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Costly Afghanistan Road Project Is Marred by Unsavory Alliances

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GARDEZ, Afghanistan — When construction crews faced attacks while working on a major American-financed highway here in southeastern Afghanistan, Western contractors turned to a powerful local figure named simply Arafat, who was suspected to have links to Afghanistan's insurgents.

Subcontractors, flush with American money, paid Mr. Arafat at least $1 million a year to keep them safe, according to people involved in the project and Mr. Arafat himself.

The money paid to Mr. Arafat bought neither security nor the highway that American officials have long envisioned as a vital route to tie remote border areas to the Afghan government. Instead, it added to the staggering cost of the road, known as the Gardez-Khost Highway, one of the most expensive and troubled transportation projects in Afghanistan. The 64-mile highway, which has yet to be completed, has cost about $121 million so far, with the final price tag expected to reach $176 million — or about $2.8 million a mile — according to American officials. Security alone has cost $43.5 million so far, U.S.A.I.D. officials said.

The vast expenses and unsavory alliances surrounding the highway have become a parable of the corruption and mismanagement that turns so many well-intended development efforts in Afghanistan into sinkholes for the money of American taxpayers, even nine years into the war. The road is one of the most expensive construction projects per mile undertaken by U.S.A.I.D., which has built or rehabilitated hundreds of miles of Afghan highways and has faced delays and cost overruns on similar projects, according to the special inspector general for Afghan reconstruction.

After years of warnings that Mr. Arafat was making a small fortune playing both sides in the war — and after recent queries by The New York Times about payments to him — American officials said they had finally moved to cut him off in April.

Despite the expense, a stretch of the highway completed just six months ago is already falling apart and remains treacherous. The unfinished portion runs through Taliban territory, raising questions about how it can be completed. Cost overruns are already more than 100 percent, all for a road where it was never certain that local Afghans wanted it as badly as the American officials who planned it.

At their worst, the failures have financed the very insurgents that NATO and Afghan forces are struggling to defeat. Some American officials and contractors involved in the project suspect that at least some of the money funneled through Mr. Arafat made its way to the Haqqani group, a particularly brutal offshoot of the Taliban.

Critics say that payoffs to insurgent groups, either directly or indirectly, by contractors working on highways and other large projects in Afghanistan are routine. Some officials say they are widely accepted in the field as a cost of doing business, especially in areas not fully under the control of the United States military or the Afghan government. As a result, contracting companies and the American officials who supervise them often look the other way.

“Does it keep the peace?” asked one United States military officer with experience in volatile eastern Afghanistan. “Definitely. If the bad guys have a stake in the project, attacks go way down.” The officer, like many of the people interviewed, did not want to be named for fear of retribution for criticizing a project that is considered a priority by the American and Afghan governments.

Some also suspected that Mr. Arafat had been staging attacks himself to extort more money for protection, a vicious cycle of blackmail that contractors and American officials acknowledged was a common risk.

In an interview, Mr. Arafat confirmed that he had been fired, but he called accusations that he had funneled money to the Haqqani group a "lie and propaganda," and he denied staging attacks.

Lofty Goals, Lofty Price Tag

The possibility that American taxpayers' money has been going to someone with ties to an insurgency that has killed American soldiers and Afghan civilians is just one of the many problems of the Gardez-Khost Highway.

From the beginning in 2007, no one thought that building the road would be easy. Traversing high, rugged terrain, the road rises to more than 9,000 feet. In winter, it is buried in deep snow. In summer, it is covered by a thick layer of chalky earth that engineers refer to as moon dust, which turns to mud in the rain.

But American officials judged the original price tag of $69 million to be worth the cost. The highway was seen as an important way to connect two mountainous provinces in southeast Afghanistan — Paktia and Khost — and wrest from the insurgents a route that they had long used to move money, men and guns into Afghanistan from Pakistan's tribal areas.

Development officials hoped that the road would better link Afghanistan's strategic border region to the central government in the capital, Kabul, and encourage commerce. The military hoped it would provide faster access for supplies and fresh troops.

However, interviews with more than 20 current and former American government officials, as well as military officers, private contractors, Afghan officials and local Afghan tribal leaders, show that despite the lofty goals the highway project was troubled virtually from the start, and problems quickly mounted.

The United States Agency for International Development, which has financed the project, turned it over to a joint venture of the Louis Berger Group, a New Jersey consulting and construction services firm, and Black & Veatch, a construction company in Kansas. In November, the Louis Berger Group paid one of the highest fines ever in a wartime contracting case to the federal government for overbilling.

Louis Berger hired an Indian subcontractor, which was a joint venture of two companies, BSC and C&C Construction, to handle the construction, and a South African private security contractor, ISS-Safenet, to provide security. Both sides in turn subcontracted to Afghans like Mr. Arafat, who did not even have a registered company, according to the Afghan Interior Ministry.

Each subcontract raised the costs as everyone took a share, and it was not long before the money allocated for the project had been drained.

"There would be a string of subcontracts, where the subcontractors would take a cut and subcontract it out again," said a civilian who worked with the military on the project. "And we had a problem that with the final subcontractors, they didn't have enough money to get the work done."

Monitoring the money was a problem. The Agency for International Development has faced significant cuts in recent years and "cannot conduct serious oversight," said one military officer who was stationed near the road. "U.S.A.I.D. is a shell of its former self," the officer said. "Now, it's just a big contracting mechanism."

The hiring of an Indian subcontractor stoked resentments among Afghans, who believed the business should have been given to them, according to Afghan and American officials.

Most important, both sides of the border are dominated by the Haqqani group, whose leaders are from Khost, and Paktia's powerful Zadran tribe. The Haqqani group is the Taliban offshoot that has long acted as a proxy in Afghanistan for Inter-Services Intelligence, the Pakistani military and intelligence service. Hiring a subcontractor from India — Pakistan's mortal enemy — in a region dominated by people with close ties to Pakistan was like waving a red flag at Pakistan's insurgent proxies.

Development Before Security

Not least among the problems was that construction began before the region was cleared of insurgents. "You are talking about pushing development before there's security," said a former American government official who was involved in the project.

"And you have military or politically driven timelines and locations which make no sense, or which force us into alliances with the very malign actors that are powerfully part of the broader battles we are fighting," the official said. "No one steps back and looks at the whole picture."

Within weeks of starting work, a construction camp was hit with rocket-propelled grenades, said Steve Yahn, the former chief engineer for the Gardez-Khost Highway project. Afterward, the provincial governor and the police chief told the Americans that if they had hired the right people for security, the attack would never have happened. "We got the message," Mr. Yahn said.

That is when Mr. Arafat and 200 of his men were brought in to protect work crews. He was recommended by tribal elders from the Zadran tribe, said Paktia's governor, Juma Khan Hamdard.

Mr. Arafat is feared in the area and has deep roots there. A local businessman, who asked not to be named for fear of retribution, said Mr. Arafat spent part of his childhood in the same area as the sons of the insurgent leader Jalaluddin Haqqani, who heads the group named for him, and had maintained close ties with them.

"Despite all the building by the P.R.T.'s, by the U.S., this area is strongly under Haqqani influence — it has been for years," said Gul Bacha Majidi, a member of Parliament from Paktia, referring to the Americans' Provincial Reconstruction Teams, responsible for many development projects. "And if you are working there or living there, you must have links with Haqqani."

A former U.S.A.I.D. worker described the area as a place where the American military and development officers had no idea whom they were dealing with. "The Haqqanis were out there, HIG, Al Haq, ISI," the worker said, rattling off a host of insurgent groups and the Pakistani intelligence agency, which maintains ties to many of them. "Everyone was there, and the local population is as likely to sabotage a project as to protect it."

Indeed, some suspected Mr. Arafat of arranging attacks himself. However, they were reported up the American military chain of command like almost all other attacks, without any hint that they might have been staged for the purpose of squeezing money from the United States government.

In one instance in 2009, Afghan soldiers searched a small car in Gardez and found it filled with explosives, and the two men riding in it quickly explained that they worked for Mr. Arafat. The explosives disappeared and the men were freed before they could be handed over to the United States military, according to an American official familiar with the case.

Another American contractor said that an Afghan worker had told him that he had been ordered by security subcontractors to write "night letters" — anonymous death threats — to the Americans working on the highway to frighten them into paying more for security.

Shootings and other violence often broke out on paydays, said one American official who worked on the road, adding that those were the only occasions when many of the local security guards would show up, even though on paper there were supposed to be nearly 1,000 guards.

"On paper, the G.K. road was paying an enormous security detail of local-hire Afghans," said one United States official. The highway contractors "would make a big deal out of their camps' getting hit from time to time, and some of their guys would get shot in night attacks, but every instance I ever heard about coincided with payment negotiations with the Afghan security detail, of whom Arafat was the chief point of contact," the official said.

It is impossible to determine how many of the attacks on the highway may have been staged by Mr. Arafat or his men. Despite all the money spent on security, however, there have been 364 attacks on the Gardez-Khost Highway, including 108 roadside bombs, resulting in the deaths of 19 people, almost all of them local Afghan workers.

Reluctance to Act

Mr. Arafat's insurgent connections appear to have been known to virtually everyone, yet there was a conspiracy of silence among both the Americans and the Afghans to keep the project running, contractors and others said.

The U.S.A.I.D. inspector general first investigated Mr. Arafat's ties to the insurgency in 2009, but top agency officials concluded there was insufficient evidence to take action against him, an official at the agency said.

Similarly, United States military officers in the region declined to take action against Mr. Arafat, even after they were warned about his ties to the Haqqanis, said Matt Mancuso, an American contractor who was the liaison between the security contractor, ISS-Safenet, and the United States military in 2009.

No action was taken even though Mr. Arafat was on the United States military's joint prioritized effects list — the record of those suspected of ties to terrorism and singled out for capture or killing — in early 2009 because of his suspected ties to the Haqqanis.

Mr. Mancuso said he proposed a plan to lure Mr. Arafat onto an American base to be captured so that he could collect the reward. He was told days later by American military commanders that Mr. Arafat had been taken off the list. He said he believed they removed Mr. Arafat's name because they did not want to risk instability along the highway.

Meanwhile, Mr. Yahn said he believed that Mr. Arafat was dropped from the target list after appeals from contractors working on the highway. "We told them, 'He's keeping relative peace,

and if he's killed we are worried that there will be infighting and there will be more problems,' " Mr. Yahn said.

How much money might the Haqqanis have received through their ties to Mr. Arafat?

Mr. Mancuso said that during his time working on the project, ISS-Safenet paid Mr. Arafat $160,000 a month to provide security for the road in Paktia Province. The amount, he said, was grossly inflated above the legitimate costs of security.

As The New York Times pressed U.S.A.I.D. and the military for information on the project, American officials finally decided to disqualify Mr. Arafat as a subcontractor, saying in response to queries that he was "no longer eligible to receive U.S.A.I.D. funds."

Similarly, in April, the military's Task Force 2010, which handles anticorruption issues, disqualified one of the Afghan construction subcontractors working on the road because of "derogatory information," according to Lt. Bashon Mann, a spokesman for the task force. The term "derogatory information" referred to evidence that the local construction company had ties to the Haqqani group and was paying it off.

While Mr. Arafat's dismissal may reduce the payments that may have been funneled to the Haqqanis, some officials fear he may try to endanger the project by sabotaging his successors, which could drive costs up further.

"Since I have left the security of the road, it's chaos there," Mr. Arafat said. In fact, security officials have not seen any significant incidents since Mr. Arafat's departure, they said.

A military officer who asked not to be identified said that contractors working in remote stretches of Afghanistan constantly faced such dilemmas. Do you keep paying off insurgents, or others, to keep the peace, even though they could use the money to buy weapons and sustain the insurgency?

"It's a tradeoff," said the officer. "It's Afghanistan; there is never a good answer."