



RESOURCING FOR DEFEAT

CRITICAL FAILURES IN PLANNING, PROGRAMMING, BUDGETING AND RESOURCING THE AFGHAN AND IRAQ WARS

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August 28, 2009

EXECUTIVE SUMMARY

Effective war fighting requires effective planning, and this is especially true of resources. The United States, however, failed to develop meaningful long-term strategies and plans for most of war fighting in the Iraq and Afghan Wars, and failed to translate them into budgets and well-defined requests for resources. In both wars, it dealt with each year in ways where it budgeted by an annual increment and did not tie its resource requests to a coherent campaign plan for warfighting or armed national building. It never developed a consistent or a credible mid of long-term funding profile for war fighting, or properly managed either conflict.

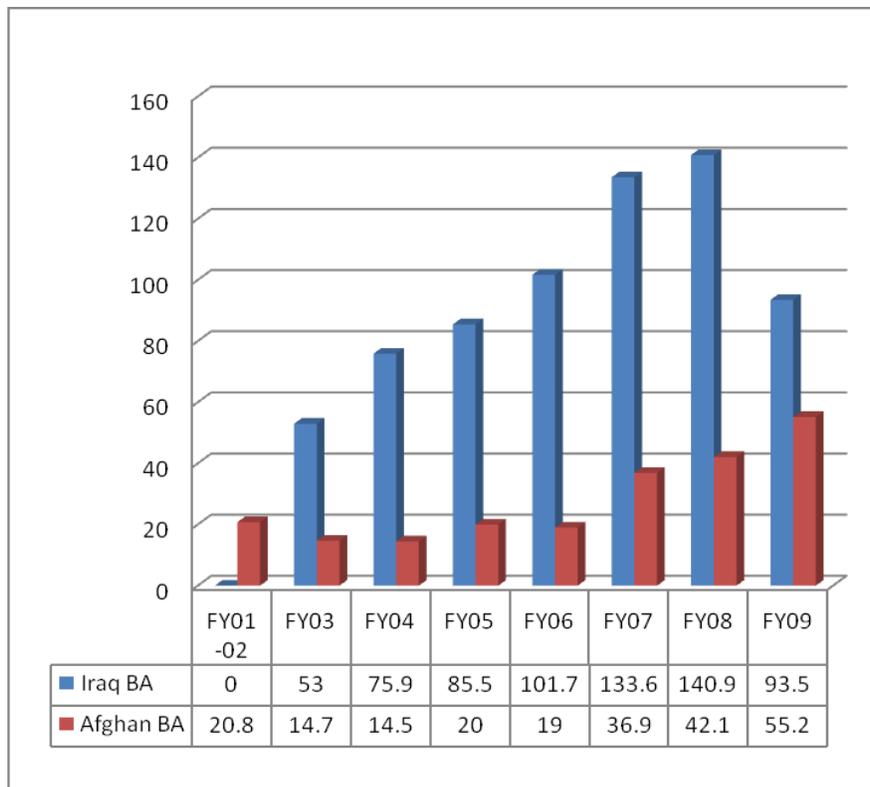
The Bush Administration failed to develop a meaningful long-term strategy or plan for the Iraq and Afghan Wars, as well as failed to properly resource its wars and produce sound budgets. For the past eight budgets, the Department of Defense requested emergency supplemental or “bridge” funding outside of the regular defense budget. This dual-track budget process created numerous problems in terms of ensuring both effective planning and resource of the wars and in ensuring suitable Congressional and media review. Moreover, DOD consistently sought funding for programs that do not meet the reasonable test for a war-related emergency. In essence, the Department treated the supplemental and the baseline budgets as fungible, and in ways that compromised the integrity of the normal budgeting process.

As a result, warfighting and other defense expenditures are putting more pressure on the budget and economy – although scarcely at anything approaching Cold War levels. The CBO estimated in August 2009 that,¹

“Non-defense discretionary outlays are expected to climb to \$584 billion this year—an increase of 12 percent...At that level, non-defense discretionary spending will represent about 4.1percent of GDP, the highest share since 1983. Defense outlays are anticipated to increase by 7 percent in 2009—slightly below the rate of growth that such outlays have experienced, on average, over the past 10 years. Defense outlays are expected to total \$657 billion this year, or 4.6percent of GDP, the highest share since 1992.”

The Burke Chair has prepared an overview of the current estimates of the cost of the war to date, and of possible future costs. While it surveys budget requests made by the Department of Defense (DOD), it relies heavily on work by the Congressional Budget Office (CBO), Congressional Research Service (CRS), and General Accountability Office (GAO). While there are problems in the available data and many different ways to estimate costs, the CRS analysis shows that war costs of \$915 billion have been covered by supplemental emergency appropriations, with \$687 billion going to the Iraq War and \$228 billion going to Afghanistan.

¹CBO, *The Budget and Economic Outlook: An Update*, August 2009, p. 11.

Figure I: Annual DOD Spending on the Iraq and Afghan Wars (in billions)

Source: Adapted by the author from data provided by Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

The difference between these two figures reveals a fundamental difference in the way in which the Bush Administration reacted to the challenges it faced after the initial moment of conventional victory. As **Figure I** shows, in the Iraq War, the United States threw enough money at the conflict to largely defeat the insurgency, although the ultimate outcome is still unclear. It did so, however, without developing coherent budgets and long term funding profiles, and without any clear effort to develop the kind of consistent and well-managed programs that could

have reduced the cost of the war and improved the effectiveness of US forces – hence the continued reliance on supplementals displayed in **Figure II**.

A more recent estimate by the CBO, made in August 2009, indicates that total expenditures are even higher, but that the Iraq War got 74% of the total funding, while the Afghan conflict and the rest of the war on terrorism – which were fought over a substantially longer period -- got only 26%.²

“Since September 2001, lawmakers have provided a total of \$944 billion in budget authority for military and diplomatic operations in Iraq, Afghanistan, and other regions, for some veterans’ benefits and services, and for related activities of the Department of Justice (see the table to the right). Appropriations specifically designated for those activities, which averaged about \$93 billion a year from 2003 through 2005, rose to \$120 billion in 2006 and to \$187 billion in 2008, before declining to \$154 billion in 2009.

Funding to date for military operations and other defense activities related to the war totals \$849 billion, most of which has gone to the Department of Defense (DoD). Lawmakers also provided more than \$42 billion to train and equip indigenous security forces in Iraq and Afghanistan.¹ A total of \$891 billion has thus been appropriated since September 2001 for military operations in Iraq and Afghanistan and other war-related activities.

In addition, \$51 billion has been provided for diplomatic operations and foreign aid to Iraq, Afghanistan, and other countries that are assisting the United States in fighting terrorism. Of that amount, \$16 billion was appropriated for the Iraq Relief and Reconstruction Fund.

DoD reports that in 2009, obligations for operations in Iraq and Afghanistan and related activities averaged almost \$10 billion per month through May, the last month for which data are available. That rate is about \$3 billion less than the average monthly obligations in 2008. Because more than half of the funding for 2009 was provided at the end of June, however, the Congressional Budget Office (CBO) expects that monthly obligations will increase significantly during the last quarter of this fiscal year.

Operation Iraqi Freedom accounts for approximately 74 percent of all reported obligations—down from 80 percent in 2008 and 85 percent in 2007... Operation Enduring Freedom (which refers mainly to operations in and around Afghanistan) accounts for another 26 percent. Additional security missions based in the United States—such as combat air patrols over Washington, D.C., and New York City (known as Operation Noble Eagle)—account for less than 1 percent.

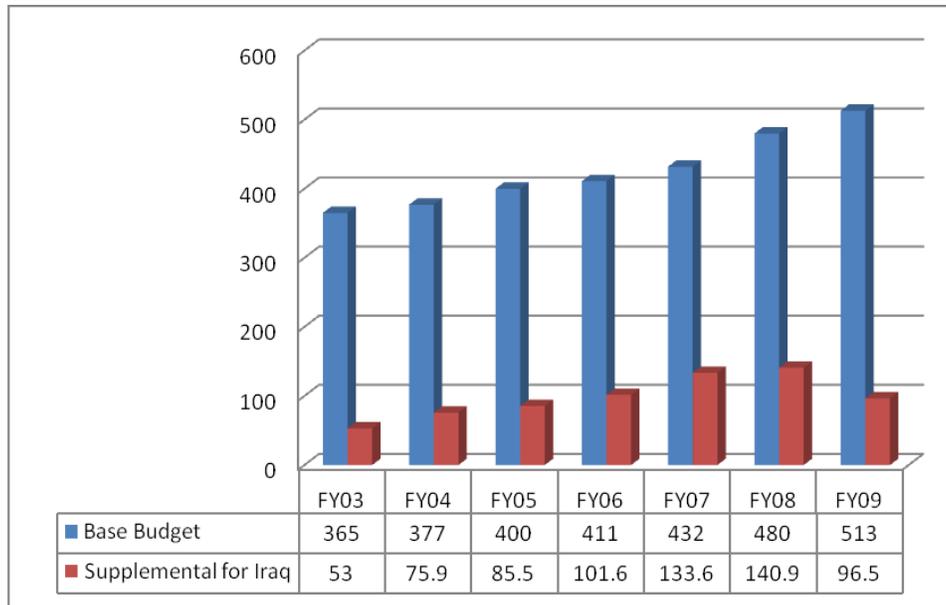
Because most appropriations for operations in Iraq and Afghanistan and for related activities appear in the same budget accounts that record appropriations for DoD’s other functions, determining how much has actually been spent for those activities is difficult. CBO estimates that appropriations for those operations resulted in outlays through 2008 of about \$575 billion (of which about \$140 billion occurred in 2008). Of the funds appropriated for international affairs related to the wars, about \$35 billion was spent through 2008, CBO estimates. In total, outlays for operations in Iraq and Afghanistan amounted to roughly \$145 billion last year. Outlays in 2009 (which also include spending from prior years’ appropriations) could total approximately \$160 billion, in CBO’s estimation.”

In the case of the Afghan War, the United States underfunded the conflict to the point where it risked defeat. In spite of significant allied contributions, the Afghan War has received less outside funding than the Iraq War. Costs for Operation Enduring Freedom have risen dramatically since FY2006 as troop levels and the intensity of conflict have grown, but expenditures have been three times higher on Iraq to date.

², CBO, *The Budget and Economic Outlook: An Update*, August 2009, p. 12-13..

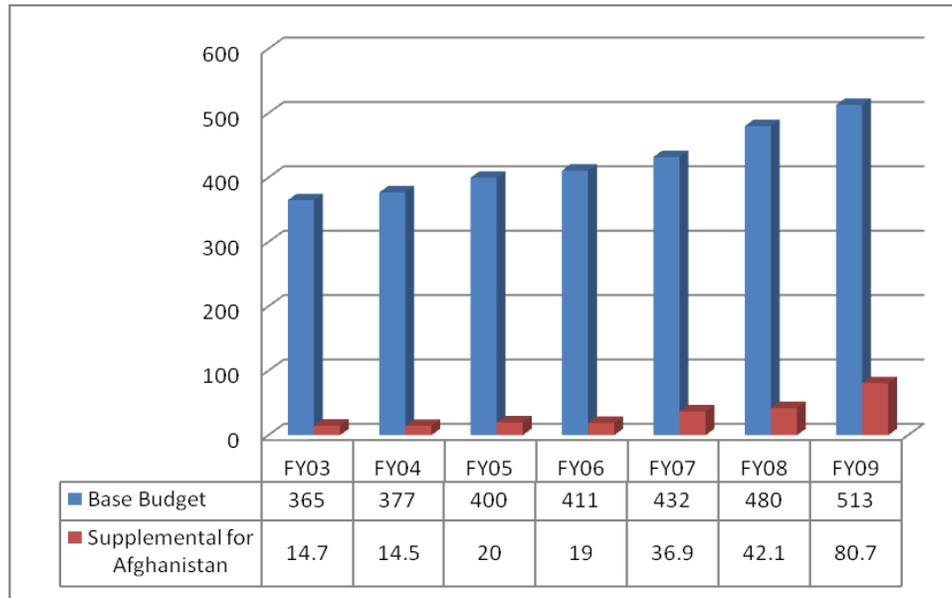
The Bush Administration simply did not fund the war it had to fight. As **Figure III** illustrates, it was only in FY2009, some seven years after the war in Afghanistan became a major US strategic commitment, when the US began to fund the war seriously. At a minimum, American underresourcing allowed the Taliban to recover and seize the initiative, and al-Qaida to create a new sanctuary in Pakistan. The end result is that the cost of salvaging victory – if this is still possible – will be an order of magnitude higher than it should have been – both in dollars and body bags.

Figure II: Baseline Budget vs. Supplementals for Iraq, FY03-FY09 (in \$US billions)



Source: Adapted by the author from data provided by Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

Figure III: Baseline Budget vs. Supplementals for Afghanistan, FY03-FY09 (in \$US billions)



Source: Adapted by the author from data provided by Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

These years of underfunding have created a dilemma for the Obama Administration where it must now pay far more to compensate for a past Administration's grand strategic failures or risk losing the war in Afghanistan. Moreover, neither DOD nor the State Department budgets now fund an adequate or well-defined plan for the civil side of either war, and it is unclear that the Department of Defense plans to sustain the US military advisory effort in Iraq at anything like the level required. The US finds it easy to announce "strategies" and concepts; it has yet to show that it can back them with efficient and effective plans, programs, and budgets.

The end result is that President Obama must now deal with two badly managed and budgeted wars. In the case of Iraq, he must deal with the withdrawal of US combat forces from a war with no clear plan or funding for making the transition to a civilian-dominated nation building effort and supporting the development of Iraqi security forces. In the case of Afghanistan, he must either make unpopular and costly decisions to compensate for seven crippling years of underresourcing the war, or risk losing it.

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INTRODUCTION

Effective war fighting requires effective planning, and this is especially true of resources at a time when the US federal budget and national economy. Warfighting and other defense expenditures are putting more pressure on the budget and economy – although scarcely at anything approaching Cold War levels. The CBO estimated in August 2009 that,³

“Non-defense discretionary outlays are expected to climb to \$584 billion this year—an increase of 12 percent...At that level, non-defense discretionary spending will represent about 4.1percent of GDP, the highest share since 1983. Defense outlays are anticipated to increase by 7 percent in 2009—slightly below the rate of growth that such outlays have experienced, on average, over the past 10 years. Defense outlays are expected to total \$657 billion this year, or 4.6percent of GDP, the highest share since 1992.”

The United States, however, failed to develop meaningful long-term strategies and plans for most of war fighting in the Iraq and Afghan Wars, and failed to translate them into budgets and well-defined requests for resources. In both wars, it dealt with each year in ways where it budgeted by an annual increment and did not tie its resource requests to a coherent campaign plan for warfighting or armed national building. It never developed a consistent or a credible mid of long-term funding profile for war fighting, or properly managed either conflict.

In the case of the Iraq War, the United States threw enough money at the conflict to largely defeat the insurgency, although the ultimate outcome is still unclear. It did so, however, without developing coherent budgets and long term funding profiles, and without any clear effort to develop the kind of consistent and well-managed programs that could have reduced the cost of the war and improved the effectiveness of US forces.

In the case of the Afghan War, the United States underfunded the conflict to the point where it risked defeat. A war cannot be won without adequate resources. Worse, a low-level threat can fester and grow into a major threat in a climate where it is met with a state of denial and where far too few resources are provided to contain and defeat it. The United States made these mistakes in Afghanistan, and may have lost a war it was far too confident it had won. At a minimum, American underresourcing allowed the Taliban and other Jihadist insurgents to recover and seize the initiative, and al-Qaida to create a new sanctuary in Pakistan. The end result is that the cost of salvaging victory – if this is still possible – will be an order of magnitude higher than it should have been – both in dollars and in body bags.

The financial history of America’s ongoing wars is a grim one. For the past eight budgets, the Department of Defense requested emergency supplemental funding outside the regular defense budget. Supplementals constitute over 90 percent of DOD funding for both wars, with a small remainder provided in regular defense bills or transfers from regular appropriations. Yet, these emergency and supplemental funding requests were not processed through the Planning, Programming, Budgeting, and Execution System, the normal mechanism for peacetime or

³CBO, *The Budget and Economic Outlook: An Update*, August 2009, p. 11.

“regular” DOD budget planning.⁴ Unlike regular annual defense appropriations they did not require approval from Senate and House Budgeting, Armed Services, and Appropriations Committees. Supplemental appropriation requests are directly submitted to the Appropriations Committees where they receive final approval.

This dual-track budget process created numerous problems in terms of ensuring both effective planning and resource of the wars and in ensuring suitable Congressional and media review. Emergency funding is exempt from ceilings applying to discretionary spending in Congress’s annual budget resolutions. Given the urgent timing for supplementals -- and the reality that they receive less scrutiny and easily become laden with Congressional add-ons or “pork,” defense budget deliberations are short-circuited and oversight is reduced. Moreover, DOD consistently sought funding for programs that do not meet the reasonable test for a war-related emergency. In essence, the Department treated the supplemental and the baseline budgets as fungible, and in ways that compromised the integrity of the normal budgeting process.

The Burke Chair has prepared an overview of the current estimates of the cost of the war to date, and of possible future costs. While it surveys budget requests made by the Department of Defense (DOD), it relies heavily on work by the Congressional Budget Office (CBO), Congressional Research Service (CRS), and General Accountability Office (GAO). While there are problems in the available data and many different ways to estimate costs, the CRS analysis shows that war costs of \$915 billion have been covered by supplemental emergency appropriations, with \$687 billion going to the Iraq War and \$228 billion going to Afghanistan.

The analysis also shows that the Bush Administration failed to develop a meaningful long-term strategy or plan for the Iraq and Afghan Wars, as well as failed to properly resource its wars and produce sound budgets. It chose to rely on poorly justified supplementals for expenditures that were clearly predictable during the drafting of the baseline budget, instead of aggregating all civil and military costs into a single credible estimate. It also shows that these supplementals came to include a steadily rising number of items of uncertain relation to the war, particularly in the case of procurement.

The Bush Administration’s wartime budget proposals failed to make a convincing or useful case to Congress or the American people. Moreover, they were not supported by any credible long-term budget for sustained action. The end result is that President Obama must now deal with two badly managed and budgeted wars. In the case of Iraq, he must deal with the withdrawal of US combat forces from a war with no clear plan or funding for making the transition to a civilian-dominated role in nation building and supporting the development of Iraqi security forces. In the case of Afghanistan, he must either make unpopular and costly decisions to compensate for seven crippling years of underresourcing the war, or risk losing it.

These are only part of the broader problems that come from fundamentally mismanaging the resourcing of America’s wars, several of which are not covered in this analysis. No attempt is made in this report to address macroeconomic costs or to deal with calculations of social costs like those presented by Joseph Stiglitz and Linda Bilmes in *The Three Trillion Dollar War*. It

⁴ Dr. Gordon Adams, *Budgeting for Iraq and the GWOT*, Statement before the Senate Budget Committee (6 February 2007).

also is clear from CBO projections that the trends in overall military medical costs are headed in the same unaffordable vector as civil medical entitlement programs. While this is an urgent issue of national social policy, it is not one that can be tied to the Afghan and Iraq wars.

All of these issues must be addressed in dealing with the FY2010 defense budget and the future year defense program (FYDP), as well as in funding the forgotten side of both wars – the related State and Veteran Affairs Department budgets for each conflict. They also cannot be addressed in terms of vague strategies, concepts, and “plans” that are not tied to clear timeframes for action, detailed estimates of the resources required, and well-defined measures of effectiveness. These are key challenges that President Obama must meet during the course of the next six months, and so far there are few indications that he will be more effective than President Bush, as his administration has made only minimal improvements to the budgeting process.

BUDGETING FOR PREVIOUS WARS

The Bush Administration's choice to rely on supplemental funding to finance the Afghan and Iraq Wars is atypical of US wartime budgeting practices. In the past, supplementals were used during the initial, unexpected phase of military operations, but administrations quickly shifted to regular annual appropriations.

The Truman Administration began to include funding to cover the cost of the Korean War in its regular annual budget request in the first year of that conflict.⁵ Similarly, the Johnson Administration began including funding to cover part of the cost of the Vietnam War in its regular annual budget request in January 1966, less than a year after the United States began to deploy combat troops in that country.⁶ By 1968, such appropriations accounted for 86 percent of war-related funding. Long-term funding was not an issue in the case of the 1991 Gulf war due to the short duration of that conflict. More recently, by the second year of the military's deployment in Bosnia, the Clinton Administration included funding for that operation in its regular annual budget request.

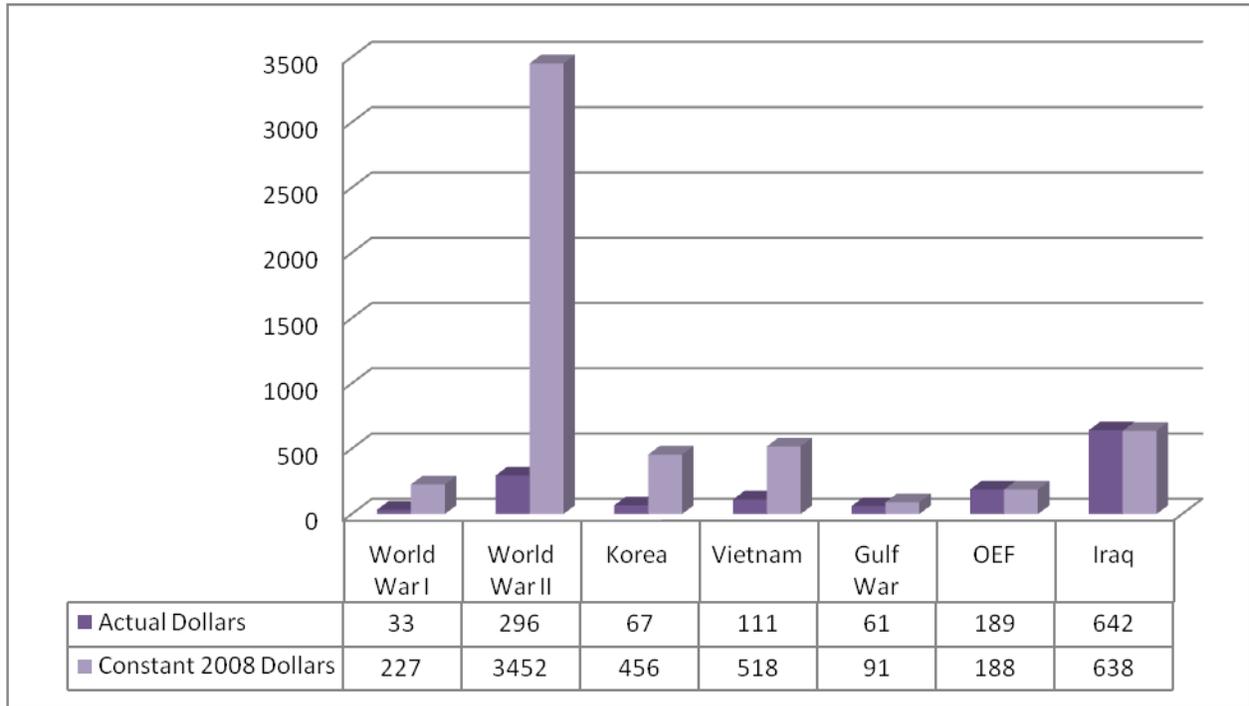
By contrast, eight years into the war in Afghanistan and six years into the war in Iraq, the Bush administration continued to rely on supplemental appropriations to cover costs. Neither war could have been considered an unforeseen emergency after the first year. Projecting costs for Afghanistan and Iraq was no more difficult than during previous wars, which in some cases cost much more than either of the two ongoing operations, as **Figure 1** demonstrates. However, the Defense Department failed to plan and manage a critical aspect of warfighting. For eight budgets, DOD effectively executed two parallel budget processes – one for its wars and the other for its regular defense budget.

Continuing this practice has had a debilitating effect on the integrity of the defense planning and budget process in the Department of Defense. It provided a misleading and far too optimistic view of defense funding requirements for the coming fiscal year and did not reflect the true cost of policy choices. Moreover, it compounded each military service's overall lack of strategic plans, programs, long-term force structure plan, and modernization plans that were tied to credible cost estimates and affordable future year defense budgets.

⁵ Stephen Daggett, "Military Operations: Precedents for Funding Contingency Operations in Regular or in Supplemental Appropriations Bills, Congressional Research Service (13 June 2006), p. 3; Amy Belasco, Statement before the House Budget Committee, Hearing on the Growing Costs of the Iraq War, October 24, 2007, pp. 9–13.

⁶ Stephen Daggett, "Military Operations: Precedents for Funding Contingency Operations in Regular or in Supplemental Appropriations Bills, Congressional Research Service, (13 June 2006), p. 5.

Figure 1: Total Cost of Previous Wars (in \$US billions)



Source: Adapted by the author from data provided by the Congressional Research Service as quoted in *Defense News* (8 May 2006).

PROBLEMS WITH SUPPLEMENTALS

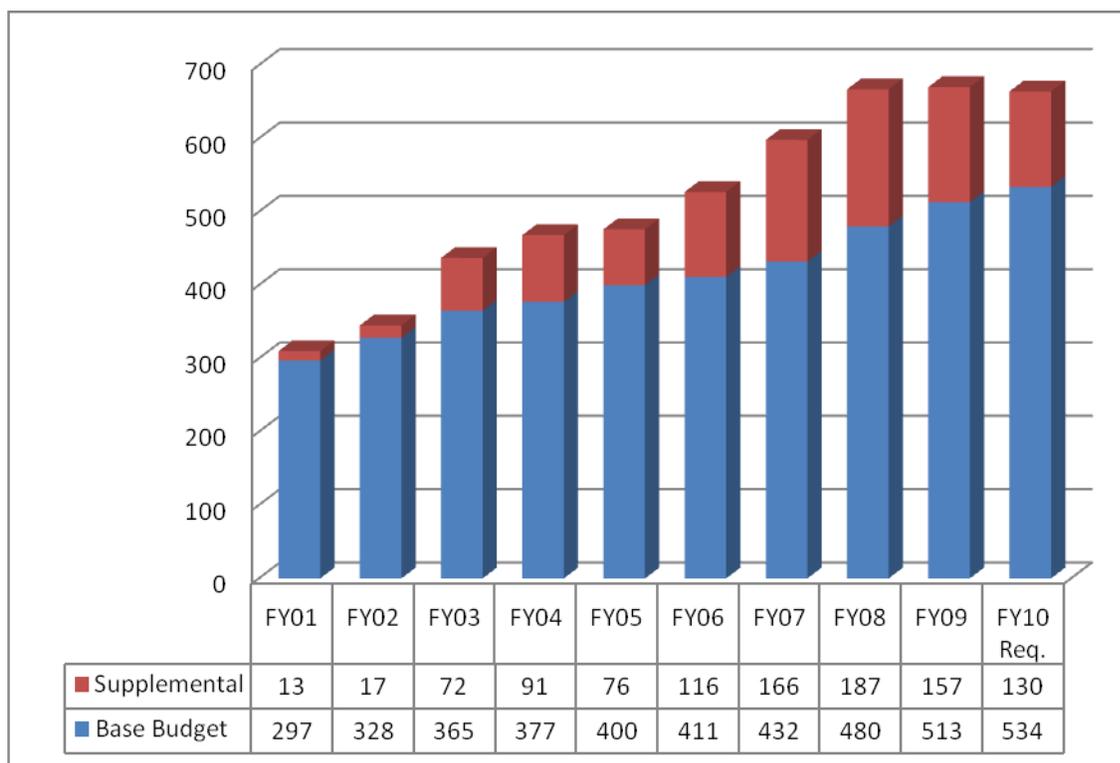
Some in the Bush Administration argued that it did not matter whether funding for the ongoing military operations in Iraq and Afghanistan was provided through regular annual appropriations or supplemental appropriations. They argued that that it was the amount of funding required that was important, not the process used to provide it. However, planning and process do matter, particularly when one war ends up having something approaching adequate resources and the other does not.

Obscuring the True Cost

The Bush Administration never presented a long-term plan or budget for the Iraq or Afghan Wars. Its budget projections tacitly assumed “victory” one year beyond its current budget request, and it never realistically budgeted for any conflict. Most future or “outyear” costs of the fighting either were not explicitly costed and projected in its budget submissions, or involved undefined mixes of modernization and “reset” costs.

Without a reasonable estimate of projected funding requirements for the ongoing wars in Iraq and Afghanistan, the budget provides only a misleading and excessively optimistic portrait of overall federal spending during the upcoming fiscal year. Whereas a sound budgeting process would force policymakers to recognize the true costs of their choices, the administration’s reliance on supplementals obscures the cost of the Iraq and Afghan wars, excluding them from White House deficit projections and long-term plans.

The administration’s failure to include cost estimates for these ongoing military operations in annual projections of federal spending meant that those projections significantly understated funding requirements for the future. As **Figure 2** illustrates, separating the appropriations for the wars from the baseline budget gives the impression of a much smaller defense budget than is actually the case. This perception can lead Congress to increase spending in other areas that it would not consider if its projections of federal spending included an estimate of war costs.

Figure 2: Historical DOD Funding FY01 to FY10 (in \$US billions)

Source: Undersecretary of Defense (Comptroller), *Fiscal Year 2010 Budget Request: Summary Justification*. May 2009, p. 4-1.

Reducing Oversight

Reliance on supplemental appropriations substantially diminished the level of oversight Congress exercised over war-related funding. Unlike funding requests submitted through the regular annual budget process, which work their way through the House and Senate budget committees, armed services committees and, finally, appropriations committees, requests for supplemental appropriations are submitted directly to the appropriations committees.

Moreover, because supplemental requests are typically submitted in the middle of the fiscal year, the amount of time available to consider these measures is severely limited. Much of the expertise of the House and Senate Armed Services committees was shut out of the process. Taken together, these factors considerably reduced the effectiveness of congressional oversight of the war-related funding. The Bush Administration's did eventually bow to congressional pressure and include a request for full-year funding for the wars in Iraq and Afghanistan as part of its FY2008 regular defense budget request, but this represented only a belated process improvement and did not in fact lead to a realistic baseline budget or eliminate the need for supplementals.

Lack of Justification

The problems caused by the administration's over-reliance on supplemental appropriations to cover war costs over an eight year period were compounded by a failure, throughout most of this period, to provide detailed and timely justification materials. In 2006 testimony, CBO identified a number of specific concerns about DOD's war-related budget justification materials. It noted, for example, that those materials often do "not provide enough detail to determine how DOD develops its budget requests and how funds for operations in Iraq and the war on terrorism have been obligated."⁷

As an example of the absence of detail often present in DOD's war-related supplemental requests, although Operations and Maintenance (O&M) funding accounted for \$74.1 billion of DOD's FY2010 Overseas Contingency Operations request, the justification materials accompanying the request included only five pages focused on O&M.⁸ By contrast, the "O&M Overview," which summarizes DOD's request for O&M funding in the base budget, is typically more than 200 pages long.⁹

Expanding Definition of War Costs

As previously noted, traditionally DOD directed that appropriations measures used to fund military operations should be limited to covering only incremental costs directly related to carrying out the operations, such as costs associated with activating reserve personnel called up to serve in military operations; the cost of extra fuel and ammunition; and costs associated with transporting forces deployed to military operations.

The Bush Administration also embraced a very broad notion of what constitutes the Global War on Terror (GWOT).¹⁰ Although almost all observers would agree that military operations in Afghanistan appropriately fit within the concept of the GWOT, but the idea that the US invasion of Iraq and subsequent military operations in that country should be considered part of the GWOT remains far more controversial and combined the costs of two very different types of wars into one made it far harder to evaluate whether both were being adequately financed and whether any given level of expenditure was necessary. It effectively confronted Congress with something approaching a black box and a situation where it almost had to vote against the wars to make major changes.

Starting with the 2007 supplemental request, DOD began to take a much broader view of the kinds of requests that they permitted the services to make in supplemental budgets. In October 2006, Deputy Secretary of Defense Gordon England issued new guidance for drawing up

⁷ Donald B. Marron, CBO, "Issues in Estimating the Cost of Operations in Iraq and the War on Terrorism," statement before the Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform, US House of Representatives, July 18, 2006, p. 3.

⁸ Undersecretary of Defense (Comptroller), *Fiscal Year 2010 Budget Request: Summary Justification*. May 2009.

⁹ Donald B. Marron, CBO, "Issues in Estimating the Cost of Operations in Iraq and the War on Terrorism," statement before the Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform, US House of Representatives, July 18, 2006, p. 3.

¹⁰ Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

requests to the Office of the Secretary of Defense for 2007 supplemental funding: “By this memo, the ground rules for the FY2007 Spring Supplemental are being expanded to include the [Defense] Department’s efforts related to the Global War on Terror and not strictly limited to Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF).”¹¹

With this guidance, the Defense Department greatly expanded the kinds of programs and activities the Services could ask to have funded through supplemental appropriations, even programs and activities that were, at best, only indirectly related to the wars in Iraq and Afghanistan.¹² Reflecting these new instructions, the level of procurement funding doubled in 2007, reaching \$52 billion. With the FY2007 request, reset equipment was no longer limited to current-generation systems. DOD requested and received appropriations to replace losses of older systems, such as the CH-46 helicopter and the F-16 fighter, with next-generation systems that are currently in production, such as the CV-22 tilt-rotor and the F-35 Joint Strike Fighter.¹³

In essence, the new guidance removed any distinction between what should be included in emergency war-related appropriations and the content of the baseline defense budget. This inherently made it more difficult to track the true costs of these two wars and weakened DOD’s long-term planning and budgeting process.

Problems in War Cost Estimates and Reporting

GAO, CBO and CRS have all documented the limited transparency in DOD’s war cost estimating and reporting.¹⁴ While DOD has provided more justification material for its war cost requests beginning with the FY2007 Supplemental, many questions remained difficult to answer and there continue to be unexplained discrepancies in DOD’s war cost reports. This led the CRS to recommend to Congress that DOD needed to provide a better basis for oversight. CRS recommended that DOD could:

- provide estimates of the allocations of all budget authority for the wars, and compare those to outlays;
- provide past, current and future estimates of average troop strength for each operation;
- set up separate appropriation accounts for war funding to create visibility on outlays and increase accuracy;
- compare all budget authority appropriated for war with obligations to identify reporting inconsistencies;
- explain the rationale underlying estimates of reset requirements to repair and replace equipment that is worn out or lost in combat, and track amounts actually spent;
- explain how upgrade requirements are related to war needs rather than ongoing modernization;

¹¹ Gordon England, Memorandum for Secretaries of the Military Department, “Ground Rules and Process for FY’07 Spring Supplemental,” October 25, 2006, p. 1.

¹² Steven M. Kosiak, Center for Strategic and Budgetary Assessments, *The Global War on Terror (GWOT): Costs, Cost Growth and Estimating Funding Requirements*. Statement before the Senate Budget Committee, (6 February 2007).

¹³ Undersecretary of Defense (Comptroller), *FY2007 Emergency Supplemental Request for the Global War on Terror* (February 2007).

¹⁴ House Budget Committee, October 24, 2007, July 31, 2007, and testimony to Subcommittee on National Security, Emerging Threats and International Affairs, House Government Reform, July 18, 2006.

- show how funding from supplemental appropriations may reduce DOD's baseline requests by funding maintenance or procurement earlier than anticipated; and
- estimate future costs under various scenarios.¹⁵

¹⁵ Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

CONGRESS AND THE SUPPLEMENTALS

Shortly after the US invasion of Iraq, Congress began to push the Bush Administration to include funding for the wars in Iraq and Afghanistan as part of its regular annual defense budget request. When the administration continued to rely on supplementals instead, Congress began to attach a “bridge fund” to the annual defense appropriations act that provided a down payment on war-related costs for the coming fiscal year. The size of these bridge funds grew from \$27 billion in 2005 to \$52 billion in 2006, and \$71 billion in FY 2007. In addition, the 2007 defense authorization act included language directing the administration to include full funding for the cost of military operations in Iraq and Afghanistan in its fiscal year 2008 budget request.

Failed Reform in the FY2008 Budget Submission

The Bush Administration did, finally, include a request for funding to cover the estimated full-year costs of military operations in Iraq and Afghanistan for the upcoming fiscal year in its 2008 defense budget submission. This was a positive, if long overdue, step. However, the supplemental still included substantial amounts of funding for programs and activities unrelated to the military operations in Iraq and Afghanistan in recent war-related appropriations has further obscured the true cost of those conflicts, and undermined and weakened DOD’s long-term planning and budgeting process.

The FY2008 Supplemental was the subject of a political tug of war for six months, threatening the continuity of ongoing operations and the liquidity of military personnel accounts. The matter of debate causing the delay was largely partisan. Democrats included language of withdrawal of all combat forces from Iraq within 18 months. Another matter of dispute was the inclusion of non-war-related items in the supplemental bill such as domestic spending for energy assistance to low-income households, a 13-week extension of unemployment insurance, benefits for veterans education, and other domestic projects, bloating the bill to exceed the presidential veto threshold of \$180 billion by over \$20 billion.

The final version of the FY2008 Supplemental represented a compromise between congressional and Administration positions, expanding veteran education benefits and unemployment insurance – a move initially opposed by the Administration – while lowering amounts for domestic funding endorsed by the Senate and assigning new disaster funding for flooding to the Midwest.¹⁶

¹⁶ OMB, “Statement of Administration Policy, H.R. 2642, Supplemental Appropriations Act,” June 19, 2008; available at <http://www.whitehouse.gov/omb/legislative/sap/110-2/saphr2642-h2.pdf>; Senate Appropriations Committee, Press Release, “Statement of Senator Robert C. Byrd (D-W.Va.) Chairman, Senate Appropriations Committee on Supplemental Funding for Investments in America, June 26, 2008”; <http://appropriations.senate.gov/pressroom.cfm>; House Appropriations Committee, Press Release, “Emergency Supplemental Funding for Iraq, Afghanistan Veterans, workers, and Midwest Disasters,” June 19, 2008; <http://appropriations.house.gov/pdf/EmergencySupplemental6-19-08.pdf>.

On 27 June 2008, Congress passed a war supplemental bill allocating \$161.8 billion to cover the costs of operations in Iraq and Afghanistan.¹⁷ The bill covered supplemental requests of \$92 billion dollars to cover the rest of FY 2008 (in addition to the \$90 billion already appropriated). As part of its 2009 defense budget submission, sent to Congress in February 2008, the Bush Administration also included a request for about \$68.5 billion for military operations, including \$66 billion for DOD. It acknowledged that this level of funding was insufficient to cover the full-year cost of the wars in Iraq and Afghanistan, and indicated that it would amend its request later in 2008 to include the necessary additional funding.¹⁸

The administration argued that the security situation in Iraq was too uncertain (early in 2008) to make accurate estimates of the level of funding that would be required to cover the cost of military operations throughout 2009.¹⁹ Specifically, the administration stated that DOD would not be in a position to generate a reasonable estimate of 2009 war-related funding requirements until after General David Petraeus, reported his findings concerning the success of the Iraq “surge” and the size of forces he believed would need to be kept in the country.²⁰ While the uncertainty about future troop levels was certainly a factor in the decision not to submit a full request, the unsound tradition of supplemental budgeting that has become the norm during the Afghan and Iraq wars was also likely a factor.

Congress reduced the Administration’s request by about \$13.7 billion, with some \$12.6 billion taken from the DOD request, cutting from DOD’s investment and working capital fund accounts.²¹ In total, Congress provided \$182 billion for FY2008 — some \$11 billion more than in FY2007. Thus, although the annual increase continued at a slower rate, the FY2008 Supplemental constituted the highest emergency appropriation yet, as **Figure 3** demonstrates.

Figure 3: DOD Supplemental Spending, FY 01-FY10 (in \$US billions)

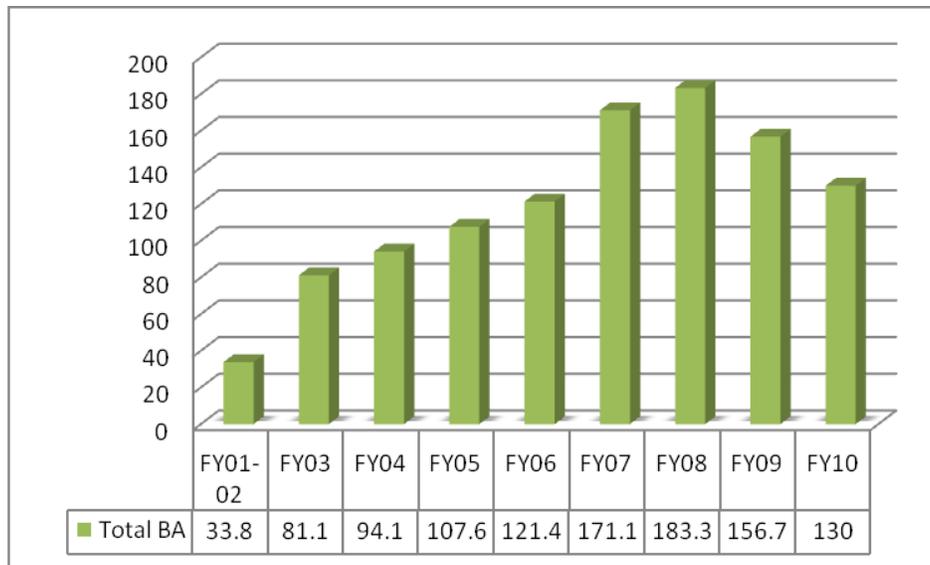
¹⁷ Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

¹⁸ Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

¹⁹ Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

²⁰ General David Petraeus, Testimony before Congress (April 8, 2008).

²¹ Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.



Source: Adapted by the author from data provided by Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

A Change in Direction in the FY2009 Supplemental

In April 2009, President Obama's requested an additional \$83.4 billion in supplemental appropriations to fund ongoing military, intelligence, and diplomatic operations through the end of FY2009.²² Nearly 91 percent of the money (\$75.5 billion) is for DOD activities in support of operations in Iraq and Afghanistan.²³

In the FY2009 request, the bulk of the Operations & Maintenance account funded remaining incremental costs for activities in support of the Iraq and Afghan wars. These funds cover costs of ground combat operations, flying hours, military intelligence activities, logistics support, base support, and depot maintenance for military operations in Iraq and Afghanistan. The O&M account also provided \$909 million for the Defense Health Fund to provide medical services to active forces and mobilized reserve components, \$415 million for the Iraqi Freedom Fund to fund detainee operations and immediate warfighter needs, and \$3.6 billion for the Afghanistan Security Forces Fund to train and equip the Afghan National Security Forces (ANSF).²⁴

The other large item in the supplemental request was procurement, for which the administration requested \$12.2 billion. DOD requested \$8.1 billion to buy a range of tactical vehicles, communications equipment, unmanned aerial systems, and other ISR equipment. It also requested \$1.4 billion for the Joint Improvised Explosive Device Defeat (JIEDD) Fund, which covers activities to defeat IEDs.²⁵

²² Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

²³ OMB, Supplemental Appropriations Request for FY2009, Estimate No. 1, 9 April 2009.

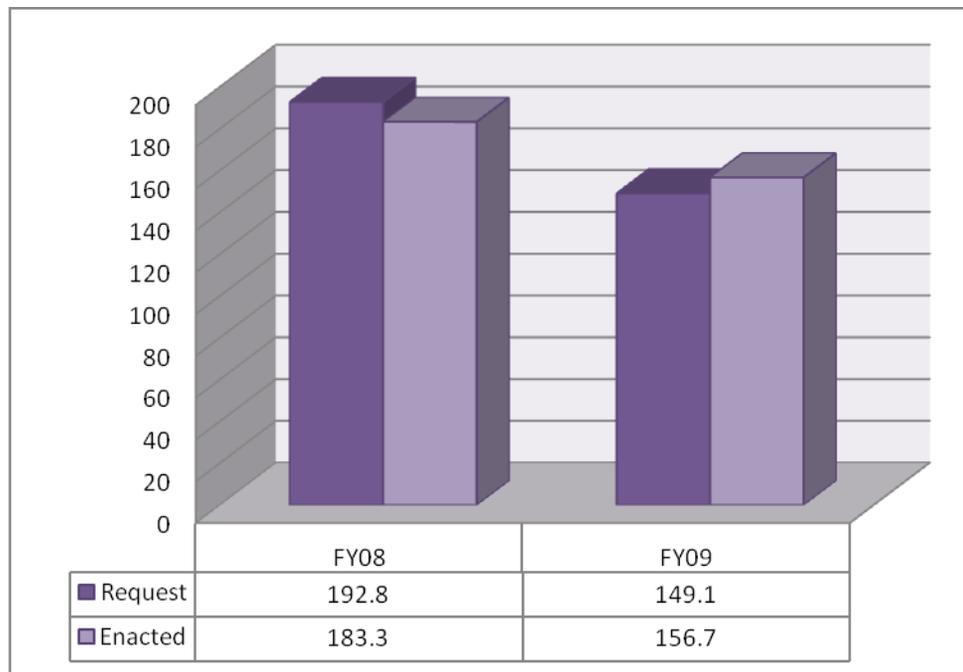
²⁴ OMB, Supplemental Appropriations Request for FY2009, Estimate No. 1, 9 April 2009.

²⁵ OMB, Supplemental Appropriations Request for FY2009, Estimate No. 1, 9 April 2009.

Congress passed the bill, which was signed into law by President Obama on 24 June 2009. As **Figure 4** shows, the bill allocated another \$84.8 billion for wars in Iraq and Afghanistan for the remainder of the 2009 fiscal year, beyond the \$77 billion the President had requested.²⁶ It assigned \$45.5 billion for war-related actions in Iraq and \$39.4 billion to Afghanistan. This brought total war funding in FY2009 to \$156.7 billion or nearly \$27 billion lower than the previous year. The decrease reflected a drop from a one-time purchase of Mine-Resistant Ambush Protected (MRAP) vehicles and less DOD procurement, reflecting a return to DOD's traditional definition of war-related costs, rather than the reduction of troop levels.

The FY2009 supplemental request stated that it will be the last supplement to cover the cost of war fighting. However, it once again failed to provide any meaningful estimate of the past, current, and future cost of the Iraq and "AfPak" wars, or any clear picture of the costs that were and were not included. It did not involve substantive action to deal with the significant conceptual, programming, and budgeting challenges involved in disentangling supplemental funds.

Figure 4: Supplemental Requests vs. Amount Enacted, FY08 and FY09 (in \$US billions)



Source: Adapted by the author from data provided by Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

FY2010 Budget Request

²⁶ National Priorities Project, *The Cost of War Tops \$915 Billion* (17 July 2009). Available at: http://www.nationalpriorities.org/cost_of_war_tops_915_billion

Despite the pledges in the FY2009 Supplemental that it would be the last, the Obama administration did not incorporate the funding for the Afghan and Iraq wars into the FY2010 baseline budget. The administration did deliver the war funding request along with the annual budget request and provided more justification than in the past (54 pages as opposed to the 39 pages of the FY2009 Supplemental), but the funding for Overseas Contingency Operations (OCO) is still not integrated into the budget as a whole.²⁷

The Pentagon press briefing on the budget cited the total for the baseline budget (\$533.8 billion) and the contingency funding (\$130 billion) separately.²⁸ Moreover, the budget request did not fund the wars in the outyears; thus, the reliance on one year supplemental will continue. It is unclear how the administration intends to shift from supplemental funding to including the war costs in the baseline budget.

The Department of Defense requested a total of \$130.0 billion primarily to support Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) in FY 2010, through to September 2010.²⁹ Despite strains on the force and its equipment, the OCO request represented approximately a 10 percent decrease from the Department's FY 2009 supplemental request of \$145.1 billion, continuing the downward trend started with the FY 2009 appropriations. Nevertheless, the budget request provided support for President Obama's decisions to both increase forces in Afghanistan and redeploy forces from Iraq for a combined average force level in these two countries of approximately 168,000 in FY 2010.

The majority of the request was for Operations (\$74.1 billion), as illustrated in **Figure 5**. Developing local capacity also occupied a large portion of the budget, with total of \$7.5 billion requested to train the Afghan National Security Forces (ANSF), and \$0.7 billion to establish a Pakistan Counterinsurgency Capability Fund (\$0.7B) to build the counterinsurgency capabilities of Pakistan's security forces to secure its borders and fight insurgents.³⁰

The other large item in the budget was reconstituting the force (\$17.6 billion). The budget justification states that this funding "maintains readiness by replenishing consumables, replacing and repairing weapon systems damaged or destroyed in battle, and upgrading equipment to better address current threats."³¹ However, virtually no meaningful details were provided to show how adequate the request was, and the request for funds for "force protection" under the Operations category covered many of immediate "reset" needs that were likely to be consumed in future operations. Thus, the reconstitution category appeared to address longer-term modernization without providing any clear picture of the extent to which it actually would do, and the extent to which funds would actually go to future operations.

Figure 5: FY10 Overseas Contingency Operations Request: \$130.0 Billion

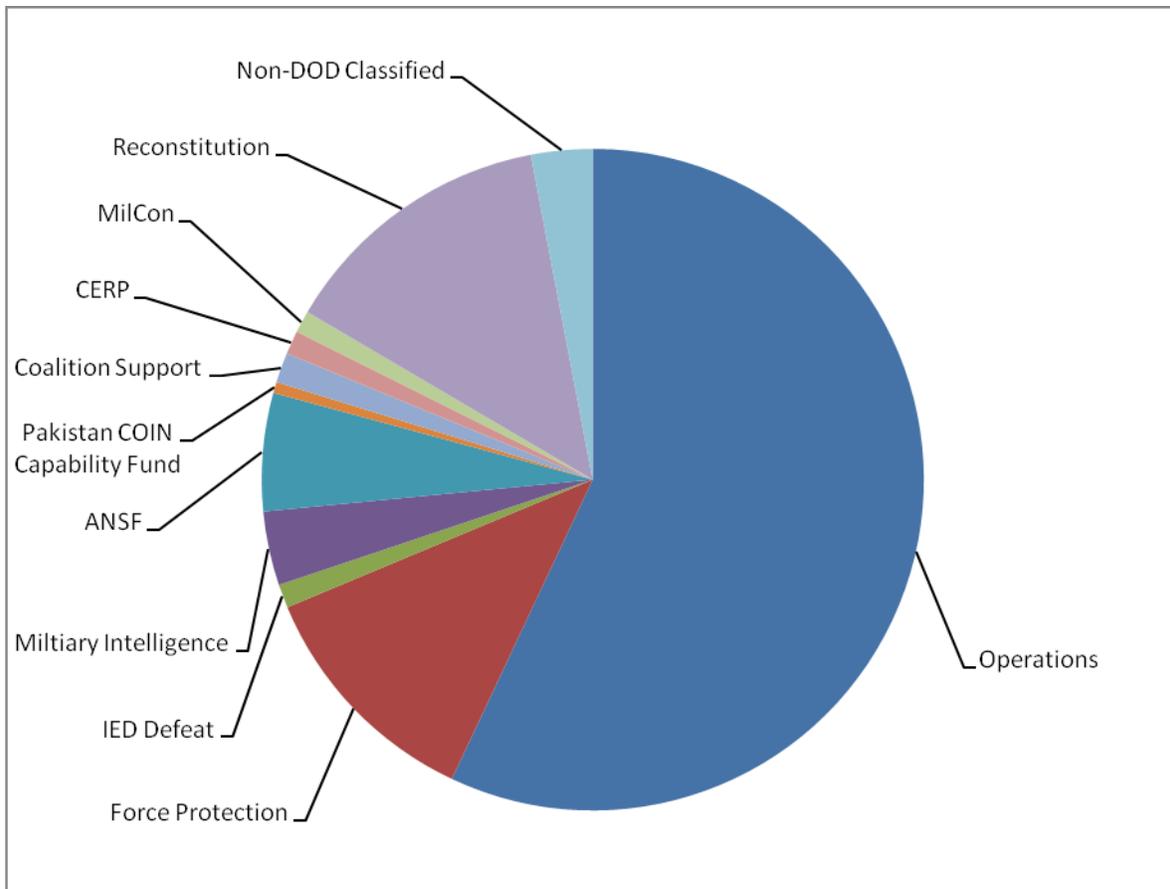
²⁷ Undersecretary of Defense (Comptroller), *Fiscal Year 2010 Budget Request: Summary Justification*. May 2009.

²⁸ Department of Defense. "DOD Releases Fiscal 2010 Budget," News Release, DefenseLink (7 May 2009). <http://www.defenselink.mil/releases/release.aspx?releaseid=12652>

²⁹ Undersecretary of Defense (Comptroller), *Fiscal Year 2010 Budget Request: Summary Justification*. May 2009.

³⁰ Undersecretary of Defense (Comptroller), *Fiscal Year 2010 Budget Request: Summary Justification*. May 2009.

³¹ Undersecretary of Defense (Comptroller), *Fiscal Year 2010 Budget Request: Summary Justification*. May 2009.



Source: Undersecretary of Defense (Comptroller), *Fiscal Year 2010 Budget Request: Summary Justification*. May 2009, p. 4-7

FUNDING IRAQ BUT LOSING IN AFGHANISTAN

The most serious problem in the way the US has approached the funding of its wars in Afghanistan and Iraq, and one that may lead to its defeat in Afghanistan and failure to turn its tactical victories in Iraq into lasting strategic gains, is its underfunding of the war in Afghanistan, and its failures to develop an integrated civil-military plan and strategy in either war and to fund civil operations at the level required. The Bush Administration did far more than fail to develop a meaningful approach to planning, programming, and budgeting its adventures in warfighting, it failed to use resources effectively at the grand strategic level. The Obama Administration has the opportunity to at least try to correct these failures, but it is still far from clear that it will do so.

The total costs involved have been extraordinarily high, even if they are measured in dollars and not in blood. Since 2001, the US government has provided about \$915 billion for military operations, base security, reconstruction, foreign aid, embassy costs, and veterans' health care. This \$915 billion total covers all appropriations approved by Congress for FY2001 to meet war needs from FY2009 through the first part of FY2009, the current fiscal year. It includes some \$838 billion provided over from FY2001 to FY2008, a \$66 billion bridge fund to cover costs until July 2009, and an \$84.8 billion FY2009 supplemental to carry the operations through to the end of the fiscal year.³²

Costs and funding for these military operations have risen exponentially since 2001. Annual war appropriations more than doubled from about \$34 billion in FY2001/FY2002, when US military operations in Afghanistan began, to \$80 billion in 2003, when the United States invaded Iraq.³³ For 2008, Congress provided \$183 billion in supplemental funding, the peak in supplemental appropriations. Appropriations dipped to \$156.7 billion in FY2009. The steep upward trend has been primarily related to the war in Iraq, which has ended up costing far more than the Bush Administration expected, although in recent years costs have remained around peak levels, but the emphasis has shifted to Afghanistan to provide funds to combat the insurgencies.

Table 1: Estimated War Funding by Operation: FY2001-FY2010 War Request (\$US billions)

Operation	FY01-02	FY03	FY04	FY05	FY06	FY07	FY08	FY09 Bridge	FY09 Supp.	FY09 Total	Total FY01-FY09	FY10 Req.
Iraq	0	53	75.9	85.5	101.6	133.6	140.9	51	45.5	96.5	783.5	68
OEF	20.8	14.7	14.5	20	19	36.9	42.1	20.7	39.4	60.1	288.2	62
Enhanced Security	13	8	3.7	2.1	0.8	0.5	0.1	0	0	0	28.2	0
Unallocated	0	5.5	0	0	0	0	0	0	0	0	5.5	0
Total	33.8	81.1	94.1	107.6	121.4	171	183.3	71.9	84.8	156.7	1105.4	130

³² National Priorities Project, *The Cost of War Tops \$915 Billion* (17 July 2009).

http://www.nationalpriorities.org/cost_of_war_tops_915_billion; Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). 15 May 2009.

³³ Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

Strategic Failure and Implications for Funding

Both the Afghan War and the Iraq War have proven to be far more costly than other recent US military operations, even adjusting for differences in the number of troops deployed and the duration of the conflicts. The most fundamental reason for this underestimate of both conflicts' costs was the administration's unrealistic assumption that the vast majority of US forces would be withdrawn within a few months after conventional military forces were defeated, and that there would be no need to conduct large-scale, long-term stability operations in the country.

The most flagrant underestimates were applied to the Iraq War. During the lead-up to the Iraq War, there were discussions of the likely costs. Larry Lindsey, head of the National Economic Council, suggested that they might reach \$200 billion.³⁴ This estimate was dismissed as "baloney" by the Defence Secretary, Donald Rumsfeld. Mitch Daniels, the Office of Management and Budget director, and Secretary Rumsfeld estimated the costs in the range of \$50 to \$60 billion, a portion of which they believed would be financed by other countries.³⁵

Once it became apparent that the initial estimates had been grossly underestimated, the Bush Administration poured funding into Operation Iraqi Freedom. However, they neglected the Afghan war, underfunding it to the point where the Taliban, Hekmatyer, Haqqani, and Al Qa'ida had more than half a decade in which to re-establish their presence in nearly half of Afghanistan. The Afghan campaigns now require huge influxes of funding if the United States is to win. With the passage of the FY2009 Supplemental, Congress will have appropriated a total of over \$949 billion for military operations, reconstruction, embassy costs, and foreign aid programmes in Iraq and Afghanistan – far more than the Bush Administration ever expected.

As a result of these underestimates, the United States entered the wars without any plans to conduct meaningful stability operations, to take on nation-building tasks, or to fight a major insurgency. This grand strategic failure occurred as a result of decisions made by the Bush Administration in spite of warnings from many experts in the US military, US State Department, the US intelligence community, and outside experts. This failure contributed immensely to the US and allied casualties in both wars and to their length, total cost, civilian casualties, collateral damage, and opportunity costs.

There was, however, a fundamental difference in the way in which the Bush Administration reacted to the challenges it faced after the initial moment of conventional victory. As **Figure 6** illustrates, in Iraq the US reacted almost immediately by making massive expenditures on forces and economic aid. Total funding rose from \$53.0 billion in FY2003 to \$75.9 billion in FY2004, \$85.5 billion in FY2006, \$133.6 billion in FY2007, and \$149.2 billion in FY2008. The enacted total for Iraq in FY2008 is some 10 percent more than the previous year.³⁶ As of the FY2009 Supplemental, a total of \$687 billion have been appropriated for Iraq.

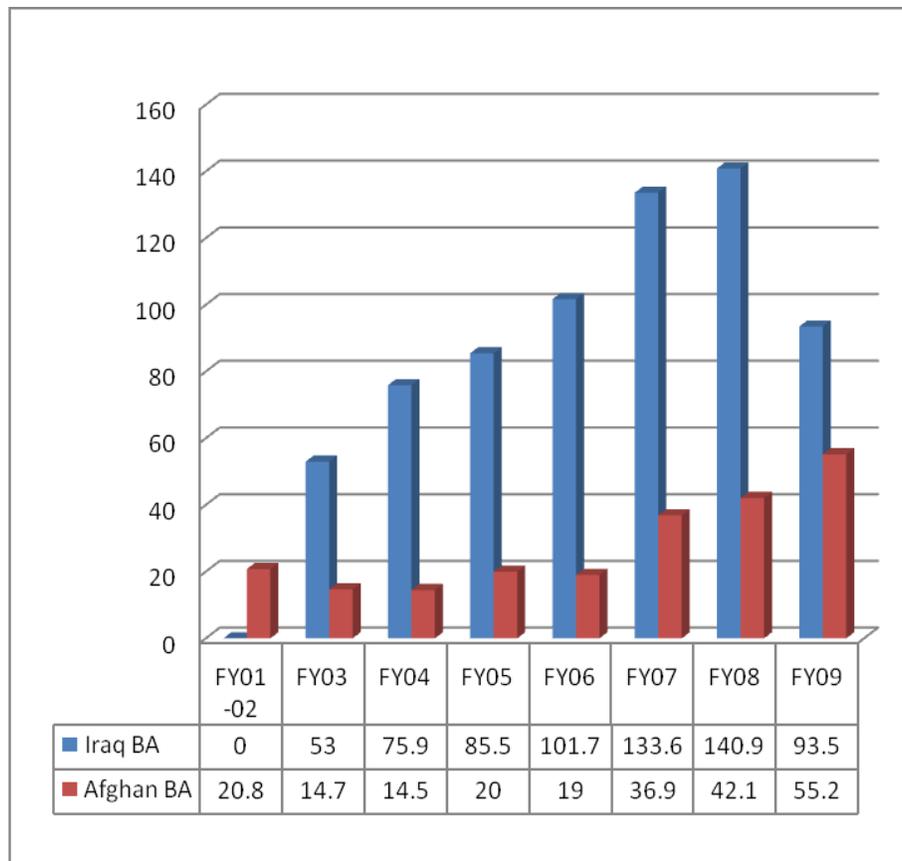
³⁴ Linda Bilmes and Joseph Stiglitz. *The Three Trillion Dollar War: The True Cost of the Iraq Conflict*. New York: W.W. Norton & Co, 2008, p. 7.

³⁵ Linda Bilmes and Joseph Stiglitz. *The Three Trillion Dollar War: The True Cost of the Iraq Conflict*. New York: W.W. Norton & Co, 2008, p. 7.

³⁶ Congressional Research Service, Testimony of Amy Belasco to House Budget Committee, "the Growing Cost of the Iraq War," October 24, 2007.

These figures were radically different in the case of Afghanistan. With only \$228 billion devoted to the war (25 percent of the total appropriated for both wars), the United States has effectively failed to resource a steadily more serious insurgency as it developed during FY2002 through FY2006. In spite of significant allied contributions, the Afghan War has received less outside funding than the Iraq War, and has had fewer combat troops than were committed to the Coalition forces in Iraq at their peak. Costs for Operation Enduring Freedom have risen dramatically since FY2006 as troop levels and the intensity of conflict have grown, but expenditures have been three times higher on Iraq to date. Average expenditure on Afghanistan per years has been \$28.5 billion versus \$114.5 billion for Iraq – roughly four times higher. The Bush Administration simply did not fund the war it had to fight.

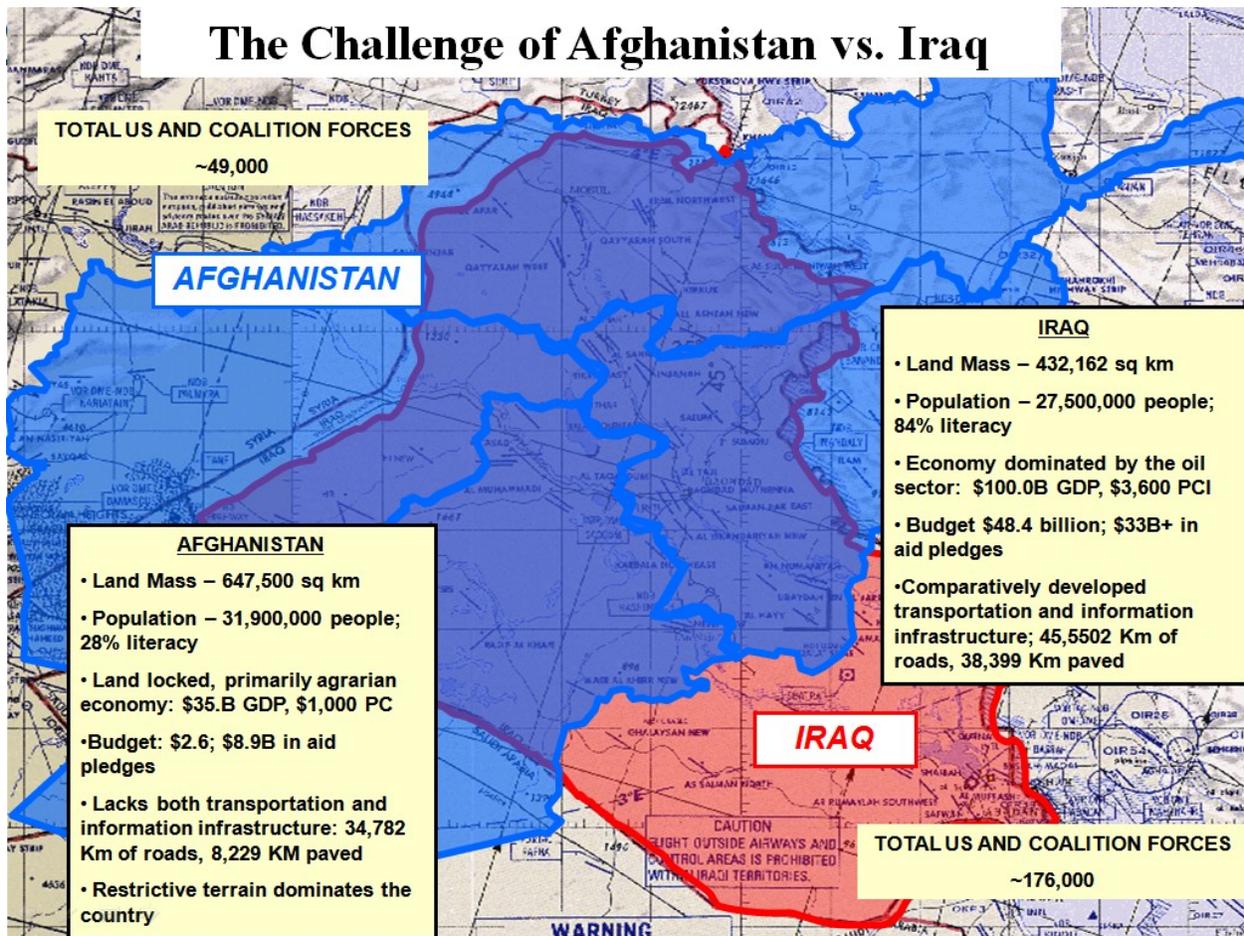
Figure 6: Annual DOD Spending on the Iraq and Afghan Wars (in \$US billions)



Source: Adapted by the author from data presented in Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

There are other factors that complicate conducting an effective campaign in Afghanistan, outside of the resources devoted by the United States. Afghanistan is larger than Iraq – as **Figure 7** demonstrates – has a larger and more fractured population, has far more difficult terrain to fight in, and has a virtual enemy sanctuary in Pakistan on its eastern and southern borders. It has also never had a cohesive government nor a military or police force that was more than a fraction the size of Iraq’s. This means that the money the US spends does not go as far as in Iraq. Moreover, Afghanistan is a far poorer country than Iraq, had no savings and capital resources to draw upon once the initial fighting war over, and lacked oil exports or other economic activity capable of funding the basic needs of its population, much less funding development and strong national security forces.

Figure 7: The Challenge of Afghanistan vs. Iraq



Source: Anthony H. Cordesman, *The Afghanistan-Pakistan War: A Status Report: 2002-9*. Center for Strategic and International Studies (12 April 2009).

Funding for Afghanistan was about \$20 billion annually from FY2001 to FY2006, but jumped by 75 percent to about \$37 billion in FY2007. The \$17 billion growth reflects a \$5.5 billion more to equip and train Afghan security forces above the previous year as well as \$510 million for 7,200 more troops. Funding then fell, however, to \$34 billion in FY2008 when more funding was included for operations and less for training Afghan security forces.³⁷

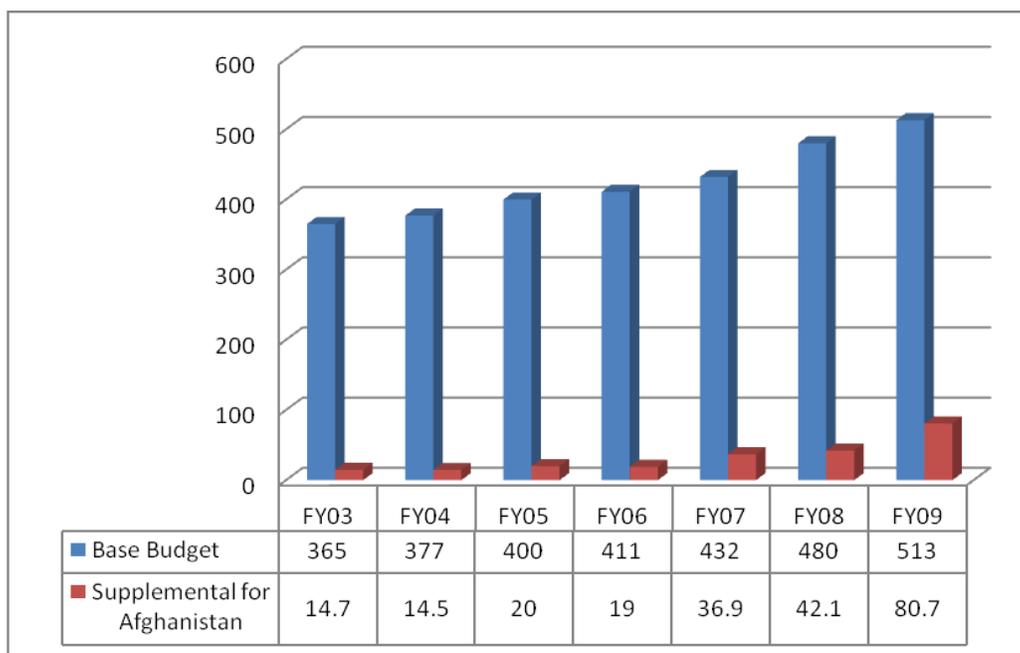
As **Figure 8** demonstrates, it was only in FY2009, some seven years after the war in Afghanistan became a major US strategic commitment, when the US began to fund the war seriously. The ratio of spending shifted towards Afghanistan – although still at a rate that feels far short of funding the necessary level of troops, efforts to develop effective Afghan security forces, and aid. Instead of the 20 percent for Afghanistan and 80 percent for Iraq balance that was used from FY2003 to FY2008, \$60 billion or nearly 40 percent of funds are estimated to be for Afghanistan and \$96.5 billion or 60 percent for Iraq.

The FY2010 war request included \$130 billion for DOD and shifted the emphasis with more than half of the funds going to Afghanistan, \$68 billion, and \$62 billion for Iraq. These war requests gave almost half of DOD funds going to each operation. If Congress enacts the FY2010 war request at the proposed level, total funding since the 9/11 attacks for the two wars and enhanced security in the United States would reach over \$1 trillion.

The grim reality is, however, that the Bush Administration gave the Taliban, Hekmatyer, Haqqani, and Al Qa'ida more than half a decade in which to take the initiative, create major sanctuaries in Pakistan, and re-establish a jihadist presence in nearly half of Afghanistan. Moreover, the additions to the FY2009 budget still only funded the US mission at less than half the level the new Embassy team that President Obama appointed felt was necessary, only funded about half the level of effort needed to develop effective Afghan forces, and failed to fund the military reinforcements needed to make up for seven years of neglect.

Years of underfunding have also created a dilemma for the Obama Administration where it must now pay far more to compensate for the past Administration's grand strategic failures or risk losing the war in Afghanistan. Moreover, neither the DOD nor State Department budgets fund a well-defined plan for the civil side of either war, or plan to sustain the US military advisory effort in Iraq at anything like the level required. The US finds it easy to announce "strategies" and concepts; it has yet to show that it can back them with efficient and effective plans, programs, and budgets.

³⁷ Department of Defense, *FY2008 Global War on Terror Amendment*, Table 2, Funding by Functional Category, October 2007, p. 57.

Figure 8: Baseline Budget vs. Supplementals for Afghanistan, FY03-FY09 (in \$US billions)

Source: Adapted by the author from data presented in Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

Authorizing versus Obligating versus Spending

There are no detailed data available on actual spend out rates for aid, but the data on Department of Defense authorizations versus obligations provide a rough idea of just how important the time gap is between authorizing and executing. Obligations represent “the amount of budget authority for military and civilian pay and for contracts signed by the government or orders placed within DOD for parts, repairs, and purchase of weapons systems and supplies.”³⁸

Although obligations go up and down from month-to-month, average obligations are a good indicator of ongoing operational costs because these funds must be obligated — put in contract — within the first year. For investment costs, however, average monthly obligations lag appropriated budget authority since only some of the funds are obligated in the first year because time is needed for planning.

Yet, while obligations reflect how budget authority is being spent these reports come out after funds are appropriated by Congress and do not measure outlays — payments that are made when goods and services are delivered — which give a better sense of spending rates. In its new *Status of War Reports*, however, DOD has started to track outlays, reversing its previous stance that these could not be captured because war-related appropriations are co-mingled with baseline funds.

³⁸ Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Service (RL33110). Updated, 15 May 2009.

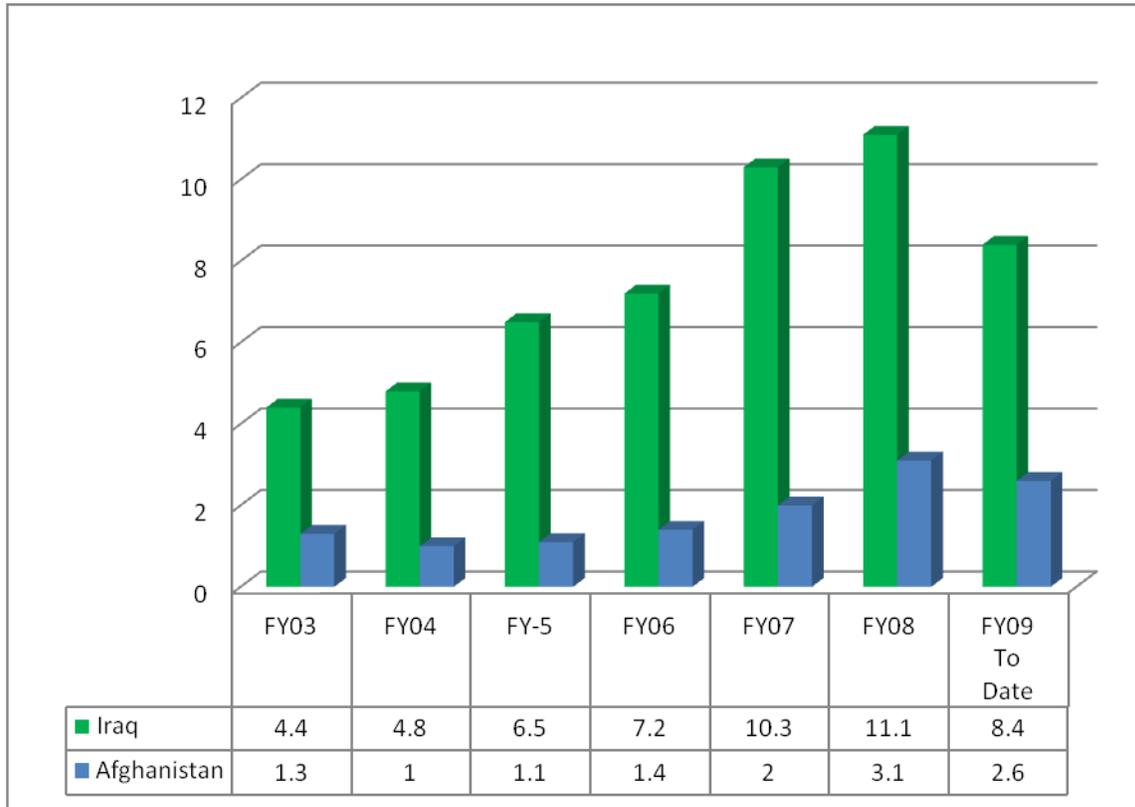
A CRS report by Amy Belasco indicates that Department of Defense obligations from FY2001 to February 2009 totalled \$705.1 billion, with \$548.1 billion or 77 percent for Iraq, and \$157 billion or 18 percent for Afghanistan and other GWOT activity.³⁹ The budget authority for the same period was \$864.2 billion, with \$641.5 billion going to Iraq and \$217 billion going to Afghanistan and other GWOT activity. These numbers indicate that only 85 percent of the money authorized for Iraq has been obligated (which is not the same as actual spending or any form of actual activity on the ground), and only 72 percent of the money for Afghanistan and the GWOT. Ironically, although Afghanistan has been a much longer conflict, the rate of obligation has been slower.

Average monthly obligations grew from \$6.2 billion in FY2004 to \$14.3 billion in FY2008, more than doubling in four years for Iraq and Afghanistan together. As of February 2009, monthly obligations have fallen to \$10.9 billion, almost 25 percent less than the \$14.3 billion average per month in FY2008 during the Iraq surge. This decrease reflects the withdrawal of troops sent to Iraq for the surge but probably not yet initial increases in troop levels in Afghanistan.

It is illuminating to compare average monthly obligations for Afghanistan and Iraq. As of February 2009, average monthly obligations were running at \$8.4 billion in Iraq and \$2.6 billion in Afghanistan. **Figure 9** and **Table 2** show how the low the average monthly obligation rates for the Afghan War versus Iraq have persisted over time. It is striking to note that these figures clearly reflect the cost of the surge in Iraq that helped correct for past failures to plan and execute stability operations, nation-building and immediate counterinsurgency operations. Nothing approaching that level of effort has occurred in Afghanistan.

³⁹ Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Service (RL33110). Updated, 15 May 2009.

Figure 9: Average Monthly Obligations (in \$US billions)



Source: Adapted from data provided by Amy Belasco, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*, Congressional Research Service, RL33110, Updated May 15, 2009.

Table 2: DOD’s Obligations by Operation: FY2003-FY2009 (in billions of dollars)

Mission and Type of Spending	Average Monthly Obligations						
	FY03	FY04	FY05	FY06	FY07	FY08	FY09 To Date
Operation Iraqi Freedom							
Operations	4.2	4.2	4.7	5.9	7.1	7.7	6.2
Investments	0.2	0.6	1.8	1.3	3.2	3.5	2.1
Total	4.4	4.8	6.5	7.2	10.3	11.1	8.4
Afghanistan and the GWOT							
Operations	1.1	0.9	0.9	1.2	1.9	2.8	2.6
Investment	0.2	0.1	0.2	0.2	0.1	3	0
Total	1.3	1	1.1	1.4	2	3.1	2.6

Source: Amy Belasco, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*, Congressional Research Service, RL33110, Updated May 15, 2009.

A more recent estimate by the CBO, made in August 2009, indicates that total expenditures are even higher, but that the Iraq War got 74% of the total funding, while the Afghan conflict and the rest of the war on terrorism – which were fought over a substantially longer period -- got only 26%.⁴⁰

“Since September 2001, lawmakers have provided a total of \$944 billion in budget authority for military and diplomatic operations in Iraq, Afghanistan, and other regions, for some veterans’ benefits and services, and for related activities of the Department of Justice (see the table to the right). Appropriations specifically designated for those activities, which averaged about \$93 billion a year from 2003 through 2005, rose to \$120 billion in 2006 and to \$187 billion in 2008, before declining to \$154 billion in 2009.

Funding to date for military operations and other defense activities related to the war totals \$849 billion, most of which has gone to the Department of Defense (DoD). Lawmakers also provided more than \$42 billion to train and equip indigenous security forces in Iraq and Afghanistan. A total of \$891 billion has thus been appropriated since September 2001 for military operations in Iraq and Afghanistan and other war-related activities.

In addition, \$51 billion has been provided for diplomatic operations and foreign aid to Iraq, Afghanistan, and other countries that are assisting the United States in fighting terrorism. Of that amount, \$16 billion was appropriated for the Iraq Relief and Reconstruction Fund.

DoD reports that in 2009, obligations for operations in Iraq and Afghanistan and related activities averaged almost \$10 billion per month through May, the last month for which data are available. That rate is about \$3 billion less than the average monthly obligations in 2008. Because more than half of the funding for 2009 was provided at the end of June, however, the Congressional Budget Office (CBO) expects that monthly obligations will increase significantly during the last quarter of this fiscal year.

Operation Iraqi Freedom accounts for approximately 74 percent of all reported obligations—down from 80 percent in 2008 and 85 percent in 2007... Operation Enduring Freedom (which refers mainly to operations in and around Afghanistan) accounts for another 26 percent. Additional security missions based in the United States—such as combat air patrols over Washington, D.C., and New York City (known as Operation Noble Eagle)—account for less than 1 percent.

Because most appropriations for operations in Iraq and Afghanistan and for related activities appear in the same budget accounts that record appropriations for DoD’s other functions, determining how much has actually been spent for those activities is difficult. CBO estimates that appropriations for those operations resulted in outlays through 2008 of about \$575 billion (of which about \$140 billion occurred in 2008). Of the funds appropriated for international affairs related to the wars, about \$35 billion was spent through 2008, CBO estimates. In total, outlays for operations in Iraq and Afghanistan amounted to roughly \$145 billion last year. Outlays in 2009 (which also include spending from prior years’ appropriations) could total approximately \$160 billion, in CBO’s estimation.”

⁴⁰, CBO, *The Budget and Economic Outlook: An Update*, August 2009, p. 12-13..

ESTIMATED FUTURE COSTS

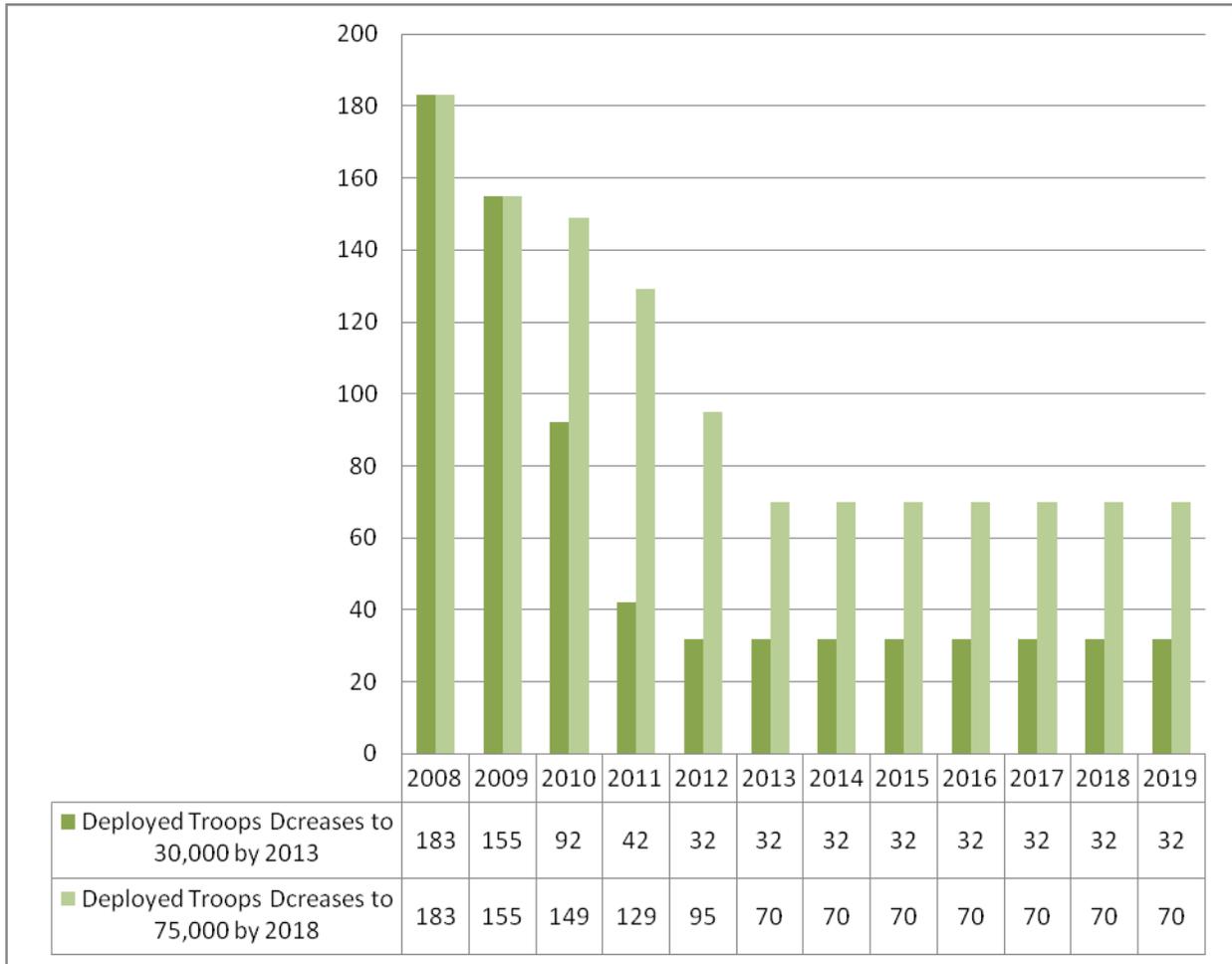
The Obama Administration has announced declines in troop levels in Iraq to meet the Status of Forces agreement signed with Iraq this January which requires that all US troops be out of Iraq by the end of 2011. President Obama has also announced plans to increase troops in Afghanistan by about 25,000 troops in the next year but has not made final decisions about levels in 2010.

CBO has projected the future cost of the Global War on Terror under two alternative scenarios — without disaggregating funds for Iraq and Afghanistan — in its 2009-2019 budget outlook. These are graphically represented in **Figure 10**. Under the faster drawdown scenario, troop levels would decline from 205,000 to 30,000 troops by FY2011. Costs would fall from \$155 billion in FY2009 for 180,000 deployed troops to \$92 billion for 90,000 troops in FY2010; \$42 billion for 30,000 troops in FY2011; and \$32 billion a year for 30,000 deployed troops in FY2012-FY2019. In total, from FY2009 to FY2019, discretionary outlays would be close to \$388 billion.

For CBO's higher alternative, funding would reach about \$867 billion for FY2010 – FY2019 with deployed troops reaching a steady-state level of 75,000 by FY2013. Starting from the same level in FY2009 of \$155 billion for 180,000 deployed troops, CBO's year-by-year projections for costs and deployed troops levels reach \$70 billion per year once the steady state of 75,000 troops is achieved in FY2013 through to FY2019.

If these CBO projections are added to funding already appropriated, the cost of Iraq, Afghanistan, and enhanced security could reach from \$1.3 trillion to \$1.8 trillion by 2019 if troops fell to 30,000 or 75,000 respectively. The reality is, however, that such estimates have to be guesstimates. As long as the Obama Administration has no clear plan, program, or budget for either war – and discusses “strategy” in vague conceptual terms – the CBO can provide little more than informed guesswork.

Figure 10: CBO Estimate of Total Cost of Defense Outlays under Different Assumptions Regarding in Afghan and Iraq Wars (In Outlays of \$US Current Billions by Fiscal year)



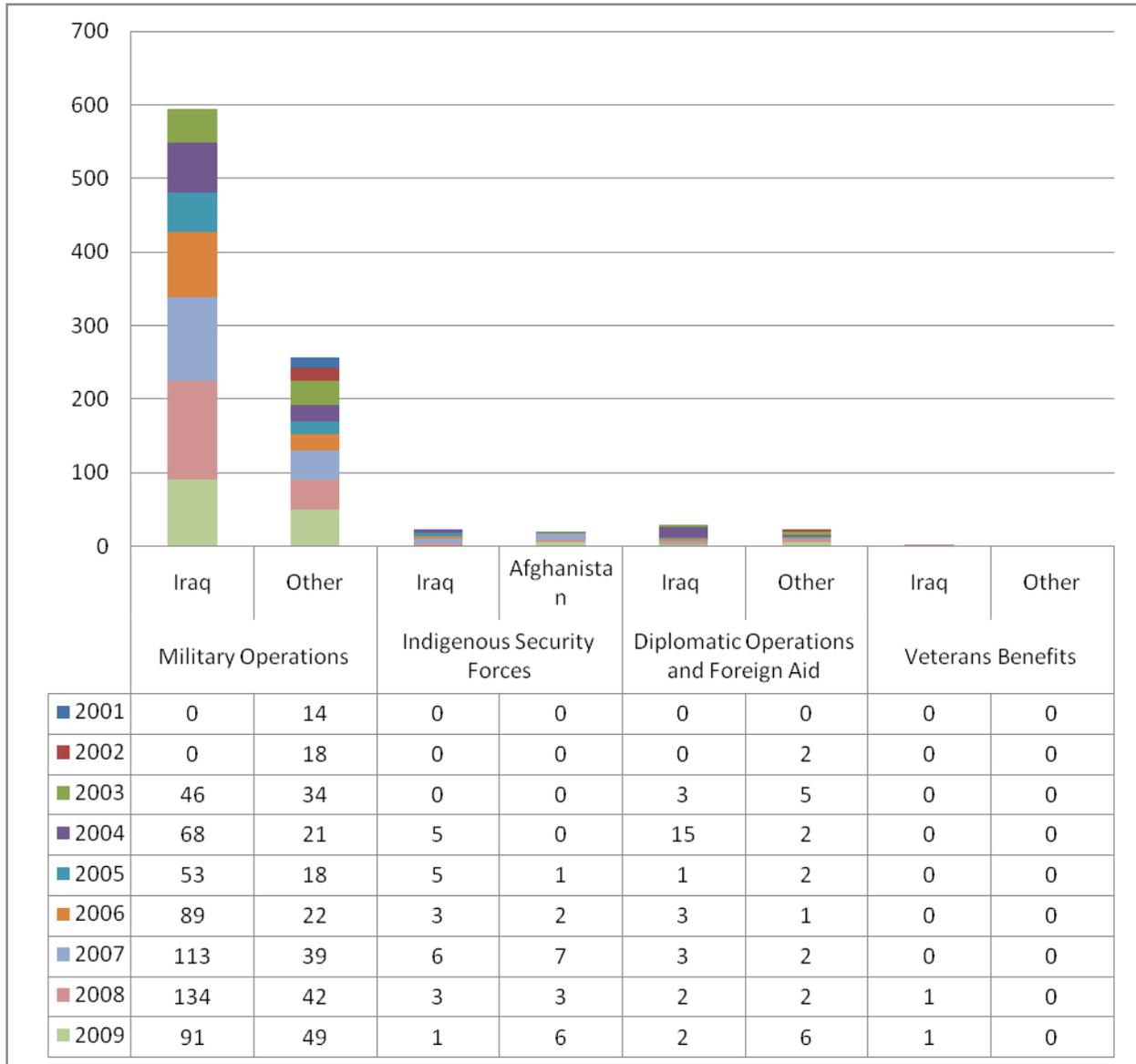
Source: CBO, *The Budget and Economic Outlook* "Fiscal Years 2009-2019, January 2009;
<http://www.cbo.gov/ftpdoc.cfm?index=8917>

COST DRIVERS

It is difficult to assess how supplemental funds are divided between Iraq and Afghanistan, as DOD does not provide data that disaggregates the funds allocated to Operation Iraqi Freedom and those allocated to Operation Enduring Freedom. However, analysis of CBO data shows that there has been no consistent effort to properly resource the Afghan conflict, as **Figure 11** shows. In every category of appropriated funds – operations, security force development, diplomatic operations and veterans’ benefits – spending on Iraq dwarfs that of Afghanistan. This discrepancy is striking and in large part the reason that the United States is facing such a difficult situation in Afghanistan today.

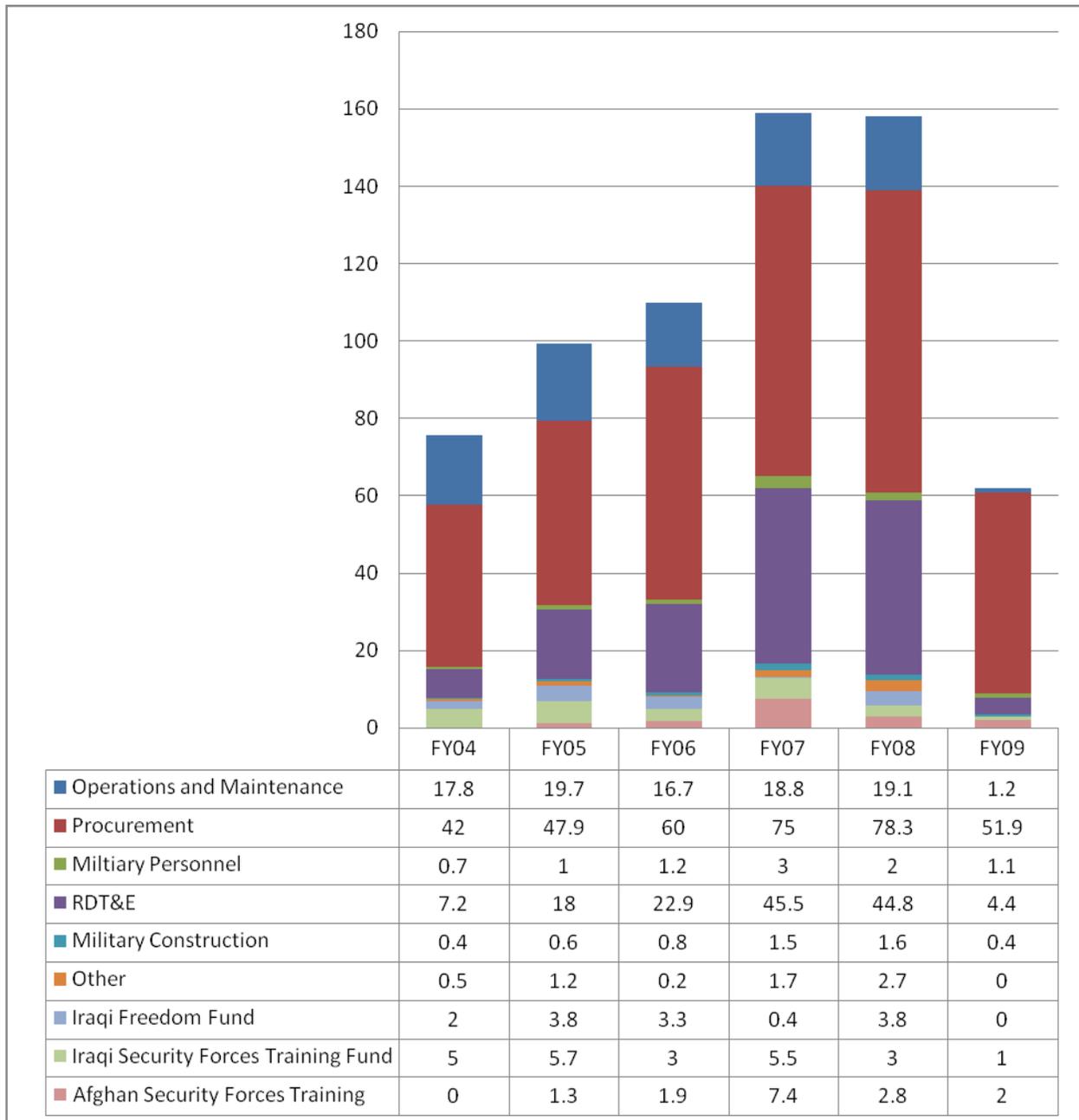
Regardless of how the funds are divided, however, it is useful to look at the factors driving the aggregate costs, highlighted in **Figure 12**. The growing intensity of operations, additional equipment, and new funding to train and equip Iraqi security forces are not enough to explain the size of the funding increases. Although DOD included more extensive justification of its FY2007 and FY2008 supplemental requests, it still provides little explanation of how changes in force levels affect funding levels.

Figure 11: Appropriations by Category: Iraq vs. Afghanistan (in \$US billions)



Source: Adapted by the author from data provided in CBO, *The Budget and Economic Outlook : An Update* (August 2009).

Figure 12: Appropriations for Afghan and Iraq Wars by Category FY04-FY09 Bridge (in \$US billions)



Source: Adapted by the author from data provided in Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

Military Personnel

The least controversial cost driver relates to military personnel. To date, a total of about \$121 billion has been included in war-related appropriations for military pay and other benefits, with this total accounting for some 15 percent of all DOD supplemental funding. Military personnel

funding has remained between \$16 billion and \$20 billion a year, as **Figure 13** shows. Although DOD does not disaggregate spending on military personnel for Iraq and Afghanistan, if we examine comparative troop levels, as in **Figure 14**, it is clear that the majority of this funding is going to Iraq. This makes military personnel one of the many areas in which Afghanistan is underresourced.

About half of the war-related military personnel costs are for pay and benefits to the 110,000 reservists who have been activated since FY2004, with the number falling in recent years.⁴¹ Pay and benefits for active-duty military personnel are not generally funded through these special appropriations because they do not represent incremental costs associated with being at war, as active-duty personnel have to be paid all the time. Some military personnel costs associated with mobilizing reserve personnel needed to support the wars in Iraq and Afghanistan have been covered with supplemental appropriations, however, including imminent danger pay or survivors benefits.

There are additional problems with the way the supplemental requests approach military personnel that have to do with the expanding definition of what constitutes appropriate content. Military personnel costs increase as DOD “overstrength” – the number of additional active-duty Army and Marine Corps personnel who have been recruited and retained to meet wartime needs above DOD’s pre-war strengths — grows. For most of the past eight years, the number of active-duty Army and Marine Corps troops exceeded the permanently authorized end strength ceilings for those Services by several tens of thousands of personnel, bringing troop levels to 482,000 for the Army and 172,000 for the Marine Corps.

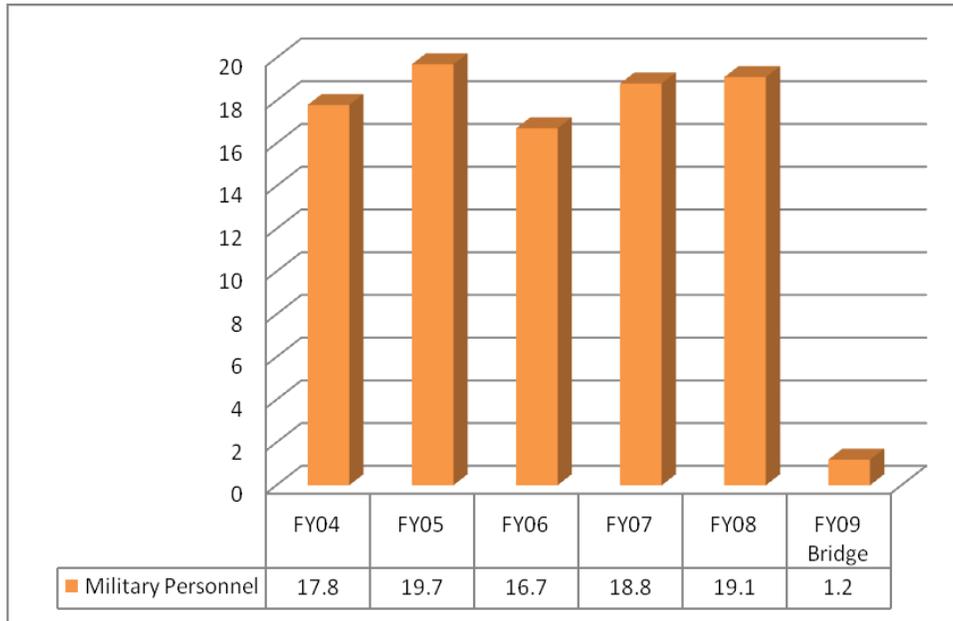
“Overstrength” has been considered a war cost because DOD initially argued that the increases would be temporary should therefore be covered through supplemental appropriations.⁴² However, in the FY2007 Supplemental, the Defense Department announced a plan to make these increases part of a permanent expansion of the Army and Marine Corps.⁴³ Including such items in the supplemental makes it more difficult to track the true costs of these two wars and weakens DOD’s long-term planning and budgeting process.

⁴¹ Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

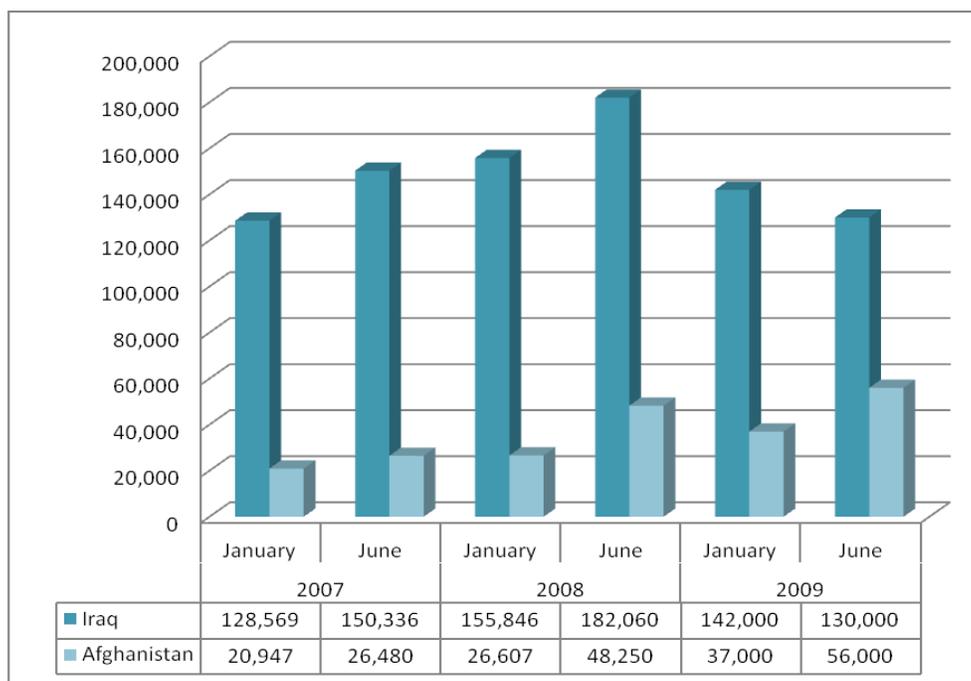
⁴² Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

⁴³ Undersecretary of Defense (Comptroller), *FY2007 Emergency Supplemental Request for the Global War on Terror* (February 2007).

Figure 13: Spending on Military Personnel (in \$US billions)



Source: Adapted by the author from data provided in Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

Figure 14: Troop Levels in Iraq and Afghanistan

Source: Adapted by the author from data provided by JoAnne O’Bryant and Michael Waterhouse, *U.S. Forces in Iraq*, Congressional Research Service (14 December 2007); JoAnne O’Bryant and Michael Waterhouse, *U.S. Forces in Iraq*, Congressional Research Service (14 July 2008).

Operations and Maintenance (O&M)

By far the greatest share of war-related appropriations has been allocated to O&M programs and activities. To date, O&M activities have absorbed a total of \$509 billion, some 55 percent of all DOD supplemental funding. The O&M budget covers the costs of purchasing fuel, spare parts and many other supplies, as well as equipment maintenance, repair, and transportation activities. Equipment has been used far more intensively in Iraq and Afghanistan than it is normally used during peacetime training. This higher operational tempo (OPTEMPO) has necessitated much greater spending on fuel, spare parts and other “consumable” supplies. O&M funding has also been used to cover most equipment maintenance costs related to the ongoing military operations.

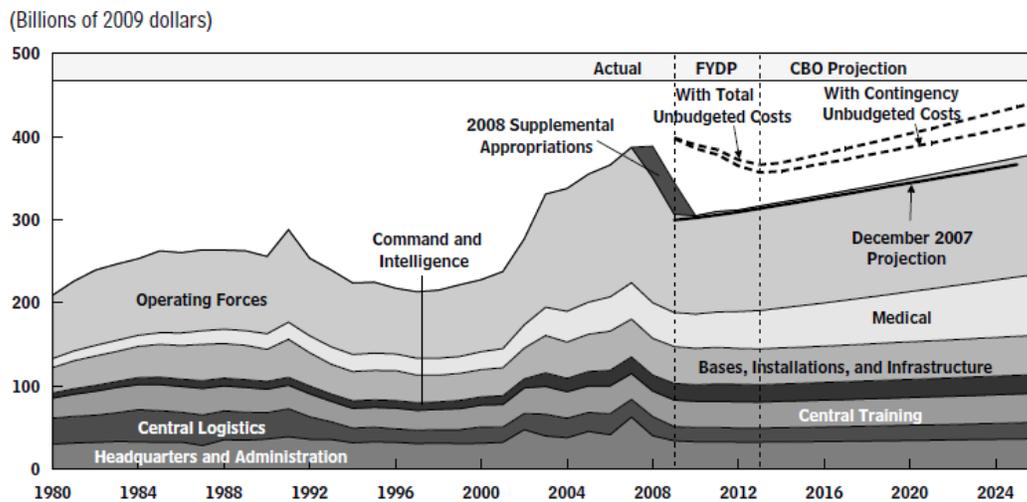
There was a \$17 billion increase in operating costs from \$43 billion in FY2004 to \$60 billion in FY2006. Based on DOD obligations, this increase reflects more body armour for troops (growth of \$1 billion to \$2 billion), the jump in oil prices and the rise in intensity of operations (growth of \$4 billion), maintenance bills for worn equipment (growth of \$4 billion), and \$2 billion more in command, communications, control, and computers support.⁴⁴

With enactment of the FY2007 Supplemental, operating costs jumped from \$60 billion in FY2006 to \$75 billion in FY2007 or by 25 percent. This increase reflects the Administration’s surge in troop levels, higher repair costs, more force protection gear, and higher operating tempo.

⁴⁴ Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

In CBO’s projection, operation and maintenance (O&M) funding will continue to rise, increasing from \$180 billion in 2013 to \$209 billion in 2025 – an average annual growth rate of 1.3 percent.

Figure 15: Rising Operations Costs if the US Cannot Cut Wartime Costs & Deployments



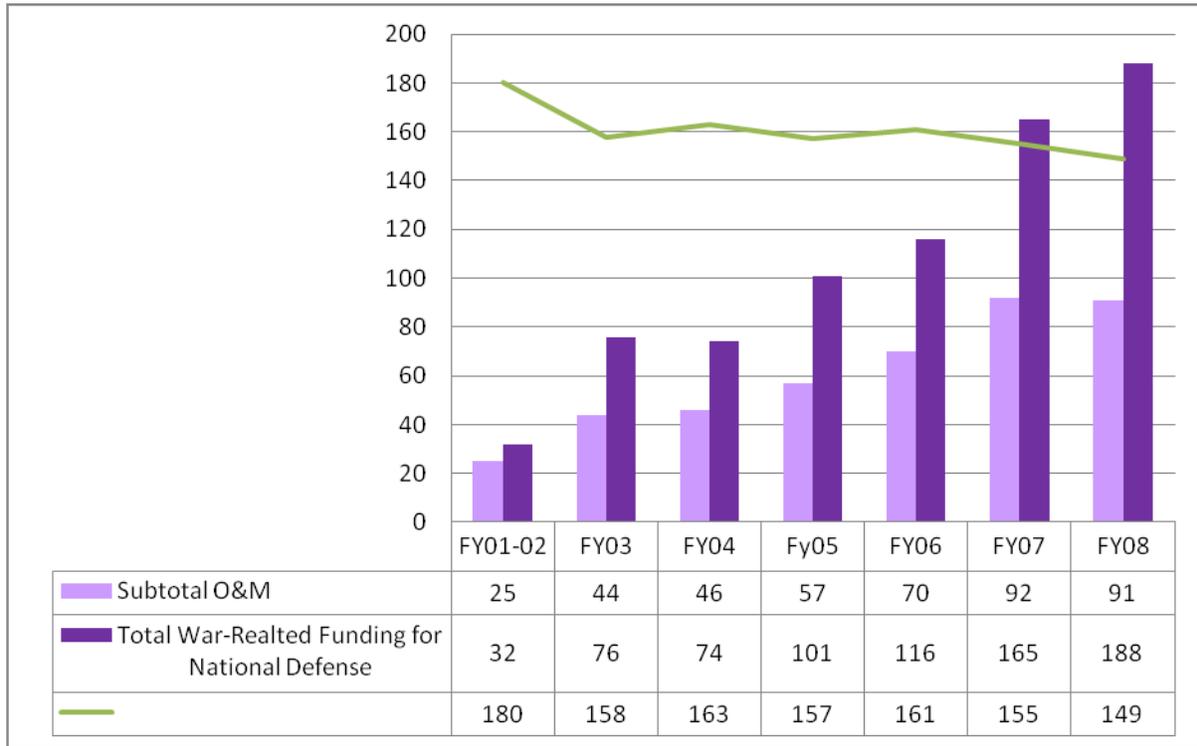
Source: Congressional Budget Office.

Note: FYDP = Future Years Defense Program.

Source: CBO, *The Long-Term Implications of Current Defense Plans: Detailed Update for Fiscal Year 2008* (March 2008).

Yet, while the O&M cost have certainly risen, O&M funds have dropped as a share of supplemental appropriations for the Iraq and Afghan Wars, as **Figure 16** illustrates. As O&M historically has been – and continues to be – the largest portion of the wartime appropriations, this indicates that there are other factors whose expense is pushing the supplemental higher. This raises critical questions about the Obama Administration’s future plans for Afghanistan, and what it plans to mid and long term costs of the war to be. At present, the only meaningful estimates remain work by the CBO which presently can only be “guesstimates” because of the lack of meaningful PPB data from the Administration.

Figure 16: O&M Funds as Share of Supplemental Appropriations for Afghan and Iraq Wars (In \$US Current Billions by Fiscal year)



Source: CBO, *Analysis of the Growth in Funding for Operations in Iraq, Afghanistan, and Elsewhere in the War on Terrorism*, February 11, 2008.

Procurement Funding

The US defense procurement system is in shambles, and the procurement section of the baseline defense budget has effectively become a “liar’s contest” based on unrealistic projected costs, risk, performance, and delivery schedules. No military service has currently shown that its leaders can create affordable procurement programs.

Every service has, to some extent, mortgaged its future by failing to contain equipment costs, and by trading existing equipment and force elements for developing new systems that may never be procured in the numbers planned. The end result is an ill-concealed struggle to solve the resulting procurement problems by either raising the defense budget or somehow getting more funding at the expense of other services and programs.

One of the ways the services have attempted to fund their long-term modernization plans in ways that reduce the visibility of their lack of transparency and honesty in procurement budgeting is through the misuse of wartime supplementals. After O&M, procurement is the next largest portion of the appropriations for the Iraq and Afghan wars. To date, a total of about \$190 billion

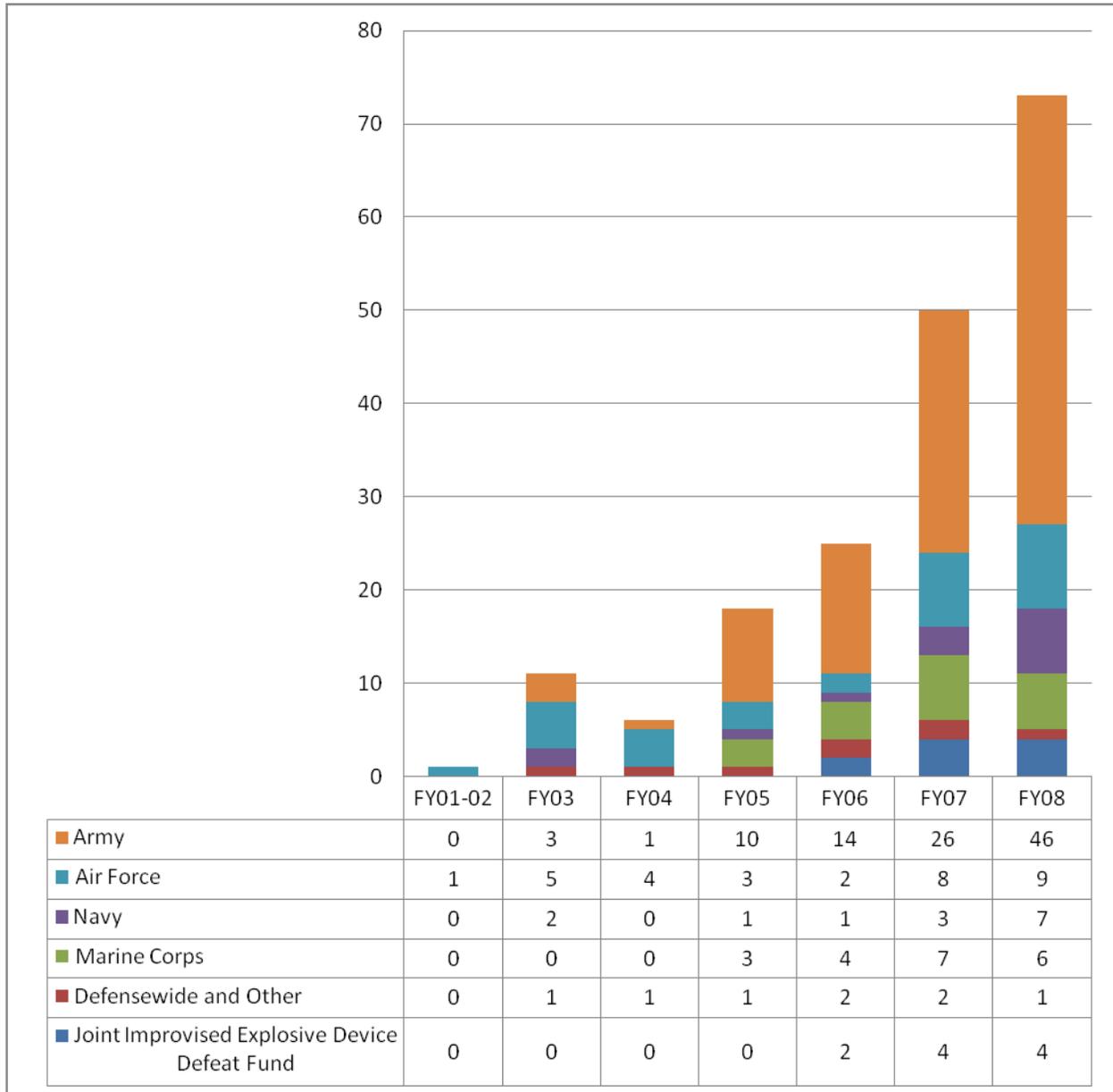
in procurement funding has been provided through war-related appropriations, accounting for about 25 percent of all DOD supplemental funding.⁴⁵

Procurement funding provided through these supplementals was initially intended to replace vehicles, helicopters and other equipment destroyed in wartime operations; replace munitions consumed during combat; purchase larger numbers of existing types of weapons and other equipment to meet needs identified after the onset of military operations; and upgrade existing equipment to make it more effective. However, it has also been used to accelerate the production of some new “next-generation” weapon systems included in the Services’ long-term modernization plans.

Procurement requests increased substantially in recent years from \$20.4 billion in FY2006 to \$39.7 billion in FY2007 and \$64 billion in FY2008, as **Figure 17** demonstrates. Although some of this increase may reflect additional force protection and replacement of stressed equipment, there is extensive debate over the extent to which each of the types of procurement truly represent incremental costs associated with the wars in Iraq and Afghanistan, or can reasonably be attributed to the US military’s involvement in those wars.

⁴⁵ CBO, *Analysis of the Growth in Funding for Operations in Iraq, Afghanistan, and Elsewhere in the War on Terrorism*, February 11, 2008.

Figure 17: Supplemental Procurement Costs for Afghan and Iraq Wars Impose Further Strain (\$US Billions)



Source: CBO, *Analysis of the Growth in Funding for Operations in Iraq, Afghanistan, and Elsewhere in the War on Terrorism*, February 11, 2008.

It may be reasonable to attribute to those conflicts the costs associated with these efforts – at least to the degree that additional equipment is purchased to meet new requirements identified in the wars in Iraq and Afghanistan, or to improve the effectiveness of US forces deployed in those conflicts by filling existing equipment shortfalls and upgrading equipment. However, it is extremely difficult to make the case that the purchase of next-generation weapon systems — which are typically far more expensive and capable than the current-generation systems actually

being used in those conflicts, and are included in the Services' long-term modernization plans — can be tied to necessary procurement for the Afghan and Iraq wars. For instance, Congress included funds for C-17 aircraft in order to keep the production line open though its relation to present war needs is tenuous.⁴⁶

It is impossible to estimate precisely how much of the procurement funding provided through supplemental appropriations is directly related to the two ongoing military operations. Still, it seems that only a relatively small amount of that funding has been used to replace equipment damaged or destroyed in those conflicts, and that most of this procurement funding has gone towards buying next-generation weapon systems, and upgrading existing weapons. This skirting of Congressional oversight would not be possible if the wars were funded in the baseline budget as opposed to using supplementals.

“Reset”

Another major unsettled war cost issue is the amount of funds needed to “reset” or restore the services' equipment to pre-war levels. The largest single reason for the increase displayed in **Figure 17** is war costs from FY2004 - FY2007 is the amount DOD received for reset. Although repair and replacement costs might be expected to grow as operations wear down equipment, it appears that the growth reflects the broadening of the definition of what is required.⁴⁷

In FY2007, the Army estimated that it needed about \$13 billion a year to cover equipment “reset” costs incurred as a result of the ongoing conflicts in Iraq and Afghanistan, and that it would need to continue to receive this level of funding for at least two years after hostilities had ended in order to fully recover.⁴⁸ About 60 percent of this funding was designated to replace and repair equipment damaged or destroyed in those conflicts — with the remaining funding allocated to buying new equipment (to make up for existing shortfalls or meet new requirements) and upgrading existing equipment.⁴⁹ In recent years, procurement typically accounted for two thirds to three quarters of reset funding, with O&M activities accounting for the remainder.⁵⁰

Over the past several years, DOD requested a total of some \$109 billion in reset funding. The FY2008 request was \$46 billion, far in excess of the estimated \$13 billion that is needed to cover reset costs.⁵¹ This front loading of requirements may reflect an attempt by the services to avoid being in the position of having to request reset funds after US troops start to withdraw. However, in recent years, emergency funding has been sought for the acquisition of equipment that has long lead times, unrelated to the urgent demands of the war, such as aircraft, helicopters, and ground vehicles, which are manageable through the normal budget process. Although the

⁴⁶ Undersecretary of Defense (Comptroller), *FY2008 Global War on Terror Amendment*, (October 2007).

⁴⁷ Congressional Research Service, Statement of Amy Belasco before the House Budget Committee, “The Growing Cost of the Iraq War,” October 24, 2007 http://budget.house.gov/hearings/2007/10.24Belasco_testimony.pdf.

⁴⁸ Statement of Peter J. Schoemaker, Chief of Staff, Department of the Army, before the House Armed Services Committee, “Reset Strategies for Ground Equipment and Rotor Craft,” (June 27, 2006).

⁴⁹ Lussier, *Replacing and Repairing Equipment Used in Iraq and Afghanistan: The Army's Reset Program*, p.x.

⁵⁰ Newman and Wheelock, “Analysis of the Growth in Funding for Operations in Iraq, Afghanistan, and Elsewhere in the War on Terrorism,” Congressional Budget Office, p. 11.

⁵¹ Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

FY2010 Budget request still requested more funds than the estimated \$13 billion that is necessary for reset, it makes some improvements, dropping down to \$17.6 billion.

There is no way to easily or precisely estimate how much of the funding for procurement included in supplementals enacted since 2001 might reasonably be attributed to those conflicts and how much might be more appropriately attributed to long-term modernization plans. That said, it is clear that the amount of funding falling into this latter category is considerable.

The Changing Definition of War Costs

The bulk of the growth in funding for military operations that occurred over the past four years has been in weapons procurement, which has increased by \$60 billion. The main reason for this growth appears to be DOD's adoption of a progressively broader definition of what constitutes reset. For the past ten years, DOD financial regulations have defined the cost of contingencies to include only incremental costs directly related to operations "that would not have been incurred had the contingency operation not been supported." According to CBO, "before 2005, requests for procurement funds were primarily limited to replacing equipment that had been damaged or destroyed in the war and to purchasing items that could be delivered almost immediately to satisfy urgent requirements in Iraq and Afghanistan."⁵²

However, in October 2006, Deputy Secretary of Defense Gordon England issued new guidance for requesting war funds, instructing the services to take the "longer war on terror" into account rather than focusing only the incremental requirements for war operations in Iraq, Afghanistan, and other counter-terror operations.⁵³ This new definition opened the way for including a broader range of requirements, since the needs of the "longer war" are relatively undefined. This change greatly expanded the number and types of weapons programs requested in supplementals.

Reflecting these new instructions, the level of procurement funding included in supplemental appropriations doubled in 2007, reaching \$52 billion, and growing to \$68 billion in 2008. These funds cannot reasonably be deemed to have been covering incremental costs stemming from the wars in Iraq and Afghanistan. The war-related supplementals moved beyond covering costs associated with replacing and repairing equipment destroyed in the wars, to include a significant amount of funding for upgrading existing equipment and buying new equipment. Some of this funding was even used to replace losses of older systems, such as the CH-46 helicopter and the F-16 fighter, with next-generation systems that are currently in production or development, such as the CV-22 tilt-rotor and the F-35 Joint Strike Fighter.⁵⁴

Despite the change in administration, the FY2010 OCO request maintained this expanded definition of what is appropriate to include in war costs. In addition to asking for \$15.2 billion

⁵² Newman and Wheelock, "Analysis of the Growth in Funding For Operations in Iraq, Afghanistan and Elsewhere in the War on Terrorism." Congressional Budget Office.

⁵³ Deputy Secretary of Defense Gordon England, Memorandum for Secretaries of the Military Departments, "Ground Rules and Process for FY'07 Spring Supplemental," October 25, 2006.

⁵⁴ Newman and Wheelock, "Analysis of the Growth in Funding For Operations in Iraq, Afghanistan and Elsewhere in the War on Terrorism," Congressional Budget Office, p. 8.

for force protection and \$1.5 billion to develop capabilities to counter IED, the budget requests \$17.6 billion to reconstitute the force.⁵⁵

Training Iraqi and Afghan Security Forces

Although the Department of Defense does not disaggregate data for military personnel, O&M, or procurement, it does for funding provided to train indigenous security forces. These figures make it clear that the impact of under-resourcing the war goes beyond inadequate US force levels and nation-building activity. The Bush Administration made serious mistakes in the timing and scale of its efforts to create effective host country forces in both wars. It came to see the need for large and effective host country security forces only after the insurgency had taken hold in both Afghanistan and Iraq, and it then continued to under-react and under-resource the creation of both Afghan and Iraqi forces. Once again, these mistakes were corrected much more quickly in Iraq than Afghanistan, and the United States has never funded an adequate effort in Afghanistan.

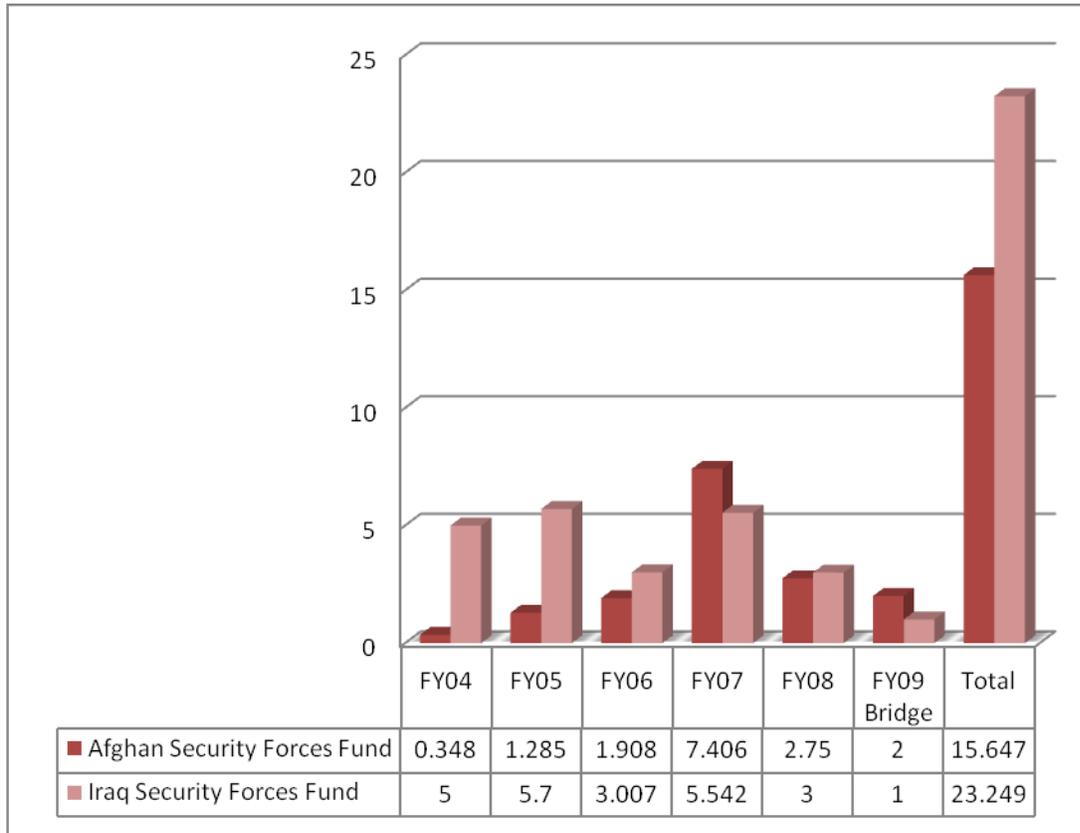
A total of about \$40 billion has been provided, to date, to train and equip indigenous security forces in Iraq and Afghanistan.⁵⁶ US commanders have argued for some time that the pace of withdrawal of US forces depends on both conditions on the ground – that is, the number and types of attacks by various insurgent groups – and the size, readiness and capabilities of Afghan and Iraqi Security Forces. **Figure 18** shows that as of passage of the FY2009 Bridge Fund, funding to train and equip these forces totals \$39 billion including \$15.6 billion for Afghanistan and \$23.2 billion for Iraq. Since FY2004, annual funding to train Afghan forces has grown rapidly reaching a highpoint of \$7.4 billion in FY2007 and then falling off to \$2.8 billion in FY2008. Funding for Iraqi forces has fluctuated between \$3 billion and \$5 billion during that time period.

These funds are not nearly enough to create effective security forces. Sceptical of the effectiveness of training efforts thus far, Congress halved the ISFF request and cut the ASFF request from \$3.67 billion to \$2.0 billion in the FY2009 Bridge Fund. This tendency may complicate DOD's intention to double the size of the Afghan security forces in the next four years at a cost of about \$20 billion.

⁵⁵ Undersecretary of Defense (Comptroller), *Fiscal Year 2010 Budget Request: Summary Justification*. May 2009.

⁵⁶ Steven M. Kosiak, Center for Strategic and Budgetary Assessments, *The Global War on Terror (GWOT): Costs, Cost Growth and Estimating Funding Requirements*. Statement before the Senate Budget Committee, (6 February 2007).

Figure 18: Afghan and Iraq Security Forces Funding: FY2004-FY2009 Bridge (\$US billions)



Source: Adapted by the author from Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

Iraq

Congress has proven increasingly reluctant to fund the Iraqi Security Forces. The House Budget Committee’s September 2008 hearing on war costs and the Iraqi budget surplus included many calls for more “burdensharing” by Iraq in the rebuilding of its security forces.⁵⁷ Iraq’s ability to pay for the expansion and improvement of its security forces depends on several factors, ranging from the effects of attacks on oil pipelines and corruption on production to reaching consensus within the country on managing and distributing oil revenues.⁵⁸ Continuing US support might not be necessary had proper funding been devoted to the project in the first place.

Afghanistan

However, the situation in funding the Afghan security forces has been much more dismal. For years, the US pushed key parts of the Afghan mission off on allies who had no real capabilities

⁵⁷ GAO, Statement of Joseph A. Christoff before the House Budget Committee, “Stabilizing and Rebuilding Iraq: Iraqi Revenues, Expenditures, and Surplus,” p. 3, September 16, 2008.

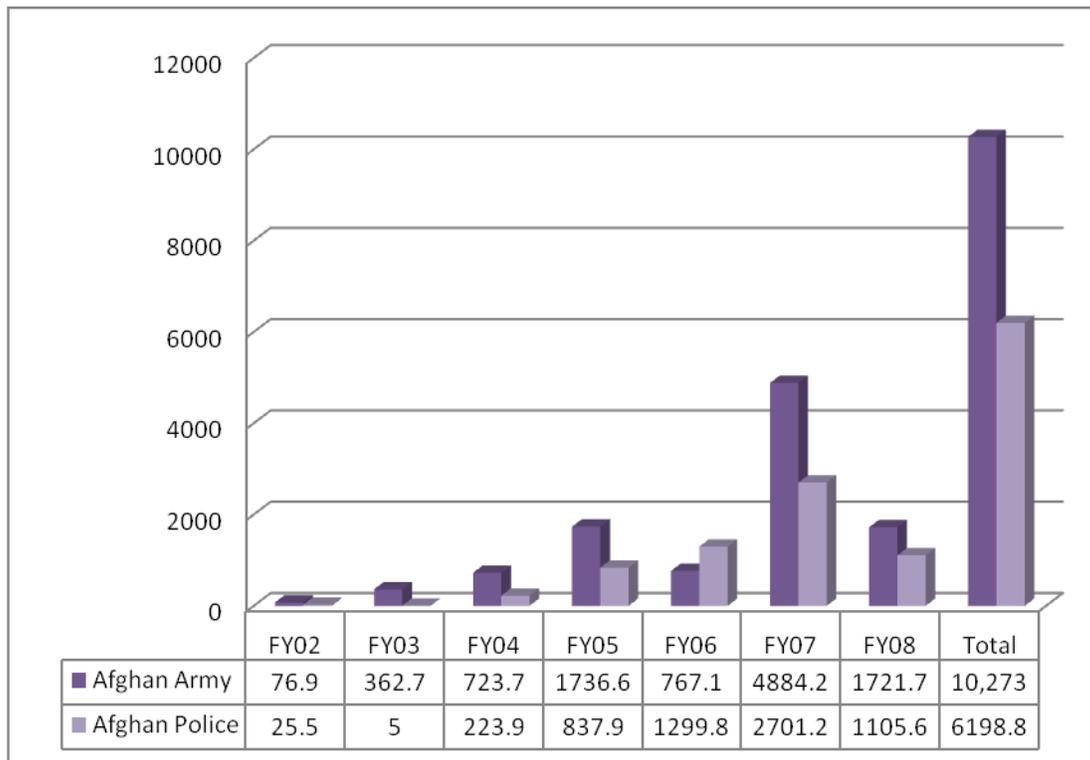
⁵⁸ CRS Statement of Christopher M. Blanchard, Congressional Research Services, “Iraqis Budget Surplus,” before the House Budget Committee, September 16, 2008.

to create anything more capable than a conventional European police force. It did not provide either the US money or US military personnel to create an Afghan Army close to the size required. It was not until September 11, 2008 – almost seven years to the day after 9/11 – that the Chairman of the Joint Chiefs announced that the slow expansion of the Afghan Army would suddenly change from a goal of some 85,000 men to 162,100 troops.

To put this expansion in perspective, the original goal set in 2002 was to create an ethnically balanced and voluntary ANA force of no more than 70,000. This goal was still being reaffirmed in 2006, and the US, NATO/ISAF, and the Afghan government set the end of 2010 as the timeline for the establishment of the ANA. It was not until February 2008, that they responded to the steady growth in Taliban activity by endorsing a 10,000-person increase in the ANA from 70,000 to 80,000.

The US also failed to provide serious funding for a force that could take on serious counterinsurgency missions until FY2005, and then cut back in FY2006 for reasons that are remarkably hard to determine. It only began a truly major funding effort in FY2007 and that was cut by more than 50 percent in FY2008 – only to see the war worsen and the sharp increases in force goals that took place in CY2008.

As **Figure 18** shows, the United States not only failed to adequately fund the ANA, it only reacted after the Taliban-HiG-Haqqani scored major gains in the power vacuum left by inadequate forces and resources. It then reacted erratically and as if a surge in one year could somehow solve the problem. The US was strong on concept and rhetoric and dismally incompetent in planning, management and execution. The cost of failing to provide the proper resources for the Afghan Army, which has been seen as the key alternative to more US troops, is that an effective force has not been created as quickly as possible, and US and NATO/ISAF goals remain unmet.

Figure 18: Defense and State Funding for ANSF, FY2002- FY2008 (in \$US billions)

Source: Afghanistan Security: Further Congressional Action May Be Needed to Ensure Completion of a Detailed Plan to Develop and Sustain Capable Afghan National Security Forces, GAO-08-661 (June 18, 2008).

The failure to provide effective resources for the Afghan National Police (ANP) has been even more serious. **Figure 18** shows that it took until FY2004 to begin serious funding of the police effort. Given the lead times involved in creating effective units, this meant that any major output from the funding could only begin in FY2005 and could only gather serious momentum in FY2006. In practice, however, the actual training effort was so badly manned and organized, that the actual pace of progress has been far slower. Only 35,000 men had been trained as of January 2005, and no one knew how many had actually stayed in service.⁵⁹ This is scarcely reassuring for a force whose completion dates have reflected a nightmare of slippage, while its force goal rose from the original goal of 62,000 men to 82,000 in May 2007.

Diplomatic Operations and Foreign Assistance

The US foreign aid request, provides virtually no meaningful data on how aid is actually planned and spent, and is in even worse shape than the defense supplemental. It is almost impossible to trace the overall cash flow of aid from both the State and Defense Departments except in gross terms.

⁵⁹ Afghanistan Security: Further Congressional Action May Be Needed to Ensure Completion of a Detailed Plan to Develop and Sustain Capable Afghan National Security Forces, GAO-08-661, June 18, 2008, Highlights Page, <http://www.gao.gov/docsearch/abstract>

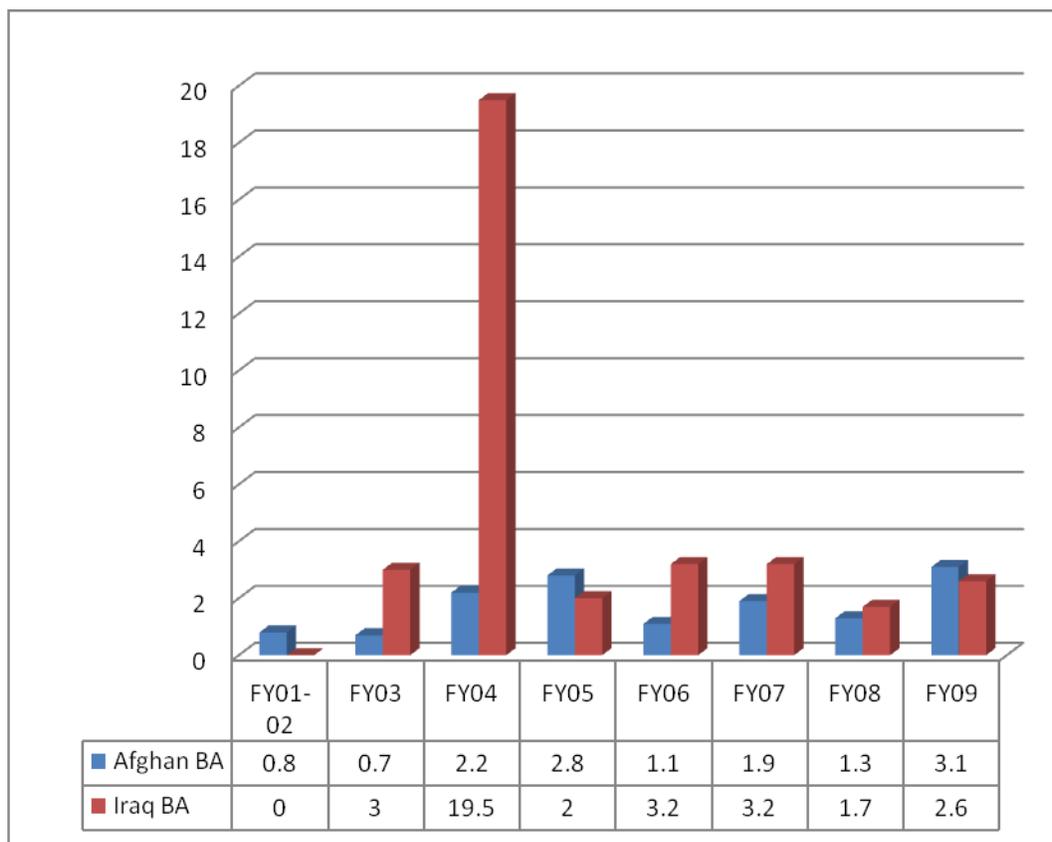
US diplomatic activities (State Department consular operations and embassy construction) and foreign assistance (reconstruction and economic assistance) directed to Iraq and Afghanistan have accounted for a total of about \$45 billion in supplemental appropriations. This includes some \$32 billion for Iraq and \$13 billion for Afghanistan.

As in the case of DOD funding for military operations, it is difficult to determine precisely how all of this funding has been allocated. By far the greatest portion of the funding in this category has been provided to Iraq, with US foreign assistance to that country peaking in 2004. Congress approved a \$20.5 billion foreign assistance package for Iraq for that year.⁶⁰

As **Figure 19** shows, the Bush Administration never committed anything like the aid resources necessary to support a “win, hold, build” strategy, in spite of the fact that Afghanistan – unlike Iraq – did not have substantial funds left over from the previous regime and a major ongoing stream of income from oil exports. There was never a year in Afghanistan where the US made a major aid commitment as it did in FY2004 in Iraq, when it committed \$19.5 billion in funds for foreign aid and diplomatic operations. Moreover, the US wasted two critical years – FY2001 and FY2002 – by providing only token funds for foreign aid and diplomatic operations (\$800 million in FY2001 and FY2002). Given the fact that a start up aid program takes at least a year to begin to be effective, often takes 14-18 months to go from authorization to a start up on the ground, and then takes months to years to complete, this was a major failure.

⁶⁰ Curt Tarnoff, “Iraq: Reconstruction Assistance,” Congressional Research Service Report to Congress, June 25, 2007, p. 14.

Figure 19: Annual State Department Foreign Aid and Diplomatic Operations Spending on the Iraqi War and the Afghan War (in \$US billions)



Source: Adapted by the author from data provided in Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 15 May 2009.

Veterans' Benefits

Another significant war-related cost consists of medical care, disability compensation, survivors' benefits and other assistance provided by the Department of Veterans Affairs to former military personnel who have returned from Iraq and Afghanistan (and, in some cases, family members of those personnel).⁶¹ A total of about \$3 billion has been appropriated to date to cover VA benefits for veterans of the wars in Iraq and Afghanistan. Ultimately, these wars will end up costing far more in terms of VA benefits — although it is difficult to estimate with much confidence just what those costs will total.

⁶¹ Mathew S. Goldberg, Deputy Assistant Director for National Security, "Projecting the Costs to Care for Veterans of US Military Operations in Iraq and Afghanistan," statement before the House Committee on Veterans' Affairs, October 17, 2007, p. 1.

CONCLUSION

The Bush Administration has budgeted for the wars in Iraq and Afghanistan in a way that differed markedly from the approach typically used to fund past wars. Because of the reliance on supplemental appropriations, submitted in the middle of the year and supported by inadequate justification materials, the process has reduced Congress' ability to provide oversight for the budget and has obscured the long-run costs of ongoing military operations. Moreover, the inclusion of substantial amounts of funding for programs and activities unrelated to the wars in Iraq and Afghanistan in recent supplemental appropriations has led to further confusion concerning the cost of those conflicts, and has undermined and weakened DOD's long-term planning and budgeting process.

In addition to using a flawed method of budgeting, DOD failed to allocate appropriate amounts to each conflict. While it devoted vast resources to the Iraq War, it severely underfunded the Afghan War, waiting until the country was in the full throws of an insurgency to rectify its mistake.

There are no clear formulas for deciding what level of forces or military spending is needed to win a war. What is clear, however, is that underresourcing, and underreacting to the growth of the threat, allow an insurgency to grow and potentially win, and that deploying decisive resources and forces as early as possible enable a force to both deter the growth of an insurgency and to defeat it.

DOD spending on Afghanistan not only lagged far behind spending on Iraq, it failed to provide adequate funding during the critical years immediately after the Taliban's defeat in 2002. It is due to the abuse of the supplemental budgets and failure to create a link between budgets and strategy that the United States faces its current mess. With proper planning and budgeting at the beginning of both wars, the US could have saved hundreds of billions of dollars and many American, allied, Iraqi, and Afghan lives. Those serving in the armed forces deserve much better than the current process, which both costs lives and wastes resources. The nation, America's allies, and its host countries deserve far more than a planning, programming, and budgeting process that may lead to defeat and is a grand strategic failure.