



Contracting as Counterinsurgency: The Economic Path to Victory in Afghanistan

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Driving through Kabul, we marveled at the vibrancy of the city. Donkey carts loaded with produce competed for space with mopeds stacked high with tattered boxes. Street side shops bustled with activity as young boys aggressively marketed their crafts, customers surveyed fresh fruit, and butchers hung their kill. We darted around jingle trucks, past towering cranes, and between buildings filled with machinery—all indicative of Kabul's industrial expansion. Pulling into the Kabul Melli Boot Factory, we were greeted by smiling faces and the traditional hand-over-heart gesture as workers diligently cut, sewed, glued, and pounded, what would become inexpensive Afghan-made boots for the Afghan National Security Forces.

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Just as the quality of Melli boots depends on the craftsmen's effective use of their tools, our counterinsurgency (COIN) efforts depend on the robust, effective, and synchronized use of each element of our national power. It is not enough to free Afghanistan of insurgent violence; we must transform the country by creating enduring political and economic change. This involves targeted—and coordinated—efforts by the U.S. Government, the International Community (IC), and Nongovernmental Organizations (NGOs).

Background

Afghanistan suffers from an inversion of incentives and perceived corruption that allows insurgents to destabilize the government and operate a separate illicit economy that fuels their combat operations. Normal economic incentives are distorted because it is foreign development agencies and NGOs that employ workers, economic aid goes to the government, and charities meet basic needs. Additionally, government legitimacy is destroyed by tribal patronage that leaves the population disconnected and disheartened. In the absence of a free market and central economy, networks form based on language, ethnicity, and religion to ensure family and tribe survival. This tribalism permeates national government as members rise in status and seek to reward their tribe and consolidate power.

The most efficient and enduring path to success in Afghanistan is through the creation of a sustainable economy that complements and supports a stable security situation and effective governance. To generate enduring economic and political reform, U.S. efforts should focus on empowering the business sector to meet Afghan needs. Afghanistan must move beyond foreign aid dependency to a healthy entrepreneurial economy centered on thriving businesses. By focusing our efforts on business, we impart self-reliance, allow for organic growth that responds to opportunities as they arise, and encourage economic diversity as robust layers of enterprise arise to support everything from design to manufacturing, transportation to labor. Once these businesses develop a consistent revenue stream, their taxes help the government earn the trust and support of the Afghan people while further expanding the economy through infrastructure development and the provision of life support. This symbiotic relationship inspires political reform as the business class, empowered by economic success, demands transparent and responsive governance that allows them to pursue opportunities in an open market. Politicians respond and reform accordingly because tax revenue from businesses allows them to provide for, and gain the support of, the people. The growth is mutually supporting and sustaining.

Mentoring the Afghan Government

To lay the foundation for growth, the IC should continue to focus on mentoring the Afghan government to create essential rule. Establishing the rule of law emboldens entrepreneurs to start businesses and provides the legal structure to support them through enforcement of commercial laws, resolution of

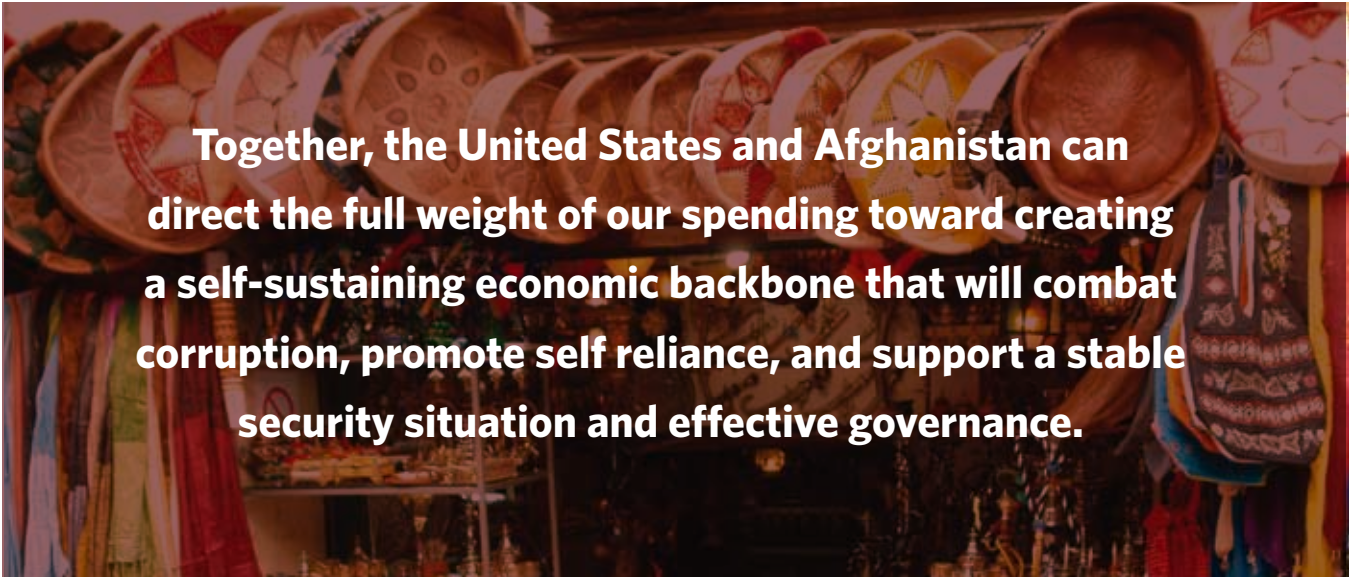
trade disputes, investor protection, and property registration. It also helps the government effectively capture a percentage of revenue through taxes. Our contracting activity can then complement these efforts by focusing our ready-made markets and buying power on businesses that are creating jobs, developing resources, and building capacity.

Unless our efforts are targeted and responsible, through a whole-of-government approach, we will miss the opportunity to leverage our purchasing power as a prime instrument of counterinsurgency. Even more dangerous, we risk furthering instability, fueling corruption, financing insurgents, and undermining our efforts in Afghanistan. Between 2007 and 2009, the United States obligated nearly \$18 billion to over 7,000 contractors performing reconstruction and development. The Senior Contracting Official–Afghanistan (SCO-A), through 13 Regional Contracting Centers (RCC), directs an Afghanistan contracting portfolio exceeding \$3.3 billion a year. The sheer volume of the U.S. Government's contracting efforts represents both an opportunity and a danger. Recognizing the impact that contracting has on Afghanistan campaign success, General David Petraeus, the International Security Assistance Force Commander, published COIN Contracting Guidance in September 2010. The current challenge in Afghanistan is to operationalize this guidance—which marks a significant shift in approach to the acquisition process—and synchronize it with the broader economic development effort.

COIN Contracting Guidance and SCO-A

The COIN Contracting Guidance directs us to view the success of our contracts not only by successfully meeting the requirements, but also by the degree to which they support the Afghan people and our campaign objectives. Together, the IC needs to identify common acquisition strategies and coordinate our actions to accomplish our broader objectives. We must exercise responsible contracting practices; better integrate contracting into intelligence, plans, and operations; consult and involve local leaders; further invest in oversight and enforcement; and better know those with whom we contract as we hire Afghans, buy Afghan products, and build Afghan capacity.

SCO-A has greatly expanded its initiatives to employ Afghan labor, buy locally manufactured products, spark small business development, and fund friends rather than foes. Contracting officers distribute micro-purchases to nascent businesses and women-owned firms to create new sources of supply and provide opportunities to an underrepresented segment of society. Using Simplified Acquisition Procedures, we occasionally choose to send requirements only to new businesses—or if circumstances warrant, sole source to help local firms enter the market. We intentionally do not send solicitations to power brokers and companies with nontransparent business practices. And using Section 886 authority, created by Congress in 2008 and implemented in the Defense Federal Acquisition Regulation Supplement, we capitalize on our largest require-



Together, the United States and Afghanistan can direct the full weight of our spending toward creating a self-sustaining economic backbone that will combat corruption, promote self reliance, and support a stable security situation and effective governance.

ments by directing acquisitions to companies operating in Afghanistan using Afghan labor and materials.

Partnering

Partnering with the U.S. Embassy, the U.S. Agency for International Development (USAID), Provincial Reconstruction Teams, and the Task Force for Business and Stability Operations, SCO-A holds shuras, meetings, and conferences with vendors in a local area to introduce them to U.S. Government contracting efforts, teach them about the contracting processes, and discover local companies that can—or could with mentoring—compete for U.S. Government requirements. RCC-hosted vendor days and vendor pay seminars allow local contractors to meet with regional contracting offices to hear about new opportunities, ask questions, and address payment issues.

SCO-A's innovative Afghan Business Advisor Program will add a unique—and hopefully game-changing—tool to transform local vendors' ability to understand and participate in the U.S. Government contracting process. By sending small teams—often no more than the COIN Outreach Director with an Afghan Business Advisor—into the city to find and mentor Afghan businesses, we hope to vastly increase the vendor base through hands-on training in finding U.S. Government contracting opportunities, developing responsive proposals, and seeing the work through. The Afghan Business Advisor Program also places highly educated and experienced Afghans in SCO-A headquarters and the Regional Contracting Centers. They focus on outside-the-wire tasks such as identifying nascent businesses, providing more extensive vendor training, coordinating with local government and NGOs, and resolving problems with existing vendors.

Building a Robust Business System

We are happy with our successes, but we want to do more. Emphasizing past performance by creating an online vendor performance repository is an important first step, but ideally

all contracting activities in Afghanistan, including the U.S. Embassy and USAID, would be working off the same database, expanding the vendor pool while sharing information on contractor performance. Also, while we require all contractors to have an Afghanistan Investment Support Agency license, we recognize that there is much more to be gained from local government and nongovernmental business agencies. The IC needs to work with—and sometimes even develop—local chambers of commerce, Better Business Bureaus, trade unions, and business associations. This would go a long way toward building the robust business system that is so important to long-term success.

We must continue focusing our efforts on businesses operating in Afghanistan using Afghan labor and materials. It is important that we not get distracted by Afghan ownership—which can promote fraud, finagling, and unfruitful outcomes such as the Afghan businessman who lives in Dubai and sells foreign-manufactured products. Rather, we must focus on—as Congress insisted in Section 886—companies, whether foreign or domestic, that are located in Afghanistan and use Afghan labor and materials. By having the operation located in Afghanistan, important skills, factors of production, and tax revenue stay in Afghanistan. Afghans are employed, learn new skills, and develop expertise. An interesting concept that worked in Iraq and that SCO-A is experimenting with in Afghanistan is to hire an experienced international design-build construction firm that mentors Afghan subcontractors during contract execution. The model will employ local nationals, maximize use of national resources, and provide education, mentoring, and training that will give locals the independence they need to start their own businesses and succeed.

Additionally, while our efforts have been successful in locally sourcing most of our services and construction requirements, we need to accelerate the share of our commodities buying that goes into the Afghan market. Factories in Kabul make mattresses, desks, and chairs that are less expensive and



2145: Spelunkers discover ancient paintings in the Pentagon's sub-basement

contracting efforts provide an invaluable opportunity to empower Afghan businesses and create enduring political and economic change in Afghanistan. Economic success depends upon not just individual contracting officers pursuing innovative acquisition strategies, but also a collaborative whole-of-government commitment from all stakeholders. Together we can direct the full weight of our spending toward creating a self-sustaining economic backbone that will combat corruption, promote self-reliance, and support a stable security situation and effective governance.

geographically closer than those we often buy. Bottled water factories in Herat have the capacity to meet our unquenchable thirst for safe drinking water at bases throughout Afghanistan. And perhaps most importantly, because it affects over 80 percent of the Afghan population, we need to tap into local agriculture.

Modernization of Agricultural Methods

U.S. and international forces should supplement troop food supplies with locally grown produce. Afghanistan once produced 10 percent of the world's raisins, and there exists significant potential to create an enduring and profitable pomegranate market. The 130,000 coalition troops operating in Afghanistan provide a ready-made market for food consumption that is virtually devoid of local agriculture. By increasing the portion of our buying power that is spent locally, we can fund the desperately needed modernization of agricultural methods, irrigation, crop improvement, and farm-to-market transportation that will be essential to Afghanistan's long-term stability.

Creating a Self-Sustaining Economic Backbone

SCO-A is proactively developing initiatives and procedures to implement counterinsurgency contracting guidance. Our

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