



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

November 14, 2016

The Honorable Elizabeth L. Littlefield
President and Chief Executive Officer
Overseas Private Investment Corporation

Dear Ms. Littlefield:

I am writing to alert you to serious deficiencies in the management and oversight of \$85 million in loans made by the Overseas Private Investment Corporation ("OPIC") for the construction of a hotel and an adjacent apartment building, directly across the street from the U.S. Embassy in Kabul, Afghanistan. I recently toured both buildings and was briefed by my staff about the underlying funding of these projects. Both the hotel and the apartment building now appear to be abandoned empty shells, and both loans are in default, possibly as the result of fraud.

Our preliminary investigation of these projects indicates troubling management practices and lax oversight by OPIC. The loans for both projects were disbursed in increments over time based on progress reports submitted by the borrower. However, OPIC did not regularly visit the sites or have an on-site monitoring presence at either construction project, but instead relied almost exclusively on representations made by the loan recipients regarding the status of the projects. As a result, the \$85 million in loans is gone, the buildings were never completed and are uninhabitable, and the U.S. Embassy is now forced to provide security for the site at additional cost to U.S. taxpayers.

While our investigation of these two projects and a third OPIC project in Afghanistan is ongoing, we believe the issues raised by these loans have broader implications which deserve your immediate attention. The failure to properly manage and oversee these loans may indicate systemic problems in the management and oversight of OPIC loans for other projects in Afghanistan and elsewhere around the world, putting additional millions of dollars at risk.

Background

The proposal for the so-called Marriott Kabul Hotel¹ project was submitted to OPIC in December of 2006 by Fathi Taher, a Jordanian citizen, and his U.S. sponsor, General Systems International LLC. The project called for the construction of "a 209-room, five-star hotel in Afghanistan . . . that [would] provide accommodation for foreign investors, an important boost to reconstruction efforts in the country, and a gateway for returning Afghan citizens who have spent time outside of their homeland."² According to an OPIC report, "The foreign exchange generated from official government

¹ Marriott International agreed to manage the hotel, thereby lending its name to the project. In May 2013, it was reported that Marriott had withdrawn from the project. Nevertheless, in Afghanistan the building is still commonly referred to as "the Marriott Hotel", and on the OPIC website as the "Marriott Kabul Hotel." See, e.g., *Kabul loses five-star hotel as security fears dent confidence*, The Times, May 7, 2013, <http://www.thetimes.co.uk/tto/news/world/asia/afghanistan/article3757537.ece> (accessed Oct. 28, 2016).

² OPIC Press Release, *Opic Board Approves \$60 Million for Hotel Project in Afghanistan*, January 19, 2007, http://gensysint.com/OPIC_Press_Release.html, (accessed September 23, 2016).

and business travelers will contribute to the economic development of other sectors in the Afghan economy. These foreign exchange earnings are expected to total over \$80 million annually.”³

In January 2007, OPIC approved the proposed loan for \$60 million.⁴ An initial disbursement of a portion of the loan was made in February 2009 and construction was originally expected to be completed by the end of 2010. Ultimately, there were four loan disbursements made, totaling \$57,771,796.

In 2010, Fathi Taher and his United States sponsor, Apus Apartments LLC, submitted a proposal to OPIC for the construction of an apartment building adjacent to the hotel, referred to as the “Kabul Grand Residences”. The apartment building was intended to provide “secure housing to local residents, expatriate workers, foreign diplomats, international aid workers, and U.S. government personnel.”⁵ The loan was approved by OPIC in September 2011, for \$27 million.⁶ OPIC made three loan disbursements totaling \$27 million for the project. The developer and the project manager for both the hotel and the apartment building was the same Fathi Taher entity, Tayl Investors Group.

THE HOTEL IS UNFINISHED AND APPEARS TO BE ABANDONED

Construction of the hotel began in early 2009, following OPIC’s first disbursement of loan funds. From 2010 through 2013, the loan recipients submitted progress reports to OPIC prior to each subsequent loan disbursement. On April 3, 2013, the loan recipients reported to OPIC that the hotel would be completed by December 2013.

In May 2013, multiple news outlets reported that construction of the hotel had been halted due to security concerns in Kabul.⁷ Only a month later, in June 2013, the loan recipients provided OPIC with a progress report stating that contracts had been issued for the procurement of furniture, fixtures, and equipment. Based on this progress report, on June 18, 2013, OPIC approved the final disbursement of loan funds to Tayl Investors Group, bringing the total OPIC loan disbursement for the project to approximately \$58 million.

According to OPIC, following the final disbursement, the loan recipients notified OPIC that they were stopping all work on the project. Since then, the U.S. Embassy in Kabul has assumed responsibility for securing the site, at an additional, currently undisclosed cost, due to the security threat posed by the unfinished building being adjacent to the Embassy compound.

³ OPIC in Action, 2007 Pending Projects, “*Marriott Kabul Hotel*,” https://www.opic.gov/sites/default/files/docs/marriott_kabul_hotel.pdf, (accessed September 26, 2016).

⁴ The initial loan amount was \$60 million. In 2011 OPIC approved an additional \$5 million loan for construction and operation of the hotel.

⁵ See OPIC *Information Summary for the Public* (undated), <https://www.opic.gov/sites/default/files/files/Kabul%20Grand%20Residences%20LLC%20-%20Information%20Summary%20for%20the%20Public.pdf> (accessed Oct. 28, 2016).

⁶ The loan recipients were expected to contribute \$9 million in equity, bringing the total project cost to \$36 million

⁷ Afghan Voice Agency (AVA), “Construction of the Marriott Hotel stopped in Kabul,” May 9, 2013; The Times, “Kabul loses five-star hotel as security fears dent confidence,” May 7, 2013; IB Times, “Afghanistan After The United States And NATO Leave: Economic Boomtown, Or A Disaster Waiting To Happen?” May 24, 2013.

On August 1, 2016, SIGAR inspectors visited the hotel to determine the status of the project. We found that the project was never finished and appears to be abandoned.⁸ We found structural cracks in the walls and roof; damaged fireproofing on steel beams and columns; demolished wall sections; incomplete electrical, elevator, communications, fire prevention/suppression, sewer, heating, ventilation, and air conditioning systems; unfinished concrete masonry units; uninstalled doors and windows; and, many other problems. Photos 1 through 6 show the interior and exterior condition of the KGH at the time of our site inspection and my recent visit of October 29, 2016. Based on our inspections it is clear that the assurances made to obtain the final loan disbursement were false and misleading. We are currently determining whether earlier representations made to justify the prior disbursements were also false and misleading.

Photo 1 - Exterior of KGH



Source: SIGAR, August 1, 2016.

Photo 2 - Exterior of KGH



Source: SIGAR, August 1, 2016.

Photo 3 - Basement Interior of KGH



Source: SIGAR, August 1, 2016.

Photo 4 - Basement Interior of KGH



Source: SIGAR, August 1, 2016.

⁸ The large quantity of construction debris, crates of stored materials overlaid with thick layers of dust, and lack of any construction lighting were clear indications that the buildings had been abandoned.

Photo 5 – Ground Floor Interior of KGH



Source: SIGAR, August 1, 2016.

Photo 6 – First Floor Interior of KGH



Source: SIGAR, August 1, 2016.

THE APARTMENT BUILDING IS UNFINISHED AND APPEARS TO BE ABANDONED

Construction began on the apartment building adjacent to the hotel shortly after OPIC's disbursement of \$15 million to the project developer on November 7, 2011. Based on progress reports submitted by the loan recipients and by Gardiner & Theobald, a Bulgarian company hired by OPIC to act as a project monitor, OPIC disbursed another \$8 million in August 2012 to the loan recipients. On April 3, 2013, the loan recipients reported to OPIC that the apartment building would be completed and would open by August 2013. An April 2013, project monitoring report submitted to OPIC by Gardiner & Theobald also stated that exterior construction was almost complete. Based on these reports, on April 30, 2013, OPIC approved the final disbursement of loan funds. This final \$4 million disbursement brought the total OPIC loan for the project to \$27 million.

Although OPIC's website still lists the apartment building, the Kabul Grand Residences, as an active project, OPIC officials told SIGAR that, following the final disbursement, the loan recipients notified OPIC that they were stopping all work on the project.

SIGAR inspected the site on August 1, and again on October 29, 2016. As with the hotel, we found that the apartment project was never finished and appears to be abandoned, and that representations made to OPIC that the building could open by August 2013 were blatantly false and unrealistic. We found structural cracks in the walls; incomplete electrical, elevator, communications, fire prevention/suppression, sewer, heating, ventilation, and air conditioning systems; uninstalled doors and windows; and, many other problems. Photos 7 through 12 show the interior and exterior condition of the apartment building at the time of our site inspection.

Photo 7 – Exterior of KGR



Source: SIGAR, August 1, 2016.

Photo 8 – Exterior of KGR



Source: SIGAR, August 1, 2016.

Photo 9 – Basement Interior of KGR



Source: SIGAR, August 1, 2016.

Photo 10 – Ground Floor Interior of KGR



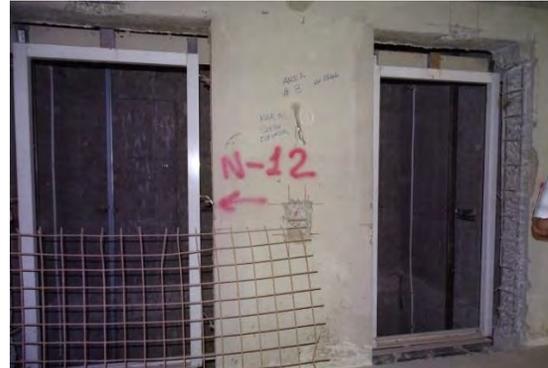
Source: SIGAR, August 1, 2016.

Photo 11 – First Floor Interior of KGR



Source: SIGAR, August 1, 2016.

Photo 12 – First Floor Interior of KGR



Source: SIGAR, August 1, 2016.

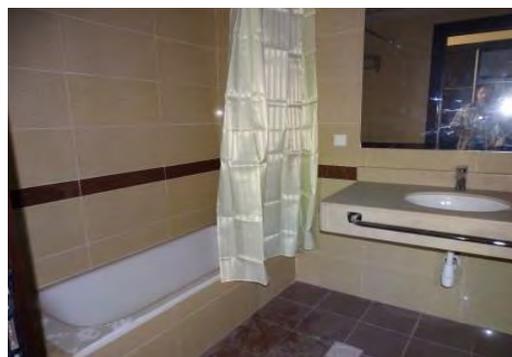
During our site inspection we also found that two rooms in the building appeared to be model rooms intended to demonstrate what completed residences might look like. Superficially, these rooms looked to be complete, but in fact they had none of the basic infrastructure necessary to make them habitable (i.e., electricity, water, toilets, air conditioning, fire alarm, etc. were missing). The contents of the rooms were covered with a thick layer of dust. Photos 13 and 14 show these model rooms.

Photo 13 – First Floor Interior of KGR



Source: SIGAR, August 1, 2016.

Photo 14 – First Floor Interior of KGR



Source: SIGAR, August 1, 2016.

OPIC RELIED ON REPORTS FROM THE LOAN RECIPIENTS TO SUPPORT DISBURSEMENTS

OPIC did not regularly visit the site or provide consistent on-site monitoring throughout during the construction of either the hotel or the apartment building.⁹ OPIC officials conducted two site visits to the projects, in May 2012 and April 2013. Given the previously described status of the projects, it is unclear why OPIC continued to make disbursements on the loans, particularly following the April 2013 site visit.

Although OPIC did not hire an independent project monitor for the hotel project, it hired Gardiner & Theobald to monitor the apartment project. Ironically, Gardiner & Theobald never visited the apartment project site, and instead relied on information provided by the loan recipients to complete the status reports it provided to OPIC.¹⁰

In sum, because OPIC did not have an on-site supervisory or monitoring presence at either construction project, OPIC had to rely almost exclusively on representations made by the loan recipients regarding the status of the projects and how the disbursed loan proceeds were spent.¹¹ OPIC accepted either invoices or receipts as proof to demonstrate how the loan proceeds had been

⁹ OPIC's Office of Investment Policy is responsible for monitoring projects once they become active. According to GAO, OPIC has established policies that guide its project selection process, which includes a review of projects' eligibility against OPIC policy and statutory requirements and due diligence reviews. See GAO, *Overseas Private Investment Corporation: Additional Actions Could Improve Monitoring Processes*, GAO-16-64, December 2015, p. 13).

¹⁰ Gardiner & Theobald told OPIC in its reports that it was unable to visit the site due to restrictions on travel to Afghanistan.

¹¹ OPIC's reliance on loan recipients to provide timely, accurate, and factual information in other projects has been pointed out as a deficiency by the USAID Office of Inspector General and the US Government Accountability Office (GAO). For example, a May 2015, USAID Office of Inspector General report found that OPIC's lack of onsite project supervision or monitoring hampered its ability to ensure that reports submitted by loan recipients were accurate. See USAID Office of Inspector General, *Assessment of the Overseas Private Investment Corporation's Development Outcome and Compliance Risks*, Report No. 8-OPC-15-002-S, May 15, 2015, p.10. Similarly, in December 2015, GAO released a report that found "OPIC's current monitoring processes may not provide adequate information on projects' annual policy compliance and development impact status to support program goals." GAO, *Overseas Private Investment Corporation: Additional Actions Could Improve Monitoring Processes*, GAO-16-64, December 2015.

spent. However, without on-site verification of activities and progress, neither the invoices nor receipts required by OPIC provided sufficient evidence to support purported purchases.

Conclusion

OPIC has a long history of providing financing and insurance for successful projects in developing countries under difficult circumstances, and SIGAR believes that OPIC has a potentially valuable role to play in Afghanistan. However, SIGAR's investigation indicates that OPIC's oversight practices for the Marriott Kabul Hotel and the adjacent apartment project in Kabul did not provide adequate assurance that OPIC's loan funds were properly spent.

OPIC provided nearly \$85 million to the same developer for these two projects, but did not employ or contract with a project supervisor or monitor willing to be on-site to provide an objective, independent assessment of construction progress. We do not believe this to be an appropriate level of oversight considering the risk and size of the loans. We encourage OPIC to use more robust oversight practices, appropriate to the dynamic nature of Afghanistan's security environment, when funding any future large-scale construction projects in Afghanistan. Further, given that these projects have apparently been abandoned for the last three years, we encourage OPIC to take immediate action to recoup the loan funds from the recipients.

The USAID Office of Inspector General is tasked with providing independent oversight that promotes the efficiency, effectiveness, and integrity of OPIC programs and operations. Therefore, we are coordinating with them regarding the issues raised in this letter because these management and oversight issues may extend to OPIC projects beyond Afghanistan.

Sincerely,



John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

We conducted this special project in Washington, D.C. and Kabul, Afghanistan from February 2016 to October 2016, in accordance with SIGAR's quality control standards. These standards require that we carry out work with integrity, objectivity, and independence, and provide information that is factually accurate and reliable. For more information on the policies and procedures and quality control standards for conducting special project work, please see SIGAR's website (www.SIGAR.mil). SIGAR performed this special project under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended. Should you or your staff have any questions about this project, please contact Mr. Matthew Dove, Director of Special Projects, at [REDACTED] or [REDACTED].

OVERSEAS PRIVATE INVESTMENT CORPORATION
WASHINGTON, D.C. 20527, USA

ELIZABETH L. LITTLEFIELD
PRESIDENT & CEO



November 16, 2016

Mr. John F. Sopko
Special Inspector General for Afghanistan Reconstruction
1550 Crystal Drive, 9th Floor
Arlington, VA 22202

Dear Mr. Sopko:

Thank you for your letter, dated November 14, 2016, regarding the hotel and apartment projects that the Overseas Private Investment Corporation (OPIC) has financed in Kabul, Afghanistan, adjacent to the U.S. Embassy. I agree that proper management and oversight of OPIC resources is of paramount importance but, although your recommendations are sound ones, I do not think your letter fully sets forth the context in which OPIC operates as a whole or with respect to these specific projects.

As we have been discussing with your investigators over the past nine months, OPIC is actively engaged with various parties regarding the most effective way to address the outstanding loan, while ensuring the security concerns of the U.S. Embassy in Kabul are met.

OPIC knows firsthand that operating in conflict areas such as Afghanistan is inherently difficult. As you indicated in your letter, and we would agree, the Agency "has a long history of providing financing and insurance for successful projects in developing countries under difficult circumstances." The changing conditions and requirements, particularly security, facing these two projects are unique and are not representative of the 500+ projects OPIC supports in over 100 countries.

OPIC's mission is to address critical development challenges and advance U.S. foreign policy and national security objectives on a self-sustaining basis. OPIC achieves this by partnering with the U.S. private sector in developing countries and taking risks that commercial lenders are not willing to take. Sometimes accomplishing that mission requires taking significant risks and these risks are built into OPIC's business model. Historically, OPIC has been excellent at managing those risks, as is evidenced by the fact that OPIC's write offs, net of recoveries, is less than one percent and that OPIC has reduced the Federal deficit to the benefit of the U.S. Treasury by \$6.78 billion since 1992 (\$2.62 billion since 2009).

Since 2002, Afghan reconstruction has been a policy priority of the U.S. Government. One of the key aspects of that reconstruction was to encourage the private sector to invest in the country.

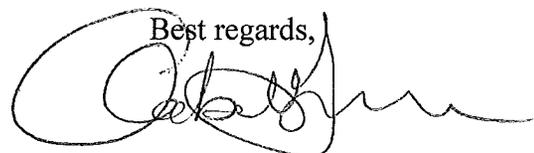
As the U.S. Government's development finance institution which mobilizes private sector capital into developing markets, OPIC, with the encouragement of the Department of State, began to work with the private sector to develop a hotel in Kabul.

OPIC's policy is to have internal or external (contractor) resources conduct in-person site monitoring for large construction projects. However, that was not possible for these projects given the security situation in the country. As your letter points out, OPIC's external project monitoring contractor could not enter the country because of restrictions imposed by private insurance providers. OPIC's internal personnel also were discouraged by the U.S. Embassy from attempting to visit the projects because of the deteriorating security situation. The project developer also was consulting with a U.S. Embassy Regional Security Officer on design enhancements to improve security for the project.

Although the security conditions prevented more frequent site visits, OPIC was aware there were issues with the projects. However, because the project developer had shown what OPIC believed were good faith efforts to develop the project and had the personal legal obligation and liability to complete the project (including funding all cost overruns), OPIC determined that the best way to address the outstanding loan that had already been disbursed, and accomplish its development objectives, was to allow the project developer to continue to work on the project. In early 2014, the project sponsor stopped construction because of heightened security concerns.

As a lender, OPIC does not control the project, but since then has encouraged the project developer to find a third party to either purchase the project or provide additional funds to complete it. OPIC is aware of discussions that the project developer has had with several third parties over the past several years, including the U.S. Department of State, which has been interested because of the projects' proximity to the Embassy.

I note that your letter included two recommendations: (1) "use more robust oversight practices, appropriate to the dynamic nature of Afghanistan's security environment, when funding any future large-scale construction projects in Afghanistan" and (2) "take immediate action to recoup the loan funds from the recipients." I have instructed OPIC's portfolio and monitoring group to review its policies and procedures with respect to monitoring large-scale construction projects in Afghanistan, with a view to ensuring that they are adequately robust. Over the last several years, OPIC has continued to work very hard and be quite active with respect to these projects to determine how best to complete the projects to accomplish the original intended development impact and address the outstanding loan, while ensuring that the security concerns of the U.S. Embassy in Kabul are met.

Best regards,


Elizabeth L. Littlefield

MEMORANDUM FOR RECORD

16 August 2016

TO: Nicholas Brooke, Special Agent

FROM: [REDACTED], Civil Engineer and Wilhelmina Pierce, P.E., Mechanical Engineer

RE: Preliminary Inspection of Kabul Grand Hotel (**KGH**) and Kabul Grand Residence (**KGR**)

The purpose of this memo is to document information gathered from the site visit at KGH and KGR.

Date of Site Visit: Monday, August 1, 2016 from 08:30 until 11:35.

SIGAR Participants: Nicholas Brooke, Special Agent; Sterling Infield, Investigation Analyst; [REDACTED], Civil Engineer; Katherine Leonard, Special Agent; and Wilhelmina Pierce, Mechanical Engineer.

Embassy Participants: RSO Protective Detail and site security guards.

Contractor Participants: Akhtar Zamat and [REDACTED] LNU of the TAYL Group

1. The team walked from the US Embassy CAC-1 gate to the KGH and KGR sites around 09:00 with an RSO protective detail. After reaching the site other armed RSO security personnel accompanied the SIGAR team. The inspection started after contractor's local staff, [REDACTED], arrived to unlock the secured access at the southeast stairwell so we could begin the inspection on the roof.
2. The southeast stairwell used for access through the KGH had unfinished, uneven, and unsafe concrete stairs with only a few pieces of rebar serving handrails and fall protection. The KGH roof was inspected first, followed by the First floor and Mezzanine, Ground floor, and finally the Basement. The team then walked from the KGH Basement to the adjoining KGR basement using a roughly constructed unfinished access corridor. The KGR Basement, Ground floor, and First floor were inspected. All SIGAR participants photographed the areas inspected. Exterior and interior photos of both buildings were taken along with video footage.
3. The Kabul Grand Residences have progressed more than the Kabul Grand Hotel, but both are very far from completion. Construction debris, abandoned tools, damaged materials covered with layers of dust, and the absence of any functioning interior construction lights were clear indications that construction has been suspended for a very long time.
4. SUMMARY
No space in either building was suitable for human occupancy. (However in KGH the number of birds flying in and out of windows implies the upper floors are inhabited by birds). Walking through both buildings required extreme caution due to many construction safety hazards such as trip hazards, fall hazards, poor lighting, unsafe stair access, and impalement on exposed rebar ends. Concrete blocks walls were plastered, partially plastered, or partially constructed; none were in a finished state. Cracks in the walls due to earthquake tremors were found in both buildings. Basic systems required for hotel occupancy such as electricity, lighting, water, toilets, elevators, air conditioning, furniture, telephones, smoke detectors, security, parking and even building access were either in very early stages of construction or non-existent. The large quantity of construction debris, crates of stored materials overlaid with thick layers of dust, and lack of any construction lighting were clear

indications that the buildings had been abandoned. KGR was not quite as dilapidated as KGH due to installed windows protecting the interior construction from weather effects; however it was readily apparent that construction in KGR had ceased for several months or years instead of weeks.

5. SIGAR investigators including SAs Brooke, Leonard and Inspector Wilhelmina Pierce observed and can attest to the following conditions. Local Afghan Engineer [REDACTED] also observed and documented the following conditions.

A. Kabul Grand Hotel (KGH)

STATUS OF EXTERIOR CONSTRUCTION

Land in front of the hotel has not been graded, landscaped, or paved. It is still being utilized as a construction staging area for 10-15 shipping containers, construction debris, and piles of fill dirt. Although the front of the hotel has decorative trim installed in and around the window openings, no permanently finished windows have been installed anywhere in the building. Permanent stairs have not been constructed at any hotel entrance. The only access into the building is a sheet-steel construction ramp at the southeast stairwell. Although the front and side walls of the hotel have a painted stucco finish, the building's exterior rear walls, side walls, roof domes, and roof structures are still rough unfinished concrete block or stucco. The existing painted stucco finish where installed is dirty. Cracks in the stucco and unfinished walls were noticed in the roof's domes, parapet walls, and auxiliary structures as well as in interior walls of the hotel.



STATUS OF INTERIOR CONSTRUCTION

Basement Level

Some interior walls are coated with a primer coat of paint on plaster, but most are unfinished concrete block. The fire proofing on the red steel structural beams and columns is damaged or non-existent in many locations. (Fire proofing is a powdery coating on the steel beams and columns meant to keep the building intact longer during a fire, so more people can escape before the steel melts and the building collapses.) Ductwork, piping, and electrical wiring are installed at the “first fix” stage but none of these systems are close to complete. Many basement rooms are serving as storage for plastic electrical conduit, sheetrock for walls, barrels of unknown fluids, other construction materials and debris. Since most interior spaces were not connected to exterior wall openings providing natural light, not all of basement rooms could be examined. Construction lights are non-existent or not working.



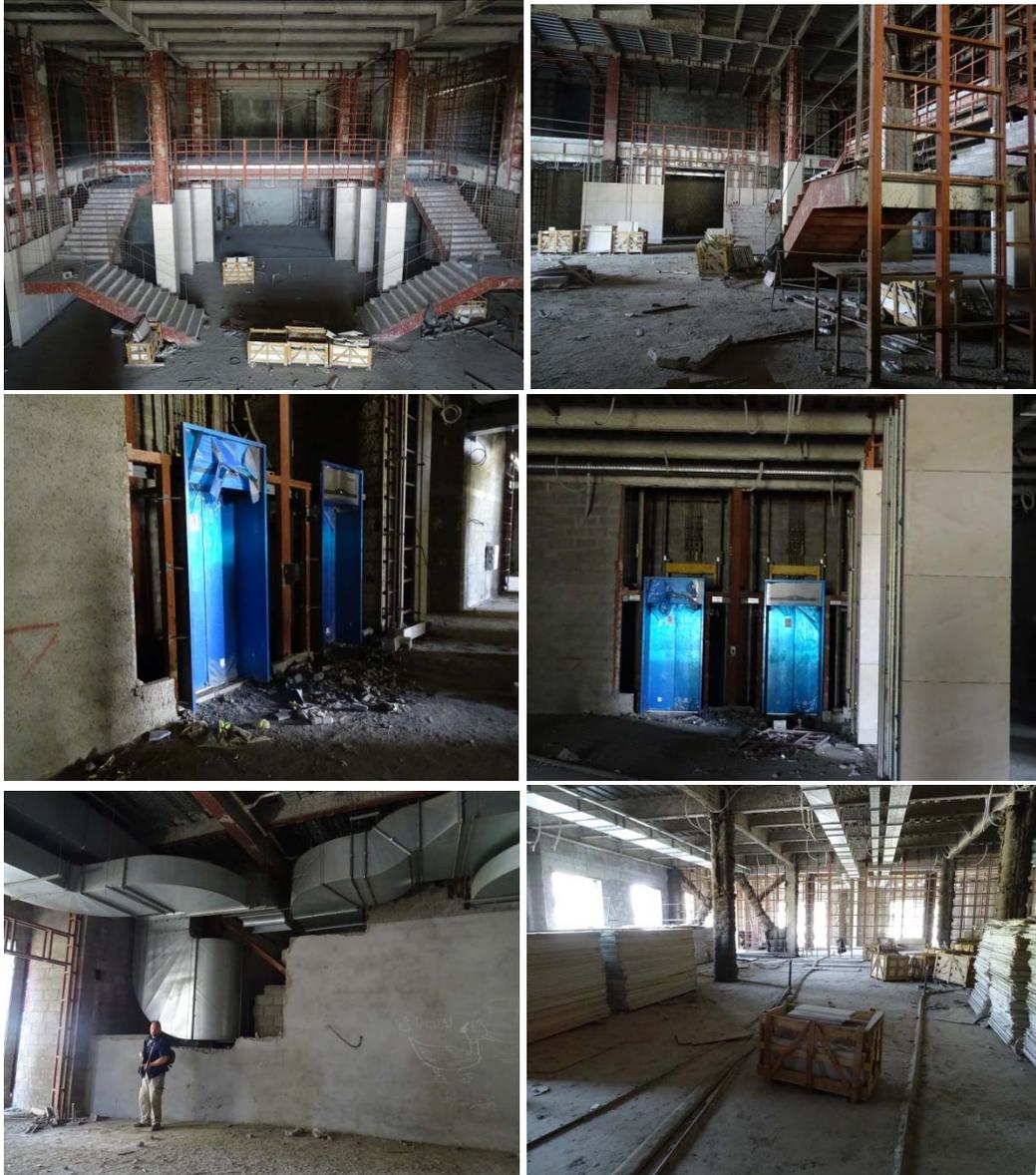
Ground Floor

Interior courtyard stairs, steel framing, elevator doors covered with blue protective wrap ductwork, and tile work still need much progress before completion. Tile installation on columns, walls, and decorative metal framing for the interior courtyard has started, but the majority of framing and steel for columns, walls, and ceiling await the tile still stored in crates located throughout the ground floor. Fireproofing on the red steel beams and columns is partially complete and damaged. Some concrete block walls are plastered with a primer coat of paint, but the many stacks of sheet rock for the walls

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are stored all throughout the ground floor. Cable trays, electrical conduit, sewer piping, ductwork, and small pipes for the air condition system are at the “first fix” stage of construction. Open ends of installed air conditioning duct HVAC ducts have allowed dust and contaminants to accumulate inside of the HVAC system for a long time, so the installed duct would have to be extensively cleaned or replaced before proceeding. Electrical wires and conduits hang freely from walls and ceilings.



First Floor

“First fix” sections of the sewer system piping are installed from the ceiling but not connected together. Bundles of electrical cables on upper floor were visible through holes cut into the ceiling above. The First floor does not show as much progress as the Ground floor and were missing similar cable trays, electrical wires, electrical conduit, ductwork, and small pipes for the air conditioning system. Large jagged holes have been cut into the walls where pipes pass through to different rooms.

Some sections of walls have been plastered. Fireproofing on the steel beams and columns is damaged or missing in many locations.



Roof

The stairs from the ground floor to the roof are uneven and unfinished with steps of different heights. Walls vary from partially plastered, unplastered concrete blocks, and partially constructed. Cracks were noted in the stairwell, the domes, parapet walls and rooftop rooms.



In roof domes and several rooftop rooms, large irregular sections walls are removed, as if to allow access for equipment, but there is no equipment. Large air conditioning ducts intended to connect to equipment have open ends exposed to dust, weather, and birds. Scaffolding, construction debris, abandoned tools, and bundles of stored roofing materials are located throughout the roof level

structures. The elevator cabins, hoist cables, and equipment are partially installed. Roof drain piping is installed in some locations.



B. Kabul Grand Residences (KGR)

STATUS OF EXTERIOR CONSTRUCTION

The front of the building shows that final grading and landscaping are far from starting. There is a large mound of fill dirt mixed with construction debris in the front of the Residence that obstructs the full view. The retaining wall in the back of the Residence has at least one section lacking concrete installation, and the waterproofing of the retaining wall is only half completed. The space between the retaining wall and the basement level is littered with large piles construction debris and weeds amidst stored materials including concrete block, granite slabs, ceramic and terrazzo tiles, and construction rebar framing waiting to be utilized.



STATUS OF INTERIOR CONSTRUCTION

Basement Level

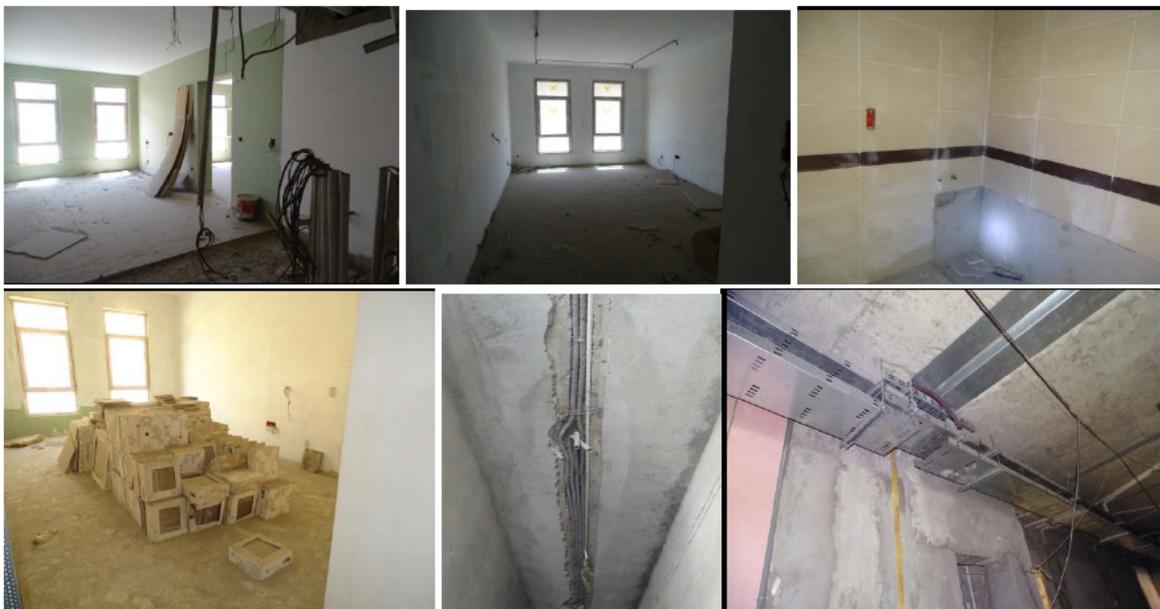
The Basement level has exposed roughly finished concrete walls, ceilings, and floors covered with dirt. Although plaster and paint have been applied to exterior walls above the basement level, the

basement walls and columns are completely unfinished. The basement level spaces are completely open to weather and used for sheltering concrete blocks, ceramic tiles, other construction material and piles of debris. Steps leading from the basement to the ground floor have terrazzo tile, but the surrounding walls and ceiling are rough unfinished concrete and there are no handrails; stairway is exposed to weather and not enclosed.



Ground Floor

The stairway and corridor ceilings leading to the Ground have raggedly chipped out furrows to housing electrical conduits. Exterior windows are installed from the Ground Floor up, but interior trim and finish around the windows is not in place. A few rooms have a primed coat of paint on plaster or sheetrock walls. In some rooms the tile installation has started on the foyer and bathroom walls. Electrical wiring is hanging out of walls and conduits, which are far from ready for wall switches, outlets, or light fixtures. The “first fix” for electrical conduits, sewer and water piping, and air conditioning duct are visible in open mechanical spaces along the corridor and as well as in the residence rooms.



The only exceptions are two furnished “sample” rooms in the KGR to demonstrate the finished construction. These rooms looked deceptively complete but have none of the building systems or equipment to make them habitable (electricity, water, toilets, air conditioning, fire alarm, etc.). The finishes and contents were covered with thick layers of dust.



First Floor

The First Floor was similar to the Ground floor with the exposed unconnected conduits hanging loosely from the ceiling, wiring hanging from wall penetrations, unfinished corridor and room walls (most without primer paint), exposed mechanical systems, and generous amounts of construction debris scattered throughout.



The corridor also shows the elevator installation is in the early stages of installation. Construction in the corridor is also still in the “first fix” stage.



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6. **Unsubstantiated Projections.** On April 3, 2013, the contractor projected its KGR and KGH construction would be completed by August and December 2013, respectively. However, those projections do not align with the construction progress observed during this inspection. In fact, the incomplete work and remaining construction identified below during the August 1, 2016 site visit require much longer than 3 months and 8 months to complete, respectively. Even after construction is complete, air balancing, testing, and commissioning of heating and air conditioning system would require at least another month. Furthermore, at least 1 to 2 months would also be required for (1) testing of sprinkler/fire protection system; (2) testing of fire alarm system; (3) testing, flushing and chlorination of the potable water system; (4) testing of communication system; (5) calibrating, inspecting and certifying all the elevators; and other building commissioning activities before the buildings could be turned over. The “Supplement to Project Monitorin[g] Report #2 dated 25th April 2013” for KGR indicated that 95.21 percent of the total design and construction funds (\$24,488,040) had been dispersed in payments. However, conditions on the ground confirm that KGR was not 95 percent complete when construction ceased between 2013 and 2014. Statements in the “Current Status of Project” report dated April 2013 that “Construction is expected to be completed by the end of June 2013,” “Exterior construction is almost complete,” and “Soft opening in July 2013” were completely false and unrealistic. Projections for KGH to be completed by December 2013 were false and unrealistic as well.
7. The “Grand Hotel Kabul Progress Report June 2013, submitted by B.G.”, provided a status update that furniture (FF&E) had been 100% contracted for KGH. However, there was no furniture found in KGH during the inspection. Furthermore, no guest room in KGH was finished enough to have furniture installed; even the walls forming the individual guest rooms had not been constructed yet. We did observe a few pieces of furniture at KGR; furniture samples (bed with mattress, chairs, etc.) were installed in two KGR guest rooms.
8. TAYL Investors Group Ltd.’s “Grand Kabul Hotel Progress Report” dated March 1, 2013 (page 3) listed several large pieces of construction equipment that were on the site at that time:
- a. 2 Tower cranes
 - b. 1 Fork lift (5.5 Ton)
 - c. 2 Mechanical cutters
 - d. 2 Compactors
 - e. 1 Bobcat [listed as Pop Cat]
 - f. 2 Generators
 - g. 6 Concrete Mixers
 - h. 3 Drilling Machines
 - i. 5 Hammer Machines [jackhammers?]
 - j. 9 Water Tankers [trucks]
 - k. 1 Roller Machine

However, we saw none of these items on the site during the inspection. Major equipment needed to move materials around the jobsite and within the building were absent. The equipment necessary to complete construction was nowhere to be found. The work platforms for construction workers to

work on ceilings and walls were absent throughout the building except in a couple of areas with abandoned scaffolding left intact.

9. At least 10 shipping containers were stacked in various locations outside the KGR and KGH structures. None of the containers were opened for investigation during the site visit. During the inspection, SAs Brooke and Leonard were told that the containers were storage for bathroom fixtures and HVAC equipment.

10. Detailed Inspection Results

1. **KGH Basement :**

Completed work:

- a) Structural steel beams and columns installed.
- b) Steel framing around basement entry is constructed.
- c) Some concrete block walls have been plastered.
- d) Sections of HVAC ductwork are installed.
- e) Sections of cable trays are installed for electrical wiring.
- f) Sections of mechanical HVAC piping have been installed.
- g) Stairs formed from ground floor to basement.

Observed deficiencies in completed work:

- a) Structural cracks are visible on the walls.
- b) Stairs from Ground floor to basement have steps with inconsistent heights ranging from 4 inches to 6 inches.
- c) Holes in walls where conduits pass through need to be sealed.
- d) Headroom between stair landings is too low; measurements confirmed it violated the International Building Code (2m or 6 feet).
- e) Fireproofing applied to steel beams and columns is damaged throughout.
- f) Dirt and debris cover floors in some rooms.
- g) Sections of walls seem to have been demolished for access or have not been completed.

Work started but not completed:

- a) Many sections of HVAC system and ductwork are installed, but some sections are disconnected and completion cannot be confirmed.
- b) Some walls still need to be plastered
- c) Cable trays for electrical wiring and sections of electrical conduit are installed in many locations but completion of system can't be confirmed.
- d) Many sections of HVAC system and ductwork are installed, but some sections are disconnected and completion cannot be confirmed.
- e) Sections of mechanical piping for HVAC system are installed but pipe ends are open to dust and contamination, and the full piping network is incomplete.
- f) Sump pits are partially constructed.

Work not started:

- a) Painting prep and final finish has not been done.
- b) No doors are installed.
- c) No permanent windows installed.
- d) Floor finishes (tile) not installed.
- e) Suspending ceiling not installed.
- f) No flooring installed on stairs.
- g) No hand rails installed for stairs.
- h) Electrical power supply, outlets, lighting are missing.
- i) No telephone, communication, internet or security systems installed.
- j) No heating, air conditioning or ventilation system installed.
- k) Water piping system and HVAC ductwork needs to be insulated.
- l) No complete water or sewer system installed.
- m) No fire alarm or fire protection system.
- n) No furniture or decorations installed
- o) Employee cafeteria, kitchen areas and kitchen equipment are not installed.
- p) Meat freezers produce coolers, food prep and food storage areas are not constructed.
- q) Swimming pool is not installed.
- r) Laundry and housekeeping areas are not installed.
- s) Gyms, exercise equipment, locker rooms and bathrooms are not installed.
- t) Offices, elevators, mechanical and electrical equipment rooms are not constructed and completed.

Stored material:

- a) Small containers and barrels of unknown fluids
- b) Flexible plastic electrical conduit and fittings

2. KGH Ground floor :**Completed work:**

- a) Structural steel beams and columns installed.
- b) Elevator doors and frame installed.
- c) Concrete block walls have been constructed.
- d) Some concrete block walls have been plastered.
- e) Stairs at the front of the section of building formed
- f) Framing for decorative wall columns in some areas.

Observed deficiencies in completed work:

- a) Structural cracks visible on the walls.
- b) Exteriors stairs have steps with inconsistent heights ranging from 4 inches to 6 inches.
- c) Headroom between stair landings is too low; measurements confirmed it violated the building codes (2m or 6 feet).
- d) Dirt and debris cover all the floors.

- e) Fireproofing applied to steel beams and columns is damaged throughout.
- f) Large holes in walls where pipes pass through need to be sealed.
- g) Installed large and small sections of ductwork were not adequately covered. Ductwork sections left open to atmosphere have collected dirt and contaminants.
- h) Graffiti has been painted on some of the walls.
- i) Some small mechanical piping is starting to rust.

Work started but not completed:

- a) Some walls still need to be plastered.
- b) Cable trays for electrical wiring are installed in many locations but completion of system can't be confirmed.
- c) Many sections of HVAC system and ductwork are installed, but some sections are disconnected and completion cannot be confirmed.
- d) Tiled wall columns have been partially constructed.
- e) Sections of sewer piping have been installed in the ceiling but are not connected.
- f) Electrical conduit and wiring partially installed.
- g) Some concrete block walls are incomplete or partially demolished.
- h) Interior plastered walls have many cracks and damaged surfaces.
- i) Installation of rock wool fire proofing around steel framed columns stopped at the mezzanine level instead of continuing to ceiling.
- j) Elevator doors and frames are installed but other elevator system components for this floor are not installed.
- k) Sections of mechanical piping for HVAC system are installed but pipe ends are open to dust and contamination, and the full piping network is incomplete.
- l) Pieces of flexible electrical conduit for lights hand from ceiling and wall but wiring and installation of lights is not complete.
- m) Restrooms have not been constructed.
- n) Residence rooms have not been constructed.

Work not started:

- a) Painting prep and final finish has not been done.
- b) No doors installed.
- c) No permanent windows installed.
- d) Floor finishes (tile) not installed.
- e) Suspending ceiling not installed.
- f) No flooring installed on stairs.
- g) No hand rails for stairs.
- h) Electrical power supply, outlets, lighting are missing.
- i) No telephone, communication, internet or security systems installed.
- j) No heating, air conditioning or ventilation system installed.
- k) Water piping system and HVAC ductwork needs to be insulated.
- l) No water or sewer system installed.
- m) No fire alarm or fire protection system.

- n) No furniture or decorations installed
- o) Meeting/conference rooms have not been constructed.
- p) Reception areas, hotel offices, restrooms, storage rooms, bar, pantry and kitchen areas have not been constructed.

Stored material:

- a) 27 crates of wall tile (94 cm x94 cm); some were damaged.
- b) 39 pallets of gypsum board; some were damaged.
- c) Steel framing

3. KGH 1st floor :**Completed work:**

- a) Structural steel beams and columns installed.
- b) Stairs and landings formed in southeast stairwell
- c) Elevator doors and frame installed.
- d) Concrete block walls have been constructed.
- e) Some concrete block walls have been plastered.
- f) Decorative metal framing is installed at windows.

Observed deficiencies in completed work:

- a) Visible structural cracks are in some of the walls.
- b) Unfinished CMU (concrete masonry units) throughout.
- c) Stairs have steps with inconsistent heights ranging from 4 inches to 6 inches.
- d) Dirt and debris are on the floors throughout.
- e) Headroom between stair landings is too low; measurements confirmed it violated the International Building Code (2m or 6 feet).
- f) Fireproofing applied to steel columns and beams is damaged.
- g) Large holes in the walls where piping and conduits pass through must be sealed.
- h) Elevator doors and frame are installed.

Work started but not completed:

- a) Electrical conduit and wiring partially installed.
- b) Cable trays for electrical wiring are partially installed.
- c) Partially metal ductwork for HVAC system
- d) Tiled wall columns have been partially constructed in the mezzanine area above the courtyard.
- e) Interior stairs from First floor mezzanine to Ground floor courtyard are installed.
- f) Sections of sewer piping have been installed in the ceiling but are not connected.

Work not started:

- a) No painting has been done.
- b) No doors are installed.
- c) No permanent windows are installed.
- d) No floor finishing (tile) has been done.

- e) Suspending ceiling is not installed.
- f) No flooring is installed on stairs to Ground floor courtyard.
- g) No hand rails are installed for stairs to Ground floor courtyard.
- h) Electrical power supply, outlets, lighting are missing.
- i) No telephone, communication, internet or security systems are installed.
- j) No heating, air conditioning or ventilation system installed.
- k) No water or sewer system installed.
- l) No fire alarm or fire protection system.
- m) No furniture or decorations installed.
- n) Restaurants, sports bar, and kitchen equipment are not installed.

Stored material:

- a) Steel framing

4. KGH Roof and terrace rooms**Completed work:**

- a) Roof slabs, beams and parapet wall constructed.
- b) Roof drain piping and mesh drain installed for storm water
- c) Walls and roof for decorative domes, mechanical rooms, and other structures constructed.
- d) Stairs and landings formed in southeast stairwell
- e) Steel support framing installed for elevator system.

Observed deficiencies in completed work:

- a) Structural cracks throughout plastered parapet walls and domes
- b) Plastered walls are cracked – roof terrace rooms and parapet walls.
- c) Stairs have steps with inconsistent heights ranging from 4 inches to 6 inches.
- d) Wall in stairwell has structural crack.
- e) Walls in domes and some rooms have been partially demolished.
- f) Some walls have badly damaged concrete or plastered finishes.
- g) Ductwork sections left open to atmosphere have collected dirt and contaminants.
- h) Roof drains are at a higher elevation than the surrounding roof surface; therefore rainwater will not completely flow into the drains as designed.

Work started but not completed

- a) Water proofing is not done yet.
- b) Elevator equipment installed but not complete.
- c) Large ductwork for HVAC system partially installed but exposed to weather.
- d) Concrete block walls unfinished in certain rooms.
- e) Building's seismic expansion joint incomplete.
- f) Roof curbs for HVAC equipment incomplete.
- g) No proper slope on the roof the get run of the water.

Work not started

- a) No painting done for domes, parapet walls, other structures.
- b) No doors are installed for any room.

- c) No windows installed in any area.
- d) No floor tiles or finished floors installed.
- i) Ceiling grid or finished ceiling not installed.
- j) No permanent electrical conduits, wiring, outlets and light fixtures installed.
- k) No plumbing or sewer piping installed.
- l) No HVAC and exhaust air equipment installed.
- m) No stairs or finished entry into domes.
- n) No terrazzo tile installed on stairs and stairs case.
- o) No fire alarm or fire protection system.
- p) No lightning protection system.
- q) No fireproofing material on exposed steel.

Stored material:

- a) Roofing materials including 45 containers of polystyrene insulation (16 each/container), roofing membranes, rolls of tar paper
- b) Miscellaneous pieces of ductwork
- c) Miscellaneous pieces of decorative trim

5. KGR Basement:**Completed work:**

- a) Structural steel beams and columns installed.
- b) Concrete block walls have been constructed.
- c) Some concrete block walls have been plastered.
- d) Stairs from Basement to Ground floor are formed and covered with terrazzo tile.

Observed deficiencies in Completed work:

- a) Structural cracks visible on the walls.
- b) Stairs have steps with inconsistent heights ranging from 4 inches to 6 inches.

Work started but not completed:

- a) Some walls still need to be plastered.
- b) Cable trays for electrical wiring are installed in some locations.
- c) Floors appear to still be dirt floors.
- d) Sections of duct work for HVAC system are partially installed.
- e) Electrical conduit and wires are installed in some areas.
- f) Sections of sewer piping system are installed.
- g) Installation of elevator steel support framing and system has started.
- h) Concrete block walls are incomplete.

Work not started:

- a) No painting done.
- b) No doors installed.
- c) No windows installed.
- d) No floor finishing (tile) done.

- e) Suspending ceiling not installed.
- f) No hand rails for stairs from Basement to Ground floor.
- g) Electrical power supply, outlets, lighting are missing.
- h) No telephone, communication, internet or security systems installed.
- i) No heating, air conditioning or ventilation system installed.
- j) No water supply piping or sewer system fully operational.
- k) No fire alarm or fire protection system installed.

Stored material:

- a) Steel framing
- b) Ceramic tiles
- c) Terrazzo tiles
- d) Granite countertops
- e) Rebar
- f) Scaffolding

6. KGR Ground floor :**Completed work:**

- a) Concrete structural beams, columns, walls, floors and ceilings are constructed.
- b) Concrete block walls for resident rooms are constructed.
- c) Stairs from Ground floor to First floor have terrazzo tile installed.
- d) Windows are installed for all rooms on the floor.
- e) One fully furnished and one partially furnished mock up
- f) Seismic joint with metal cover is installed.
- g) Cable tray installation in corridor ceiling installed.
- h) First fix water supply, exhaust duct, and waste piping are installed the mechanical spaces in corridors.

Observed deficiencies in completed work:

- a) Structural cracks visible
- b) Stairs have steps with inconsistent heights ranging from 4 inches to 6 inches.
- c) "First fix" conduits in chipped out ceiling routing needs to be sealed up.
- d) Construction of concrete block walls is incomplete in corridors.
- e) Corridor walls over mechanical spaces need to be sealed.

Work started but not completed:

- a) Some walls still need to be plastered.
- b) Cable trays for electrical wiring are installed in corridors.
- c) Floors appear to still be dirt floors or covered with dirt to that extent.
- d) Sections of duct work for HVAC system are partially installed.
- e) Electrical conduit and wires are installed in some areas.
- f) Sections of sewer piping system are installed.
- g) Installation of elevator steel support framing and system has started.
- h) Concrete block walls are incomplete.

- i) Floor and wall tile is installed in some bathrooms and residence kitchenettes
- j) Sheetrock walls are installed in some residence rooms.
- k) Prime coat of paint is applied on some plastered walls and sheetrock.
- l) Tile flooring in some residence rooms is installed.
- m) Electrical wiring is pulled through to wall outlets and switches in some residence rooms. Conduits for lighting are installed in some residence rooms.
- n) Ceiling grid installation was started in one bathroom.

Work not started:

- a) Painting prep and final finish has not been done.
- b) No doors are installed (except sample rooms).
- c) No hand rails for stairs.
- d) Electrical power supply, outlets, lighting are missing.
- e) No telephone, communication, internet or security systems installed.
- f) No heating, air conditioning or ventilation system installed.
- g) Water piping system and HVAC ductwork needs to be insulated.
- h) No water or sewer system installed.
- i) No fire alarm or fire protection system.
- j) No furniture or decorations installed (except for sample rooms).
- k) No tile installation has started corridors.
- l) Bathroom fixtures need to be installed (except for sample rooms).

Stored material:

- a) Ceramic tiles
- b) Terrazzo tiles

7. KGR First floor :**Completed work:**

- a) Concrete structural beams, columns, walls, floors and ceilings are constructed.
- b) Concrete block walls for resident rooms are constructed.
- c) Stairs from First floor to Second floor have terrazzo tile installed.
- d) Windows are installed for all rooms on the floor.
- e) Cable tray installation in corridor ceiling installed.
- f) First fix water supply, exhaust duct, and waste piping are installed the mechanical spaces in corridors.

Observed deficiencies in completed work:

- a) Structural cracks are visible in the walls.
- b) Stairs have steps with inconsistent heights ranging from 4 inches to 6 inches.
- c) "First fix" conduits in chipped out ceiling routing needs to be sealed up.
- d) Corridor walls over mechanical spaces need to be sealed.

Work started but not completed:

- a) Some walls still need to be plastered.

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- b) Cable trays for electrical wiring are installed in corridors.
- c) Floors appear to still be dirt floors or covered with dirt.
- d) Sections of duct work for HVAC system are partially installed.
- e) Electrical conduit and wires are installed in some areas.
- f) Sections of sewer piping system are installed.
- g) Installation of elevator steel support framing and system has started.
- h) Floor and wall tile is installed in some bathrooms and residence kitchenettes
- i) Sheetrock walls are installed in some residence rooms.
- j) Prime coat of paint is applied on some plastered walls and sheetrock.
- k) Tile flooring in some residence rooms is installed.
- l) Electrical wiring is pulled through to wall outlets and switches in some residence rooms. Conduits for lighting are installed in some residence rooms.

Work not started:

- a) Painting prep and final finish has not been done.
- b) No doors are installed (except sample rooms).
- c) No hand rails for stairs.
- d) Electrical power supply, outlets, and lighting are missing.
- e) No telephone, communication, internet or security systems installed.
- f) No heating, air conditioning or ventilation system installed.
- g) Water piping system and HVAC ductwork needs to be insulated.
- h) No water or sewer system installed.
- i) No fire alarm or fire protection system.
- j) No furniture or decorations installed (except for sample rooms).
- k) No tile installation has started corridors.
- l) Bathroom fixtures need to be installed (except for sample rooms).

Stored material: Unknown