

## An Analysis of the

# Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004

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### The Top Line

President Bush's signing of the \$87.5 billion relief and reconstruction bill for Iraq and Afghanistan marks the United States' longer-term commitment to funding the largest post-war operation in recent history. The bill, *The Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004*, follows April, 2003's \$79 billion supplemental funding for the Iraq War and current year reconstruction projects.

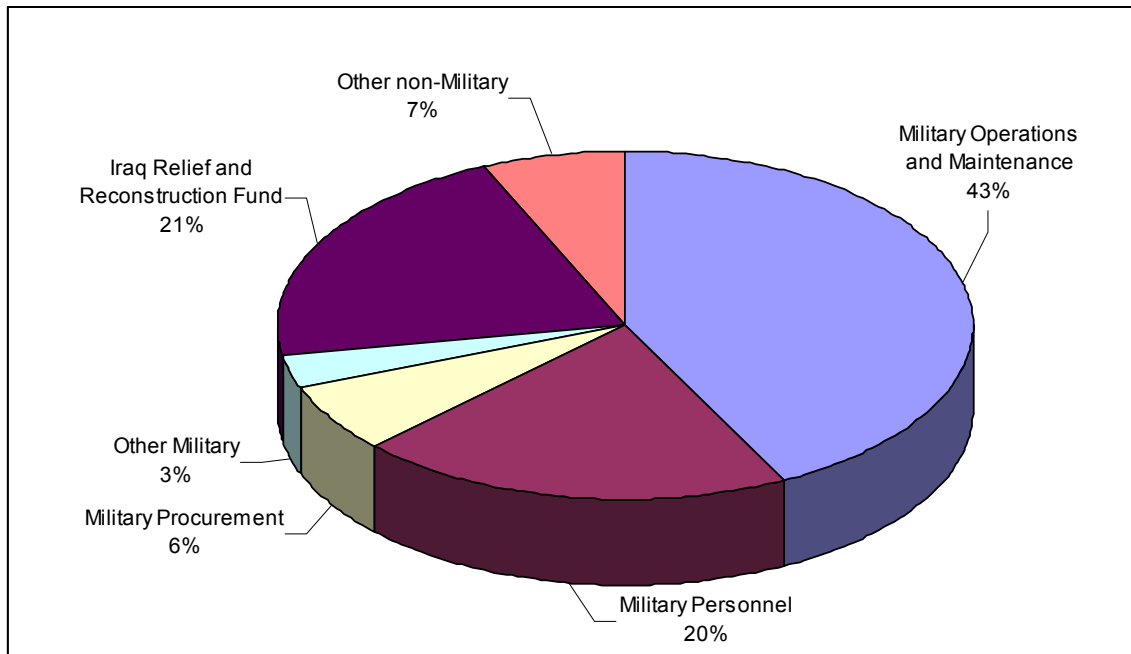
The majority of the bill's funding, **\$55 billion** (67.2 percent of total bill funds), goes to military personnel, operations and maintenance with an additional **\$5.5 billion** (6 percent) slated for military procurement (see Figure 1 for a breakdown of funding shares). The bill also provides **\$2.5 billion** (3 percent) for other military costs.

The section authorizing funds for the non-military Relief and Reconstruction provides **\$18.6 billion** (21 percent) while other non-military projects receive **\$5.7 billion** (7 percent).

The final funding level is nearly identical to the President's initial request to Congress on September 17, 2003 with only line-item amounts being switched among each other. Most notably, the President had asked for \$20.3 billion for the Iraq Relief and Reconstruction Fund, but received \$1.7 billion less.

Six organizations will have spending authority over the \$18.6 billion Iraq Relief and Reconstruction funds, including the Coalition Provisional Authority in Iraq (CPA), the Department of State, the Department of Health and Human Services, the Department of Treasury, the Department of Defense, and the United States Agency for International Development (USAID). CPA, however, will be the nexus of reconstruction procurement activity as the great majority of funds are earmarked for on-the-ground projects in Iraq.

**Figure 1: Shares of Reconstruction Funds**



### Inside the Numbers

The four major units in the Department of Defense - Army, Navy, Air Force, and Marines - are all funded for Iraq missions, with the Army set to receive the most financing. The bill gives the Army **\$12.9 billion** for personnel (72 percent of total personnel funds), **\$24 billion** for operation and maintenance activities (64 percent), and **\$1.2 billion** in procurement authority for weapons, tracked combat vehicles, and related expenses (23 percent). The Air Force will have the largest procurement allotment, **\$3.5 billion** (63 percent) for aircraft, missiles, and related expenses. See Figure 2 for a list of the bill's major funding line-items ranked by amount.

Military expenditures command the greatest share of the bill, reflecting the Administration's desire to minimize the risk of significant insurgencies which could both claim more lives as well as increase the costs and timeframe of the overall reconstruction.

The bill provides the Department of Defense with **\$1.99 billion** ( 2.3 percent of total funds) in a type of mobile account, the Iraq Freedom Fund, for expenses across a broad range of needs, including military personnel, operation and maintenance, Overseas Humanitarian, Disaster, and Civic Aid, procurement, military construction, the Defense Health Program, and working capital funds.

As part of the Freedom Fund, Congress stipulates that not less than \$62,100,000 will be transferred to 'Other Procurement, Army' for the procurement of Up-armored High



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Mobility Multipurpose Wheeled Vehicles and associated equipment, and that \$10,000,000 will be for the Family Readiness Program of the National Guard.

Not included in the Freedom Fund but as part of the total military spending package, **\$13 billion** will go for the continuing anti-terror efforts in Afghanistan. Outside of military spending, Afghanistan is slated to receive about **\$1.1 billion** in aid and related forms of support.

CPA's operating expense level, **\$983 million**, is the sixth highest of the 21 major line items and is 1.1 percent of total funds. Combined with the \$18.6 billion in the Iraq Relief and Reconstruction Fund and other funds it currently has on hand, CPA will have spending power of over \$20 billion annually through at least 2006 - the last year for which Relief and Reconstruction funds are provided.

**Figure 2: Bill line-items**

<b>Funding Area</b>	<b>Amount</b>	<b>% of Total</b>
Military Operations and Maintenance	\$37,207,123,000	42.5%
Iraq Relief and Reconstruction Fund	\$18,649,000,000	21.3%
Military Personnel	\$17,812,860,000	20.4%
Military Procurement	\$5,534,704,000	6.3%
Iraq Freedom Fund	\$1,988,600,000	2.3%
Operating Expenses of the Coalition Provisional Authority	\$983,000,000	1.1%
Economic Support Fund	\$872,000,000	1.0%
Other Department of Defense Programs	\$731,380,000	0.8%
Military Revolving and Management Funds	\$624,000,000	0.7%
Military Construction	\$524,861,000	0.6%
Department of Homeland Security	\$523,183,000	0.6%
Military Assistance	\$337,000,000	0.4%
Related Agencies	\$334,500,000	0.4%
Military Research, Development, Test and Evaluation	\$333,887,000	0.4%
Department of State - Administration of Foreign Affairs	\$315,700,000	0.4%
International Organizations	\$285,000,000	0.3%
Department of State - Liberia & Sudan	\$205,000,000	0.2%
International Disaster and Famine Assistance	\$110,000,000	0.1%
United States Agency for International Development	\$56,600,000	0.1%
Overseas Humanitarian, Disaster, and Civic Aid	\$35,500,000	0.04%
Department of Justice	\$15,000,000	0.02%
<b>TOTAL</b>	<b>\$87,478,898,000</b>	<b>100%</b>

The majority of funds, **\$58.8 billion**, or more than 67 percent, are designated to be spent in 2004. However, the bill provides for additional funds to be spread over 2005, 2006, and 2008 (see Figure 3). Most notably, the \$18.6 billion for the Iraq Relief and Reconstruction Fund must last through 2006, a 3-year window in which the Administration hopes that the new Iraqi government will be operational and stable and that the Iraq economy will have recovered sufficiently to not require further substantial support from the United States.



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All of the allocations for the Iraq Relief and Reconstruction fund are in the form of direct grants to Iraq, instead of some being loans as some Congress members had preferred.

Figure 3: Spending timeline

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2008</b>	<b>No Timeline</b>
<b>Funding Level</b>	\$58,768,227,000	\$3,366,987,000	\$24,219,504,000	\$500,180,000	\$624,000,000
<b>% of Total</b>	67.2%	3.8%	27.7%	0.6%	0.7%

### The Bottom Line

The funds provided in the bill go a long way to helping stabilize Iraq (and Afghanistan) and ensuring that reconstruction efforts will continue through at least 2006. Aided by the nearly \$40 billion in recent donations and pledges from international governments at the Madrid conference, Iraq and the current CPA have the financial resources to keep the procurement pipeline open, a good sign for both contractors working or wishing to work in Iraq and for the greater Iraqi population.

Defense contracts will see the greatest rise in the number of procurement opportunities resulting from the heavy military spending provisions, while more subcontracting opportunities will be fueled through the Iraq Relief and Reconstruction Fund. Contractors in this segment should be aware, however, that the approximately \$18 billion specified for non-military reconstruction in Iraq is spread over only 10 segments, so both prime- and subcontracting competition will be elevated.

Just as it was in mid-summer when Reconstruction procurements began coming more steadily from the CPA, so it will be through 2006. Companies that want to take the greatest advantage of contracting opportunities stand the best chance if they can provide capabilities, personnel, and security on the ground in Iraq.

**Summary of Emergency Supplemental Appropriations Act for Defense and for the  
Reconstruction of Iraq and Afghanistan, 2004**

**TITLE I--NATIONAL SECURITY**

**CHAPTER 1**

**DEPARTMENT OF  
DEFENSE--MILITARY**

**MILITARY PERSONNEL**

Army	<i>Military Personnel</i>	\$12,858,870,000
Navy	<i>Military Personnel</i>	\$816,100,000
Marine Corps	<i>Military Personnel</i>	\$753,190,000
Air Force	<i>Military Personnel</i>	\$3,384,700,000
		<b>\$17,812,860,000</b>

**OPERATION AND  
MAINTENANCE**

Army	<i>Operation and Maintenance</i>	\$23,997,064,000
Navy	<i>Operation and Maintenance</i>	\$1,956,258,000
Marine Corps	<i>Operation and Maintenance</i>	\$1,198,981,000
Air Force	<i>Operation and Maintenance</i>	\$5,416,368,000
Defense-Wide	<i>Operation and Maintenance</i>	\$4,355,452,000
Marine Corps Reserve	<i>Operation and Maintenance</i>	\$16,000,000
Air Force Reserve	<i>Operation and Maintenance</i>	\$53,000,000
Air National Guard	<i>Operation and Maintenance</i>	\$214,000,000
		<b>\$37,207,123,000</b>

**Overseas Humanitarian,  
Disaster, and Civic Aid** \$35,500,000

**Iraq Freedom Fund** \$1,988,600,000

**PROCUREMENT**

Army	<i>Procurement of Weapons and Tracked Combat Vehicles</i>	\$101,600,000
Army	<i>Other Procurement</i>	\$1,143,687,000
Navy	<i>Aircraft Procurement</i>	\$158,600,000
Navy	<i>Other Procurement</i>	\$76,357,000
Marine Corps	<i>Procurement</i>	\$123,397,000
Air Force	<i>Aircraft Procurement</i>	\$53,972,000
Air Force	<i>Missile Procurement</i>	\$20,450,000
Air Force	<i>Other Procurement,</i>	\$3,438,006,000
Defense-Wide	<i>Procurement</i>	\$418,635,000
		<b>\$5,534,704,000</b>

<b>RESEARCH, DEVELOPMENT, TEST AND EVALUATION</b>		
Navy	<i>Research, Development, Test and Evaluation</i>	\$34,000,000
Air Force	<i>Research, Development, Test and Evaluation</i>	\$39,070,000
Defense-Wide	<i>Research, Development, Test and Evaluation</i>	\$260,817,000
		<b>\$333,887,000</b>
<b>REVOLVING AND MANAGEMENT FUNDS</b>		
Defense-Wide	<i>Working Capital Fund</i>	\$600,000,000
National Defense Sealift Fund		\$24,000,000
		<b>\$624,000,000</b>
<b>OTHER DEPARTMENT OF DEFENSE PROGRAMS</b>		
Defense Health Program	<i>Operation and maintenance</i>	\$658,380,000
Defense	<i>Drug Interdiction and Counter-Drug Activities</i>	\$73,000,000
		<b>\$731,380,000</b>
<b>RELATED AGENCIES (Including transfer of funds)</b>		
Intelligence Community Management Account		\$21,500,000
Department of Defense	Natural Disaster Repair & Recovery	\$313,000,000
		<b>\$334,500,000</b>
Department of Defense	Commander's Emergency Response Program	
<b>DEPARTMENT OF HOMELAND SECURITY</b>		
United States Coast Guard	Operating Expenses	\$23,183,000
Emergency Preparedness and Response	Disaster Relief	\$500,000,000
		<b>\$523,183,000</b>

**TITLE II--IRAQ AND AFGHANISTAN  
RECONSTRUCTION  
AND INTERNATIONAL ASSISTANCE  
CHAPTER 1**

**DEPARTMENT OF JUSTICE**

Legal Activities	<i>Salaries and Expenses, General Legal Activities'</i>	\$15,000,000
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**DEPARTMENT OF STATE AND RELATED AGENCY**

**DEPARTMENT OF STATE**

*Administration of Foreign Affairs*

Diplomatic and Consular Programs		\$156,300,000
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Embassy Security, Construction and Maintenance		\$43,900,000
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Emergencies in the Diplomatic and Consular Service		\$115,500,000
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**\$315,700,000**

**International Organizations**

Contributions for International Peacekeeping Activities		\$245,000,000
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Broadcasting Board of Governors	International Broadcasting Operations	\$40,000,000
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**\$285,000,000**

## CHAPTER 2

### BILATERAL ECONOMIC ASSISTANCE

#### Funds Appropriated to the President

<i>United States Agency for International Development</i>		
USAID	<i>Operating Expenses</i>	\$38,100,000
USAID	<i>Office of Inspector General</i>	\$1,900,000
USAID	<i>Capital Investment Fund</i>	\$16,600,000
		<b>\$56,600,000</b>

### OTHER BILATERAL ECONOMIC ASSISTANCE

#### Funds Appropriated to the President

**IRAQ RELIEF AND RECONSTRUCTION FUND** \$18,649,000,000

<i>Security and law enforcement</i>	\$3,243,000,000
<i>Justice, public safety infrastructure, and civil society</i>	\$1,318,000,000
<i>Electric sector</i>	\$5,560,000,000
<i>Oil infrastructure</i>	\$1,890,000,000
<i>Water resources and sanitation</i>	\$4,332,000,000
<i>Transportation and telecommunications</i>	\$500,000,000
<i>Roads, bridges, and construction</i>	\$370,000,000
<i>Health care</i>	\$793,000,000
<i>Private sector development</i>	\$153,000,000
<i>Education, refugees, human rights, and governance</i>	\$280,000,000
<i>Economic Support Fund for assistance for Jordan</i>	\$100,000,000
<i>International Disaster and Famine Assistance for assistance for Liberia</i>	\$100,000,000
<i>International Disaster and Famine Assistance for Sudan</i>	\$10,000,000

***Operating Expenses of the Coalition Provisional Authority***

CPA	<i>Operating Expenses</i>	\$933,000,000
CPA	<i>reporting and monitoring</i>	\$50,000,000
		<b>\$983,000,000</b>

***Economic Support Fund***

Economic Support Fund		\$872,000,000
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***International Disaster and Famine Assistance***

Liberia & Sudan		\$110,000,000
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***DEPARTMENT OF STATE***

Afghanistan	<i>International Narcotics Control and Law Enforcement</i>	\$170,000,000
Afghanistan	<i>Nonproliferation, Anti-Terrorism, Demining and Related Programs'</i>	\$35,000,000
		<b>\$205,000,000</b>

**MILITARY ASSISTANCE**

**Funds Appropriated to the President**

Foreign Military Financing Program		\$287,000,000
Peacekeeping Operations		\$50,000,000
		<b>\$337,000,000</b>