



COMMISSION ON WARTIME CONTRACTING IN IRAQ AND AFGHANISTAN

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AT A GLANCE

WHAT'S AT STAKE

Billions of U.S. taxpayers' dollars will be wasted in Iraq and Afghanistan if the host-nation governments cannot take over the operation, maintenance, and security of efforts undertaken to reconstruct, stabilize, and develop those countries.

Potential waste from unsustainable projects exceeds \$11 billion for just one program in Afghanistan, facilities construction for the national security forces. The total risk from all contracts in both Iraq and Afghanistan could be much higher.

In many cases, the opportunity to avoid or mitigate waste from sustainment failure has already passed. In other cases, there is still time to act. But time is growing short.

Without prompt and decisive action, the biggest waste in Iraq and Afghanistan may be yet to come.

WE RECOMMEND

1. Officials at the Department of Defense, the Department of State, and the U.S. Agency for International Development examine both completed and current projects for risk of sustainment failure and pursue all reasonable strategies to mitigate risks.

2. Officials ensure that any *new* requirements and acquisition strategies regarding contingency contracts for projects or services to be handed over to a host nation include a detailed assessment of host nations' ability and will to meet the out-year costs essential for long-term success.

3. Officials take appropriate action to cancel or redesign projects or programs that have little or no realistic prospect for achieving sustainability.

4. Officials report to Congress by December 31, 2011, and annually thereafter, their analysis of current and proposed projects and their planned actions for mitigating sustainability risks.

SEEKING SUSTAINABILITY FOR U.S. PROJECTS IN IRAQ AND AFGHANISTAN

Sustainability: hidden costs risk new waste

Preparations for ending U.S. military presence and contracting activities in Iraq and Afghanistan must include action to avoid waste from host nations' inability to operate and maintain projects and programs

U.S. troop withdrawals from Afghanistan are scheduled to begin in July 2011, and the U.S. military presence in Iraq is scheduled to end by December 31, 2011. But America will leave many legacies in both countries carrying large sustainment costs long into the future.

Schools, clinics, roads, power plants, barracks, hospitals, irrigation projects, prisons, training centers, and other facilities built under U.S. government contracts will remain in Iraq and Afghanistan long after U.S. troops and major funding have disappeared. What will *not* disappear is the need for maintenance, operating funds, staff training and pay, equipment, spare parts, and other items, including security costs.

The Commission on Wartime Contracting sees no indication that the Department of Defense, the Department of State, and the U.S. Agency for International Development are making adequate plans to ensure that host nations will be able to operate and maintain U.S.-funded projects on their own. Nor are they effectively taking sustainability risks into account when devising new projects or programs.

The Commission, inspectors general, and others who have examined the past decade's wartime contracting in Iraq and Afghanistan have thus far identified tens of billions of dollars of waste that has already occurred. Absent effective counter-measures, those findings could pale in comparison to *additional* waste developing from unsustainable projects and programs.

Assessing the threat of unsustainability

Spotting and assessing the threat of waste from an unsustainable project is not as simple as examining construction quality, performance of services, schedule compliance, or the accuracy of labor and materials billings. A project may be carefully planned, well executed, and economical, but still *become wasteful* if the host nation cannot provide trained staff, afford parts or fuel, perform necessary maintenance, or produce intended outcomes.

U.S.-funded contingency operations in Iraq and Afghanistan present numerous opportunities for well-conceived and well-executed projects and programs to turn into waste.

In Iraq, U.S. contractors built and equipped 133 primary health-care centers for about \$345 million. The U.S. paid a contractor to operate and repair the facilities for one year, but failed to build the capacity of the Iraqi Ministry of Health to sustain the facilities. In another example, the Iraqi government wants American technical and financial assistance for the \$300 million, U.S.-funded Nassiriya water-treatment plant, which was built without an assured source of electric power, is frequently off-line, and produces murky water that many locals won't use.

In Afghanistan, the United States has contracted for: schools and clinics that lack adequate personnel, supplies, and security; a large power plant that the host country cannot maintain or operate unassisted; roads that will need substantial and continuing maintenance; and security-force training and support whose costs exceed Afghan funding capabilities.

The threat of billions of dollars in new waste through unsustainability stems from, among other things, overly ambitious proposals, incomplete analysis, poor planning, weak coordination, and inadequate follow-through by federal officials—in short, from failure to apply effective acquisition discipline in the stress of a contingency setting.

In overseas contingencies that require contracting, planning for projects and programs must take into account the host country's technical and financial capabilities to operate and maintain them. Failure to do so not only wastes U.S. taxpayers' funds, but undermines local-government credibility and impedes reconstruction and stabilization. This is an especially important consideration in Afghanistan, where the national government's limited will and ability to provide for long-term sustainment increases the likelihood that U.S.-funded efforts will turn into waste.

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The white elephant disguised as a power plant

A paradigm example stands in Kabul, Afghanistan. American taxpayers' dollars paid for building the \$300 million Tarakhil Power Plant, also known as the Kabul Power Plant. The plant is completed. But it is little used, and the cost to operate and maintain it is too great for the Afghan government to sustain from its own resources.

The U.S. Agency for International Development, having agreed to support U.S. political and military objectives, awarded contracts to build the plant so that reliable electric power could promote economic growth and improve the quality of life in the Kabul area. The Afghan government committed in April 2007 to pay for the plant's fuel and operating costs starting a year after its completion, but later advised that it could not afford fuel and would need assistance with operating costs. Part of the problem was that the plant was designed as dual-fueled, able to burn either diesel or heavy fuel oil. But diesel fuel is very costly in Afghanistan, while using the alternative heavy oil entails greater wear and tear on the generators. Further, the dual-fuel technology in itself complicates maintenance.

Meanwhile, the Afghan government negotiated electricity purchases from neighboring Uzbekistan at a fraction of the cost of Tarakhil energy. The unsustainable Tarakhil Power Plant, intended as a reliable, round-the-clock facility, will instead stand as a costly peaking or back-up facility—and as an example of poor planning and waste. A 2011 USAID contract to build a diesel-fueled power plant in Kandahar faces similar sustainability challenges, even if it promotes geopolitical and military stabilization objectives. In addition, financing plans have not been made for the transmission-and-distribution grid that would make the plant a useful source of energy.

The security force undermined by financial insecurity

Another formidable example of potential waste is the U.S.-funded contracting for training of, and facilities construction for, the Afghan National Security Forces (ANSF), comprising the Army, Border Police, and National Police.

Since 2002, Congress has appropriated nearly \$35 billion to set up and maintain the ANSF; the fiscal year 2012 budget request would add almost \$13 billion to that total. Nearly half of the FY 2012 request—over \$5 billion—would go toward clothing, equipping, and paying the ANSF.

The prospects for the Afghan government's ability to sustain the ANSF are meager. The entire country's gross domestic product for FY 2011 is about \$16 billion at the official exchange rate, and the national government's domestic revenues are about \$2 billion. The International Monetary Fund has concluded that the Afghan government will be incapable of paying ANSF costs until at least 2023. Meanwhile, a preliminary U.S. military estimate of ANSF sustainment costs for just the period 2014 through 2017 is in the neighborhood of \$30 billion. The ANSF, currently numbering about 305,000 personnel, is growing toward a newly authorized strength of 352,000, which will raise sustainment costs.



U.S.-funded contracts provide clothing, gear, training, and other support to Afghan National Security Forces members like this policeman. (USAF photo)

Besides spending billions on contracts to train, clothe, and equip the ANSF, the United States has also committed \$11.4 billion since 2005 to build bases, police stations, border outposts, and other facilities for the ANSF. In addition, the U.S. Army Corps of Engineers will administer two contracts that will provide \$800 million in operation-and-maintenance services for 663 ANSF facilities over a five-year period. The Afghan government has already indicated that it cannot pay such costs from its resources, and the Special Inspector General for Afghanistan Reconstruction told the Commission in a January 2011 hearing that "The entire \$11.4 billion [in construction spending] is at risk."

Without immediate and effective attention to these and other sustainability problems, the United States faces new waves of waste in Iraq and Afghanistan.

The Commission therefore recommends:

- 1.** Officials at the Department of Defense, the Department of State, and the U.S. Agency for International Development examine both completed and current projects for risk of sustainment failure and pursue all reasonable strategies to mitigate risks.
- 2.** Officials ensure that any *new* requirements and acquisition strategies for contingency contracts for projects or services to be handed over to a host nation include a detailed assessment of host nations' ability and will to meet the out-year costs essential for long-term success.
- 3.** Officials take appropriate action to cancel or redesign projects or programs that have little or no realistic prospect for achieving sustainability.
- 4.** Officials report to Congress, by December 31, 2011, and annually thereafter, their analysis and proposed actions for mitigating sustainability risks.



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 interim reports in June 2009 and February 2011, and will issue a final report to Congress in July 2011. Copies of all Commission publications are online at www.wartimecontracting.gov.

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