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Outsourcing Post-conflict Operations: Designing a System for Contract Management and Oversight

Blake W. Mobley

Over the past ten years the United States has relied on private contractors to support military forces and rehabilitate national infrastructures in Somalia, Bosnia, Kosovo, Afghanistan, and Iraq. Though contractors are essential to such post-conflict operations, the U.S. government's management and oversight of outsourced support remains critically deficient. As the United States builds its institutional capacity for long-term post-conflict reconstruction, it will need to outsource tasks to specialized private firms and non-profit organizations more strategically, efficiently, and transparently. This paper assesses the ramifications of post-conflict outsourcing in four sections. The first section provides a brief history of outsourcing in military and reconstruction operations. The second analyzes the benefits of private contracting arrangements. The third considers pitfalls of the current U.S. outsourcing system, which include inefficiencies as well as more serious security threats. The final section concludes with policy recommendations to improve management systems in the context of post-conflict operations.

Blake W. Mobley is a Master of Public Policy candidate at the Kennedy School of Government, Harvard University (Blake_Mobley@ksg04.harvard.edu).

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Introduction

In the last ten years the United States has undertaken post-conflict reconstruction operations in Somalia, Bosnia, Kosovo, Afghanistan, and Iraq. Even a cursory analysis of these missions reveals glaring deficiencies in the U.S. government's institutional capacity for post-conflict reconstruction. One of the most striking deficits has been the U.S. government's inability to adequately manage outsourced and contracted support operations during post-conflict reconstruction. Since the U.S. government lacks both the personnel and the competency to handle reconstruction on its own, it has relied on private contractors to undertake some of the most critical reconstruction operations in the last decade. As the United States augments its institutional capacity for post-conflict reconstruction operations, it will need to improve its capacity to strategically, efficiently, and transparently outsource tasks to specialized private firms and non-profit organizations.

This paper addresses three main questions: 1) How has the United States benefited from outsourcing in past reconstruction efforts? 2) What have these experiences revealed about the dangers and disadvantages of contracting in quasi-war zones? 3) How might these insights help to enhance the U.S. government's institutional capacity for post-conflict reconstruction outsourcing? The paper concludes with policy recommendations to create a more efficient system for contract management and oversight in post-conflict settings.

A Brief History of Post-Conflict Outsourcing

Since the Korean War, the U.S. government has contracted combat and post-combat support services. U.S. outsourcing in military settings has typically fallen into three categories: theater support, external theater support, and systems support (GAO 2003). Theater support refers to support in the military's deployed location and includes recurring services, such as equipment repair, security, and intelligence services, as well as one-time delivery of goods and services (GAO 2003). External theater support also requires contractors to provide services in deployed areas, but is commissioned by a body external to local military command, such as the U.S. Defense Logistics Agency or the U.S. Army Corps of Engineers (USACE). System support includes the maintenance and operation of weapons and other systems. The government entities responsible for buying or building such systems most often award system support contracts (GAO 2003).

External theater support is one of the most common contracting arrangements for the U.S. military. With the establishment of the Logistics

Civilian Augmentation Program (Logcap) in 1985, the Army formalized its relationship with external theater support contractors to supplement military forces and to hold contractors "on-call" in the event of a rapid mobilization or crisis (GAO 1997). In 1992, Logcap was changed to offer a single, worldwide service contract available to all military services (GAO 1997). The U.S. Army Material Command (AMC) administered Logcap by defining services that needed to be provided and by ensuring that contractor personnel were integrated into missions (GAO 1997).

The first global Logcap contract, let in 1992, was a competitively-let, cost-plus-award-fee contract.[1] According to standard contracting procedures, the cost-plus-award fee stipulation permits the contractor to be reimbursed for all allowable costs in addition to a base fee of one percent of the total contract cost. On top of that, the contractor may earn an additional incentive fee, known as an "award fee," of up to nine percent (GAO 1997). Contractors will typically earn the full "award fee" if the awarding body determines that the contractor's performance was superior. Logcap is also let as an indefinite delivery-indefinite quantity (IDIQ) contract, which guarantees that the U.S. government will reimburse the contractor for all justifiable costs.

The Houston-based Brown and Root Services (BRS) won the 1992 Logcap contract for one year, with four option years thereafter. Between 1992 and 1995, BRS was called upon to fulfill the terms of the contract in Somalia, Rwanda, Haiti, Saudi Arabia, Kuwait, Italy, and Bosnia. In 1995, the U.S. Army put the Logcap contract up for competitive bidding and awarded the contract to DynCorp, a Virginia-based services company. DynCorp underbid BRS by relying more heavily on subcontractors in its cost estimate (Singer 2003, 2). In 2001, Kellogg, Brown, and Root (KBR) underbid DynCorp to win a ten-year Logcap contract. Currently, KBR is supporting the hunt for al-Qaeda, maintaining the Bagram and Kandahar military bases in Afghanistan, maintaining Camp Stronghold Freedom in Uzbekistan, and supporting operations in Iraq (Bianco, 2003).

Benefits of Outsourcing Post-conflict Operations

By outsourcing post-conflict operations, the United States is able to reduce mission costs and field a larger combat force while gaining access to specialized, continuous, and high-quality services.

Specialized Services

The most obvious advantage of post-conflict outsourcing is that it aug-

ments the U.S. government's capacity to support its military forces and rebuild national infrastructures. By tapping into the private market, the government gains access to a large pool of personnel who are experts in service delivery and infrastructure rehabilitation and maintenance.

Under the Logcap contract from 1992 through 1995, BRS provided a host of services for the U.S. military, ranging from transportation of troops and cargo to supply lines for feeding troops to laundry services for deployed personnel. BRS even imported a mortician to clean the bodies of killed peacekeepers before the military shipped the bodies home (Singer 2003, 143). Following military operations in Bosnia and Kosovo, BRS provided the U.S. troops with services such as language interpretation, weapons maintenance, intelligence analysis, and oversight of other contractors—tasks the U.S. military did not have sufficient native capacity to perform (GAO 2003). Hiring individual firms for short periods, moreover, proved far cheaper than maintaining a large staff of civil servants with state-of-the-art expertise in skills as disparate as police training and oil and water pipeline maintenance.

In Afghanistan and Iraq, contractors are providing vital support on technologically advanced military assets. Operation of the Predator unmanned aerial vehicle, for example, requires contractor support because the vehicle is still in development. The military has not yet trained Air Force personnel to use the Predator and therefore is dependent on contractors to execute its proper operation (GAO 2003). In fact, many key assets, including the F-117 stealth fighter, the M1A1 tank, the Patriot missile, and the Global Hawk unmanned drone, depend on contractor maintenance and operation (Bianco 2003).

In Iraq, many of the contractors working with U.S. military forces have specialized experience in the Middle East. During the first Gulf War, KBR helped extinguish 320 burning oil well fires in Kuwait (Singer 2003, 138). Bechtel has extensive experience in Arabic-speaking states, employing over 1,000 individuals in the Middle East on building projects from Bahrain to Saudi Arabia (Dwyer 2003). This regional expertise often translates into greater freedom of movement and familiarity with local business practices.

Continuous, High-quality Service

A second advantage of outsourcing is that contractors can relocate to conflict zones for periods that are often longer than the U.S. military can deploy. Outsourcing guarantees that the U.S. military will have continuous, high-level service throughout its mission. Such continuity played a

crucial role during operations in Somalia in 1994. When the United States decided to exit the country and turn mission command over to the United Nations, BRS stayed in Somalia after the U.S. departure to support the UN peacekeeping mission (GAO 1997).

Lower Mission Costs

A third advantage of outsourcing is that contractors can lower mission costs by subcontracting services to local workers—a cost-saving opportunity that the U.S. military does not always have the legal flexibility to leverage. In Somalia, for example, BRS became the country's largest employer, with 2,500 local nationals performing subcontractor duties (Singer 2003, 143). In Bosnia and Kosovo, BRS subcontracted work to local nationals at $1.15 per hour, whereas the U.S. government was obliged to pay its own employees $15.99 (Bianco 2003).

Larger Combat Forces

Another benefit of outsourcing is that the U.S. military can devote more of its personnel to war-fighting rather than support duties such as cooking, cleaning, and mail delivery. Because the military must adhere to "force caps," which are limitations on the number of military personnel in a particular theater, relieving the military of support service tasks allows the U.S. government to field a much larger combat force. In the Balkans, for example, contractors permitted the United States to support a substantially larger peacekeeping force than if U.S. military personnel had to perform all peacekeeping operation duties (GAO 2003).

Improving Outsourcing in Post-conflict Settings

Despite these benefits, an analysis of outsourced operations in the last ten years reveals numerous inefficiencies in the U.S. contracting process. Three main areas for improvement include contract oversight, management, and transparency.

Contract Oversight

Poor contract oversight of reconstruction projects has enabled contractors to overcharge for services and exceed pre-set budgets. The General Accounting Office (GAO) reported numerous cost overruns among contractors in the Balkans and Somalia. In 1997, the Army had exceeded contract costs in the Balkans by $111.3 million, or thirty-two percent of the original contract cost (GAO 1997). Senior Defense Department of-

ficials in Somalia expressed concern about the Army's ability to determine expenditures and tie them to specific activities (GAO 1997). The Army did not negotiate specific task costs with BRS, nor did it develop a plan for verifying whether specific tasks had been completed according to the contract's stipulations (GAO 1997). Therefore, the Army had no way of determining whether BRS was controlling costs or providing an appropriate level of support (GAO 1997). The government was also concerned that the military had deployed too few personnel to oversee contracts.

Cost overruns attributable to oversight problems have also surfaced in U.S. operations in Iraq. After conducting an internal audit, KBR found that it had overcharged the government by $28 million on a food services delivery contract (King 2004). An official from the U.S. Army Corps of Engineers (USACE) explained that this cost overrun may have occurred because KBR had not standardized its "meal counting" among subcontracted food service providers. The official described how KBR's systems for monitoring "meals served" varied by dining facility in Iraq, primarily because a different subcontractor ran each dining facility. While some dining facilities simply counted the number of individuals using the facility on a given day, other dining facilities had individuals sign in when they received a meal to avoid double-counting (Robertson 2004). Standardizing a rigorous process to account for and monitor services delivered would alleviate many of these types of cost overruns.

In other cases, unchecked contractors have provided superfluous or inappropriate services. According to Army officials, BRS often overstaffed projects (GAO 2000). In 1999, the Army investigated the staffing requirements at one base and found that BRS was employing 116 individuals, although an Army estimate suggested a need for only 66 staff members (Singer 2003, 156). In 2000, a U.S. Army brigade commander investigated contracting operations in his area and found that eighty-five percent of BRS project crews were overstaffed and forty percent were not even engaged in work (Singer 2003, 156). In Kosovo, DynCorp allegedly filled its contracted portion of the U.S. police force in the UN peacekeeping operations with "unsuitable" (overage and overweight) police officers (Singer 2003, 153).

Charged with the investigation of such issues, the GAO traced poor financial oversight to inadequate financial reporting in deployed locations. Particularly during the early phases of the Bosnia mission, reporting and monitoring systems were insufficient to provide military personnel with data to make judgments about cost-overruns or assess contract compliance (GAO 1997). When military personnel were able to properly monitor

contracts, however, they saved the U.S. military and U.S. taxpayers a great deal of money. For example, U.S. Army officials in Bosnia decided that one contractor estimate for provision of food services was too high at $64.1 million, and so decided to contract elsewhere for cheaper service. They found a contractor willing to provide food services for $22.8 million, and saved over 60 percent of the estimated cost (GAO 1997).

Military personnel in deployed areas were typically unaware of all contractors supporting their operations, and thus failed to oversee or manage them. Consequently, local combatant commanders were unable to efficiently coordinate contractor support for troops or protection support for contractor personnel. Inadequate oversight also prevented military personnel from comparing contractor service quality or determining whether services were being duplicated (GAO 2003).

Poor oversight has enabled some contractors to pursue cost-cutting strategies that compromise U.S. military intelligence. In one episode, the United States hired the firm Airscan to provide live broadcasts of NATO peacekeeping and anti-terrorist operations. Airscan attempted to minimize its costs by using unencrypted commercial television relays to transmit U.S. military intelligence data. As a consequence, the contractor allowed anyone in Europe owning a commercial satellite dish to view supposedly top secret broadcasts (Singer 2003, 163).

Lack of oversight has also permitted some contractor employees to commit offenses without facing prosecution. In Bosnia, several DynCorp employees were implicated in sex crimes, prostitution rackets, and illegal arms trafficking. One DynCorp Bosnia site supervisor videotaped himself raping two young women. Once discovered, DynCorp fired him, but the employee was able to escape prosecution because he committed his crime outside of U.S. legal jurisdiction (Singer 2003, 222). In contrast, U.S. military personnel would be court-martialed and brought before a military tribunal for such activity.

Outsourcing operations in Iraq have illuminated another key flaw in the U.S. outsourcing system: the difficulty of identifying small-scale employee kickbacks. Responsible for billions of dollars in a hectic environment, auditors may fail to detect small-scale kickbacks. For instance, an internal KBR audit from January 2004 revealed that KBR employees were receiving $6 million in kickbacks from a Kuwaiti subcontractor. Had the kickback been much smaller, internal KBR auditors may have not detected it. The incident demonstrates that strict government oversight of contractor operations is an important feature of an efficient contract monitoring system.

Contract Management

Sub-optimal service and cost overruns have also resulted from poor contract management. Contract management could be dramatically improved by ironing out inefficiencies in contract managers' rotation schedules. Many Army Corps engineers have complained that their four-to-five month assignments in Iraq are not structured to maximize continuity in the contract management process. This ultimately causes delays in the management and oversight process (Robertson 2004). Officers also complain that the USACE is understaffed in Iraq primarily because civilian employees of the agency are not provided with sufficient incentives to deploy in a war zone. For example, in a typical four-to-five month rotation USACE employees will often work long hours and receive very little "rest-and-relaxation" time (Robertson 2004). In contrast, private contractor employees typically receive two weeks off for every ninety-day deployment.

In the Balkans, military personnel unaware of their authority within the Logcap contracting system became a source of waste and inefficiency. These personnel did not specify the services they required from contractors, or would accept services without questioning whether they could be provided more efficiently or at a lower cost (GAO 2000). Officials widely believed that they had no control over contractor actions once Washington had authorized the contractor to deliver a particular service (GAO 2000). Moreover, military personnel are not trained to manage contractor resources or integrate them into force structures. As a result they tend to rely on *ad hoc* management systems (GAO 2000).

Because military personnel lack familiarity with project costs and contracting oversight, combatant commanders are sometimes unaware of the cost implications of their decisions. For example, one decision to accelerate camp construction required the contractor to transport plywood from the United States by plane due to insufficient stores in Europe. The cost of flying each sheet from the United States averaged $85.98, which turned out to be over six times the original cost of the plywood. The commander was reportedly "shocked" to discover that the contractor was flying plywood in from the United States (GAO 2003).

The quality assurance process also merits improvement. Conducting quality assurance checks on reconstruction projects can be difficult because of the large number of ongoing projects, which in some cases are performed by subcontractors of subcontractors. Quality assurance has proven particularly challenging when contractors must produce results under time pressure and when there is a shortage of quality assurance monitors. Indeed, according to one contracting officer for the Army Corps

of Engineers, USACE is not sufficiently staffed to perform top-notch quality control because there are not enough civilian employees willing to work in a war zone (Robertson 2004).

For example, Bechtel, one of the U.S. Agency for International Development's prime contractors, currently has a contract to rebuild and refurbish Iraqi schools, but the company reportedly has delivered low-quality school repairs on a number of occasions. In one instance, an Army major ordered a survey of Bechtel's school rebuilding effort in her area of operations and found that the subcontractors had left paint throughout the schools, desks and chairs on the playground, and bathrooms in disrepair (*Seattle Post-Intelligencer* 2003). Some Iraqi school officials and other media sources have also reported that toilets, desks, and reading resources remained unusable after Bechtel's rebuilding was complete (Harris 2004, Nordland et al. 2003). The manager of rebuilding for Bechtel commented that there had been *only* twenty-seven cases where it was determined that Bechtel's work was faulty (Carroll 2003). More diligent oversight from Bechtel or the Coalition Provisional Authority (CPA) likely could have prevented these twenty-seven expensive mistakes. Nevertheless, these rebuilding mistakes may have been due to the fact that Bechtel was under pressure to complete refurbishment of thousands of schools within a few months. If this hypothesis is correct, then the government should make it clear to contractors that quality cannot be sacrificed for speed.

Lack of Transparency

The lack of transparency in some of the contract award and subcontract oversight processes has led to media scrutiny of alleged contractor abuses. On March 8, 2003, the USACE awarded an "interim" contract to KBR to fight the projected oil well fires in the wake of the invasion of Iraq. The IDIQ, cost-plus-award-fee contract was intended to serve as a bridge to a competitive process because the USACE needed to find a reliable contractor rapidly and did not have the time to establish a lengthy contractor selection process. According to the Corps, KBR was chosen because of its proven skill in oil well fire-fighting from the first Gulf War and because it was "the only contractor that could satisfy the requirement for immediate execution of the plan" (USACE Press Release 2003). The USACE announced on its website that Federal Acquisitions Regulation (FAR) 6.302-1 recommended the use of sole source award processes when "only one responsible source and no other supplies or services will satisfy agency requirements" (Federal Acquisition Regulations 2004). However, the media continued to play up the KBR "scandal" because the USACE

did not reveal the mechanics of this particular contracting process as early as it could have. Later, the USACE aggressively countered the scandal claims with its own media campaign.

Another set of criticisms has focused on KBR's allegedly inflated prices for oil importation. In similar fashion to the sole-source KBR "scandal," these criticisms stimulated controversy over whether KBR had overcharged the U.S. government for fuel imports from Kuwait. After the press had lambasted the USACE and KBR for months, the Corps finally admitted that the Kuwaiti price seemed excessively high (Sumner 2004). The Defense Department's Inspector General is currently conducting an investigation of the fuel importation scandal. It remains to be seen whether anyone pressured either KBR or the USACE to import expensive fuel via the Kuwaiti contractor, Altanmia Commercial Marketing Company. Even if the allegations prove false, the USACE's and KBR's images have been compromised, in part because the USACE was not proactive in its public relations campaign.

Improving public relations capabilities is a need felt across most of the U.S. government entities involved in post-war reconstruction. Deidre Lee, former chief advisor to the CPA on contracting, said of the Authority's public relations capability, "communications can always be better" (Lee 2004). Part of the problem seems to stem from passive public relations strategies. As the Director of Congressional and Public Affairs at the Defense Contract Management Agency (DCMA) commented, the public relations strategy for most U.S. government agencies is based on responding to questions, as opposed to proactively shaping the media environment (Forester 2004).

Greater Dangers of Outsourcing during Conflict and Post-conflict Operations

Analysis of the contracting operations in Somalia, the Balkans, Afghanistan, and Iraq raises broader questions about the dangers and disadvantages of contracting in post-conflict settings.

Growing Reliance on Contractors

One of the more eminent dangers stems from the military's growing reliance on contractors to conduct military operations. Contractors are currently supporting U.S. military forces in eleven countries and, as detailed above, providing essential support services. Support ranges from the operation of high-technology assets to maintenance of biological and chemical weapons equipment to waste and water management (GAO 2003). For

most of these services, the military has no organic, back-up capability. For example, the Army's Guardrail surveillance aircraft is completely dependent on contractors because the Army determined that it would not be cost-effective to maintain that maintenance capability internally. The Air Force has used contractors to build and maintain telephone networks at bases in the United States and thus no longer has the capability to set up phone networks in deployed locations (GAO 2003). In Afghanistan, contractors provide the Army with its biological threat detection equipment. Should the contractor become unavailable, the Army's ability to detect biological threats in particular theaters would be markedly reduced (GAO 2003).

In 1990, the Department of Defense (DoD) mandated that the military: 1) identify essential services and develop plans for assuring their continuation in crisis; and 2) develop a plan for finding alternative sources for essential services should primary sources fail (GAO 2003). The heads of each DoD component were also tasked with annually reviewing contractor services to determine if they should be considered "essential" in the aforementioned context. The GAO found that these required reviews had not been completed and backup plans had not been established (GAO 2003). In 2002, the Joint Staff altered the logistics supplement to the Joint Strategic Capabilities Plan, requiring the development of contingency plans in case of the failure of commercial services. This directive was issued in part due to contractor failures in fuel delivery during "Operation Enduring Freedom" in Afghanistan (GAO 2003). The subsequent GAO report found, however, that military personnel were generally not aware of a requirement to annually review contracts, identify essential services, or create contingency plans in case of service failure. Many military personnel admitted that they had no formalized backup plans but argued that if contractor support became unavailable, they would call on another contractor or other military units (GAO 2003). This response does not take into account the number of tasks that only particular contractors can perform. Should those contractors become unavailable, no one would be able to deliver the needed service. In addition, while many contractors may be substitutable, their replacement would create massive disruptions in military operations. For instance, BRS was providing one hundred percent of the food, ninety percent of the water provision, eighty percent of the fuel provision, and seventy-five percent of the construction and heavy equipment transfers for U.S. forces in the Balkans (Singer 2003, 145). If BRS were unable to complete its duties, it conceivably could be replaced, but such a transition would cause serious disruptions.

The only backup plan that the GAO managed to identify was for the

Air Force's C21J executive aircraft. According to the plan, if contractors are unavailable Air Force personnel would be responsible for maintaining the aircraft. Unfortunately, no Air Force personnel are qualified to perform maintenance on that particular aircraft (GAO 2003).

Dependence and Contractor Failure

Military personnel cannot order contractors to remain in the field. Under the Uniform Code of Military Justice, military personnel can be ordered to remain in their positions, but contractors are not subject to this regulation (Singer 2003, 161). At the CPA's recent "information session" for contractors, the Retired Navy Admiral who oversees reconstruction contracts explained that the only consequence for a contractor leaving the work site prematurely was that the employee or company would "have to give up a large percentage of their bonus pay" (Industry Day 2003). Though the U.S. government can initiate legal action against an offending contractor on the basis of non-performance, contractors may decide that their monetary incentive is not great enough to offset the risk they incur (Singer 2003, 161). For non-profit contractors, the incentive to risk life and limb may be even lower. We would expect, thus, the greatest level of contractor failure when contracted employees face life-threatening circumstances.

Contractor failure resulting from threats to employees has intermittently occurred in Iraq and Afghanistan. Lieutenant General Charles Mahan, the Army's recently-retired top logistics officer, complained in July 2003 that contractors were not dependable. Many U.S. soldiers went without fresh food, toilets, and showers for months because civilian contractors refused to deploy to dangerous regions of Iraq (Bianco 2003). One soldier deployed to Iraq from the 101st Airborne complained that a number of Bechtel employees abandoned their trucks when they came under fire (Truscott 2003). Gordon Sumner, Head of the Directorate of Contracting at the USACE, verified that contractor abandonment of worksites due to attacks and safety concerns "has been a problem" in the reconstruction effort (Sumner 2004). He asserted that it can sometimes take up to a week before the military can re-secure a worksite so that contractors can resume their construction plans (Sumner 2004).

Contractor employees are indeed justified in fearing for their lives. U.S. officials and contractors contend that there have already been hundreds of attacks on contract employees, with several dozen personnel killed or wounded and numerous kidnapped (Richter 2003, Seib 2003). San Diego's Titan Corporation is providing thousands of translators to the military in Iraq, and as of April 3 the company had already lost thirteen

employees in attacks since July 2003 (Bigelow and Calbreath 2004). By early December 2003, many contractors were seeking refuge inside a U.S. stronghold in Baghdad known as the Green Zone. Interpreters, cleaning workers, and other coalition employees were "begging" for space in the Green Zone while Bechtel had reportedly barricaded its compound in Iraq with two additional layers of sandbags. Even the USACE admitted that their contractors are in danger: "Fuel trucks have been shot at, damaged, or stolen…fuel truck drivers have been mugged and had their vehicles stolen" (USACE FAQ 2003). Additionally, the fact that KBR's first-ever combat casualty was incurred as recently as August 2003 highlights the relative unfamiliarity that many contractors may have with life and death choices in a war zone.

Contractor failure is likely to become more common as terrorists and insurgents probe for the U.S. military's "weak spots," including the military's reliance on contractors. Indeed, there is evidence that insurgents are already exploiting such vulnerabilities. On December 12, 2003, the *Washington Post* reported that anxiety among contractors was increasing as insurgents appeared to be targeting unarmed civilians that looked foreign. The same report described how a major South Korean subcontractor for Washington Group International fled Iraq due to safety concerns, consequently setting back reconstruction of Iraq's power grid. Insurgents also successfully brought down a DHL plane with a missile in late November, which caused the military to ground all commercial flights at Baghdad International Airport (Fam 2003). In the most recent, and perhaps the most shocking, case of an attack on contractors, four American employees of Blackwater Security Consulting were ambushed, murdered, and mutilated in the city of Falluja on March 27, 2004 (Chaffin 2004).

Contractors may become especially fearful in combat as the potential for chemical, biological, or nuclear weapon use grows. One researcher found that only one in sixty-seven contracts surveyed contained provisions to protect contractors in the event of a chemical or biological attack (Singer 2003, 161). In fact, during the first Gulf War there were several reports of civilian contractors abandoning their jobs after chemical attack warnings (Singer 2003, 284). If contractors increasingly fear for their safety due to terrorist targeting or the use of weapons of mass destruction, the U.S. military may find itself without proper support as contractors limit the areas in which they are prepared to work. This may become especially problematic in Iraq as contractors move to areas that U.S. troops do not routinely patrol. Starting in mid-2004, contractors are likely to work in more remote areas of Iraq and consequently will be more vulnerable to attack, as U.S. troops are based farther from their work sites (Richter 2003).

Access to Sensitive Information

A final danger of using contractors in combat zones and post-conflict settings stems from their access to U.S. military intelligence and combat procedures. Private contractors swayed by the bottom line and shareholder wealth could conceivably sell information about the U.S. military to anyone willing to pay for it. Civilian operators maintaining high-technology vehicles and computer networks for the United States may know how to disrupt them more adeptly than most military personnel. Even companies with long-standing ties to the United States have provided services to governments that the United States has identified as hostile. For example, in 1995 the U.S. government fined BRS $3.8 million for re-exporting goods through a foreign subsidiary operating in Libya, then labeled a rogue state (Singer 2003, 142).

While a large private firm may be unlikely to betray the United States, the possibility that one of the firm's employees would deceive the U.S. government is somewhat more likely—especially if a firm's employees have loyalties to other states or ideological movements. For example, the U.S. government recently arrested three subcontracted translators at the Guantanamo Bay detention center on charges of espionage (*CBSNews* 2003). The U.S. government should address these dangers swiftly given their threat to current and future reconstruction efforts.

Conclusion and Recommendations

The United States should establish an independent office, the Office for Post-conflict Outsourcing, devoted strictly to awarding, managing, and overseeing contracts in post-conflict settings. This new office would be tasked with:

1) Setting up a head office in Washington, DC and a main office in each area of operation (i.e. Baghdad and Kabul) staffed with specialists in contract management (either contracted out or hired from U.S. government offices with contracting experience, such as the Defense Contract Management Agency and the USACE) and subject area experts (knowledgeable in areas such as construction, engineering, electricity, etc.);

2) Hiring private contract managers, contract monitors, and general program management consultants to supplement U.S. government contract managers and monitors already working in operations;

3) Implementing the GAO's recommendations to annually review all contractor services and identify essential services that need backup plans in the event of contractor failure;

4) Implementing the GAO's recommendations requiring contractors to adhere to stricter financial reporting and internal control mechanisms by coordinating more closely with combatant commanders, contract monitors from the new contracting office, and contractor liaisons;

5) Developing contract selection and award fee criteria that privilege the quality of project work over speed of completion;

6) Creating stricter regulations for contractors and subcontractors that have access to sensitive information, and, to the extent possible, restricting to U.S. military personnel tasks that require access to sensitive information;

7) Creating strict regulations on the scope of contractor involvement in highly dangerous zones, giving preference to contractors with local knowledge and local staff, and requiring combatant commanders to regularly update the contracting office on the security of contractor employees in areas of operation; and

8) Developing an aggressive public relations strategy to engage media sources persistently and, where feasible, through an "embedded reporters" scheme installing reporters in area offices and in military and contract monitoring units which routinely survey reconstruction projects.

The U.S. government has increasingly cited "failed" states as a threat to global stability. As a consequence, post-conflict stability and reconstruction operations have assumed a new importance. If strengthening "failed" states proves to be a lasting goal of U.S. foreign policy, then the United States will likely engage in operations that require significant contractor support in the near future. To fully leverage its post-conflict investments, the U.S. government must ensure the efficiency and security of its outsourcing operations.

Notes

[1] A cost-plus-award-fee contract is a cost-reimbursement contract that provides for a fee consisting of (a) a base amount (which may be zero) fixed at inception of the contract and (b) an award amount, based upon an evaluation by the government, sufficient to provide motivation for excellence in contract performance (Federal Acquisitions Regulations 2004).

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