



# COMMISSION ON WARTIME CONTRACTING IN IRAQ AND AFGHANISTAN

CWC Special Report 4

March 1, 2011

## AT A GLANCE

### WHAT'S AT STAKE

The United States faces a unique and critical period in Iraq. Securing the hard-won gains of nearly eight years of struggle that have cost more than 4,000 American service members' lives depends on sustaining a large and effective diplomatic footprint once the U.S. military completes its agreed-upon withdrawal by December 31, 2011. Doing so requires that the State Department expand its presence while taking on many large tasks now performed by the U.S. military, until the host government has stabilized enough to provide customary levels of support and security.

State's Iraq mission after 2011 will require using thousands more contractors. Yet State is short of needed funding and program-management staff. Very little time remains for State to develop requirements, conduct negotiations, and award competitive contracts for work that must begin at once. Inadequate support risks waste of funds and failure for U.S. policy objectives in Iraq and the region.

### WE RECOMMEND

1. Congress ensure adequate funding to sustain State Department operations in critical areas of Iraq, including its greatly increased needs for operational contract support.
2. The Department of State expand its organic capability to meet heightened needs for acquisition personnel, contract management, and contractor oversight.
3. The Secretaries of State and Defense extend and intensify their collaborative planning for the transition, including executing an agreement to establish a single, senior-level coordinator and decision-maker to guide progress and promptly address major issues whose resolution may exceed the authorities of departmental working groups.

### FOLLOW-UP REPORT ON PREPARING FOR POST-2011 U.S. PRESENCE IN IRAQ

## Iraq—a forgotten mission?

### The United States needs to sustain a diplomatic presence to preserve gains and avoid waste as the U.S. military leaves Iraq

The U.S. Department of State faces three enormous challenges in Iraq: (1) Hundreds of functions currently performed by the U.S. military must be transferred to State and other entities once the military completes its mandated withdrawal. (2) State must expand and sustain its presence in the country to deal with ethnic and other problems that could threaten the survival of a unified, democratic Iraq and could undermine regional stability. (3) State must manage thousands of additional contractors as most U.S. military support disappears.

The Departments of State and Defense have made significant progress on drawdown-related transition issues, but with only months to go, the remaining tasks are formidable.

The independent, bipartisan federal Commission on Wartime Contracting in Iraq and Afghanistan expressed concern about this undertaking in its July 12, 2010, special report, "Better planning for Defense-to-State transition in Iraq needed to avoid mistakes and waste."<sup>1</sup>

Some progress has been made, but the concern expressed in that report remains valid and pressing today. Without accelerated, aggressive, and persistent cooperation between the departments, and without a substantial increase in budgetary support from Congress, the post-2011 prospects for Iraq—and for U.S. interests in the region—will be bleak.

This report is based on Commission research and a recent follow-up trip to Iraq. Consultations and on-the-ground observations confirmed the Commission's concern that time is short for completing the numerous

1. Online at [www.wartimecontracting.gov/docs/CWC\\_SR2010-07-12.pdf](http://www.wartimecontracting.gov/docs/CWC_SR2010-07-12.pdf).

hand-offs and contract arrangements that must be made, that State faces serious challenges in managing contracts, and that Congress is not providing adequate resources to sustain State's expanded operations in Iraq and continue to promote U.S. interests.

## State's task in a post-2011 Iraq

The State Department is in a unique and sensitive bridge period in Iraq, taking on many military-like tasks and bolstering its presence before the host-nation government has stabilized enough to provide the support and security offered in most countries. The U.S. government's plan for State's post-2011 role in Iraq includes:

- ▶ Opening two permanent consulates: in Erbil in far-northern Iraq and in Basra on the Persian Gulf
- ▶ Opening two embassy branch offices for three to five years: in Mosul in the northwest and in Kirkuk in north-central Iraq
- ▶ Helping to build trust and confidence in the political process and in the host-nation government's ability to create a better life for the Iraqi people
- ▶ Promoting Iraq's economic development through the U.S. Agency for International Development, and its security through an Office of Security Cooperation under the U.S. Chief of Mission
- ▶ Providing a platform for cooperative activities with the United Nations, NATO, the European Union, and other partners
- ▶ Reducing Arab-Kurdish tensions, conducting outreach to Iraq's Christian and other minority communities, reaching out to Iraqi universities, and conducting other public diplomacy.

The permanent consulates and temporary embassy branch offices are critical elements for maintaining an effective American presence in Iraq after 2011. The Assistant Secretary of State for Near Eastern Affairs has noted the existence of

*a wide range of factors that threaten Iraq's progress: lingering ethnic and sectarian tensions; disputed internal boundaries and Arab-Kurd and Sunni-Shia fault lines; new and fragile democratic institutions; a 30-year legacy of failed economic policies, high unemployment, and broken oil infrastructure; widespread corruption; a large youth population scarred by war and deprivations; an underdeveloped criminal-justice system; millions of displaced citizens; and neighbors looking to exercise undue influence within Iraq.*<sup>2</sup>

State's new consulates and embassy branch offices, the Assistant Secretary said, will be established on "key fault lines" to allow more rapid and localized efforts to deal with ethnic rivalries, attempts at foreign interference in Iraqi affairs, and development

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2. Ambassador Jeffrey D. Feltman, testimony before the Committee on Foreign Affairs, U.S. House of Representatives, Nov. 18, 2010.

needs. The goal is to have the new facilities up and running by October 2011. Additional facilities will be used to support police training, logistics and air operations, and several Office of Security Cooperation posts.

## State's resource/coordination challenge

FY 2010 appropriations allowed State to begin work on its new facilities in Iraq, which entails reconfiguring parts of some property held by the Department of Defense and undertaking some new construction. But without substantial increases to sustain operations for FY 2011 and beyond, it is inevitable that some missions and capabilities

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The outlook for funding is unclear: the federal government is operating on a continuing resolution through March 4, 2011. But even under current funding levels, State has been obliged to scrub Administration plans for a third embassy branch office in Diyala province on the Iraq-Iran border, reduce its capability for ground and air movement, and trim staffing levels—including some positions needed for contract management and oversight.

Like every federal department in these times of fiscal stress, State must exercise good stewardship of public funds. That should include seeking additional economies and efficiencies in its post-2011 Iraq mission. But even with that caveat, it is clear that State will require additional resources—not all of which will represent net new spending: if military and DoD security contractors leave a base that State will use, all-of-government security spending might decrease even as the demands on State's budget rise.

Given that Congress has appropriated more than \$1 trillion for U.S. operations in Afghanistan and Iraq since 2001, the prospect of jeopardizing the gains in Iraq and U.S. interests in the region to save a small fraction of that sum looks like false economy indeed. We have seen too many U.S. projects in Iraq and Afghanistan launched without provision for sustaining

U.S. State Department officials and members of the Diyala Provincial Reconstruction Team (PRT) meet with the mukhtar of Mujaded village, Iraq, second from right, to discuss the Diyala Initiative July 7, 2010. The initiative was a joint Iraqi government and PRT program that helped citizens displaced by terrorist activity return home. (U.S. Navy photo)



them. That leads to waste. To State's credit, it has scaled back its plans to accommodate funding uncertainties, but that action makes it more difficult to carry out the Iraq-transition policy of the President of the United States.

Expanding and sustaining State's presence in Iraq would be a huge undertaking in the best of circumstances. But circumstances are not the best, or even good. Iraq is a heavily damaged country confronting challenges that include an active, if much-diminished, insurgency. An additional layer of complication is the pressing need to complete arrangements for handling the many support functions that the U.S. military has been performing for State.

Officials at the Baghdad Embassy and at the U.S. Forces-Iraq (USF-I) command have been working on transition tasks and plans. The departments have made good progress. But the remaining tasks are daunting. USF-I identified 1,127 activities being performed by the U.S. military that need to be transferred to other American entities, to the Iraqi government, to multilateral or private organizations—or be terminated. More than 500 tasks have been dealt with so far, with the embassy either taking the lead or being poised to do so as USF-I completes its drawdown. Tasks include facilities transfers (DoD is still occupying some sites that State needs, delaying modification), new construction, security, medical care, in-theater air transport, and logistical support.

Given the press of time for completing the Defense-to-State transition, it seems likely that negotiations between the departments will not always provide timely and effective solutions. The Commission believes a formal agreement between the Secretaries of State and Defense would be very useful. Such an agreement could empower a single person to monitor, coordinate, and resolve transition issues that might delay vital work or threaten mission objectives.

Beyond the wide range of transition issues with DoD, the Department of State must deal with a major expansion in its own staffing and contracting in Iraq. For starters, State plans a significant increase in staffing in Iraq this year, from about 8,000 to 17,000, the great majority of whom will be contractors for security, medical, maintenance, aviation, and other functions.<sup>3</sup> These contractors will require careful State Department oversight to monitor performance, costs, and conduct.

Only 10 months remain before State must assume all its new burdens in Iraq. But that count overstates the window for preparations. It can take several months to design and run a competitive acquisition. A contractor may need

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3. Ambassador James F. Jeffrey, testimony before the U.S. Senate Committee on Foreign Relations, Feb. 1, 2011.

several months to set up a major new operation in the field. So practically speaking, State should be aiming to have most of its new contractors selected and at work by this autumn—especially since the military drawdown will be well under way. Military support capabilities will be disappearing in uneven fashion, not linearly, as units pull out, and State must be ready for the disruptions this will bring.

Meanwhile, the Department of State faces serious personnel and resource challenges in setting up and managing the greatly expanded contracting activity that the

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transition requires. Some of the contracts will be for highly critical or sensitive missions, such as handling unexploded ordnance. Unfortunately, as the department has noted, “While the use of contracting has grown, the number of people trained in and responsible for contract management and oversight has languished.”<sup>4</sup> One consequence is that “many contracts are well into their performance phase before an adequate contract administration

strategy is established or resources for contract administration are identified.”<sup>5</sup> This state of affairs is, of course, an open door for instances of waste, fraud, and abuse in contracting. That door will open wider as the number and scope of State’s contracts in Iraq increases.

The prospect of assembling and managing a large portfolio of varied new contracts for State’s Iraq mission is especially forbidding given the department’s conclusion that contracts and grants “often represent the default option” for carrying out missions, and that there is a “need to restore government capacity in mission-critical areas.”<sup>6</sup>

If State must simultaneously take over tasks from the military that will often require contracting *and* return potentially inherently governmental or closely associated tasks from contractor to agency performance, then the cost and complexity of its post-2011 operations in Iraq will be significantly greater than in the

The muktar of Mujaded village, Iraq, speaks with Diyala Provincial Reconstruction Team (PRT) team leader Lisa Piascek July 7, 2010. (U.S. Navy photo)



4. U.S. Department of State, “Leading Through Civilian Power: The First Quadrennial Diplomacy and Development Review” (QDDR), Dec. 15, 2010, 180.

5. QDDR, 182.

6. QDDR, 177.

past. Congressional appropriators' recent treatment of budget requests for international-affairs funding does not bode well for State's ability to sustain operations over the coming years in Iraq.

### **The stakes are high**

Although the U.S. troop surge in Iraq helped suppress the organized insurgency, problems remain. Attempts at assassination and intimidation continue. Ethnic and other rivalries dragged out formation of a new Iraqi government nearly nine months after the March 2010 elections. Late 2010 also saw bomb attacks on Iraqi Christians and Shia Arab neighborhoods. Meanwhile, Iraqi Arabs, minority Kurds, and Turkmen populations continue to dispute boundaries, control of Kirkuk, and division of natural-gas and oil resources.<sup>7</sup>

Whether its problems are new or of long standing, Iraq—a nation of 30 million people, controlling great energy wealth, situated in a volatile area of deep import for U.S. interests—has many tests ahead, including this year. As Senator John McCain has said, "2011 will be one of the most consequential years for Iraq and for our partnership ... We disregard Iraq at our own peril."<sup>8</sup>

**Congressional appropriators' recent treatment of budget requests for international-affairs funding does not bode well for State's ability to sustain operations over the coming years in Iraq.**

7. Sam Dagher, "Iraq's North Seen As Next Trouble Spot," *Wall Street Journal*, Dec. 23, 2010.

8. Prepared opening statement, U.S. Senate Armed Services Hearing, "United States Policy toward Iraq," Feb. 3, 2011. [http://mccain.senate.gov/public/index.cfm?FuseAction=PressOffice.FloorStatements&ContentRecord\\_id=ec112ffb-9f57-7643-7952-9b0fbe183af8](http://mccain.senate.gov/public/index.cfm?FuseAction=PressOffice.FloorStatements&ContentRecord_id=ec112ffb-9f57-7643-7952-9b0fbe183af8).

## What we recommend

Preserving the gains won through the struggle and sacrifice of American, coalition, and Iraqi military and civilian personnel will require strenuous exertions to transition from a military- to a diplomatic-centered effort in Iraq. To succeed, that transition must build upon: careful coordination between the departments of Defense and State, time-pressured completion of State's expanded-presence facilities, and adequate resourcing by Congress to allow State to sustain its expanded presence and manage an increased reliance on contractors.

Funding is key. No matter how well the Defense-to-State handoff proceeds or how well State improves its contract-management capabilities, false economy in budgetary support can cause mission degradation or outright failure, with dire consequences for Americans and Iraqis alike, as well as risks to regional stability. Senate Foreign Relations Committee Chairman John Kerry has called for "a greater willingness from Congress to provide the financial resources necessary for success [in Iraq] by supporting our diplomatic efforts with the same vigor that we devote to our military mission."<sup>9</sup> Similarly, Ranking Member John McCain of the Senate Armed Services Committee has said, "Congress cannot short-change this mission now."<sup>10</sup>

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The Commission therefore recommends:

1. Congress ensure adequate funding to sustain State Department operations in critical areas of Iraq, including its greatly increased needs for operational contract support.
2. The Department of State expand its organic capability to meet heightened needs for acquisition personnel, contract management, and contractor oversight.
3. The Secretaries of State and Defense extend and intensify their collaborative planning for the transition, including executing an agreement to establish a single, senior-level coordinator and decision-maker to guide progress and promptly address major issues whose resolution may exceed the authorities of departmental working groups.

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9. Opening statement, Senate Foreign Relations Hearing on "The Transition to a Civilian Mission in Iraq," Feb. 3, 2011 hearing, Feb. 1, 2011. The hearing followed the Jan. 31, 2011 issuance of a majority-staff report by the Committee whose lead recommendation was, "Congress must provide the financial resources necessary to complete the diplomatic mission in Iraq" (S.Prt. 112-3, "Iraq: The Transition from a Military Mission to a Civilian-Led Effort," 18).

10. Opening statement, John McCain, Senate Armed Services Hearing on "United States Policy toward Iraq," Feb. 3, 2011.



The Commission on Wartime Contracting is an independent, bipartisan legislative commission established in Section 841 of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 110-181) to study federal agency contracting for reconstruction, logistical support, and security functions in Iraq and Afghanistan. The Commission published an interim report in June 2009 and will issue a final report to Congress in July 2011.

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