



# Business Transformation for Contingency Operations

*Report on OIF Challenges & Opportunities*



## Status of OIF Business Processes

“Why is the United States giving all of the money for reconstruction to Shia businessmen? Does the United States want Iran to rule Iraq?”

*Open statement during Al Anbar Economic Council*

*Amman, Jordan, June 2006*

Our business processes, which are undergoing major reengineering and investment in CONUS, are hindering economic development in theater. Contracts awarded for in-country activity are not visible in country, are awarded to non-Iraqi firms, and are creating tribal/sectarian frustration. They have in fact become a center of gravity for coalition success.

We propose a rapid solution to this problem, creating cross-OIF visibility to economic opportunity and kickstarting economic development and provincial reconstruction, putting young men back to work.

It is late. We must act quickly.



## Outline

- Background – Purpose of Trip
- Framework:
  - Contracting Challenges in MNCI
  - Economic Development
  - Immediate Opportunities: Listed by area of focus.
- Challenges to Success
- Dual Objectives: DOS & DOD
- Proposed Next Steps
- Wrapup



## **Purpose of OIF Engagement**

*Engage across MNFI business operations to identify areas of immediate opportunity for improved warfighter support.*

**Scope: Investigate DOD level business enterprise processes & associated systems affecting:**

Contracting

Logistics

Funds Distribution & Financial Management

Personnel & Wounded Soldier Pay Management

Economic Development Synergies.

*Leverage our learning to prioritize BT efforts, ensure alignment to warfighter needs.*



## Contracting: Major Challenges

Contingency contracting faces several major challenges, hindering both the warfighting mission and economic development.

Standard Procurement System is deployed in only one location (Camp Victory) due to infrastructure / bandwidth constraints. Most contracts are created in Microsoft Word:

- No cross theater visibility to economic opportunity for Iraqi business.
- No synergy / opportunity analysis capability for strategic sourcing in theater to spur economy.

Bid requests for contracts are processed using U.S. available systems – FEDBIZOPPS, and *rebuilding-iraq.net*, both requiring internet access.

- Lack of communications infrastructure across Iraq limits access to bids to certain regions.
- Inflames local resentment due to contract awards crossing sectarian/tribal lines with no opportunity to win business.



## Contracting: Major Challenges

Contracting is a dispersed activity – among multiple DOD contracting authorities, in addition to DOS organizations.

- JCC I/A, USACE, AFCEE, AMC Units are DOD contracting authorities currently performing contract activity in Iraq. USAID, and GRD/PCO are operating on behalf of DOS. Very little, if any, cross collaboration. Significant missed opportunities for synergy across contracts.
- Severely limits ability to strategically assess and award contracts to create demand for Iraqi business, employ young Iraqi men, and reduce scope of the insurgency.
- Creates significant burden on warfighting commands, constantly subjected to varying interpretations of FAR and DFARS applied by contracting commands with highly divergent skills and experience.
- Term of deployment varies by service for deployed contracting officers, from 4 to 12 months, creating difficulties in sustaining contract knowledge.
- Newly established Provincial Reconstruction Teams have little visibility to economic activity opportunities reflected in our contract awards due to lack of central coordination and access to information.

**Efforts violate 3 of 9 Principles of War - Unity of Effort, Economy of Force, and Objective**



## Contracting: Major Challenges

Contracting staff are trained intensively in FAR/DFARS. DAWIA level 3 certification requires two years of education. But joint education on combat contingency contracting is inadequate.

- FAR requirements that have been waived in support of OIF are still applied by contracting staff who have no knowledge of alternative approaches.
- Risk aversion among contracting staff correlates to their source organization.
- Application of FAR / DFARS principles to CERP creates significant frustration to commanders, violates intent of CERP.
- Cost of contract administration exceeds cost of construction in many cases.
- Risk averse mindset - “need to look the Field Ordering Officer in the eyes” before approving contract execution.
- Resistance to limited automation results in field personnel traveling to Regional Contracting Centers, at risk of IED attack.



## **Contracting: Immediate Steps**

Deploy common system for contract management in theater:

- Goal of three months to field initial capability.
- Provide online access to contract activity across DOD contracting communities.
- Provide bid access through multiple venues, leveraging available technology, or manual communication through local and provincial government, as necessary.

Establish, within JCC I/A, planning team to analyze and mine synergies from existing and new contracts, to drive demand to Iraqi businesses.

- Via whatever means necessary, load existing MS Word contract data from all CA's into database to enable analysis.
- BTA to provide resources to assist in this effort as required by MG Scott.
- Planning team to channel information on demand from contract requests to PRT's, provincial economic councils, DOS State-Owned Enterprise privatization teams, and others as appropriate to generate job placement.





## **Contracting: Immediate Steps**

Issue policy unifying approval limits for all aspects of CERP funds. Set commanders discretionary CERP contracting limit at \$500k, up from current \$200k, within 14 days.

- Eliminates project “structuring” to break up projects into sub-\$200k buckets, reducing command administrative burden.
- Aligns contracting limit with engineering review limit.
- Use of automated contracting tool ensures reporting and visibility currently cited as reason for \$200k limit.
- Accelerates employment of young men, reduces insurgent momentum, accelerates reconstruction.

Establish centralized contracting authority for CENTCOM, aligning all AFCEE, AMC, and USACE contracting activity under unified command, within 30 days.

- Enables synergy assessment and cross-contract economic development considerations in RFPs.
- Establishes common guidance and objectives for contracting activity – unity of effort.
- Ensures MNFI Commander’s Intent is reflected in all contracting activity.
- Expand JCC I/A Iraqi First initiative to all other DOD Contracting Agencies.



## **Contracting: Immediate Steps**

Issue immediate, binding guidance from USD-AT&L regarding FAR application to CERP contracts.

- eliminate burdensome CONUS peacetime construct being applied in contingency contracts.
- overrules inappropriate Title X community restrictions and directives regarding contingency contracting.
- requires full engagement of DUSD-A&T and associated staff to rapidly craft guidance.

Shorten allowable time for protests of awards for contingency contracts.

- causes significant delay when CONUS contractors protest local awards to Iraqi firms.

Accelerate contingency operations doctrine definition.

- Contracting, Financial Management, Personnel, etc.
- Training
- Enforced via Business Enterprise Architecture



## Other Short Term BT Opportunities

### Immediate Action (30-60 Days):

### POCs

- Modify existing policy to allow digital signatures in theater  
*currently being rejected by regional comptroller staff.* TS
- Establish PKI Operational Needs Statement (ONS) for eSF44 initiative  
*refine existing handheld solution for contracting eliminating paper.* BL
- Explore alternatives for 14 day FEDBIZOPPS requirement  
*identify alternative bid support mechanism to ensure Iraqi-first strategy* TS
- Develop a solution to expired warranty (PCO generators)  
*potential power loss of 300MW in Kirkuk due to contracting issue with Siemens* EG
- Issue guidance on distribution of low dollar value CERP funds to  
**Company Commanders**  
*provides "relationship" funds for engaging local merchants to forces on patrol* TM
- Seek authority for obligation/reobligation of IRF funds past FY expiration PB
- Seek new authority for use of IRF Funds beyond sectors explicitly authorized PB  
*IRMO contract execution vs obligation may create opportunity for reallocation of IRF funds.*
- Develop Joint training doctrine for Contingency Contracting Officers  
*Training support staff for contingency contracting in combat.* TS/MW



## Short Term BT Opportunities

### Immediate Action (30-60 Days):

### POCs

- Modify policy to allow use of Blue Tooth technology in theater for alpha/numeric RFID transactions  
*IT policy with unintended consequence crippling last mile RFID deployment.* TS
- Establish an Advance Concept Technology Demonstration (ACTD) initiative for Scan Eagle (UAV)  
*small UAV deployed by IMEF – cannot buy more due to contract issues.* PB/JF
- Identify funding source for Combat Trauma Registry (CTR) BL
- Develop set aside legislative proposal for contracts in support of OIF/OEF PB/JF
- Shorten allowable time for protests of awards TS
- Refer foreign nationals outstanding death benefits to the Hill PB
- Establish a DoD level Contingency Acquisition Committee JF
- Establish a ACTD to support casualty/mortuary affairs tracking JF
- Projects awaiting authority to use O&M Funds to complete PB/TM



## Challenges to Success

- Communications Infrastructure
  - no nationwide plan or grid for landline or wireless communications in evidence.
  - major difficulty for economic development
  
- FAR like constructs associated with contracting – cultural disconnect of our approach to contracts with Sheikh led tribal culture – SBA parallels?
  
- Color of Money – need for a contingency fiscal structure.
  
- Non-DOD contracting activity – USAID, DOS, how to coordinate and synergize?
  
- PRT's staffed largely by DOD but led by DOS – poorly positioned for success.
  
- Caliber and skills of DOD and DOS resources deployed in theater.



# Challenges to Success: Competing Objectives

## Department of State

Long term economic development, macroeconomic philosophy.

Avoidance of reestablishment of statist economy.

Rapid privatization, divestiture of state owned enterprises.

Open markets for demand given ten years of restricted access to global trade.

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## Department of Defense

Immediate reopening of state owned enterprises to employ Iraqis and remove momentum from insurgency.

Directed contracting with SOE's and Iraqi businesses to re-establish baseline economic activity, weakening insurgency. Transition to private economy over time.

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We are missing a tactical plan that re-employs Iraqis while transitioning to privatization over time. The two communities (DOS/DOD) are talking past each other.

Need a bridging function of tactical business leadership to provide a framework for closure of issues and acceleration of economic development.



## **Wrapup**

We have an opportunity, within the business mission area, to directly and beneficially impact Iraqi economic development with some basic steps to modify and automate our contingency business processes.

This opportunity is immediate, and time constrained. We need to move quickly.



# Backup





## Itinerary – Days 1-3

**29-30 May**

### **Al Anbar Economic Summit Meeting**

MNF-W led. Separate Briefing

**31 May**

### **Camp Taqqadum**

1<sup>st</sup> Marine Logistics Group

RFID Status & Systems

IT Policy Issues

Data Integrity

**1 June**

### **Fallujah – MNFW**

- Deputy Commander for Support, IMEF (FWD), BGen Reist

Economic Development Plan / CERP

Prioritized CERP list as submitted/approved.

CERP Contracting Issues

Automated Translation

UAV efforts

Wireless Local Loop – Al Anbar Proposal

Ground Based Observation Efforts

- Combat Logistics Battalion 5, LtCol (b)(6)

Common Operating Picture – BCS3

Convoy Briefing – Security

Acquisition Process – Impacts to Fielding Equipment

IED Brief

- Mortuary Affairs Briefing, GySgt (b)(6)

Systems/Process



1 June

## Itinerary – Day 4

### Fallujah – MNF-W

- Department of State, GRB/PCO (FWD)
  - Contracting Issues
  - Reconstruction Process Execution Tracking
- G1 Briefing
  - Wounded Pay & Accountability
  - Systems Discussion / MCTFS
- Convoy into Fallujah/CMOC, Sgt Phillips
  - Reimbursement for Iraqi Wounded – Disbursement
  - Local Identity Management Challenges
- MGen Zilmer (IMEF (FWD)/MNF-W)
  - Insurgency & Economy Linkages
  - Urgency
- IMEF (FWD) Health Services, CAPT (USN) (b)(6)
  - Systems Status – CHCSII, MEDCINS Deployment
  - Training Issues
  - Combat Trauma Registry – Integration with CHCSII
  - Local Healthcare Provision – MEF impacts



2 June

## Itinerary – Day 5

### Baghdad – International Zone

#### - Joint Contracting Command I/A. MG Scott & Staff

- Contingency Contracting – SF44 Deployment
- Contracting Command & Control
- Need for combat version of FAR
- Policy & Systems Disalignment
- Training & Skills of deployed contracting resources & rotation terms
- Iraqi First Initiative Proposal – SBA parallels
- SAE/SPE Engagement
- Provincial Recovery Team Issues
- Contracting / Economic Development Synergies & Opportunities
- Standard Procurement System Status & Issues

### Camp Liberty, 4 ID, MDN-B

- Common Operating Picture for Baghdad
- Systems/BFT/BCS3 Integration

### Tarmiya, Salah Ad Din Province

#### - 4<sup>th</sup> Infantry Division, COL (b)(6)

- Ribbon Cutting Ceremony for CERP community center
- Tour of CERP hospital construction project
- Discussion with Sheikh about stability & economic development
- Discussion with 4<sup>th</sup> ID leadership regarding CERP execution challenges
- Discussion of security / economic development initiatives

### Baghdad, Camp Victory

#### - 4<sup>th</sup> Infantry Division Staff

- Economic Development Zone
- Security / Authentication Infrastructure Issues



## Itinerary – Days 5-6

**2 June (cont)**

### **Baghdad – Camp Victory**

- MNCI Commanding General – LTG Chiarelli

- Economic Development & Security Issues
- CERP Thresholds
- Contracting Set Asides
- General Contracting Issues
- State Owned Enterprises & Demand Generation
- PRT Status, National Coordination Teams

**3 June**

### **Baghdad – Camp Victory**

- MNCI C7, C8, C9 Briefing

- MILCON Programming Cycle Time Problems for Theater Efforts (Contingency Construction Authority)
- Forward Visibility to Physical Base Requirements
- Comptroller Approval Process Delays
- Program Definition - \$750k threshold problems
- OPA Availability – funds realignment issues. Bridge Procurement.
- O&M Anti-Deficiency Delays on over 100 LOGCAP projects – legal opinion.
- CPA authority, Combat Fiscal Authority – COCOM level
- Economic Development Synergies
- De-Obligation & Re-Obligation Challenges
- CERP & Engineering Review Threshold alignment problems
- Budget Problems for Rapidly Acquired Kit

- PARC Forces, Col Boyles, USAF, COL (b) (6) (USA)

- Electronic SF44 Fielding
- Integration with Deployable Disbursing System – Opportunity
- Data Synthesis & Planning
- Warfighter Open Purchase Request Router System Review
- SPS Successes & Challenges – Case Study Opportunity for SPS



## Itinerary – Day 6

**3 June**

### **Baghdad – International Zone**

- Department of State, Gulf Region Division, USACE PCO

Reconstruction Logistics Operational Overview  
BCS3 Integration  
Retrograde Utilization Opportunity Discussion  
Insurance Problems for FN contractors  
DOS/DOD Interoperability Challenges  
Date Palm Bug Spraying – Traceability of Date Palm Infestation Eradication

### **Baghdad – IZ, AM Embassy Palace Annex**

- Iraq Reconstruction Management Office, MG Heine, BG Abt

Contract Authority Centralization Discussion  
Elimination of Fee for Service Contracting in Theater for USACE  
USAID Contracting Issues – Traceability of Funds, Obligations  
Contract Administration Costs & Issues  
Contractor Oversight  
Tracking issues – systems linkages, manual activity.

- Department of State, Minister Counselor for Economic Affairs

State Owned Enterprise Privatization Status  
DOS point of view re: SOE's.  
Synergies with contracting activity to drive demand

**4-5 June**

### **Amman, Jordan Wrap-up Meetings**