

CURRENT ISSUES

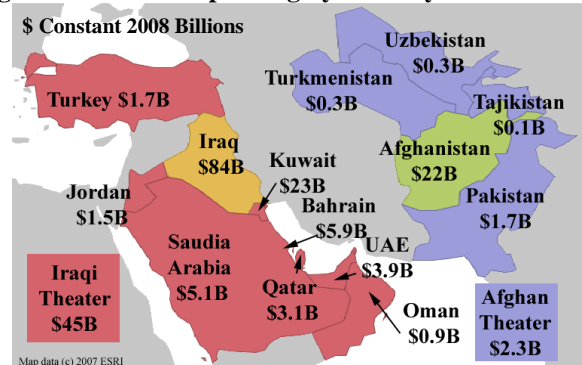
No. 17: Contracting for Operations in Iraq and Afghanistan (11/05/2009)

The U.S. government has spent \$153B in 2008 dollars on contracts in Iraq, Afghanistan, and their neighborhoods since fiscal year (FY) 2001, according to the Federal Procurement Data System (FPDS).<sup>1</sup> In June 2009, 194,000 contractors were working for the U.S. government in Iraq and Afghanistan, compared to 190,000 U.S. troops.<sup>2</sup> At least 1,200 contractors have been killed in the two wars.<sup>3</sup> These facts exemplify the United States' reliance on outsourcing in Iraq, Afghanistan and the surrounding countries. The bulk of these contracts take place in Iraq, involve logistics or infrastructure, and are purchased by the U.S. Army.

Where are the contracts being performed?

From FY01-FY09, Iraq and its theater have received 84% of the contract spending, with the annual funding being fairly stable since 2005. In the Afghanistan operations theater, spending has steadily risen during the same period. In FY08 the Afghan War accounted for 24% of the combined spending, a substantial increase over the 13% it has received in previous years. As Figure 1 shows, the difference is even more pronounced when comparing the two theaters. This is partially explained by the prior U.S. presence in the Gulf region. Excluding an estimate of the money spent from FY01-FY09 at pre-existing bases reduces the direct cost of field contracts to \$134B. That difference comes almost exclusively from the Iraqi theater.

Figure 1: Contract Spending by Country FY01-FY09\*



Source: FPDS

\*2009 data is preliminary

Who is contracting for products and services?

As is evident from Table 1, the U.S. Army, which includes the Joint Contracting Command – Iraq / Afghanistan (JCC-I/A), accounts for 63% of contract spending. The Army's top buyers are Army Materiel Command (AMC), JCC-I/A and the Army Corps of Engineers (ACE). The Defense Logistics Agency (DLA) accounts for another 17% of the funds and is the only product-focused purchaser. Civilian agencies, mainly the State Department and the U.S. Agency for International Development (USAID), spend under 10% of the funds. The remainder of this paper focuses primarily on service contracts, which account for at least 64% of the contract dollars spent in Iraq, Afghanistan, and theaters.

Table 1: Iraq, Afghanistan, and Theaters Contract Spending by Purchaser (\$ Constant 2008 Millions)

Purchaser	Annual Values FY2001-FY2008				Overall FY2001-Preliminary FY2009					
	Iraq War		Afghanistan War		Total	Ratio	Total	Top Product or Service	% of Total	
	Trend	2008	Trend	2008	2008	Iraq:Afgn.				
<b>Total</b>		<b>23,632</b>		<b>7,319</b>	<b>30,951</b>	<b>84:16</b>	<b>153,297</b>	<b>Services 64%, Products 20%*</b>	<b>100%</b>	
<b>Army</b>	AMC		6,587		974	7,561	91:09	40,716	LOGCAP III 81%	26.6%
	JCC-I/A		6,166		1,330	7,496	86:14	27,191	Missing Label 87%	17.7%
	ACE		2,075		1,449	3,524	72:28	18,221	Construction/Facility Serv. 76%	11.9%
	Other Army		730		20	750	95:05	10,984	Range of Services 87%	7.2%
<b>DLA</b>		5,162		1,753	6,915	87:13	25,777	Fuels and Propellants 68%	16.8%	
<b>Air Force</b>		1,249		649	1,899	81:19	12,237	Construction/Facility Serv. 65%	8.0%	
<b>Navy and other Defense</b>		441		87	528	85:15	3,263	Range of Services 87%	2.1%	
<b>Civilian</b>	State		841		676	1,517	64:36	9,702	Security 41% Admin./Mng. 35%	6.3%
	US AID		331		376	707	66:34	4,751	Admin. and Management 92%	3.1%
	Other		50		4	54	84:16	455	Admin. and Management 78%	0.3%

Source: FPDS, CSIS Analysis Note: Vertical axis varies between graphs; only the trend is comparable \* The majority of JCC-I/A data is uncategorized

<sup>1</sup> For a discussion of FPDS drawbacks, see Woods, William T. *Observations on the Government's Contracting Data Systems*. Washington DC: Government Accountability Office, 2009.

<sup>2</sup> Schwartz, Moshe. *Department of Defense Contractors in Iraq and Afghanistan*. Washington, DC: CRS, September 21, 2009, p. 5.

<sup>3</sup> Carstens, Roger, Michael Cohen, and Maria Küpçü. *Changing the Culture of Pentagon Contracting*. Washington, DC: New America Found., 2008, p. 4.

## What are U.S. Contractors Doing?

According to the [Congressional Research Service](#) (CRS), in Iraq during June of 2009, 60% of contractors provided base support, 9% worked in construction, and 1.4% in transportation.<sup>4</sup> The dollar accounting shown in Table 2 tells a similar story. Of the real \$99 billion in service spending, 70% of the Iraq War dollars went to logistics and infrastructure: facility-related services, construction, equipment-related services, and the AMC's Logistic Civil Augmentation Program III contract (LOGCAP III). The contractor headcount breakdown is not available for Afghanistan, but in dollar terms 65% went to logistics and infrastructure, a similar share as in Iraq, which suggests a similar distribution of personnel.

## What about U.S. Private Security Contracts?

Private Security Companies (PSCs) engage in missions defending U.S. or allied personnel or facilities.<sup>5</sup> Armed private security contractors have consistently constituted only 5%-10% of total U.S. contractors in Iraq and Afghanistan. In cost terms, the direct contracts shown in Table 3 tell only part of the story. With the notable exception of LOGCAP III many firms must sub-contract their own security.

The [Special Inspector General for Iraq Reconstruction](#) (SIGIR) estimated that \$5.3B in current dollars was spent on security services in Iraq from FY03 through FY08, a total that includes some subcontracts and was \$1.5B above this paper's estimate for the same period.<sup>6</sup> Due to mutual reliance on FPDS, Table 3's estimate is close to [Congressional Budget Office's \(CBO\) security figure](#). Using CBO methods to estimate sub-contract spending, the 2008 dollars cost of security services is \$8.6B-\$12.4B in Iraq and \$2.5B-\$3.9B in Afghanistan.<sup>7</sup>

**Table 2: Iraq, Afghanistan, and Theaters Contract Spending by Product or Service (\$ Constant 2008 Millions)**

Product or Service	Annual Values FY2001-FY2008					Overall FY2001-Preliminary FY2009			
	Iraq War		Afghanistan War		Total	Ratio Iraq:Afgn.	Total	Top Purchaser	% of Total
	Trend	2008	Trend	2008					
<b>All Services</b>		<b>13,155</b>		<b>3,973</b>	<b>17,128</b>	<b>83:17</b>	<b>98,765</b>	<b>AMC 40%, ACE 18%</b>	<b>64.4%</b>
LOGCAP III		5,013		657	5,670	91:9	32,986	AMC 100%	21.5%
Construction/Facility		2,586		1,484	4,070	78:22	29,627	ACE 47%, Air Force 27%	19.3%
Admin. and Management		2,253		1,039	3,291	76:24	17,492	Civ. Depts. 46%, Other Army 16%	11.4%
Security Sector		1,534		343	1,877	80:20	6,054	State 65%	3.9%
Equipment Related		806		463	1,269	72:28	5,732	AMC 39%, Air Force 28%	3.7%
Other Services		963		-13*	951	93:07	6,874	Other Army 33%, AMC 17%	4.5%
<b>All Products</b>		<b>5,535</b>		<b>2,018</b>	<b>7,553</b>	<b>84:16</b>	<b>30,887</b>	<b>DLA 80%</b>	<b>20.1%</b>
Fuels and Propellants		2,868		1,737	4,605	80:20	17,656	DLA 99%	11.5%
Other Products		2,667		281	2,948	88:12	13,232	DLA 54%	8.6%
<b>Missing label</b>		<b>4,942</b>		<b>1,327</b>	<b>6,269</b>	<b>89:11</b>	<b>23,644</b>	<b>JCC-I/A 100%</b>	<b>15.4%</b>

Source: [FPDS](#), CSIS Analysis

Note: Vertical axis varies between graphs; only the trend is comparable.

\* Correction of prior year overpayment.

<sup>4</sup> [Schwartz](#), p. 8.

<sup>5</sup> Advising indigenous forces is not a security sector service unless the task description mentions security services or direct action (e.g. poppy eradication).

<sup>6</sup> Office of the SIGIR. [Agencies Need Improved Financial Data Reporting for Private Security Contractors](#). 2008, p. 16-18. In current dollars, there was \$3.8B of security sector spending in Iraq from FY01-FY08. Table 3 uses constant dollars and runs through FY09 and thus is not comparable.

<sup>7</sup> Congressional Budget Office. [Contractors' Support of U.S. Operations in Iraq](#). Washington, DC: 2008, p. 13. Based on SIGIR reports, the CBO estimated that with the exception of LOGCAP III, 10-20% of service contract spending was sub-contracted to PSCs. JCC-I/A total service spending was also estimated.

**Table 3: Top 5 PSCs FY01-FY09\* (\$ 2008 Constant Millions)**

Contractor	Security Sector			All Other	Total
	Iraq	Afghan.	Total		
DynCorp	792	808 <sup>†</sup>	1,599	3,520	5,120
Xe/Blackwater	1,363	164	1,527	14	1,541
Triple Canopy	799	0	799	12	812
EOD Tech.	551	7	558	255	813
Aegis Def.	481	0	481	101	582
Other PSCs	339	110	448	3,969	4,417
Total PSCs	4,325	1,088	5,412	7,871	13,283
All Other	527	114	641	139,372	140,014
Overall Total	4,852	1,202	6,054	147,243	153,297

Source: [FPDS](#), [SIGIR PSC list](#), and CSIS Analysis \* 2009 data is preliminary

<sup>†</sup>DynCorp total includes direct action Poppy Eradication Program

## Conclusions

Three traits define post-9/11 war-time field contracts: they are located in Iraq (55% of overall); they are undertaken by the U.S. Army (70% of overall); and they are for providing logistics and infrastructure (69% of identified services). Since 2005 Afghanistan, which has a higher ratio of civilian spending, is receiving more dollars but even after three years of steady growth that theater only obtained 24% of 2008 field contracts. Policy changes, for example the 2010 Defense Authorization Act's mandate that core aspects of interrogation of the military's prisoners be handled by government personnel, may decrease reliance on contractors in specific areas. However, the broader dependence on logistics contractors is unlikely to change absent a major reduction in demand for field services.

— Gregory Sanders

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