

COIN CONTRACTING

The strategic, operational, and tactical implications of the economic variable in counterinsurgency operations

by MAJ Christopher L. Center

AFGHAN JOINT VENTURE

Afghan Joint Venture uses the authority provided by Section 886 of the *National Defense Authorization Act for Fiscal Year 2008* as much as possible, if necessary employing joint-venture agreements to obtain the required level of expertise. (U.S. Army photos courtesy of Bagram Regional Contracting Center.)





BUILDING CAPACITY

To build technical capacity, responsible Afghan firms are awarded strategically important contracts, such as this concrete pad project on the Bagram Airfield.

It is well-known that technical training, joint ventures, and the creation of new businesses promote economic development. Not as well-known are the impacts that battlefield commanders and contracting officers have on the economic landscape. Economic improvements result from the proper use of “money as a weapon system” (MAAWS) in counterinsurgency (COIN) operations.

In the COIN plan, the economic variable should minimize damage to existing economic systems and act as a catalyst for expansion of the host nation’s economy. Job training, joint ventures, and creation of new businesses frustrate an insurgent’s recruitment efforts and decrease its influence on the local population.

Maximizing the influence of the economic variable requires long-term goals and tactical patience. The economic variable, similar to governance and security lines of effort, requires a great deal of training and time to develop. Afghan business practices are challenged in several areas, such as ethics, technical capability, and links to criminal patronage networks. Commanders must consider all of these factors when planning which efforts will promote full economic stability.

The International Security Assistance Force (ISAF) has provided four objectives to measure economic success in quantifiable terms: vendor vetting (buying from better people), elimination of barriers, contractor education, and employment rates. Within these objectives, the emphasis is on synchronizing the contracting mission with the commander’s operational plan through proper oversight.

The intent is to prevent the infusion of large quantities of international funds that fuel corruption, finance insurgent organizations, strengthen criminal patronage networks, and undermine ISAF’s campaign objectives. Specifically:

- Through vendor vetting, Regional Contracting Centers (RCCs) are mandated to do business with “better people.” Vetting must occur through intelligence analysis and is supported by quantifiable data from the Joint Contingency Contracting System.
- By eliminating barriers to entry, Afghans are encouraged to start new businesses and broaden market opportunities. This can be measured by the number of new businesses opening and expansion of competition in the region.

- Contractor education, through corrective actions in the contracting process, such as issuing cure notices, can improve performance and ideally produce better vendors.
- Employment is the largest indicator of success, as measured by the number of jobs that COIN contracting produces.

These four objectives synchronize efforts by stakeholders in the warfighter and contingency contracting communities, enabling ISAF to nest the Afghan First (Section 886) program in COIN operations.

KEYS TO EMPOWERMENT

Warfighters at all levels must employ MAAWS to influence the economic variable. As GEN David H. Petraeus, Commander, ISAF and U.S. Forces Afghanistan, stated, “Money is my most important ammunition in this war.”

Steven Metz, author of the article *New Challenges and Old Concepts: Understanding 21st Century Insurgency* (<http://www.carlisle.army.mil/usawc/parameters/Articles/07winter/metz.pdf>), stresses the importance of the economic variable and its inclusion in the overall COIN plan: “Economic assistance and job training are as important to counterinsurgency as

political reform. Businesses started and jobs created are as much ‘indicators of success’ as insurgents killed or intelligence provided.” In *Operation Enduring Freedom*, these indicators of success provide stability, and Afghans gain confidence in their economic system and government.

The margins for economic activity tend to widen during conflict, Metz writes, and COIN contracting should attempt to make markets as competitive as possible. Economies that depend on exports of a single commodity or a few commodities are particularly vulnerable to protracted conflict, he notes; therefore, COIN operations need to include a plan for economic diversification.

“A comprehensive counterinsurgency strategy should offer alternative sources of identity and empowerment for the bored, disillusioned, and disempowered,” Metz states. “Simply providing low-paying, low-status jobs or the opportunity to attend school is not enough.”

CONTRACTING GUIDANCE

ISAF has disseminated COIN contracting guidance through the Afghan First program, which has significantly influenced contracting policy and its nonlethal impact on the battlefield in Afghanistan.

Local procurement makes good business sense from the buyer’s perspective. Afghan firms know the market and often can provide goods and services of comparable quality at competitive prices. Local procurements are often the best way for the buyer to maximize value and provide timely delivery of needed goods, services, and construction projects.

Such business engagement broadens Afghan support for our mutual strategic objectives in Afghanistan, helping local businesses grow, gain experience, and



AWARDING CONTRACTS TO AFGHAN COMPANIES

If Afghan companies are identified as having the potential to perform but lacking technical expertise, contingency contracting officers can award contracts with the intent to engage and mentor companies by using joint ventures.

generate jobs in industrial, commercial, and agriculture sectors.

Contracting in COIN operations can enhance or be detrimental to long-term economic development. A detrimental effect comes from awarding contracts to only one contractor, creating a power broker in the area.

The promotion of economic growth in Afghanistan should be balanced with the proper vetting of local national contractors. Vetting provides the RCCs visibility of the subcontractor network through joint U.S. government task forces, which are chartered to analyze monetary actions and connections to networks that oppose economic stability in Afghanistan. With this information, the task forces can prevent criminal networks and insurgents from diverting money from its intended purpose.

U.S. Central Command (CENTCOM) Contracting Command and the *Federal Acquisition Regulation* provide clauses that enable the RCC to take action against prime contractors that hire subcontractors

with ties to the insurgency or criminal networks. If a subcontractor is exploiting the contracting process, the prime contractor must be held responsible.

The Bagram RCC has used tactics that are nested in the overall Afghan First program and subordinate operational objectives of its COIN Contracting Action Plan. Details of these tactics follow.

The **Afghans Building a Better Afghanistan** program identifies and uses building materials produced in Afghanistan for use in Commander’s Emergency Response Program (CERP) projects. The intent is to create jobs and additional manufacturing possibilities within a 150-kilometer radius of Bagram Airfield. The advantages are the development of an industrial base and decrease in transportation costs. However, quality and availability of material are consistent issues that detract from the success of this program.

Afghan businesses that participate in the **Afghan Mentorship Program** and **Vendor Tournaments** are educated on the

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contract bidding process and are better prepared to conduct business with the U.S. government. These events occur in a non-threatening environment where potential vendors are able to ask questions in their native language. Participating vendors learn how to read and understand a Request for Quote or Request for Proposal, understand the requirement, how to submit coherent proposals, how timelines affect delivery, the importance of *Defense Base Act* insurance, and how to provide invoices and receive payments. These outreach efforts reduce barriers to market entry, promote competition, and develop responsible Afghan vendors who can compete for contracts at higher thresholds. They also decrease problems in the post-award phase of contracts, significantly reducing claims and disputes.

The **Joint Venture Program** uses the Afghan First program as much as possible, if necessary through the use of joint venture agreements to obtain the required level of expertise. Such agreements provide mentorship from more experienced firms. The Bagram RCC has experienced success with this program, as demonstrated by the award of a \$50 million, multiple-award contract with two Afghan joint-ventured firms for a concrete pad. Joint ventures also allow Afghan companies to achieve documented past performance so they can compete for more complex contracts in the future.

Another endeavor, the **Craftsman Project**, assists trade and craftsmen laborers in establishing businesses vital to ISAF and NATO operational requirements, and provides opportunities to establish long-term financial stability to the economy of Afghanistan. The Craftsman Project is executed through partnering programs, agency assistance, and CERP projects. These partnering programs are intended to establish joint ventures between Afghan companies and third-country businesses. As an example, the Turkish firm 77 Construction Contracting and Trading Co. has taken the lead in partnering with many local Afghan contractors.

Agency assistance also augments this emerging tactic. The Department of State, U.S. Agency for International Development, and Peace Dividend Trust provide micro loans to businesses to help build responsible vendors.

COIN contracting in Afghanistan is making an impact and providing the latitude to execute direct awards to Afghan vendors in accordance with Section 886 of the *National Defense Authorization Act for Fiscal Year 2008*. Afghan First is enabling a dozen RCCs and their contingency contracting officers to reinvest money in their geographic areas of responsibility and thereby develop the economic variable of the COIN strategy.

From January to March 2011, actions by the Senior Contracting Official-Afghanistan RCCs to reduce barriers to market entry resulted in awards totaling \$81.6 million to Afghan vendors. Barriers have also been reduced through the creation of new business and through mentorship programs, resulting in the award of U.S. government contracts to 25 new vendors.

As a result of reducing these barriers, buying from better people, holding contractors accountable, and the creation of jobs in Afghanistan, 39,395 Afghans were employed on U.S. government contracts during the same 3-month period.

Using money to support the theater commander's strategy in building economic lines of engagement remains an important nonlethal weapon that tips the center of gravity away from the insurgency.

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