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By Peter Eisler, USA Today

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WASHINGTON — The United States is spending more money than ever on private security contractors in Iraq as thousands of troops return home amid steady declines in insurgent attacks, federal records show.

This year, spending on contractors, who protect diplomats, civilian facilities and supply convoys, is projected to exceed \$1.2 billion, according to federal contract and budget data obtained by USA TODAY. Most of that bill — about \$1 billion — is State Department spending, which is up 13% over 2007. The remaining \$200 million covers Pentagon contracts.

Rising private security costs come as the Pentagon removes the last of the 30,000 extra troops sent to Iraq last year. Contractors take on roles once handled by U.S. Iraq's infrastructure and guarding reconstruction supplies. troops, such as securing.

Congress is raising concerns about the costs of relying on contractors for that work and the challenges of ensuring that they are supervised properly.

"While security is obviously necessary for American officials in Iraq, we should be transitioning reconstruction to the Iraqi government, which is capable of supporting many of these efforts with its … oil revenues," says Rep. Nita Lowey, D-N.Y., who chairs a House appropriations subcommittee that oversees spending for Iraq reconstruction.

Lowey calls the security costs "exorbitant." She has pushed legislation to boost contracting oversight by the Special Inspector General for Iraq Reconstruction.

Overall U.S.

private security spending in Iraq has grown dramatically since the war started in March 2003, the new spending figures show. Concern over supervision of these contractors has heightened since guards with Blackwater Worldwide shot and killed 17 Iraqi civilians while escorting a State Department officer in Baghdad in September 2007. Blackwater spokeswoman Anne Tyrell said the guards acted in self-defense. The Justice Department is investigating; no charges have been filed.

State's contractor spending has climbed because the focus in Iraq has shifted from combat to rebuilding, department press officer John Fleming says.

More diplomats are leaving secure areas to work in the field, where they need security, he says. At the same time, U.S. troops who once guarded reconstruction projects and Iraqi infrastructure are leaving.

Contractors "will increasingly take over these former military roles and missions, increasing (the) numbers of private security," Fleming says, noting that the new oversight policies will "hold contractors accountable."

In recent months, State and the Pentagon have developed policies governing the conduct of security contractors, who are immune from Iraqi law. State can impose administrative penalties for misconduct in Iraq; Pentagon contractors are subject to the military justice system.

The Pentagon and the State Department have committed to work with Congress to enact legislation to increase legal accountability for all U.S. government contractors in Iraq.

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contractors in Iraq perform other work beyond security, such as construction and transportation services. A Congressional Budget Office report released this month showed that U.S. agencies spent a total of \$85 billion on contractors of all types in Iraq from 2003 through 2007 — about 20% of all U.S. spending for operations in the country during that period.

Some security costs may be undocumented because they're buried inside contracts for other services, the report said.

That's an unacceptable lack of clarity, says Rep. John Murtha, D-Pa., who chairs the House subcommittee that controls defense spending. He has proposed to cut \$4.5 billion from contracting accounts in next year's defense budget and add \$943 million to other Pentagon accounts so more of the work can be shifted to civilian government employees.

