (2) the company lacked management experience, (3) the company had a reputation for repeatedly leveraging donor money, (4) the company had political conflicts of interest that could make exit from investment difficult, and (5) TFBSO lacked the ability to attract sufficient equity for the capital requirements. However, the Task Force mitigated this risk somewhat by stipulating that the funds be used for preparation of the site, and that, if the grantee was unable to raise sufficient funds for operations, the land rights be relinquished. (TFBSO working document, memorandum about the anchor organization, July 16, 2012, not available to the general public)

[92] TFBSO working document, "Industrial Team Workflows and Personnel.pdf," July 31, 2013, not available to the general public.

Indigenous Industries

The intent of TFBSO's indigenous industry program was to create small-scale, low-cost, high-return, sustainable investment projects. The hope was to identify existing artisanal industries that could be extended in scale or scope and then help those business owners identify the investment that they would need to expand.[93] The Task Force's official description states,

> Indigenous Industries secures new international sales outlets for high-end artisanal products, develops and defines product lines, reaches international market standards in quality and design, and establishes production infrastructure (vendors, logistics, quality control, order fulfillment standards) capable of supplying international demand.[94]

Supporting the development of indigenous industries can be useful in supporting economic development in post-conflict environments.[95] These programs are typically motivated less by high-value export prospects—as extractive industries typically are—and are

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[93] Choosing to develop artisanal industries in order to promote post-conflict economic stability has another advantage: economic interventions are typically focused on industries that are already established in the country. In the case of Rwanda, handicraft projects focused on traditional crafts, such as hand-woven baskets and jewelry; the development of businesses in these sectors therefore required less training or introduction of new technology into the supply chain. Successful artisanal industry development typically requires low-cost adjustments in a preexisting sector. In this way, artisanal industry development is often complementary to the development of high-cost, high-return industries, such as the extractive sector or the construction of large-scale infrastructure.

[94] TFBSO working document, "Indigenous Industries Program Management Report."

[95] Craft industry development has been pursued in a variety of post-conflict countries, including Afghanistan, Bosnia, Nepal, Rwanda, and Sri Lanka. In Bosnia, this industry development focused on small community projects, specifically targeting women, with the stated goal to empower women to send their children back to school, purchase necessities, and "get their self confidence and their dignity back" (Gayle Tzemach, *Overcoming Obstacles: How Women Are Rebuilding Bosnia*, Economic Reform Feature Service, Washington, D.C.: Center for International Private Enterprise, March 15, 2007, p. 2). In Rwanda, local nongovernmental organizations have paired with businesses, such as Kate Spade International, to produce hand-sewn purses and other accessories for luxury markets. These for-

linked more with small business development and gender empowerment goals.[96]

Afghanistan is known throughout the region, and the world, for both high-quality crafts and certain types of fresh produce, including pomegranates and a variety of dried fruit.[97] The indigenous industry program built on this heritage in three ways: first, by providing capacity building and training on producing goods marketable and suitable for Western customers; second, by ensuring that Afghan-produced fresh produce meet international standards for quality and hygiene; and finally, by connecting Afghan businesses to international markets and helping them to develop working business relationships with international companies.[98] Indigenous industry development in Afghanistan, as in many other post-conflict countries, has often been tied to the promotion of women's entrepreneurial ventures and women's empowerment programs.

TFBSO had four primary types of indigenous industry programs: jewelry development, cashmere production, carpet production, and work with the arts organization Turquoise Mountain. The activities of these programs are described in detail below.

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business partnerships are intended to support the local Rwandan community that produces the handicrafts.

[96] Artisanal industry ventures often target the female population in a country for several reasons. First, women are often left out of traditional economic interventions and experience more difficulty accessing markets and moving successfully out of poverty. Second, assisting woman-owned businesses often goes hand in hand with other governance and institutional reform, as seen in countries like Rwanda, which passed legislation guaranteeing inheritance and property rights after the 1994 genocide. (See Gayle Tzemach Lemmon, *Entrepreneurship in Postconflict Zones*, Working Paper, New York: Council on Foreign Relations, 2012, p. 2.) Third, investing in woman-owned businesses can create public relations benefits for international businesses. Indeed, an entire subindustry of organizations promoting women entrepreneurs has been established.

[97] See, for example, Carol Kerven, Bruce McGregor, and Sabyr Toigonbaev, "Cashmere-Producing Goats in Central Asia and Afghanistan," *Animal Genetic Resources Information*, Vol. 45, October 2009, p. 15.

[98] TFBSO working document, "Indigenous Industries Program Management Report," p. 2.

Jewelry Business Development

The focus of the jewelry business line of effort was to bring existing jewelry production up to international market standards and connect Afghan craftsmen to potential buyers. In this, TFBSO's intent was to leverage the existing cadre of skilled Afghan artisans who produce jewelry using semi-precious stones that are native to the country, most famously lapis lazuli. TFBSO activities in this effort centered on three primary phases of assistance: provide additional training to Afghan artisans so that they can meet international industry standards, increase market exposure for Afghan jewelry productions, and create new market connections that promote sustainability.[99]

The training component of TFBSO's efforts used a train-the-trainer model, working with artisans from across the country, including in Kabul, Badakhshan, Panjshir, Sarobi, and Jalalabad. Selected artisans participated in coursework at the Indian Institute of Gems and Jewelry in Jaipur, and this coursework was intended to facilitate efforts to produce products in line with "fine jewelry" standards.[100] A secondary intent of this program was to create a cadre of artisans that could train other Afghan artisans to compete in international markets.

Efforts to increase market exposure and create new market connections focused on international advertising techniques and the development of Afghan product lines of interest to Western customers. Among these techniques were the creation of "look books" and catalogs that enhanced the visibility of the crafts. Part of the philosophy underlying these high-end marketing efforts has been to emphasize Afghan heritage products as luxury goods. This strategy recognized that Afghan products are more competitive as fine goods at a higher price point than they would be in competition with mass-marketed goods made more cheaply.[101]

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[99] TFBSO working document, "Gemstone Jewelry Business Development Project PMP.docx," August 21, 2013, not available to the general public.

[100] A total of 16 artisans participated in this process (TFBSO working document, "Indigenous Industries Program Management Report").

[101] TFBSO employee, interview with RAND analysts, Washington, D.C., October 2014.

Partnering with the Turquoise Mountain Artisan Consortium

Turquoise Mountain, a consortium of artisans based out of Kabul, was established in 2006 before TFBSO arrived in Afghanistan. Turquoise Mountain maintained a large compound in Kabul complete with studio space, retail space, a primary school, and a health clinic. In addition to acting as a retail site for jewelers, woodworkers, calligraphers, ceramic artists, and painters, Turquoise Mountain also established the Turquoise Mountain Institute for Afghan Arts and Architecture, a vocational institute created to train new artisans.[102] The organization is responsible for an estimated 60 percent of the high-end Afghan craft market.[103]

In partnering with Turquoise Mountain, TFBSO's primary goal was to help the organization develop working partnerships and provide exposure to international designers and manufacturers. TFBSO connected Turquoise Mountain to a variety of designers, including Pippa Small, a United Kingdom–based jewelry designer; Barneys New York; and Guy Oliver, an interior designer. Turquoise Mountain was already producing high-quality products in "old art forms," so the intent of the Task Force's support was to connect these existing products to high-end markets and displays.[104] TFBSO's long-term goal with Turquoise Mountain was to shift from direct production to business consulting for individual artisans and small businesses that received initial support from the Turquoise Mountain Institute.[105]

Cashmere

TFBSO's efforts in cashmere focused on supporting the development of a value chain that could produce high-end cashmere for export.[106]

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[102] Turquoise Mountain estimated its annual revenue at $310,500 in 2012, before the Task Force began to partner with it (TFBSO working document, "TFBSO_Business_Turquoise_Mountain.docx," February 5, 2014, not available to the general public).

[103] TFBSO working document, "TFBSO_Business_Turquoise_Mountain.docx."

[104] TFBSO employee, interview with RAND analysts, Washington, D.C., October 2014.

[105] TFBSO employee, interview with RAND analysts, Washington, D.C., October 2014.

[106] By focusing on high-end markets, the Task Force also hoped to avoid market competition for such raw materials as cashmere, a field that is saturated with lower-cost products from China.

Although Afghanistan has a reputation for producing high-quality cashmere, existing production was not well suited for sale in these markets.[107]

Developing a new supply chain for the high-end cashmere market consisted of several components, one of which focused on supporting Afghan efforts to produce higher-quality cashmere. This involved importing cashmere goats from Italy that produce high-quality cashmere that meets international standards. Another aspect of this effort, a partnership with Colorado State University, sought to establish "show farms" in Herat where farmers could learn best practices for animal husbandry and proper wool collection techniques.

Concurrently, in order to help strengthen efforts to enhance the Afghan cashmere brand, TFBSO worked with the Afghan government to help pass an export ban on lower-quality (often called "greasy") varieties of cashmere. The expectation was that preventing the sale of these lower-quality varieties—which faced significant competition in international markets from China and other low-cost producers—would provide incentives to create a luxury-end export market in cashmere, in which Afghanistan would have a comparative advantage. This ban on exports of greasy cashmere was passed in spring 2014.

Carpets

The Afghan carpet industry is among the largest employers in the country. The TFBSO focus on carpets, as with cashmere, was to leverage Afghanistan's existing reputation and tradition for fine carpets to produce a product for high-end markets. Existing production often did end up in high-end markets, but many Afghan producers often would ship their products to Iran or other well-established markets, where they would be finished and sold under a different national brand.

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[107] This is due to the coloration and length of the hair of existing goats. Of the cashmere goats in Afghanistan, 80 percent have dark brown hair, 17 percent have light-brown coloration, and only 3 percent have the coveted white hair, which can be dyed most easily. At the same time, cashmere goats have an average hair length of 15–17 inches, which is longer than the preferred 14 inches for the industry standard.

TFBSO's efforts to develop this high-end carpet market had three components.[108] The first component was capacity building, by teaching weaving skills to weaving cooperatives that were identified as already viable businesses. The second component was connecting these carpet makers to international buyers and showrooms; there was a stated goal of identifying and bringing five international carpet companies to potentially partner with carpet companies in Afghanistan, and then connecting five Afghan carpet companies to those international partners.[109] The third component was investment in carpet washing and production infrastructure, in which TFBSO focused on building and maintaining two state-of-the-art cut-and-wash facilities in Mazar-e-Sharif and Herat.[110]

TFBSO Spending in Context

This section compares available expenditure data from TFBSO with spending data from USAID and other U.S. development agencies to characterize the relative size of TFBSO spending. Specifically, it explores a frequent comment heard from TFBSO employees—that spending by TFBSO was a "drop in the bucket" relative to USAID spending.

Spending by the Task Force peaked in 2012, with about $246 million spent, $110 million of which was in direct expenses. Often, overhead funding per project was greater than direct project costs, likely reflecting the high costs of security and housing in Afghanistan.

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[108] A significant goal of the carpet program was creating jobs, by employing Afghan workers in spinning and weaving positions throughout the country. The Task Force estimated the total job creation from spinning and weaving positions at 8,000 jobs by January 2014, although it is unclear whether those numbers were for steady employment (TFBSO working document, "Copy of 2014 JAN GOAL TRACKER.xls" February 5, 2014, not available to the general public).

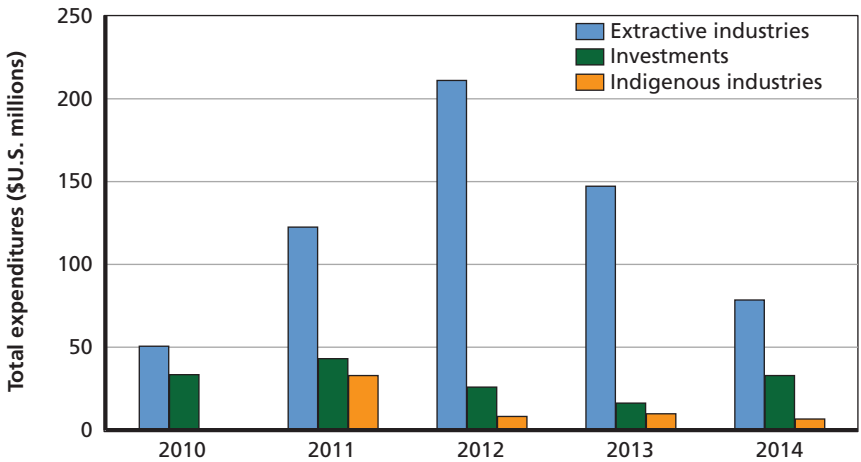
[109] TFBSO working document, "Copy of 2014 JAN GOAL TRACKER.xls."

[110] TFBSO employee, interview with RAND analysts, Washington, D.C., October 2014.

TFBSO spent approximately $825 million across all of its operations in Afghanistan.[111] Overall spending by TFBSO, which includes both direct disbursements and program overhead, is reported in Figure 2.1 separately for each of the three major lines of effort across the five years of programming. The most expensive line of effort by far was extractive industries, accounting for just under 75 percent (approximately $600 million) of total expenditures.

USAID data are available for comparison in two forms. The first type, reported in Table 2.2, is detailed disbursement data for USAID efforts in Afghanistan. This table reports spending during 2011–2013 for only USAID "economic development" programming, which is the most comparable to the activities of TFBSO; the economic development line of effort accounted for 27 percent of the $5.4 billion in

Figure 2.1
Task Force Spending, by Line of Effort and Year



SOURCE: TFBSO working document, "TFBSO Project Costs.xlsx" (based on authors' categorization).

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[111] This number includes approximately $350 million in direct project costs and $475 million in overhead costs. Unless otherwise indicated, all TFBSO costs in this section refer to TFBSO working document, "TFBSO project costs.xlsx." Totals reflect both direct and overhead costs unless otherwise specified.

Table 2.2
USAID Economic Development Spending in Afghanistan, by Sector and Fiscal Year ($U.S. millions)

Sector	2011	2012	2013	Grand Total
Agriculture	172	65	39	276
Economic opportunity	28	26	23	77
Finance	19	8	5	32
Infrastructure	344	256	254	854
Macroeconomic foundation for growth	6	6	6	18
Private-sector competitiveness	40	44	43	127
Trade and investment	27	24	27	78
Grand total	**636**	**429**	**397**	**1,462**

SOURCE: USAID, "Afghanistan," Dollars to Results, undated a.

USAID spending during this period.[112] During these three years, USAID disbursed just under $1.5 billion. Total spending on noninfrastructure programs was just over $900 million. The second type of data for comparison, program management costs, is not broken out by program or sector. Between 2011 and 2013, USAID program management costs for Afghanistan were $523 million across all activities in the seven sectors reported in Table 2.2.[113]

One important caveat for this type of data is that it is unclear whether security, food, transportation, office space, and housing costs at the U.S. Embassy headquarters for USAID and at other field locations were included in USAID's program management budget as they were for TFBSO. This is because USAID is part of the State Department administratively and resides on the Embassy compound. Further, when USAID contracted to implementing partners to perform

[112] The seven categories of USAID spending are democracy and governance, economic development, education and social services, environment, health, humanitarian assistance, and peace and security (USAID, "Afghanistan," Dollars to Results, undated a).

[113] USAID, undated a. USAID defines *program management* as comprising direct administrative costs, such as salaries and benefits for program staff, and monitoring and evaluation (USAID, "What Is Program Management? Why Are There No Results?" Dollars to Results, undated c).

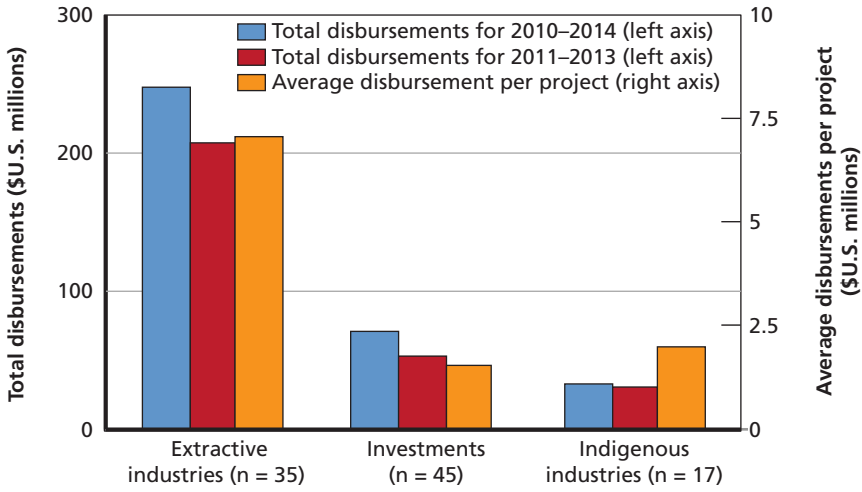
the programmatic work, similar costs for those contractors may still have been considered direct spending rather than program management. By contrast, TFBSO provided its own life support for employees, and contractors were housed on TFBSO compounds. This means that overhead or program management spending may not be defined the same way, which could account for the relatively large TFBSO overhead disbursements. The cost data to which RAND had access for this research were not broken out to this level of detail. Based on available data, TFBSO total spending during 2011–2013 was approximately 30 percent of total USAID spending for economic development during the same period. This is based on an estimate of just under $620 million in total spending by TFBSO and just under $2 billion in USAID spending; the estimate for USAID includes both total economic development disbursements (Table 2.2) and program management costs (reported above). TFBSO was indeed small in comparison with USAID as a whole—TFBSO spending was only 11 percent of USAID total spending during 2011–2013—but, as noted, Task Force spending was equivalent to 30 percent of USAID's budget for economic development. Further, TFBSO ranked among the largest U.S. economic development programs in Afghanistan.

However, reflecting substantially higher expenditures on program management, TFBSO's direct spending on programs was just 20 percent of that for USAID between 2011 and 2013. Our estimates of total TFBSO disbursements are reported in Figure 2.2. This figure divides projects by line of effort and reports the following:

- overall disbursements for each line of effort (2010–2014)
- overall disbursements for 2011–2013, to facilitate comparison with available USAID data
- average disbursements per project
- number of different projects of that type that TFBSO implemented (reported below the name of the line of effort).

Total TFBSO disbursements for 2010–2014 were just over $350 million, with approximately $290 million disbursed during 2011–2013; these estimates assume that the "direct cost" of a proj-

Figure 2.2
Task Force Project Counts and Disbursements, by Line of Effort



SOURCE: TFBSO working document, "TFBSO Project Costs.xlsx" (based on authors' categorization).
RAND *RR1243-2.2*

ect, as reported by TFBSO, reflects total project-related disbursements. USAID disbursements for programming, reported in Table 2.2, were just under $1.5 billion for the comparable period.

Our estimate of total TFBSO disbursements places the organization as the fourth-largest U.S. development assistance agency that operated in Afghanistan between 2010 and 2012. This can be seen by comparing TFBSO direct disbursement for those years—at $236 million across all of TFBSO's operations in Afghanistan—against the disbursements of all other U.S. development assistance agencies, as reported in Table 2.3. While TFBSO was significantly smaller than USAID, the rest of DoD, and the Department of State, it was just shy of 1.5 times as large as the U.S. Department of Agriculture in terms of direct program costs.[114]

[114] The Department of Agriculture provides primarily technical assistance, rather than infrastructure development, although it has provided food assistance to Afghans via the Food for Progress and McGovern-Dole International Food for Education and Child Nutrition programs.

Table 2.3
Disbursements of U.S. Official Development Assistance in Afghanistan ($U.S. millions)

U.S. Agency	2010	2011	2012	Grand Total
USAID	1,993.0	2,186.0	1,952.0	6,131.0
Department of State	459.0	333.0	508.0	1,300.0
DoD	316.0	348.0	280.0	944.0
Department of Agriculture	117.0	27.0	23.0	167.0
Department of Health and Human Services	3.2	1.3	0.3	4.8
Department of the Treasury	2.6	3.4	2.1	8.1
Department of Transportation		1.4	6.7	8.1
Trade and Development Agency	0.3	0.2		0.5
Department of Labor	1.1			1.1
Department of Commerce		0.9	0.0	0.9
Department of Justice		0.3	0.0	0.3
Department of Homeland Security			0.1	0.1

SOURCE: USAID, "Foreign Aid Explorer," website, undated b.

NOTE: By reconciling these figures with USAID's other data, it appears these numbers include only direct spending.

Conclusion

Given the size of the mission and the diverse range of projects in which the Task Force was involved, both the staff and leadership of TFBSO interacted with a broad array of other organizations and individuals. This included both U.S. military and civilian personnel; a variety of Afghans, including both private citizens and government representatives; and representatives from the international business community. Each of these stakeholders had a perspective on what TFBSO's mission should be and how the Task Force should prosecute that mission. The following chapter explores the perspective of each of these groups, which is critical for understanding the lessons from TFBSO's experience in Afghanistan.

CHAPTER THREE

Diverse Stakeholders

One of the central challenges facing the Task Force was its complex institutional status and the resulting multiplicity of stakeholders to its efforts. These stakeholders included civilian and military personnel within DoD, the parent organization of the Task Force, but also U.S civilian organizations, Afghans, and the international business community.

Each set of stakeholders had different expectations of TFBSO's role and responsibilities, and each judged the Task Force according to those respective expectations; thus, assessments vary widely. Development organizations, which prize long-term thinking and institutionalization, thought TFBSO should function like a development organization. Military organizations thought it should be a defense institution and nest within DoD operational and strategic objectives. The private sector thought it should promote private-sector growth and focus on sustained profitability.

During its time in Iraq and its early years in Afghanistan, as a result of the "top cover" that it received from senior officials within DoD, the divergence between the Task Force and its U.S. government stakeholders on what TFBSO "ought to be and do" was largely irrelevant to the day-to-day work of the organization.[1] However, as the Task

[1] One respondent characterized this as a "damn-the-torpedoes, full-speed-ahead philosophy" (TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014).

Force transitioned into Afghanistan, increasing coordination with both other DoD and other U.S. civilian organizations was required.[2]

This chapter explores perspectives on TFBSO from four stakeholder communities: the U.S. military, U.S. civilian agencies, Afghan partners, and the international business community. We then compare these perspectives with TFBSO's own and discuss the implications of the divergent perspectives. The intent of this chapter is to contextualize the stakeholder-focused approach that we use for studying projects, outlined in Chapter Four.

U.S. Military Perspective

TFBSO was mandated by DoD, its parent organization, to "assist the operational commanders in Iraq and Afghanistan to reduce violence, enhance economic stability, and support economic normalcy through strategic business and economic activity."[3] Thus, although the primary military stakeholder for TFBSO was DoD itself,[4] TFBSO had two additional military stakeholders in Afghanistan. The first was the International Security Assistance Force, which expected that the Task Force's strategy would be nested in and coordinated with its overall

[2] This increased oversight may have been in part because of a change in Task Force and DoD leadership that occurred during this time, but an increasingly active Congress was also a leading cause, evidenced by the language in the FY 2011 NDAA requiring formal coordination between TFBSO and the Department of State.

[3] Leon Panetta, Secretary of Defense, "Continuation of Task Force for Business and Stability Operations," memorandum for Secretaries of the Military Departments, Washington, D.C.: U.S. Department of Defense, August 10, 2011.

[4] Initially, TFBSO was personally led by a Deputy Under Secretary of Defense, which gave the Task Force wide latitude for operations and a short organizational line to the Secretary of Defense. After the departure of its initial leader, TFBSO was moved under the Office of the Under Secretary of Defense for Policy, making it one of that organization's very few field operational components. With the Task Force a part of DoD, the military's evaluation of it was central to the decisions made about its future. Moving the organization under the purview of the Office of the Under Secretary of Defense for Policy created opportunity for greater oversight, but a number of Task Force staff felt that guidance and direction from DoD was lacking.

military strategy. The second stakeholder included tactical ground force commanders, who saw TFBSO operations as a supporting effort for their operations.

Across these military stakeholders, support for TFBSO operations was typically predicated on a general notion that "violence systemically comes from lack of resources."[5] This assumption stemmed from larger ideas about counterinsurgency, specifically that "without a viable economy and employment opportunities, the public is likely to pursue false promises offered by insurgents," and that "restoring production and distribution systems can energize the economy, create jobs and growth, and positively influence local perceptions."[6]

While that view articulates a strategic relationship between the economy and insurgency or instability, the logic was often applied at a tactical level, as many commanders assumed that higher employment rates in their area of responsibility would have a direct effect on the level of insurgency.

A close partnership with tactical ground forces was seen as essential to TFBSO's effectiveness; one military official reported, "better interaction with the conventional forces will lead to better things for TFBSO and Afghanistan."[7] At the tactical level, there was typically a perception that Task Force projects were "something that gave immediate return to locals."[8] Members of the military, whether outside of the Task Force or assigned to billets within the Task Force, often saw TFBSO as a way to degrade support for the insurgency through cash-for-work programs to provide money for local residents.[9]

Integrating TFBSO operations into tactical and strategic military operations remained a challenge through the organization's life in Afghanistan. A prevailing view among the military respondents

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5 DoD official, interview with RAND analyst, Washington, D.C., November 2014.

6 Headquarters, Department of the Army, *Counterinsurgency*, Army Field Manual 3-24, Washington, D.C., December 15, 2006, pp. 3–12, 5–17.

7 Field grade officer, interview with RAND analyst, Kabul, October 2014.

8 DoD official, interview with RAND analyst, Washington, D.C., November 2014.

9 Military respondents often cited TFBSO and Commander's Emergency Response Program funds as tools that could provide short-term relief to communities.

was that TFBSO was a tool that should have benefited the military effort, but that it "stayed out on an island" rather than becoming a team player.[10]

U.S. Civilian Perspective

Several U.S. civilian organizations were stakeholders for the Task Force's work in Afghanistan. The primary stakeholder was the Department of State (the lead agency for all noncombat activities in Afghanistan), with which the Task Force was required, by the FY 2011 NDAA, to coordinate its activities. In addition, although USAID never had a formal relationship with TFBSO,[11] as the lead agency for international development for the U.S. government, it was a natural stakeholder for the Task Force.

Other civilian agencies interacted with TFBSO in Afghanistan over the years as well. For example, the Task Force funded USGS to map and identify mineral resources and to train members of the Afghan Geological Survey. USGS worked directly with the Task Force but was more independent than contractors, because USGS is an organ of the U.S. Department of the Interior. In addition to USGS, the Task Force developed a coordinating relationship with OPIC, in which the organizations tried to coordinate in providing financing to promising Afghan private companies, and with the U.S. Department of Commerce, which had a collegial information-sharing relationship with the Task Force.

There was consensus among respondents from these civilian organizations that the *purpose* of the Task Force, as an organization dedicated to building a post-conflict private sector, was important. Many were also supportive of the idea of an organization like TFBSO having some sort of "outside the box" authorities and status.

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[10] Field grade officers, interview with RAND analyst, Kabul, October 2014.

[11] USAID and TFBSO did coordinate in implementing several projects. Also, although no formal transition ever occurred, the FY 2011 NDAA required that DoD develop a plan for transferring TFBSO operations to USAID by September 2011.

The strongest supporters of TFBSO *operations* among the civilian organizations were likely OPIC and the Department of Commerce. These stakeholders typically described TFBSO in similar language to that used by the Task Force itself—that is, as a risk-taking, commercially minded entity—and felt that TFBSO provided a kind of "expeditionary" business capability that their organizations were unable to provide. These respondents did occasionally question the efficiency of the Task Force and the return on investment achieved by its projects. But from the standpoint of development approaches and cultural fit, these organizations were the closest to the TFBSO philosophy.

However, respondents from the Department of State and USAID were more critical and, in particular, were concerned that TFBSO employees lacked a deep understanding of the context and the potential for unintended consequences associated with their efforts.[12] The criticisms of Department of State and USAID professionals are not simply minor critiques, but challenges that strike at the heart of the development approach to conflict situations. For traditional development professionals, context is everything, particularly in an overwhelmingly complex situation of conflict, where corruption, weak governance, and insecurity affect the possible outcomes of an intervention and the possibility that aid will cause more problems than it solves. The principle that aid should "do no harm" underpins much of development assistance in conflict areas. Aid in such settings is not neutral; in an unstable environment, assistance may exacerbate inequalities and destabilizing factors without donors realizing its effects.[13]

From these stakeholders' perspective, the Task Force was "looking for a symbolic big-name deal" rather than sustained gains, and they felt that this approach carried risks for the long term.[14] The result was that the Task Force appeared short-sighted, with an attitude described

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[12] Organisation for Economic Co-operation and Development, *Evaluating Peacebuilding Activities in Settings of Conflict and Fragility: Improving Learning for Results*, DAC Guidelines and Reference Series, OECD Publishing, 2012.

[13] Mary B. Anderson, *Do No Harm: How Aid Can Support Peace–or War*, Boulder, Colo.: Lynne Rienner Publishers, 1999.

[14] Anderson, 1999.

as "let's get a touchdown as opposed to what about the game? But they exhausted the strategy just on the touchdown."[15]

Additionally, many respondents from the Department of State and USAID were concerned that TFBSO lacked sufficient oversight,[16] and that Task Force activities were neither transparent nor coordinated with the aid and diplomatic community. A general comment from these interview subjects was that the level of detail in TFBSO's reporting to interagency partners was not great enough. Such cultural differences of how to share information, combined with the perception that "the nature of the organization was defined in opposition to others, [meant that] nothing was ever going to be good enough."[17]

Afghan Partners' Perspective

The Task Force's Afghan partners included representatives from both private business and government. The Afghan businesses varied in size, from large energy firms to small microenterprises, and included a variety of industries, such as technology services, traditional goods, and resource extraction. On the governmental side, the Task Force worked to support the efforts of governmental offices that would encourage private-sector development, most notably supporting the tendering process for licensed hydrocarbon and mineral-rich areas. In a limited sense, the Task Force also worked with the government on regulatory issues related to value chain development for the sectors in which it worked, such as obtaining a ban on the sale of greasy cashmere, but this was not the core capability of the Task Force.

The general view among Afghan interviewees was that the TFBSO mission was to "advise [and] assist; they work shoulder to shoulder and do their best to make us understand how to implement international

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[15] USAID official, interview with RAND analysts, Washington, D.C., December 2014.

[16] One respondent referred to this as "adult supervision" (USAID official, interview with RAND analyst, Washington, D.C., December 2014).

[17] Department of State official, interview with RAND analyst, Washington, D.C., November 2014.

practices."[18] Additionally, respondents reported that the Task Force served to connect Afghan businesses to the international community, to make "a window which establishes a link to the outside" to overcome the country's isolation.[19]

From the Afghan respondents' perspective, the Task Force was very successful, often described as a favorite among international partners. Interview subjects described the Task Force as receptive to Afghans' ideas, physically present but not overly directive, and willing to take risks, saying, for example, "we haven't been micromanaged, yet they've been with us the whole way."[20] Despite the overall view toward the TFBSO mission and efforts, some Afghan respondents indicated limited dissatisfaction with the organizations. The two primary concerns voiced by Afghan partners were that sometimes it was unclear what TFBSO's capabilities were and that the Task Force model did not provide money directly to companies.

International Business Community Perspective

The international business community played an important enabling role for TFBSO activities. Specifically, the community provided both the financing and the demand for new Afghan economic ventures as part of TFBSO's focus on private-sector development. Respondents from this group framed the purpose of the Task Force as to "foster economic activity, create opportunities for Afghan investment dollars, and provide resources and expertise."[21]

Additionally, despite the private-sector focus of this community, many respondents reported that a core purpose of the Task Force was to increase the revenues of both Afghan businesses and the Afghan government. On balance, most respondents had a favorable view of

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[18] Afghan official, interview with RAND analysts, Kabul, September 2014.

[19] TFBSO Afghan partner, interview with RAND analysts, Kabul, September 2014.

[20] TFBSO Afghan partner, interview with RAND analysts, Kabul, September 2014.

[21] International business partner, interview with RAND analysts, Washington, D.C., October 2014.

this mission and indicated that the TFBSO effort benefited Afghanistan overall.

This community identified two TFBSO tasks as being the most beneficial to opening up Afghanistan to the international business community. The first was reducing barriers to foreign investment in Afghanistan; as an example, one respondent indicated that "the Task Force is there to galvanize and attract in investors and try to implement and retain investments . . . like the [International Finance Corporation], looking at specific investment opportunities and trying to attract" the international community to take advantage of those opportunities.[22] The second beneficial task was facilitating investor visits, which were generally considered very positive—for example, one respondent said, "we worked intimately with them but we never would have been able to travel without them. . . . They were incredibly professional and always had our best interests in mind."[23]

Comparing TFBSO's Perspective with Its Four Stakeholders

The mission of the Task Force as described by its employees reflects a fundamental assumption underlying the work of the Task Force—that gains for the private sector would necessarily benefit both the Afghan government and people. A second assumption of the Task Force's work was that action, even if not perfectly executed, was preferable to inaction. Per an employee, the attitude of the Task Force was, "here's a problem, you need to find a solution, bottom line matters, get it done. . . . We just swung for fences, kept our heads down, and crossed our fingers."[24] As another employee described it, the mission of TFBSO was to "help create a sustainable economy in Afghanistan for the pur-

[22] International industry expert, interview with RAND analyst, Washington, D.C., October 2014.

[23] International business partner, interview with RAND analysts, Washington, D.C., September 2014.

[24] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

poses of enhancing security, paid for through government revenue, and improving state viability through the private sector specifically."[25] This language was couched, at times, in terms of job creation as a deterrent to insurgency, and as an increase in government revenue that would make it possible for the Afghan government to pay for the costs of operating the Afghan National Security Forces, and therefore to ensure its stability.

The most commonly referenced supporting goal was capacity building, with several respondents indicating that improvements could not be sustained without the development of local capacity.[26] Though only an implied task, "targeted capacity-building efforts with the government" were a "key enabler for the private-sector development that [TFBSO was] focused on."[27] A second supporting goal was to reduce the cost of doing business in Afghanistan for foreign firms to increase the attractiveness of Afghanistan to foreign investors. The intent of the Task Force was not to create profit for these foreign firms, but rather to enable deals that would be mutually profitable.

Differences and Similarities with the Four Stakeholders

The goals of the Task Force and both its Afghan partners and the international business community were reasonably well aligned. All three communities believed that the Task Force should support both local capacity building and efforts to open up the Afghan market to outside investors. The international business community also saw government revenue generation as an important secondary outcome, but few Afghan partners highlighted this.

At a strategic level, the Task Force and its Afghan-based U.S. military counterparts shared a common stabilization-focused mindset. Both thought that Task Force–driven job creation could deter the Afghan insurgency and that the revenues resulting from Task Force activities, especially potentially high-value extractive industries, could support sustainable Afghan National Security Forces. However, at the

[25] TFBSO employee, interview with RAND analysts, Washington, D.C., November 2014.

[26] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

[27] TFBSO employee, interview with RAND analysts, Washington, D.C., November 2014.

tactical level, there was a significant gap between TFBSO activities and the activities that the U.S. military wanted TFBSO to engage in. For the military, tactical and operational needs would dictate where to direct the efforts of the Task Force, whereas for TFBSO, market forces would be the primary driver of specific opportunities.

The divergence in perspectives on TFBSO activities was widest with USAID and the Department of State. Both organizations viewed private-sector development as crucial to Afghanistan's development but believed that efforts to develop the private sector should be carefully sequenced and focused on process, rather than delivering short-term wins.[28] This view was at odds with the TFBSO approach that emphasized staying flexible to meet the ever-shifting opportunities of the market—or, as one employee said of the Task Force, "we change strategies daily."[29]

Implications of These Differences in Perspective

The different views and expectations between the Task Force and both its U.S. military and civilian counterparts on the Task Force's mission and activities spring from differing philosophies about how best to create stabilization. But these divergent views and approaches had real consequences for operations on the ground.

First, these conflicts directly affected the outcome of Task Force operations in Afghanistan. As a small organization, TFBSO could have benefited from additional partners, who could have reinforced the Task Force's programming or provided important local knowledge. For example, when the Task Force was trying to work in provinces where USAID had already developed a strong sense of context, closer information-sharing may have helped. But because TFBSO was not trusted by civilian government organizations, those partnerships did not happen. Further, this failure to coordinate between TFBSO and other

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[28] USAID, *A Guide to Economic Growth in Post-Conflict Countries*, Office of Economic Growth, Bureau for Economic Growth, Agriculture, and Trade, Washington, D.C., January 2009a, p. 9.

[29] TFBSO employee, interview with RAND analysts, Washington, D.C., August 2014.

stakeholders resulted in program overlap, which was not an optimal use of resources and may have been confusing to Afghan beneficiaries.

These conflicts also had very real impacts on TFBSO's survivability as an organization. Although the Task Force was eventually able to make some headway in winning the support of these organizations, it never seemed to become an accepted member of the assistance community in Afghanistan. Several respondents expressed the feeling that it was this inability to gain buy-in for TFBSO in Washington, rather than operational successes or failures, that ultimately led to the organization's closure.[30]

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[30] TFBSO employee, interview with RAND analysts, Washington, D.C., October 2014.

CHAPTER FOUR

Exploring Project Implementation

This chapter profiles several projects that were significant sources of lessons from the TFBSO model. Our analysis of these projects uses our stakeholder-focused approach, outlined in greater detail in Chapter Two, in which we examine how different stakeholders view the effects of the project. These perspectives of different populations reflect both differing experiences with the project and differing conceptualizations of what TFBSO should achieve—for example, business development, stabilization, or international development.

We focus on seven selected TFBSO projects. Out of the nearly 100 TFBSO projects implemented in Afghanistan, we selected these seven based on three criteria. First, we restricted the sample to only projects for which we had a combination of data, including both a variety of interviews and documentation. Second, we focused on projects that we assessed to be most important to understanding TFBSO, based on the prominence of these projects among the interviews that we conducted. Third, we wanted to analyze a range of program types. Based on these criteria, our analysis includes three extractive industry projects (two energy and one mineral), two investment projects, one indigenous industry project, and one uncategorized project.

Our analysis of each project is guided by the types of data available for each. Importantly, given our stakeholder-focused approach, we treat interviews with military and USAID representatives as two different data sources. In the discussions of each project that follow, we begin by presenting which types of data sources were available, then describe the insights that each source offers on that project, and con-

clude with a discussion of the implications of the (potentially disparate) views toward the effectiveness of that project.

Sheberghan Gas Pipeline

The Sheberghan pipeline project intended to set the conditions for a domestic gas industry by improving an existing Soviet-laid pipeline in northern Afghanistan and building a new high-capacity pipeline parallel to the existing one. In each case, the intent was that TFBSO would purchase the requisite equipment (e.g., pipe) directly and use Afghan labor to do the work. While the energy program did not have technical expertise in-house, they contracted out to subject-matter experts who they believed to be highly qualified. The program was the most expensive of the Task Force's many endeavors, with a total cost of nearly $67 million for the pipeline upgrading, and an additional $10 million in expenditures for the unbuilt new pipeline.[1] The project took far longer than planned, and in the end, the new pipeline was never constructed.[2]

Our analysis of the Sheberghan project relies primarily on interviews with 12 individuals who discussed the pipeline in their responses. This includes five TFBSO employees, three U.S. government civilians, two U.S. military representatives, one Afghan respondent, and one industry expert. Additionally, because this was one of the most prominent of the TFBSO projects, we were able to augment our analysis with newspaper articles, other information in the public domain, and a variety of TFBSO internal documents that outlined both the goals and progress of the project.

Our first data source, interviews with TFBSO personnel, argued that the project was indeed a success despite some significant limitations in implementation. The pipeline improvement project did achieve its goals according to TFBSO established criteria, which were informally described as follows: "Was there gas flowing from A to B, and was there

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[1] TFBSO working document, "TFBSO Project Costs.xlsx." Totals reflect both direct and overhead costs.

[2] TFBSO employee, interview with RAND analysts, Washington, D.C., August 2014.

a commercial contract signed?"[3] The fact that the work was done by Afghan labor, even if it was under international guidance, was an additional criterion used to assess this project as an overall success. Certainly, the full vision for the pipeline projects was not achieved, because the task was more complex than the Task Force originally anticipated.[4] A former TFBSO staffer highlighted as a gap the failure to adequately think through power dynamics and corruption; for example, the staffer noted that gas distribution would affect the existing patronage system in Sheberghan, but the Task Force did not account for this.[5] The results of this oversight could potentially be destabilizing. The pipeline project became, as one staff member called it, their "biggest success and failure;" it became an example of the differing philosophies of the Task Force and several of its stakeholders, and how these priorities could shape both project design and satisfaction with outcomes.[6]

Interviews with our second data source, representatives from the U.S. government civilian perspective, suggest that the project was a failure. These interviewees indicated that upgrading the pipeline actually created a risk for the populations near the upgraded pipeline. From these stakeholders' perspective, this outcome reflected a Task Force failure to adequately plan for and consider the complexity of the operating environment. One respondent called the idea interesting and of amazing potential, but said,

> The obstacles were astounding and the idea that they could have the experience to do it was crazy. . . . Nobody had laid pipeline in Afghanistan since the Soviet Union and they thought they would do it in one year. . . . At DoD, it's not their thing, so that all sounds fine to them and they don't have the experience to know how hard [development] is.[7]

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[3] TFBSO employee, interview with RAND analysts, Washington, D.C., August 2014.

[4] TFBSO employee, interview with RAND analysts, Washington, D.C., August 2014.

[5] Former TFBSO employee, interview with RAND analyst, Washington, D.C., December 2014.

[6] TFBSO employee, interview with RAND analysts, Washington, D.C., August 2014.

[7] U.S. government civilian official, interview with RAND analysts, Washington, D.C., December 2014.

The outcome was reported to be a dangerous end result that had not been tested to Western standards, despite the pipeline running through populated areas.[8] The fight over pipeline safety turned the project into a lightning rod for some members of the U.S. civilian community, because it "proved everyone's fears" about the Task Force.[9] As an indication of the vitriol this unleashed, one interviewee remarked, "a bunch of State Department folk made it their sole mission to stop this."[10]

The military respondents who discussed the Sheberghan gas pipeline did not express opinions on its success or the decisions made in the course of the project. Rather, these limited responses noted concern at the discrepancy between TFBSO's representations of the pipeline's safety and the Department of State and USAID accounts.[11] These respondents felt that TFBSO employees were not able to provide ready information on pipeline safety and a business model.

However, according to an Afghan official, the pipeline project helped to build capacity for the government to develop its understanding of how to implement a pipeline project.[12] Through this process, welders and engineers were successfully trained, and one Afghan employee who worked closely with TFBSO on the project for four years is now a pipeline manager.

An industry expert described the Task Force as good at accomplishing outputs (e.g. trainings, deliverables) but less certain of achieving outcomes (changed behavior and conditions). The representative noted that one could not answer such questions as, "When the pipeline

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[8] Reportedly, this is because the pipeline runs partially underground; these sections of pipe could not be replaced, and they cannot be tested using the most up-to-date methods because of design differences between contemporary and dated pipelines (U.S. government civilian official, interview with RAND analysts, Washington, D.C., December 2014).

[9] Department of State official, interview with RAND analysts, Washington, D.C., December 2014.

[10] Department of State official, interview with RAND analysts, Washington, D.C., December 2014.

[11] Field grade officers, interview with RAND analyst, Kabul, October 2014.

[12] Afghan government official, interview with RAND analysts, Kabul, September 2014.

was rehabilitated, did revenue increase? Was there an improvement in governance and in long-term stability of Afghanistan?"[13]

At this time, the effectiveness of the Sheberghan pipeline as a commercial enterprise seems to be relatively limited. Although it did succeed in increasing natural gas throughput, the downstream demand that the Task Force had anticipated never materialized. Thus, there was little sign that this effort would be sufficiently profitable, at least in the short term, to justify its cost. However, the prominent role played by Afghans throughout the process, in both providing skilled labor and developing the contracting capability to support this effort, suggests that there might be some long-term downstream benefits.

Amu Darya Tender

Support to the Amu Darya oil tender process was a second prominent TFBSO effort, to which the Task Force dedicated more than $55 million.[14] Here again, the Task Force lacked in-house technical expertise but attempted to bring in high-quality subject-matter experts. TFBSO's intent in this effort was to make it easier for international companies to bid on Amu Darya, and hence give Afghans more influence in selecting an appropriate company. This tender was large by previous Afghan standards, comprising 4,500 km^2 with five fields, supporting an estimated 11,000 barrels of oil per day over 20 years.[15] The contract was eventually awarded to the Chinese National Petroleum Corporation – International (CNPC-I), in concert with the Watan Group.

Our analysis of the Amu Darya tender relies primarily on interviews with 11 individuals familiar with TFBSO's support to the effort. This includes five TFBSO employees, two U.S. government civilians,

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[13] Industry expert, interview with RAND analyst, Washington, D.C., October 2014.

[14] Based on internal documents, the total figure for this project was $55,591,676.35, although this number appears to reflect significant additional work beyond advising on the tender (TFBSO working document, "TFBSO Project Costs.xlsx"). Totals reflect both direct and overhead costs.

[15] Benard and Sugarman, 2011.

one Afghan, and three private-sector and industry experts. This analysis was supplemented with a variety of TFBSO internal documents, including TFBSO-developed revenue models and a contracted transparency review, in addition to publicly available discussions of the tender.

From the perspective of the TFBSO personnel interviewed, the effort was an unequivocal success and illustrated several key aspects of the TFBSO model, such as quick turnaround, risk-taking, and high revenue potential for Afghanistan. Their attitude was to put commerce first—reporting that "we want the best company in here and we don't care who it is"[16]—and felt that awarding the contract to a Chinese company was appropriate, given China's position as a regional economic partner. Several interviewees acknowledged shortcomings, including that the tender support was a learning process, and concluded that their effort was a success because it was producing oil. As one interviewee put it, "though not in as large quantities as expected, it is nevertheless a productive site."[17]

The international business community's view of the project's success was more mixed. Two of the three individuals interviewed thought that the Task Force had failed in its primary mission to reduce barriers to international investment in Afghanistan. A primary concern was the quality of guidance that TFBSO gave to the Afghans in designing the tender process, because it was overly focused on getting the best financial offer and not necessarily the best overall offer.[18] One article critical of the tender argued that "the commercial terms that would govern the development of the oil as well as the procedures for selecting the win-

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[16] TFBSO employee, interview with RAND analysts, Washington, D.C., August 2014.

[17] TFBSO employee, interview with RAND analysts, Kabul, September 2014.

[18] The Amu Darya tender required that the competing firms agree to a diversity of health and safety provisions that were difficult for most companies to accept. However, these provisions would turn out not to be binding for the winner, CNPC-I, because it could invoke sovereign immunity; the other competing firms did not have this option. Thus, the tender process basically degraded into a competition over which firm would offer the highest royalty rate. Some within TFBSO felt that Afghans "could not withstand the pressure" of being seen to take a lower rate because it would have seemed as though government employees were corrupt and had been bought off to push a particular company (TFBSO employee, interview with RAND analysts, Kabul, September 2014).

ning bidder made it all but impossible for a Western company to win the tender against CNPC."[19] Another article, written as a counterpoint to this argument, saw the effort more through the lens of TFBSO, believing that the responsibility was to provide the best up-front terms for Afghanistan in terms of royalties.[20]

An industry expert expressed concern that the focus on these political issues distracted from larger questions of negligence for not understanding the risks of a potential deal because of a "crude analysis" of oil and gas solutions.[21] This respondent felt that these weaknesses should have been mitigated by a press for greater transparency and monitoring; in addition, although there was some success in including health and safety provisions in the tender, provisions for community grievance mechanisms and provisions to guard against human rights were not included, but they would have been sensible precautions in the Afghan operating environment.[22] Reviews of the subject-matter experts for the project were mixed, with some praise and some concern about their expertise. Despite these concerns, one interviewee indicated that the Task Force did have limited success, saying, "thanks to them, companies actually participated."[23] However, this respondent felt that, before the tender was awarded, more effort could have been spent advising the Afghan side about the work China would likely do, rather than just the commercial terms.[24]

From the available Afghan perspective, the tender process was a success; the one Afghan interviewed on this subject indicated that TFBSO's tender advising efforts should be considered a model. Fur-

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[19] Benard and Sugarman, 2011.

[20] Steve Levine, "Zalmay Khalilzad's Not-So-Excellent Afghan Oil Adventure," *Foreign Policy*, October 6, 2011.

[21] Industry expert, interview with RAND analyst, Washington, D.C., December 2014.

[22] Some of these issues were resolved in the subsequent contract for the Afghan-Tajik I tender, which may be considered an evolution of the model contract; however, key human rights and other protections remain absent (Industry expert, interview with RAND analyst, Washington, D.C., December 2014).

[23] Private-sector partner, interview with RAND analyst, Washington, D.C., October 2014.

[24] Private-sector partner, interview with RAND analyst, Washington, D.C., October 2014.

ther, because the Chinese were an important regional partner and a likely downstream purchaser of the oil, no matter who won the contract, China was a sensible partner for this effort.[25] This interviewee indicated that the TFBSO commercial focus on royalties and revenue for the government was consistent with Afghanistan's overall goals.

The U.S. civilian perspective was guardedly optimistic. One of the interviewees indicated that the eventual outcome was unsurprising, because the Amu Darya was simply not the right type of project for the Western companies, which would not have been interested in the project because it was so small.[26] Interestingly, despite significant concern among the international business community about the success of the Chinese in securing this tender, this was not of significant concern to the U.S. civilians we interviewed.

TFBSO's support to the Amu Darya tender had several successful elements. Although the tender did not achieve all of the benefits to Afghanistan that were originally projected, the project is moving forward. Moreover, an important product of this cooperation between TFBSO and the Afghan government was the development of a model contract that was used, and improved upon, in future contract negotiations. Despite this success, there are continuing concerns about lack of transparency in the industry, and Afghanistan's decision to award the contract to a Chinese SOE was galling to some, particularly in Congress. As a Senate Armed Services Committee report found,

> The committee strongly believes that TFBSO funds for the development of Afghanistan's mining should not go towards subsidizing the ability of foreign companies, in particular the Chinese mineral extraction industry, to exploit the estimated $1.0 trillion worth of Afghanistan resources. The committee believes that companies who mine Afghanistan's rare earth minerals should be the ones investing in the mining infrastructure of Afghanistan.[27]

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[25] Afghan government official, interview with RAND analysts, Kabul, October 2014.

[26] Department of State official, interview with RAND analysts, Washington, D.C., November 2014.

[27] U.S. Senate, Committee on Armed Services, National Defense Authorization Act for Fiscal Year 2014, Committee Report (to Accompany S. 1197), June 20, 2013.

Support for Village Stability Operations

In an effort to provide direct support to operational military forces, the Task Force implemented an artisanal mining program in support of the VSO program being implemented by U.S. Special Operations Forces.[28] The head of the mineral program at the time was a geologist by training, and the project was implemented by a former military officer, providing several relevant sources of in-house expertise. The artisanal mining program, implemented during 2012–2013 in Khas Kunar, was designed to enhance traditional small-scale mining practices in a contested rural area. The $3.8 million effort revolved around chromite extraction in which approximately 20 local Afghans, under the direction of the deputy ALP commander, used a TFBSO-purchased chromite crusher.[29]

Our analysis of the Khas Kunar chromite mining program relies on a somewhat limited set of interviews—the team interviewed seven individuals familiar with the program—and a relatively diverse set of TFBSO internal analysis. Interviews included four TFBSO employees, one U.S. government civilian, and two U.S. DoD and military representatives. This analysis was supplemented with a variety of TFBSO internal documents, in addition to publicly available discussions of this effort.

Employees of TFBSO tended to view this project as an embodiment of some of the best and worst decisions of the Task Force. On the positive side, the Task Force provided a turnaround of approximately 90 days from assessment to initial program implementation, making it highly responsive to the needs of military commanders responsible for the area. In addition, the Task Force was able to leverage both its ability to travel to the site for analysis and implementation and its strengths in developing international market connections; according to one staff member, "it was fast, cheap, and [it] interested investors."[30]

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[28] The VSO program uses self-defense forces, called Afghan Local Police (ALP), and provides support to governance and development to improve stability in rural areas.

[29] TFBSO working document, "TFBSO Project Costs.xlsx." Totals reflect both direct and overhead costs.

[30] TFBSO employee, interview with RAND analyst, Washington, D.C., November 2014.

However, this flexibility and speed created problems for the long-term sustainability of the project, and the program manager pushed it ahead without adequate buy-in from the Minister of Mines and Petroleum.[31] Thus, when the TFBSO-purchased chromite crusher was damaged, the program was terminated prematurely because there was no will among the Afghan leadership to support the program.

The U.S. government civilian we interviewed indicated that the Task Force had not adequately prepared the project to ensure success. This individual reported that "there was less than a good understanding of local context, tribal community dynamics and the impact of operations, what it would take, and the necessary investment. There was some understanding, but not enough."[32] In the judgment of this respondent, the Task Force, though well intentioned, failed to reach its goal with this project. However, the subject was quick to point out that the scale of the project was so small that any effect, positive or negative, would have little effect on stability.

From the perspective of DoD and military respondents, reviews about the work with special operations forces were mixed. One respondent felt that TFBSO "had the right concept, but they are not with the conventional forces," and therefore the Task Force's impact was inherently limited.[33] But one DoD civilian judged that, overall, this type of work made the military "happy" because it was something that gave an immediate return to locals.[34]

Available open source literature on the artisanal mining project indicates that it was a failure and that it actually created significant local problems, rather than benefits; an Afghan industry watchdog group, Integrity Watch Afghanistan, summarized this view in a report.[35] In its

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[31] TFBSO employee, interview with RAND analysts, Washington, D.C., November 2014.

[32] USAID official, interview with RAND analyst, Washington, D.C., October 2014.

[33] Field grade officer, interview with RAND analyst, Kabul, October 2014.

[34] DoD official, interview with RAND analyst, Washington, D.C., November 2014.

[35] Integrity Watch Afghanistan, *Chromite Extraction in Kunar: Factor of Instability*, Kabul, Afghanistan, November 2013. The report itself does not appear to be entirely impartially written; for example, it reports links between the ALP deputy director and the International Security Assistance Force as though their existence were scandalous, when in fact the ALP

view, a key challenge was that, as a result of TFBSO's poor understanding of the project, the deputy director of the ALP who was selected to run the program was an "illiterate brute" who did not have the best interests of the district in mind when processing the chromite.[36] The report also argued that the TFBSO project, by backing an Akhunzada tribesman rather than a Mohmand tribesman, had upset the traditional balance of economic life and authority in the district. Further, the report noted that the mining activities supported by TFBSO in Khas Kunar were in violation of Afghan mining law. Finally, the report found it highly inappropriate that paid ALP were given assistance to pursue extractive activities, saying, "the entry of a state security agency and agents into the mining sector may create a destructive trajectory for the potential new conflict to be fought over natural resources."[37]

The intent of the VSO mining project—to rapidly deploy a commercial capability in support of operational military forces—likely has substantive merit, but the implementation of the program had substantial flaws. Although an understanding of local complexities was perhaps beyond the Task Force's remit, and it was appropriate for staff to defer to locally embedded U.S. military forces, the lack of coordination with Afghan authorities was seriously problematic. Further, the violation of Afghan mining law, which specifies that security officials above a certain rank are forbidden to own mining rights of any kind, is another flaw that should have been avoided. This failure had significant consequences for the Task Force, and one Task Force respondent acknowledged that the program "hurt our reputation with [U.S. Spe-

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is a program started by coalition forces and those links would be appropriate for this type of work. However, as an articulation of a particular set of grievances against TFBSO's support to VSO, this report serves well.

[36] Integrity Watch Afghanistan, 2013, p. 11. TFBSO defended its choice of the deputy ALP chief because he had been vetted by CENTCOM. This meant only that he did not have ties to the Taliban or similar forces. However, this is a very different issue from the advisability of having him lead economic activities. As the Integrity Watch report suggests, the possibility of off-budget income for a security force, or even the use of DoD funds to assist the economic activities of members of the security forces, creates the possibility for abuses of power by the security force.

[37] Integrity Watch Afghanistan, 2013, p. 3.

cial Operations Command], CENTCOM, and Afghans. It left people in the lurch."[38] Another stated, "We said we were going to deliver something and we didn't; we didn't manage those expectations well, and that was basically the end of direct collaboration with the military in Afghanistan, not technically but effectively."[39]

Financing for Afghanpharma

Afghanpharma, Afghanistan's oldest pharmaceutical company, specializes in importing and distributing internationally produced medicines and medical equipment.[40] The investment team had several individuals with financial industry experience, but no pharmaceutical experts, and it is unclear if such experts were brought in or required for this project. As early as 2010, Afghanpharma was looking to expand into pharmaceutical production and made contact with OPIC, which was interested in helping it secure financing for the venture.[41] However, the estimated financing required for the project—at $14 million—was larger than OPIC was able to manage through its usual partners, whose contributions were capped at $4 million.[42] Thus, beginning in 2012, TFBSO worked with both Afghanpharma and OPIC to identify additional financing for a new production facility.[43] Over the course of the project, TFBSO would spend nearly $5 million in direct and indirect costs in its effort to attract the $14 million in financing required.[44]

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[38] TFBSO employee, interview with RAND analyst, Washington, D.C., November 2014.

[39] TFBSO employee, interview with RAND analysts, Washington, D.C., November 2014.

[40] Afghanpharma, "About Us," web page, undated.

[41] Afghan private-sector member, interview with RAND analysts, Kabul, September 2014.

[42] OPIC official, interview with RAND analysts, Washington, D.C., October 2014.

[43] The TFBSO support effort was not funded until FY 2013 (Afghan private-sector member, interview with RAND analysts, Kabul, September 2014; TFBSO working document, "TFBSO Project Costs.xlsx").

[44] Afghan private-sector member, interview with RAND analysts, Kabul, September 2014; TFBSO working document, "TFBSO Project Costs.xlsx."

Our analysis of the Afghanpharma project relies on interviews with two TFBSO employees, one representative from OPIC, and one Afghan familiar with Afghanpharma and the project. This analysis was supplemented with a variety of TFBSO internal documents, including TFBSO-developed revenue models, as well as public documents discussing the project.

From the perspective of the Task Force, the Afghanpharma investment was successful. With the goal of attracting the required financing, TFBSO developed a financial model for the company, provided strategic guidance, and facilitated access to industry expertise.[45] One TFBSO employee reported, "we had to go through the whole company and put everything together, put the business plan together, make it clear to a Western investor."[46] The TFBSO personnel involved with the project estimated that their role in securing financing for Afghanpharma would return more than $90 million in revenue over a five-year period.[47] As of the closure of TFBSO, Afghanpharma had not yet succeeded in finalizing the requisite financing, and negotiations with both a Dubai-based company and a U.S.-based company had failed.[48] However, working with OPIC partners to support a larger-than-usual amount of funding, parties expected the deal to eventually go through.

However, this perspective of TFBSO support to Afghanpharma as a success was not shared by Afghans involved with the program. An Afghan familiar with TFBSO and the project said, "According to the things [TFBSO] wanted to do, they were a success, but according to [an Afghan businessman], they were a failure."[49] This individual attributed this failure to the way that TFBSO implemented the project,

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[45] TFBSO working document, "TFBSO ROI Presentation 10-17-2014.ppt," October 2014, not available to the general public.

[46] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

[47] TFBSO internal document, "Investments August 2013 Metric Report_Final," August 31, 2013, not available to the general public. This estimates a multiplier effect of two times and 70 percent of the money remaining in the Afghan economy. A later document used the same underlying assumptions to calculate return on investment but did not specify this number.

[48] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

[49] Afghan private-sector member, interview with RAND analysts, Kabul, September 2014.

where staff were not sufficiently communicative or clear about TFBSO's added value.[50] However, the interviewee did report that the team had improved substantially between 2013 and 2014, when it reduced the layers of foreign subcontractors. Nevertheless, the head of Afghanpharma, Zalmay Atifi, was quoted as saying, "every day, I provide them more and more documents . . . . But they still do not support us at all."[51]

The Afghanpharma project faced significant challenges that affected its ability to succeed. For example, because any pharmaceutical exports would have traveled through Iran, the project needed a sanction exemption from the Office of Foreign Asset Control to achieve the revenues that TFBSO personnel had forecast. The exemption was granted, but discomfort with it led OPIC to restructure its participation in the deal.[52] Thus, although the project may have been well designed economically, it did not reflect the political realities of U.S. support for a foreign importer.[53]

Herat Business Incubator and Accelerator

In Herat, a business "incubator" was established in 2011 to support the development of private industry. The project was started under the tenure of Paul Brinkley, a TFBSO director with Silicon Valley exper-

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[50] He reported, "We didn't know exactly what the TFBSO team in Herat could do. . . . At their level at the task force in Herat, they were changing all the time. . . . They should have provided a list of people, and services, their track record" (Afghan private-sector member, interview with RAND analysts, Kabul, September 2014.)

[51] Joel Schectman and Dion Nissenbaum, "Pentagon Sought Sanctions Exemptions for Iranian Investment in Afghanistan," *Wall Street Journal*, November 4, 2014.

[52] OPIC originally submitted a license request for the exemption, but the organization "got nervous and pulled out," instead proposing a waiver for a partner to enable the partner to initiate a $14 million loan (OPIC official, interview with RAND analysts, Washington, D.C., October 2014).

[53] A November 2014 *Wall Street Journal* article addressed TFBSO's support to Afghanpharma in light of the exemption, highlighting concerns about its larger political implications (Schectman and Nissenbaum, 2014). For example, Senator Mark Kirk of Illinois remarked, "It is impossible to convey to the Iranians that you are getting tougher on them if DoD personnel are involved in granting Iranians special favors. It represents a total incoherence in the Obama administration" (Schectman and Nissenbaum, 2014).

tise, and there was additional private-sector expertise on the team; however, a significant amount of the work was contracted out to subject-matter experts. The original incubator concept was technology-focused, intending to bring together entrepreneurs with ideas for technology businesses and provide them with the training and mentorship they needed to be successful. By 2012, analysis of lessons identified from the incubator led to a gradual shift of the model to one that became called an "accelerator," which focused on taking local companies with track records of success across a range of sectors and helping them grow significantly. This reflected an intellectual shift within the Task Force's investment group that wanted to function "like a little investment bank or consulting firm and work with Afghan firms to improve."[54] As a result of this experience, the Task Force granted funding to an Afghan organization to implement an accelerator model in the capital.[55]

Our analysis of the incubator/accelerator relies on interviews with six TFBSO employees and three Afghan private-sector representatives. We were not able to speak with companies directly involved in the incubator program, but the Afghan interviewees were involved with the accelerator program in both Herat and Kabul.

From the perspective of Task Force personnel, the incubator program was not successful, but the accelerator was. According to one consultant involved in the early program,

> There was an extremely large gulf between theory and reality. It was an excuse to provide [American] bureaucrats with jobs and pictures, and to give wealthy Afghan kids Internet access. . . . There was no strategy though, beyond [to] create another Mumbai in Afghanistan.[56]

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[54] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

[55] The Task Force developed the accelerator in Herat, but since TFBSO shut down operations, it has transitioned the work to Kabul. There, the project supported the creation of an Afghan organization called the Kabul Business Innovation Hub. The hub is hosted at the American University of Afghanistan, and it was granted seed money from TFBSO to pursue a model that is similar to the accelerator.

[56] Former TFBSO subcontractor, phone interview with RAND analysts, October 2014.

A key challenge was that the program was not well designed for the target population. Describing the program as a "legacy of the [information technology] Silicon Valley model from Brinkley," one interviewee reported that the participants in Herat "were nowhere near prepared for that sort of thing."[57] The contracting structure that was used to implement the program was also problematic. Contractors were characterized as ignorant of the local environment in Herat and, in one account, as culturally insensitive for holding a co-ed beach volleyball game that resulted in threats from the local population.[58] Further, the contracting arrangement created a tense situation within the staff compound because of a "bizarre, cliquish, adversarial culture between Task Force and [the prime contractor]," wherein the contractor instructed its staff not to speak with TFBSO staff, who were trying to collect "hostile information" on them.[59] By mid-2012, Task Force employees had conducted their own exercise to identify lessons and concluded that the project should work with more-mature companies, adopt a training approach rather than doing the work for the contractor, combine Western consultants with local team members, help companies develop detailed project schedules, and expand the focus of the program beyond information technology.[60] After these changes were implemented, TFBSO staff came to see the program as very successful, pointing to the work as an instance in which it was able to see clear financial results. One internal tally of accomplishments noted that TFBSO had "helped companies generate $10,618,621.15 in revenue and $1,907,488.75 in profit to date. [TFBSO] increased micro business revenues by 450% on average; increased small business revenues by 306% on average as result of the Accelerator program."[61]

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[57] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

[58] Former TFBSO subcontractor, phone interview with RAND analysts, October 2014.

[59] Former TFBSO subcontractor, phone interview with RAND analysts, October 2014.

[60] TFBSO internal document, "Incubator Introduction Brief.pdf," August 29, 2012, not available to the general public.

[61] TFBSO internal document, "Investments Team Detailed_Accomplishments Final.docx," August 12, 2013, not available to the general public.

Afghan interviewees similarly panned the incubator model but judged the accelerator to be a success. One Afghan private-sector representative for this project described the incubator as "an unmitigated disaster," citing, among other concerns, the fact that consultants were too young to be effective in their work.[62] However, a broader critique of the effort was that there was a cultural mismatch between the idea of an incubator and the business culture in Afghanistan, because "there was no tradition of collaboration, [and] the market was too small for an [information technology] incubator alone."[63] However, as the organization transitioned to the accelerator, its reviews also improved. One Afghan respondent said,

> The team in Herat and especially the guys in Kabul, later—let's say 2013—I started to get their help a lot. . . . For example, I wanted to export to [a company] in the U.S., so they connected us there and to different buyers in Europe, too. They did marketing training for our team and they visited many, many times, placing machines.[64]

One Afghan private-sector member concluded that "they did learn the lessons. The move to the accelerator was a big change. They wasted too much time on [the incubator] but it was a good change."[65]

Overall, the Herat business incubator does not seem to have been effective, but TFBSO demonstrated a high degree of learning on the job and was able to make fundamental conceptual changes midway through the life of the program that turned its reputation around. The accelerator project was well liked by Afghans, and the TFBSO team implementing the study reported genuine growth of its beneficiary companies, although the RAND team did not have firm-level financial data for review.

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[62] Afghan private-sector member, interview with RAND analysts, Kabul, September 2014.

[63] Afghan private-sector member, interview with RAND analysts, Kabul, September 2014.

[64] Afghan private-sector member, interview with RAND analysts, Kabul, September 2014.

[65] Afghan private-sector member, interview with RAND analysts, Kabul, September 2014.

Ariana Afghan Airlines

Beginning in FY 2013, TFBSO began a program to provide direct support to Ariana Afghan Airlines, the national airline of Afghanistan.[66] The Task Force did not have any in-house industry expertise, so it hired a full-time contractor as a subject-matter expert. By 2013, the airline was in dire financial straits, having not recovered from earlier financial mismanagement and corruption, and was blacklisted from flying into Europe.[67] TFBSO's support to Ariana Airlines was the single full-time consultant with a background in running small airlines; this staff member was given a senior management title within the organization, worked at the airline daily, and lived at the TFBSO compound. The costs to complete the project were $3.5 million, including both direct and overhead costs for 2013 and 2014.[68]

Our analysis of the support to Ariana Afghan Airlines relies on interviews with two TFBSO employees and one Afghan interviewee who had worked extensively with the airline before and during the TFBSO support. We also reviewed available open source data and TFBSO-internal documents on the firm's finances.

From the TFBSO perspective, the program was a tremendous success. The interviewees reported that the TFBSO consultant had played a lead role in establishing a joint venture between Ariana and National Aviation Services, a Kuwaiti company with extensive expe-

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[66] Ariana is also the oldest airline in Afghanistan, dating back to 1955. Sources are conflicted over whether Ariana is an SOE. TFBSO maintains that it is not state-owned but has government board representation. A 2005 five-volume World Bank study of Afghanistan's public financial management considers the airline a joint stock company rather than an SOE (World Bank, *Afghanistan: Managing Public Finances for Development (in Five Volumes)*, Vol. 3, *Improving Public Financial Management: Key Cross-Cutting Issues*, Report No. 34582-AF, Poverty Reduction and Economic Management Sector Unit, Washington, D.C., 2005, p. 89–90). But a 2013 World Bank study considered the company 100 percent government owned (World Bank, *Afghanistan: Public Financial Management and Accountability Assessment*, Washington, D.C., August 2013, p. 46). While it is possible that the airline would have been made an SOE between 2005 and 2013, this would not be consistent with the Afghan government's general objection to privatization of SOEs.

[67] Cheragh, "Head of Afghan Airline on Corruption, Mafia," trans. BBC Monitoring South Asia—Political, September 19, 2007.

[68] TFBSO working document, "TFBSO Project Costs.xlsx."

rience in providing airport ground services, which led to a dramatic improvement in the services offered at Kabul International Airport. Before this, Ariana had assumed responsibility for all components of the airport experience, "everything from maintenance to selling tickets, [and] Ariana was not good at this."[69] According to TFBSO estimates, during the ten years of the joint venture, Ariana is anticipated to see a profit of roughly $35 million, National Aviation Services will receive roughly $24 million, and the Afghan government will receive approximately $47 million in taxes and fees.[70]

The Afghan interviewee also described the program as a success. Reportedly, as a result of the TFBSO consultant's efforts, Ariana was able to inspect and certify their aircraft domestically for the first time, as opposed to having to send them abroad as they had in the past. The Afghans had the skill to perform the inspections, so it was simply a matter of changing the management process. This shift saved the airlines an estimated $14 million per year, as the cost of certifying the aircraft fell from spending $15 million per year to less than $1 million.[71] Further, this respondent attributed much of the recent improvements in the airline—fewer opportunities for graft, more revenue, 20,000 more passengers in the previous six months than in the six months prior to that, openness to profitable contracts (including outsourced services), more-motivated staff, and the ability to conduct inspections in-house—to the efforts of TFBSO's consultant.

Overall, the TFBSO support to Ariana Afghan Airlines seems to have been a positive influence on that company. Although the recent improvements in Ariana's finances—a reported 16-percent increase in revenues as of the first quarter of 2014 and a reduction in debt from $18 million to $4 million between 2012 and 2013[72]—would be hard to attribute to the efforts of this one individual, he seems to have played a

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[69] TFBSO employee, interview with RAND analysts, Kabul, September 2014.

[70] TFBSO working document, "Ariana Afghan Airlines Joint Venture with National Aviation Services (NAS) Evaluation – USD," undated, not available to the general public.

[71] Afghan government official, interview with RAND analysts, Kabul, October 2014.

[72] "Ariana Afghan Airlines Informs of 16% Growth in Revenue," *Khaama Press*, April 30, 2014.

lead role in some significant improvements in the way that Ariana does business. Thus, this project illustrates a unique comparative advantage of the TFBSO business model in that staff can coordinate access to high-quality consultants for firms operating in unstable environments. However, the decision to reinforce a failing state-affiliated enterprise competing with well-performing private ventures is surprising, and the decision to pursue this strategy is not documented. In addition, this effort appears to be a one-off project initiated by the TFBSO director rather than part of a larger strategic approach.

Carpets

Carpets have long been a traditional export of the Afghan economy and have been a leading employer of Afghans, particularly Afghan women. The Task Force did not have carpet industry experience in-house but brought in several subject-matter experts, settling on one with long-term experience in several areas of the carpet industry. The Task Force's analysis of the problems of the carpet-producing sector did not differ substantially from previous analyses, finding the following contributors:

- Most of the work of cutting and washing Afghan carpets is done in Pakistan, losing a key portion of added value for the Afghan industry.
- Afghan manufacturers lacked relationships with international buyers and the marketing skills to sell to them.
- Financing was missing that would allow the Afghan carpet producers to modernize and expand.[73]

TFBSO's initial strategy in 2010 was to contract with a company to develop a hub for Afghan carpet sales in Turkey that would allow buyers to avoid travel to Afghanistan, and to build two facilities

[73] See, for example, Mark T. McCord, "An Analysis of Business Opportunities Within Afghanistan's Carpet Sector," The McCord Group, May 2007, p. 5–6; and World Bank, *Afghanistan Diagnostics Trade Integration Study (DTIS)*, Poverty Reduction and Economic Management Unit, South Asia Region, Washington, D.C., November 2012, p. 62–65.

for cutting and washing carpets. However, the hub was closed soon after it opened, and the strategy changed to one focused on matching carpet makers with international businesses and creating new designs to update the product.

The data available to RAND on TFBSO's carpet program include five interviews with TFBSO employees and a single interview with representatives of the Afghan business community. In addition, the team reviewed internal TFBSO documents, the substantial body of Afghan government and international development community literature on the carpet industry in Afghanistan, and several newspaper articles that dealt with the TFBSO carpet program for Afghanistan.

TFBSO saw the carpet industry as a huge competitive advantage for Afghanistan, saying, "the process is already there, so it's really just about getting the design piece and then getting the connectivity to the international markets. We wanted to be able to showcase them at their best."[74] This path was by no means completely smooth. Shortly after opening the Istanbul-based carpet hub, the TFBSO team decided that it was a flawed strategy for three reasons: The designs were too old and not interesting to buyers, Istanbul was saturated with Turkish carpets in a highly competitive market, and the idea was more ambitious than what the carpet industry could then support.[75] In response, the Task Force closed the carpet hub and focused instead on a more aggressive matchmaking strategy. To develop a fresher product, it held an international design competition, the winners of which would have their designs made in Afghanistan. As a sign of success, TFBSO staff noted that both of the cut-and-wash facilities assisted by TFBSO are currently being sustainably managed by Afghans; the Mazar-e Sharif facility is owned by the Afghan Investment Support Agency, an Afghan government entity, and the Herat facility is owned by the local carpet association and run by its board, on which the Agency has a seat.[76] Moreover, the carpet program created benefits for the Task Force itself;

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[74] TFBSO employee, interview with RAND analysts, Washington, D.C., October 2014.

[75] TFBSO employee, interview with RAND analysts, Washington, D.C., October 2014.

[76] The Herat facility was funded by TFBSO, and the Mazar-e Sharif facility was paid for by the Commander's Emergency Response Program before TFBSO activities were deemed ineligible for those funds.

one staffer said that the indigenous industry sector "has been most useful to TFBSO in delivering results in the short term, so while their scale is much smaller and impact is much smaller, they have the projects where you can actually physically touch something that is happening now that didn't happen in the past."[77]

Although it is a single data source, the Afghan private-sector representative we spoke with provided a favorable assessment of TFBSO's work, stating,

> We have to confess that TFBSO was really helpful bringing traders and people who were interested in the carpet business; five or six famous traders. We still have good business with them. Now we only need advice from TFBSO, the business is running on its own. We have links with UK, Europe, less with U.S.[78]

The respondent went on to say that TFBSO's model was not to give money to the business itself, but simply to provide the introduction and cover the costs of attending trade shows; "there is a need of organizations like TFBSO to introduce the seller and manufacturer. So TFBSO did its job."[79]

An important early critique of the TFBSO carpet program was leveled by then-Senator Tom Harkin of Iowa, a recognized advocate for ending child labor. He criticized the early sole source contract for carpet work in Afghanistan because it seemed to have "no safeguards to protect children from the worst forms of child labor."[80] In response to these charges, TFBSO dedicated approximately $400,000 to aid in the establishment of an anti–child labor program by GoodWeave, a nongovernmental organization that provides certification of child-free labor in the carpet industry. Today, GoodWeave maintains a field office and active program in Afghanistan that conducts several programs related to the carpet industry.

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[77] TFBSO employee, interview with RAND analysts, Washington, D.C., November 2014.

[78] Afghan private-sector member, interview with RAND analysts, Kabul, October 2014.

[79] Afghan private-sector member, interview with RAND analysts, Kabul, October 2014.

[80] "Senator Seeks Halt of Afghan Carpet Contract," *FloorDaily.net*, August 10, 2010.

By the numbers, the carpet program does appear to have enjoyed some level of success; it reportedly created 8,500 jobs in the spinning and weaving aspects of carpet-making and brought in nine international companies to partner with Afghan firms.[81] In addition, the indigenous industry team set a goal of 1,500 m^2 of production a month for international companies in Afghanistan, and that goal was met in September 2013; by early 2014, it was 3,200 m^2 per month.[82] The cut-and-wash facilities in Herat and Mazar-e Sharif achieved mixed results; while the Mazar-e Sharif facility nearly reached its goal of 1,800 m^2 per month, the Herat facility remained at 700 m^2 per month, far short of that goal. In TFBSO's view, this was because it located the site poorly, in an area that was primarily known for retail and lower-end carpet goods.[83] While these results appear positive, the RAND team is unable to determine whether the program's targets were challenging, realistic, or easy to achieve. By rough comparison, a USAID-sponsored cut-and-wash facility in Jalalabad set an early target to process 800–1,000 m^2 per month,[84] which would indicate that TFBSO's expectations, at least in this aspect, were roughly on target for the industry.

In highlighting the distinctiveness of TFBSO's approach, staff often pointed to the value of modern designs to revitalize the industry. However, the design competition that resulted in world-class modern carpet designs appears not to have been concluded until January 2014, after these production and matchmaking goals were achieved. Thus, it is unclear whether contemporary designs played as great a role in these increases as TFBSO believes. Finally, the trade shows do appear to have had an overall benefit. Per internal documents, the total cost of attending these shows between fall 2013 and early 2014 was just over $1 million, but the amount of sales generated at those shows was nearly

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81 TFBSO working document, "Copy of 2014 JAN GOAL TRACKER.xls."

82 TFBSO working document, "Copy of 2014 JAN GOAL TRACKER.xls."

83 TFBSO employee, interview with RAND analysts, Washington, D.C., October 2014.

84 USAID, "USAID Afghanistan—Program Highlights 16–31 May 2009," *ReliefWeb*, Kabul, Afghanistan, May 31, 2009b.

$1.4 million.[85] While this is a slim margin, on-site sales appear typically to be only a portion of the deal potential generated by the show.[86]

Conclusion

TFBSO's record is very mixed overall. Stakeholders who discussed these projects and other sources pointed to numerous instances of both success and failure. Respondents who discussed the business accelerator, the carpet program, Ariana Airlines, and, to some extent, the Amu Darya tender often commented that the programs were helpful. In several of these cases, project successes grew out of early failures, but it was possible to see learning and improvement. Respondents saw other projects, such as the Sheberghan Gas Pipeline and the Khas Kunar chromite crusher, as more problematic.

In general, TFBSO had problems implementing large, complicated infrastructure investments. In the cases in which TFBSO interventions were more in the vein of advising, matchmaking, and closing small gaps in value chains, the implementation seems to have been smoother. But when TFBSO ran into problems, it was sometimes due to a naïve view of the risks and difficulties of implementing a project or to a lack of appreciation of local or market conditions. It is unclear exactly why some projects were able to be successfully reorganized and reoriented while others were not, but several explanations emerge. For one, large infrastructure investments may not have lent themselves to easy change. Additionally, it may have been easier to analyze and identify problems for projects that were smaller in size and simpler in concept. It is also possible that partnerships with small, young businesses were a better cultural fit for TFBSO, and these organizations or industries were themselves more amenable to sharing concerns and suggesting alternatives to Task Force staff.

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[85] TFBSO internal document, "Indigenous Industries Program Management Report," pp. 68–69.

[86] USAID, "Linking Afghan Carpet Makers to the World," Hanover, Germany, December 30, 2008.

CHAPTER FIVE

Lessons from the Task Force in Afghanistan

The mandate for TFBSO required that it function differently from other organizations within DoD and the U.S. government more broadly. As a young and small organization, it was asked to develop innovative solutions to evolving problems and was necessarily disruptive to both DoD and other agencies. Thus, like other entrepreneurial organizations inside larger enterprises, TFBSO's overall success was tied to its success in forgetting the larger business's way of operating, borrowing useful resources from the parent company, and learning on its own, like an independent enterprise.[1]

This chapter begins by exploring how *programmatic flexibility* in TFBSO's operational approach contributed to its effectiveness as an organization. The Task Force's operational approach diverged from that of both traditional defense-sector programs and traditional development assistance in its focus on flexibility. However, while this allowed projects to be adaptable to the operational context, the approach was criticized for allowing a haphazard selection of projects that hampered the organization's ability to explain itself to outsiders and may have affected the overall quality of project selection.

Next, we examine the unique *leadership* requirements that TFBSO faced. In addition to "standard" leadership responsibilities, the success of the Task Force was uncommonly reliant on the efficacy of its senior leaders in coordinating with a variety of external actors. As a consequence of the size, structure, and business-focused nature of the orga-

[1] Vijay Govindarajan and Chris Trimble, "Building Breakthrough Businesses Within Established Organizations," *Harvard Business Review*, Vol. 83, No. 5, May 2005, pp. 58–68.

nization, its success required that the senior leaders spend an unusually large amount of their time coordinating with other stakeholders inside and outside the government and personally identifying and recruiting the right personnel for the job.

A third lesson from the TFBSO experience was the importance of developing credible *measures of success*. Challenges in effectively communicating its achievements to the broad array of its stakeholders confounded the Task Force's success. Developing a general framework for assessment, to include a specific monitoring and evaluation framework, and socializing it with relevant stakeholders may have ameliorated many of the challenges that TFBSO faced.

The final three sections in this chapter explore three unique operational processes that were critical to the function of the organization. The first process was the *staffing* model employed by TFBSO, which in Afghanistan tended to favor young, dynamic professionals rather than personnel with significant U.S. government, international development, business, or military experience. Second, the *freedom of movement* of deployed personnel, both in terms of TFBSO's on-the-ground mobility and ability to work outside the Embassy's Chief of Mission authority gave TFBSO unusual flexibility to support its military stakeholders, but created friction with personnel from the Department of State and USAID. Finally, the rapid *contracting* approach employed by the Task Force, which allowed TFBSO to enable organizations with mid-size contracts and grants without stretching their absorptive capacity, filled an important niche, although it requires an experienced and proactive contracting staff.

Programmatic Flexibility

A defining characteristic of TFBSO's approach in Afghanistan was its flexibility. This flexibility, which reflected a deliberate effort by the Task Force to foster creativity and risk-taking, allowed the organization to design unconventional solutions, walk away from unsuccessful projects and refocus resources toward successful areas, and move faster than other comparable governmental organizations. However,

this flexibility was also seen as a liability by many of our interviewees, because it made it difficult for TFBSO to clearly articulate its mission and strategy, both internally and externally.

Maintaining programmatic flexibility was seen by many TFBSO employees to be essential to the effectiveness of the organization. One type of flexibility was in the types of projects that the Task Force could fund. An important example, offered by several TFBSO employees, was the support that TFBSO provided to Ariana Airlines; this support, in the form of a chief operating officer, was not nested in any of the TFBSO lines of operation and appears to have come about as a specific request to a then-director of TFBSO.

Flexibility throughout the life of a project was also seen as an important benefit of this operational approach. A TFBSO employee reported this flexibility as "one of our strengths that distinguishes us from USAID and [the United Kingdom's Department for International Development];" this flexibility was a direct consequence of the Task Force's private-sector-focused approach: "Because we're facilitating the opportunity that private-sector investors are interested in, we have the flexibility and functional teams are more fluid, so you can pick up the project, back off, and come back to a project as the need arises for our intervention or assistance."[2] For the investment team, which provided services directly to businesses, this allowed them to provide on-demand support rather than a standard suite of support. One staffer highlighted this flexibility as essential to the team's operations: "You never have to cut off a project or draw the line . . . If negotiations get bogged down, we don't have to say we're done, we just let them work it out, and we can remain in contact with them and advise them, but we just roll back our involvement. If there are opportunities to intervene and pick it back up, we can do that; if not, we just focus our energy elsewhere."[3]

A third advantage of this flexibility was that it allowed the Task Force to terminate nonperforming projects. Specifically, the ability to "scrap the project and go over in another direction" if the project was

[2] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

[3] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

not working was seen as a unique capability of the Task Force's operational approach.[4] In practice, this capability was applied unevenly, in part because of the lack of effective mechanisms for tracking project performance (see the section on monitoring and evaluation below), but the Task Force did identify failing projects relatively quickly in a few cases. Projects such as the indigenous industry carpets hub in Turkey, the seismic testing in the Kushka basin, and the Herat business incubator were all examples of unsuccessful projects that were halted by TFBSO.[5]

A fourth benefit of this flexibility was that it allowed the Task Force to move quickly.[6] Several respondents indicated that it was imperative that TFBSO "move at the speed of the private sector," which is often faster than traditional or large-scale development efforts.[7] However, the speed with which the Task Force sometimes operated likely contributed to the perception of it having a somewhat freewheeling style. A further discussion of the speed of its operations is provided below in the section on freedom of movement.

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4 TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

5 In the case of the carpet hub, for example, the idea seemed to be a good one: Develop a retail space that could be shared by carpet producers in Turkey that would be more easily reached by buyers. In reality, though, the idea was flawed because the Istanbul location placed a relatively untested Afghan product into one of the world's most competitive markets for carpets. Buyers traveling to Turkey were interested in purchasing Turkish, rather than Afghan, goods, and the site would have to be staffed and maintained by people knowledgeable enough about the products to sell them in such a market. One TFBSO official described looking around the room at the grand opening of the hub and realizing for the first time that there were serious problems with the concept. Because of the nature of TFBSO's business model, with flexible programming of funds and an emphasis on services rather than infrastructure, the Task Force was able to pull back from the carpet hub concept and try a new direction to galvanize exports. In this case, TFBSO experimented with using traditional Afghan weaving techniques to craft more-modern designs. TFBSO employee, interview with RAND analyst, Washington, D.C., October 2014.

6 Some respondents both within and outside TFBSO saw this rapid action as a consequence of the uncertain status of the Task Force, which could be closed at any time (TFBSO subject-matter expert, interview with RAND analysts, Washington, D.C., October 2014).

7 Senior Afghan official, interview with RAND analyst, Kabul, October 2014; TFBSO employee, interview with RAND analysts, Kabul, September 2014.

Although this flexibility had clear advantages, it made it difficult for TFBSO to clearly articulate its mission and strategy, both internally and externally. TFBSO employees were generally cognizant of this lack of a coherent strategy. As examples, one employee remarked, "I have not seen anything where someone had provided a clear mission statement or task for TFBSO,"[8] while another reported, "I don't think there is a coherent strategy. . . . There might be some document buried deep, but I don't know what the official strategy is."[9] However, despite this lack of a coherent organization-wide strategy, TFBSO employees were typically able to describe the strategy of their own projects and how they related to the goals of the organization.

This absence of a coherent strategy was reported to have three consequences for TFBSO's effectiveness. First, it allowed TFBSO to make bad decisions in selecting projects, as "a lot of choices were made because someone told them a thing was interesting, but without thinking through or coordinating it."[10] Second, it encouraged the Task Force to go after projects that were inappropriate for the Afghan context. One respondent reported that the TFBSO team was "not alone in not being able to implement most of what they wanted to," but that they tried to do so anyway.[11] Third, while the Task Force had freedom to innovate, it struggled to explain itself or meet the expectations of the various agencies with which it interacted.

In 2013, TFBSO finally drafted a formal strategy that was approved the following spring.[12] However, as the organization by that point was slated to close by the end of the calendar year, the chief purpose of this strategy was to describe, ex-post, how the Task Force's work had been nested inside larger interests rather than to guide work going forward.

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[8] TFBSO employee, interview with RAND analysts, Washington, D.C., November 2014.

[9] TFBSO employee, interview with RAND analysts, Kabul, September 2014.

[10] Department of State official, interview with RAND analyst, Washington, D.C., December 2014.

[11] Department of State official, interview with RAND analyst, Washington, D.C., December 2014.

[12] TFBSO, "The TFBSO Strategy for Afghanistan."

Leadership

The TFBSO leadership in Afghanistan was generally effective at maintaining and reinforcing the creativity-focused, Silicon Valley culture of TFBSO.[13] Although this and other typical leadership responsibilities were important, as a consequence of the size, structure, and business-focused nature of the organization, the success of the Task Force was uncommonly reliant on the efficacy of its senior leaders in coordinating with a variety of external actors. In this, the Task Force's leadership in Afghanistan was generally much less effective.

Three of the key roles played by the Task Force's senior leaders early on illustrate the importance of this external coordination. First, the efficacy of the Task Force in coordinating its activities with other stakeholders was closely tied to the relationships that Task Force senior leaders had personally developed; in the words of one former TFBSO employee, "good or bad, people had heard of the Task Force when we walked into a room."[14] Second, given the importance of coordinating with the private sector for achieving the Task Force's mission, the Task Force's director and senior leaders played a key role in coordinating their activities with the business industry.[15] Finally, the director in particular played a key role in attracting the high-quality personnel (e.g., with significant business experience) that TFBSO relied on.[16]

Coordinating with other stakeholders remained a key responsibility of the Task Force's senior leaders. However, in this, the leadership was reportedly largely ineffective.[17] One director reportedly "burned a lot of bridges in the military leadership in Afghanistan because he didn't want to coordinate. . . . [The] attitude was 'screw 'em, we

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[13] TFBSO employee, interview with RAND analysts, Washington, D.C., October 2014.

[14] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

[15] Private-sector representative, interview with RAND analysts, Washington, D.C., October 2014.

[16] TFBSO employee, interview with RAND analysts, Kabul, September 2014.

[17] This ineffectiveness was attributed by some respondents to the Task Force senior leadership learning the wrong lessons from Iraq. See, for example, TFBSO employee, interview with RAND analysts, Washington, D.C., October 2014.

don't need to report to them.'"[18] Another director was perceived to have incurred significant criticism from DoD and Congress because "people were upset because they weren't being briefed accurately or in a timely manner. . . . Congress loves to be asked for permission and we weren't doing that."[19] Several TFBSO employees reported that this failure to deal with DoD, Congress, and other U.S. agencies hampered the efficacy of the organization, with one staff member noting, "honestly, that's probably why the Task Force is winding down, because we weren't really understood by those different groups."[20] Some staff felt that Task Force senior leaders became more effective at coordinating with other stakeholders toward the end of TFBSO's tenure in Afghanistan, making it "easier for us to accomplish what the mission is,"[21] but by then, the Task Force was already scheduled to close.[22]

The TFBSO leadership also faced significant difficulties in attracting experienced, high-quality personnel. There were a variety of factors that hampered its ability to attract and retain experienced personnel, particularly the uncertain end date for TFBSO in Afghanistan and the reduction in executive-level billets for the Task Force.[23] However, one interviewee felt that DoD's senior leadership selection for TFBSO was more focused on identifying executives who were good at managing staff rather than individuals with significant private-business experience.[24] This issue and its implications are discussed at greater length in the staffing section below.

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[18] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

[19] TFBSO employee, interview with RAND analysts, Washington, D.C., August 2014.

[20] TFBSO employee, interview with RAND analysts, Washington, D.C., October 2014.

[21] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

[22] TFBSO employee, interview with RAND analysts, Washington, D.C., August 2014; TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

[23] TFBSO employee, interview with RAND analysts, Washington, D.C., September 2014.

[24] DoD official, interview with RAND analyst, Washington, D.C., November 2014.

Monitoring and Evaluation

Unlike both the U.S. economic development and military communities, which developed standardized approaches for measuring and disseminating the effects of their operations, the Task Force faced consistent challenges in developing an appropriate mechanism for measuring the effectiveness of its programming in Afghanistan.[25] As a result, TFBSO faced significant difficulties in communicating its operational effectiveness to its stakeholders. As one government stakeholder noted, "even today, I was asking them, can you give us a chart of your successes? It is hard to measure, and it is hard to convey to [legislators]. [It is] part of the reason that we ran into some buzz saws."[26]

During the early years of its operations, the Task Force instead relied on a variety of ad hoc, impressionistic, and ex-post approaches for measuring and reporting its operational effectiveness.[27] One common approach was a focus on reporting only "symbolic big-name deals" and activities in which the Task Force was able to get "things done that nobody else could."[28] For example, when asked how the extractive industry team measured success, a TFBSO employee said, "just being

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[25] Different approaches have been proposed and used by the development community (Jody Zall Kusek and Ray C. Rist, *Ten Steps to a Results-Based Monitoring and Evaluation System: A Handbook for Development Practitioners*, Washington, D.C.: World Bank, 2004), military (James N. Mattis, "USJFCOM Commander's Guidance for Effects-Based Operations," *Parameters*, Autumn 2008), and business community (Evan Stubbs, "The Value of Business Analytics," in Jay Liebowitz, ed., *Business Analytics: An Introduction*, Boca Raton, Fla.: CRC Press, 2013; Vicki L. Sauter, *Decision Support Systems for Business Intelligence*, 2nd ed., Hoboken, N.J.: John Wiley & Sons, 2010). Although the usefulness of different monitoring and evaluation approaches in Afghanistan has been hotly contested, they facilitated many organizations' efforts to communicate their operational effectiveness.

[26] Capitol Hill staff member, interview with RAND analysts, Washington, D.C., December, 2014.

[27] Certainly, TFBSO was not the only entity to develop a narrative of success that relied on promoting big wins and outputs rather than contextual assessment and evaluation, but the Task Force appears to have relied on these ad hoc stories and outputs virtually exclusively.

[28] Department of State official, interview with RAND analyst, Washington, D.C., December 2014.

able to get these tenders through is absolutely incredible."[29] A second frequently used approach was to focus on program outputs rather than outcomes. For instance, one TFBSO employee involved with indigenous industries reported, "I think the real measurement was looking at whether we successfully matched local companies with international companies."[30] Similarly, many TFBSO staff measured their own success by the extent to which their Afghan colleagues had become trained to operate independently.[31]

During its last couple of years of operations in Afghanistan, Task Force personnel did make an effort to develop approaches for measuring operational effectiveness. However, these efforts were largely unsuccessful also. As an example, project-specific metrics developed by the Task Force varied widely in detail and were often unrealistic given the specific project being implemented (see Table 5.1).[32] And although the Task Force eventually created an internal metrics team to conduct economic impact evaluations of its projects, the results from this internal analysis were not available before the close of the organization in spring 2015.

The unique difficulty that the Task Force faced in developing appropriate tools for measuring and communicating the effectiveness of its projects seems to have stemmed from two factors.[33] The first is that, because of the unique private-sector focus of Task Force projects, a longer period of time was typically required to realize their benefits.

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[29] TFBSO employee, interview with RAND analysts, Kabul, September 2014.

[30] TFBSO employee, interview with RAND analysts, Washington, D.C., October 2014.

[31] While this was not the primary objective of most projects, it was an implied task and did serve as a proxy for the sustainability of some of the Task Force's efforts. Of note, the Afghan individuals we spoke with who had been trained by the Task Force had sometimes changed positions but stayed in the country and in the field. They also made reference to peers who had been trained who are still working in the field; however, it was not possible to determine whether there had been any "brain drain" as a result of TFBSO's training efforts.

[32] For example, the cashmere program considered a key accomplishment the passage of a ban on the sale of greasy cashmere; however, in light of the difficulties the Afghan government has in enforcing regulations, the actual effect of this intervention is highly questionable.

[33] These are in addition to the well-established challenges of measuring the stability effects of development-style programming.

Table 5.1
Sample Program Metric Statements Developed in 2013

Program	Regulatory and Legal Accomplishments	Economic Impact	Project Sustainability Measure
Investments	Deals between responsible investors and vetted local firms help to institute better business practices.	Business accelerator has assisted 26 companies and 54 entrepreneurs from Herat and Kabul, with a total of 575 employees. These companies have received individually tailored, on-the-job training, which is not provided by any other organization in Afghanistan.	SME investments help set conditions for long-term stabilization by assisting Afghanistan in restoring its indigenous economic base, demonstrating viability of private investment and bringing world-class expertise in-country.
Energy	Drafted Articles of Incorporation for Afghan Gas.	Brought CNG to community of Sheberghan, employing dozens of Afghans.	Capacity improvements at Afghan Gas to promote its ability to expand the natural gas distribution network post-2014.
Indigenous industries	Working with the Afghan Ministry of Commerce and industry on an export ban for raw/greasy cashmere.	Connected Afghan carpet companies with nine international companies for export.	Trade shows and trunk shows will promote the Afghan line of jewelry, which will help create demand for jewelry made by the Afghan artisans.

SOURCE: TFBSO internal document, "Investments August 2013 Metric Report_Final;" TFBSO working document, "Energy Metrics Sept 2013_Final.pptx;" and TFBSO working document, "Indigenous August Metric Report from team.pptx," August 31, 2013, not available to the general public.

This challenge was described by one TFBSO employed as follows: "It's sort of like having an investment portfolio that you haven't sold any of the investments for. . . . It's like having an investment portfolio with illiquid assets."[34] The second factor is that the Task Force was always in a "defensive crouch" when trying to develop approaches for measuring the effectiveness of its programs; thus, TFBSO was reactive rather than proactive and "not in a psychological space where they could measure" program effectiveness.[35]

Two recommendations for how the Task Force could have established an effective monitoring and evaluation approach emerged in the course of our research. First, interview respondents indicated that the Task Force should have established a theory of change, business plan, or other type of strategic document that specified both outputs and impacts for each project before implementation began. This document would have provided transparency to other stakeholders about the intent of the project and a more useful rubric for assessing project effects.

The second recommendation emerging from our research was that the Task Force should have developed a plan for data collection consistent with the strategic document at the outset of each project. For example, the business accelerator could have used a firm-level impact evaluation to gauge the size of its effect on start-ups.[36] The VSO program may have benefited from a community-level impact evaluation, which would have focused less on commercial benefits to owners of the chromite crusher and more on village-level social indicators.[37] The Tur-

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[34] TFBSO employee, interview with RAND analyst, Washington, D.C., November 2014.

[35] Former TFBSO employee, interview with RAND analyst, Washington, D.C., December 2014.

[36] This approach compares participating firms with other similar firms before and after the program. Thus, to conduct this type of study, firms receiving the services and benefits offered by TFBSO would be compared with similar firms that did not receive the intervention. The experiment would have to control for industry, age, location of the firm, capitalization, and other factors that would influence the economic performance of the business. The ability to successfully attribute changes in the companies to the intervention rests primarily on the successful identification of control groups.

[37] This method focuses on high-level quality-of-life impacts for communities and measures the community-level changes in the intervention community as opposed to a control com-

quoise Mountain program and the carpet program might have been able to incorporate elements of each of these methods, because they sought to have immediate commercial and social impacts. By collecting data throughout the life of the projects, TFBSO could have provided transparency of its projects' effects to stakeholders, but perhaps more importantly, this data collection would have provided TFBSO a structured method for identifying problems and adjusting approaches where needed.

However, while developing a monitoring and evaluation system offers clear benefits, it is a unique challenge to develop an approach that is both sufficiently systematic to be respected by other stakeholders and flexible to the Task Force's operational approach.

Staffing

Staffing by the Task Force in its Afghanistan operations followed an unusual model. TFBSO favored hiring young professionals with little outside experience who were then promoted rapidly within the organization over mid-career hires. This staffing model was in part a consequence of the organization's operational environment, but it almost certainly affected Task Force operations; a balance of mid-career professionals and junior professionals in the organization would have provided technical experience and an ability to interact laterally outside the organization.

Initially, in Iraq and during the beginning of operations in Afghanistan, TFBSO was composed primarily of fairly senior business professionals who had significant experience in their fields. However, with the departure of its first director and its transition to Washington Headquarters Services support in 2011, TFBSO lost most of its origi-

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munity. In this method, similar to the firm-level impact assessment, difference-in-difference analysis allows a comparison of pre- and post-intervention impacts to measurements of a control community. The measurements taken for this type of study could include such items as average household income, percentage of children in school, and food security. Because these are higher-order effects, it can be somewhat difficult to measure them and attribute causality.

nal senior staff and all of its billets for members of the Senior Executive Service, the top echelon of government hires (except the TFBSO director position).

Therefore, there were structural reasons for the shift toward hiring junior personnel. However, the focus on promoting from within and hiring personnel who fit the Task Force culture rather than personnel with expertise in their respective fields reflected a deliberate decision by the organization.[38] Moreover, the fast pace of TFBSO operations, as discussed, may have contributed to an ad hoc hiring plan in which TFBSO would "promote people not because they have capability, capacity, and requirements, but because they fill the void."[39] Thus a singular characteristic of the TFBSO staff became its youth: "I'm working on million dollar projects when I don't have a [specialized] degree. In an ideal world, that would not be happening. A 26-year-old would not be managing a $10 million project, but that's been a benefit of being here as well."[40]

This focus on junior personnel was seen as both a strength and a weakness. Several respondents indicated that the energy of the Task Force's youthful team was a key benefit, as illustrated by one private-sector partner who reported that "there was a lot of enthusiasm in the staff; they had a lot of fire in the belly and it was kind of refreshing."[41] Further, although TFBSO may have "lucked into hiring good people," there was a general feeling that this approach was not the best way to attract high-quality staff.[42] Many Task Force respondents, while generally feeling that staff were very smart, acknowledged that TFBSO often came across as having "a problem with hiring arrogant people,"

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[38] Former TFBSO employee, interview with RAND analysts, Washington, D.C., November 2014.

[39] TFBSO employee, interview with RAND analysts, Washington, D.C., November 2014.

[40] TFBSO employee, interview with RAND analysts, Washington, D.C., August 2014.

[41] Private-sector member, interview with RAND analysts, Washington, D.C., September 2014.

[42] TFBSO employee, interview with RAND analysts, Kabul, September 2014.

which might have affected both the success of operations and relationships with other organizations.[43]

This shift toward hiring and promoting more-junior permanent staff had several important implications for the functioning of the Task Force as an organization. First, as TFBSO's full-time staff grew younger, the Task Force added experience in the form of contracted subject-matter experts instead of more-senior full-time personnel. Many within the Task Force felt that this was a key strength of the Task Force model, because it allowed staff to identify high-skilled and hardworking individuals who had the flexibility to achieve the mission. For example, one Task Force employee reported,

> We provided the best advisors, along with DoD security, and could pay more than any other entity. We used their hours well and inspired them by saying, "this is the hardest, most interesting project you'll ever work on." We got a very unique group of people who all thought this was the greatest project in the world.[44]

However, it was sometimes unclear how the expertise of subject-matter expert staff was determined; in one case, a program manager discovered after several months that the subject-matter expert who had been brought on the project was not sufficiently knowledgeable about the market in which the program worked, and thus had to be fired.[45] Therefore, although the higher rates that the Task Force was able to pay may have elicited interest from more highly qualified people, it remains unclear whether there was a strong vetting process for subject-matter experts' work, either before or after their hire, and the young government employees managing these personnel may not have had the expertise themselves to guarantee consistently good choices. As one interview subject said, "you have to know something to hire the best."[46]

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[43] TFBSO employee, interview with RAND analysts, Kabul, September 2014.

[44] TFBSO employee, interview with RAND analysts, Washington, D.C., August 2014.

[45] TFBSO employee, interview with RAND analysts, Washington, D.C., October 2014.

[46] TFBSO employee, interview with RAND analysts, Washington, D.C., November 2014.

A second implication of TFBSO's staffing model in Afghanistan was that staff lacked expertise in the workings of the federal government. One interviewee reported that having "everyone in it from outside of the government" could have negative effects on the functioning of the organization, because it needed experienced people to "point them in the right direction, explain how things worked" in the federal government.[47] As a result, the organization lacked the acumen required to consistently navigate the government system and share information in a way that the rest of the government would understand and retain. This inability to integrate policy with other parts of the government, in both Afghanistan and Washington, increased friction between TFBSO and other agencies.[48] Several respondents pointed to the success of the Task Force during the short tenure of one acting director, who had significant experience working in various government capacities, as evidence of the importance of this type of experience.[49]

Freedom of Movement

A unique characteristic of TFBSO, among U.S. organizations with an economic development mandate, was the freedom of movement of its personnel. This freedom was seen by personnel both inside and outside the Task Force as a key benefit of the Task Force model, because it allowed for hands-on and flexible engagement with local partners. This benefit was a result of not falling directly under Chief of Mission authority, but it created the possibility for significant friction if Task Force personnel were not responsible about their movements and proactive in informing the Chief of Mission about their activities.

Unlike their civilian counterparts, which typically fall under the embassy's Chief of Mission authority and whose staff movements are therefore subject to the approval of an embassy's Regional Security Officer, TFBSO personnel had unusual geographic mobility in pursuit

[47] USAID official, interview with RAND analysts, Washington, D.C., December 2014.

[48] USAID official, interview with RAND analysts, Washington, D.C., December 2014.

[49] TFBSO employee, interview with RAND analysts, Washington, D.C., November 2014.

of their mission. A privately contracted security force, composed of primarily ex-military personnel, allowed TFBSO personnel to travel to potential project locations throughout Afghanistan either by commercial air or by privately contracted military air if commercial air was not feasible. Unlike most other U.S. entities in Afghanistan, TFBSO maintained its own secure housing facilities to support projects in key areas. The Task Force maintained small compounds with facilities for staff, contractors, and visiting private-sector partners. This facilitated both TFBSO-associated personnel getting out to project sites and Afghan partners traveling to the compounds to meet with staff.

This freedom of movement was cited widely in our interviews, both inside and outside TFBSO, as vital to the successes of the Task Force. One Task Force employee noted,

> Unlike people at the embassy or at USAID that were restricted by embassy rules about where they could go, we could directly supervise our projects. We could build relationships with the Afghans through direct conversations. We built credibility with the outside investment community. Ultimately, we had credibility inside and outside Afghanistan.[50]

Interviewees with the civilian government community concurred that this could be a powerful capability for TFBSO's potential role as a development actor. For example, one USAID official indicated that "officially being out of [Chief of Mission authority] is pretty neat," because it gave the Task Force a flexibility that was sometimes essential for the Afghanistan context; this official later concluded, "I am happy leaving [TFBSO] out of Chief of Mission."[51]

An earlier governmental analysis of TFBSO's operations in Afghanistan reported a similar finding about the importance of this freedom of movement, indicating that "Task Force employees have an increased ability to directly implement and oversee its projects, greater

[50] TFBSO employee, interview with RAND analysts, Washington, D.C., November, 2014.

[51] USAID official, interview with RAND analysts, Washington, D.C., December 2014.

access to military assets, and flexibility to host potential investors."[52] Further, this study reported that the comparative lack of geographic mobility facing USAID personnel might make it difficult for USAID "to attract employees with the same expertise to broker investment deals as currently exists within the Task Force."[53] Previous analyses of Task Force efforts in Iraq similarly cited the importance of freedom of movement in achieving its mission.[54]

While clearly a benefit of the Task Force model, this freedom of movement created significant friction with the Chief of Mission and other partner U.S. civilian development organizations. Overall, there was a general feeling that coordination with other similar organizations was not well managed by the Task Force and that this freedom of movement likely exacerbated the friction.[55] Thus, even the U.S. civilian personnel most supportive of the Task Force's activities in Afghanistan reported that more active oversight on the part of DoD and clearer coordination with civilian authorities would have improved the efficacy of the Task Force.[56]

Contracting

Another unique characteristic of the Task Force was how it approached contracting. TFBSO contracting differed from other U.S. development-focused organizations in the speed and flexibility of its contracts. This flexibility was cited as a net benefit of the Task Force's contracting

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[52] U.S. Government Accountability Office, 2011, p. 7.

[53] U.S. Government Accountability Office, 2011.

[54] A report from the Center for Strategic and International Studies concluded that "U.S. military commanders on the battlefield felt that military needs should not be subject to those [Chief of Mission] constraints, and the Task Force was flexible enough to respond. Such flexibility of movement free from restrictions should be maintained" (Berteau et al., 2010, pp. 53–54).

[55] Department of State official, interview with RAND analyst, Washington, D.C., November 2014.

[56] USAID official, interview with RAND analysts, Washington, D.C., December 2014.

approach because it allowed TFBSO to both design grants and awards that were appropriately sized for the target beneficiaries and facilitate the development of unusually strong working relationships with beneficiaries. However, TFBSO's rapid contract capability also had some negative side effects.

The first unique aspect of Task Force contracting was its speed. Rather than the more typical six-month minimum of other U.S. economic development organizations, the Task Force was often able to program funds in as little as 90 days from assessment to execution. However, the Task Force's speed of contract execution was not attributable to any unique TFBSO contracting ability, as TFBSO had neither an internal contracting ability nor a large acquisitions staff.[57] Rather, the Task Force reportedly relied on a mixture of relationship-building and cajoling to speed the process.[58] This focus on rapid contracting had mixed results on the overall efficacy of the Task Force. On the positive side, this speed gave TFBSO a unique capability to respond to rapidly changing requirements, illustrated by one government official who reported, "you ask the Task Force if they can pull something out of their magician's hat and sometimes they say yes, sometimes no. . . . The Task Force could more quickly put bodies on it."[59] However, this had problematic aspects as well, because "contracting offices didn't want to work with [TFBSO] due to [TFBSO's] frequent changes of requirements and short turnaround."[60] Another TFBSO employee reported that the organization burned bridges with a series of contracting offi-

[57] Some TFBSO contracts were processed through in-theater contracting offices in Afghanistan, and these were generally seen as more expeditionary, and on a war footing, than stateside offices. Early in Task Force activities in Afghanistan, TFBSO had a forward-deployed contractor whose job was to lay the groundwork for each contract so that the in-theater contracting officers would be able to program the funds easily, a position that some felt successfully expedited contracting. After 2011, this position was eliminated. (TFBSO employee, interview with RAND analyst, Washington, D.C., November 2014)

[58] TFBSO employee, interview with RAND analyst, Washington, D.C., October 2014.

[59] State Department official, interview with RAND analyst, Washington, D.C., November 2014.

[60] TFBSO employee, interview with RAND analyst, Washington, D.C., November 2014.

cers because of the incessant phone calls and requests for speed and agility in contracting.[61]

Two types of contract flexibility unique to the Task Force's approach were highlighted in our interviews. The first was in providing contracts and grants that were appropriate for the beneficiary organizations, illustrated by an interview with a nongovernmental organization employee who reported that TFBSO funding was "right-sized," because private foundations tend to give too little funding to actually make a difference and government development agencies tend to give money that is too much for a nongovernmental organization to reasonably absorb and that requires scaling up beyond the organization's capabilities.[62] The second type of contract flexibility was in how organizations used the funds provided by the Task Force, which was described by one beneficiary organization as "incredibly progressive compared to the rest" because of its ability to buy in to beneficiary ideas, give them the freedom to implement funds, and care about more than just spending the money to meet a deliverable.[63] This flexibility in the programming of funds was enabled by the Task Force's freedom of movement, which allowed staff to connect directly with beneficiaries, and the fact that most project managers at TFBSO were trained as Contracting Officer's Representatives, meaning they could manage both contractual and programmatic aspects of projects very close to the ground.

Overall, this contract flexibility was seen as a major advantage of the Task Force model. One interviewee explained, "the flexibility of the [TFBSO] funds was great. . . . USAID was helpful . . . but the contract wasn't flexible and it didn't match the changing requirement. . . . [Beneficiaries] loved the Task Force money more."[64] A financial industry specialist concurred that TFBSO disbursement sizes filled a

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[61] Former TFBSO employee, phone interview with RAND analyst, October 2014.

[62] Afghan organization representative, interview with RAND analysts, Kabul, October 2014.

[63] Afghan organization representatives, interview with RAND analysts, Kabul, September 2014.

[64] Capitol Hill staffer, interview with RAND analysts, Washington, D.C., December 2014.

niche, saying the size of funds involved was "in the middle area, which is where a well-functioning banking system would normally provide seed money."[65]

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[65] Industry expert and TFBSO consultant, phone interview with RAND analysts, October 2014.

CHAPTER SIX

Implications for Future U.S. Contingency Operations

Economic development is likely to remain a key component of U.S. contingency operations. And regardless of today's perceived effectiveness of the Task Force in Afghanistan, or Iraq, it is likely that these future economic development efforts will contain private sector–focused elements akin to those employed by TFBSO. Particularly in the case of Afghanistan, the arrival of Ashraf Ghani to the presidential office augurs for further private-sector development and innovative partnerships with government and international donors.[1]

In this final chapter, we draw from our analysis of TFBSO's experience in Afghanistan to explore how the U.S. government might design a similar business-focused enterprise in the future. We begin by summarizing the lessons identified and discussed in Chapter Five and then highlight what we believe to be the four most important design decisions that any future policymaker should consider.

We conclude with a simple recommendation. If our prognosis is true, and we are right in anticipating that a TFBSO-like capability is likely to be demanded in future contingency operations, then the U.S. policy community should plan for this capability. Overcoming the challenges that we describe and learning from the lessons that we identify will take time, but doing so will make for a potentially highly effective capability for future contingency operations.

[1] As mentioned in Chapter Two, Ghani's views on improving state stability include robust private-sector efforts, as described in Ghani and Lockhart, 2008.

Lessons Identified

The major lessons from TFBSO's experience in Afghanistan that any future TFBSO-like initiative should consider are summarized in Table 6.1.

Table 6.1
Learning from the Task Force for Business and Stability Operations in Afghanistan

Category	Lesson
Programmatic flexibility	• Maintain a focus on rapid action, but also consider long-term consequences of involvement. • Establish a clearly articulated strategy while keeping flexibility at the programmatic level. • Use programmatic flexibility to support working as a learning organization.
Leadership	• Ensure that leadership is senior enough to help the organization surmount size-related institutional barriers. • Employ leadership that stresses inclusion in cooperation and coordination mechanisms with larger organizations.
Monitoring and evaluation	• Employ an overarching assessment framework for the life of the Task Force, but craft additional specific measures project by project. • Require active participation and oversight from any parent agency.
Staffing	• Balance hiring mid-career professionals and junior professionals in the organization. • Include professionals with significant experience in navigating the U.S. government and issues of international development.
Freedom of movement	• Remain outside of Chief of Mission authority, but improve coordination with DoD and embassy entities regarding activities.
Contracting	• Maintain and sustainably manage flexibility in programming funds. • Utilize mid-size contract and grant awards to enable organizations without stretching their absorptive capacity. • Retain an active staff role in managing contracts, and work tightly with contractors to aid in developing a strong working relationship with beneficiaries.

Key Design Decisions

The experience of the Task Force in Afghanistan indicates that any future TFBSO-like construct will need to make four major decisions. The most important decision is where such an expeditionary private-sector development capacity should be housed within the government. When the development will take place in a conflict setting, situating the organization within DoD makes sense because a close working relationship between organization officials and the military will be important to keeping overall strategy aligned. Further, it would make it easier for such a small organization to operate, because DoD has the size and presence to rapidly deploy a field-based organization in a conflict area, as well as the in-country rapid contracting capabilities to allow such an organization to be nimble. However, there are also clear disadvantages to being housed within DoD, especially the institutional rivalry that is likely to foment resentment within other U.S. government civilian agencies.

Another option would be to house this TFBSO-like construct within a civilian development agency. An organization like TFBSO could be made to fit into USAID, for example, but as this report showed, USAID did not seem amenable to assuming the functions of the Task Force, perhaps because the organizations do similar work but with different approaches.[2] Another choice would be to place an organization like TFBSO within OPIC, which "mobilizes private capital to help solve critical development challenges."[3] While the organizations share a similar business-driven approach to development, it would be a stretch

[2] U.S. Government Accountability Office, 2011, p. 6. However, under Administrator Rajiv Shah, USAID adopted a more "laboratory-like" approach, creating small hubs and institutions within the parent institution to test new approaches and ideas. USAID may now be in a better position to oversee an effort such as this. However, it is likely that an organization operating within USAID would struggle to maintain the freedom of movement and rapid action that are fundamental to the Task Force model.

[3] Overseas Private Investment Corporation, "Who We Are," web page, undated.

for OPIC to manage an organization like TFBSO.[4] Either of these civilian choices would require a new organization to receive an exemption from Chief of Mission authority in order to facilitate the freedom of movement necessary to be sufficiently expeditionary. Not only is this costly, but it pushes the civilian organizations' tolerance for risk.

The second major design decision regards staffing. Any future construct should have a well-defined hiring strategy that recruits or assigns staff from DoD, Department of State, and USAID to ensure good coordination and strategy synchronization, as well as technical expertise across these domains. This will aid in balancing the short-term focus with long-term development effects. In addition, the staff should include mid- and senior-level personnel with private-sector technical expertise in the sectors selected for work, in order to make sound choices about the development of these industries. This will also have the benefit of maintaining a strong link between program staff and beneficiaries, as well as increasing technical oversight of any contractors.

The third decision concerns external communication with the host nation, international business community, and U.S. government stakeholders. The new organization should develop a communication strategy that includes a clearly articulated written strategy, an ongoing monitoring and evaluation approach, and regular and structured engagements with the organization's multitude of stakeholders. Each component of the communication strategy should be nested within each other: The written strategy should be clear enough to allow staff to develop criteria for project selection and metrics for project evaluation, and the metrics for project evaluation should be consistent with the expectations of other stakeholders.

The fourth design decision is the type of projects on which the organization will focus—for example, physical, capital-intensive infrastructure projects or human capital–intensive activities, such as match-

[4] The Task Force model requires a substantial forward presence, more deeply embedded than what OPIC is likely to be comfortable managing, either in scale or in physical risk to its employees. Building such a capability would require a significant investment in capacity-building for OPIC, making it an unlikely choice.

making and value chain development. While TFBSO's large infrastructure projects did demonstrate some value, a focus on advisory and matchmaking services rather than the purchase of materials and delivery of physical goods would allow a TFBSO-like organization to remain flexible at the programmatic level, shifting away from unsuccessful efforts and scaling up successful ones.

Preparing for the Next Contingency

In both Afghanistan and Iraq, the Task Force was a rapidly fielded initiative designed to respond to an urgent operational requirement of military commanders. Although the proponent of any future organization may differ—it may be the Chief of Mission requesting a TFBSO-like capability rather than the military, depending on the contingency—we would expect any future effort of this kind to be similarly expedited.

However, overcoming the challenges that the Task Force encountered in Afghanistan will require adequate preparation. For an innovative, entrepreneurial organization within government, success is about finding a delicate balance—between freedom to take risks and necessary oversight, between quick-turn project delivery and long-term development outcomes, and between pursuing a disruptive business model and remaining a team player.

Thus, we recommend that the U.S. policy community plan for future organizational solutions to address the lessons from Afghanistan. Overcoming the challenges that we describe and learning from the lessons that we identify will take time, but doing so will make for a potentially highly effective capability for future contingency operations.

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The Task Force for Business and Stability Operations (TFBSO), a multi-year endeavor for the U.S. Department of Defense, sought to use private-sector strategies to create sustainable economies in Iraq and Afghanistan. In this report, RAND researchers use semistructured interviews and both public and internal documentation to identify lessons from the Task Force's activities in Afghanistan, offering insights for similar projects in the future.

The analysis describes the multitude of the Task Force's stakeholders resulting from its complex institutional status, plus the challenges that resulted from these diverse stakeholders. It uses a stakeholder-focused approach to explore several prominent TFBSO projects, informed by disparate stakeholder views. Ultimately, lessons identified from the Task Force's activities in Afghanistan fell under six categories: programmatic flexibility, leadership, measures of success, staffing, freedom of movement, and contracting.

Because economic development is likely to remain a key component of U.S. contingency operations, policymakers can use the lessons identified in this report when planning and designing similar organizations in the future to find the right balance for success.

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